Dear Lewis,


I would like to thank the Committee for the Report of 29 October 2018 and assure you that the recommendations and comments made were fully considered as part of the planning work undertaken in advance of the publication of the 2019-20 Scottish Budget on 12 December 2018.

The annexes to this letter set out in detail the responses to the key points and recommendations in the Committee’s report, grouped under the following main subject headings:

- **Budget Transparency** – Annex A
- **Financial Planning** – Annex B
- **Integration Authorities** – Annex C
- **Shifting Balance of Care to Community Health Services** – Annex D

I look forward to providing evidence to the Committee on 15 January 2019 in relation to the Scottish Budget, and will use that opportunity to discuss further the points raised by the Committee.

Best Wishes,

JEANE FREEMAN

Scottish Ministers, special advisers and the Permanent Secretary are covered by the terms of the Lobbying (Scotland) Act 2016. See www.lobbying.scot

St Andrew’s House, Regent Road, Edinburgh  EH1 3DG
www.gov.scot
## BUDGET TRANSPARENCY

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<th>Committee Recommendations</th>
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<tr>
<td>23. We have recommended in numerous budget reports the need for improved transparency in the Scottish Government’s budget. We have previously made calls for further information to allow us and the Parliament to understand and scrutinise the extent to which the allocation of budgets reflects the Scottish Government’s stated priorities for health and sport and ultimately whether the recipients are delivering the intended outcomes. Until now, not having access to basic information on budget allocations for integration authorities has made fulfilling our scrutiny function difficult.</td>
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<td>24. We welcome the commitment made by the Scottish Government to provide consolidated financial reports on integration authorities on a quarterly basis to us and the work of integration authorities in compiling this information. We also welcome the improvement in the frequency of reporting on the financial position of NHS boards. We believe, over time, provision of this information will assist in assessing patterns and trends in investment.</td>
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### Response to Committee’s Recommendations

The Scottish Government is committed to transparency of reporting, and in 2018-19 regular consolidated reports on the financial position of NHS Boards and Integration Authorities have been made available.

In 2019-20 the Scottish Government will increase investment in Integration Authorities to over £9 billion for the delivery of primary and community health services. These Partnerships represent joint working by NHS Boards and Local Authorities. As required by legislation, the funding for each Partnership is provided directly by the relevant Boards and Councils. The consolidated quarterly reporting by Integration Authorities is intended to provide the Committee with clearer information on Integration Authority budgets.

In addition to this, the Medium Term Financial Framework was published on 4 October 2018 and provides a framework setting out the investment and reform required by Health and Social Care services through to 2023-24. The 2019-20 Scottish Budget builds on the principles set out in the Financial Framework, with a focus on investment and reform with funding targeted to support a further shift in the balance of spend to mental health and to primary, community and social care.

It is important to recognise that the totality of health spending covers more than NHS Boards’ baseline funding and also includes significant investment throughout the year that is earmarked for specific purposes. This totals approximately £2.5 billion in 2019-20 and includes investment in the Waiting Times Improvement Plan, Mental Health, ADPs, and wider community health services.
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<tr>
<td>25. We are pleased that integration authorities consider these financial reports to be helpful for benchmarking performance and enabling learning across IAs. We ask for further information on how the Chief Officers’ Network and Chief Finance Officers’ Group intends to use this information and what changes it expects to see as a result.</td>
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<td>Response to Committee’s Recommendation</td>
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<td>As well as supporting the Health and Sport Committee in considering and scrutinising integrated services at a Scotland-wide level, the collation of publicly reported Integration Authority financial monitoring data will be used to:</td>
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<td>- identify common spending pressures across Scotland in order to inform discussion with stakeholders;</td>
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<td>- assist in the development of 2019-20 budgets at a local level, as well as help develop longer term service and financial plans; and</td>
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<td>- identify any areas where a particular Integration Authority appears to be an outlier, particularly in relation to spending pressures, where further investigation might be required.</td>
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<tr>
<td>Integration Authority Chief Finance Officers have undertaken to develop and improve the consolidated information available, and will continue to refine the quarterly reporting to ensure appropriate transparency.</td>
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<th>Committee Recommendation</th>
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<tr>
<td>26. We encourage the Scottish Government to consider whether it would be practical for the provision of financial information on integration authorities to be provided on a monthly basis in line with the frequency of the provision of information at an NHS board level.</td>
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<tr>
<td>Response to Committee’s Recommendation</td>
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<td>Unlike NHS Boards, as Local Government bodies, Integration Authorities do not routinely report on a monthly basis their financial information to Scottish Government. In addition to the publication of their annual audited accounts, each Integration Authority publishes its budget in an Annual Financial Statement and during the year is required to regularly report on financial performance to the Integration Authority Board. An Annual Finance Report is included in the Annual Performance Report which is published within three months of the end of the financial year.</td>
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<tr>
<td>Legislation requires sufficient information on the budget and financial performance of each Integration Authority to be in the public domain. The work that has been completed during 2018-19 has been to consolidate and make consistent information that is already publicly available in Integration Authority financial performance reports. The release of this information is aligned to when Integration Authority meetings occur, which varies across the country. For this reason, it would be practically difficult to update</td>
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this information on a monthly basis. By producing this information each quarter, it should however still provide sufficient scope to understand the financial position of individual integration authorities and assess whether any local risks or issues might be emerging.

### Committee Recommendations

27. Ultimately, we are interested in establishing the criteria on which funding decisions are made and what the funding is achieving. We discuss later in this report the limited progress made by integration authorities in reporting budgets against the nine national health and wellbeing outcomes. We believe greater linkages need to be made between the investment, outputs and performance in delivering services by integration authorities and NHS boards.

28. We expect this step change in approach to information provision from the Scottish Government and integration authorities to be built upon to include information on outputs and outcomes.

29. We need to not only be able to establish the budget allocation but the impact and outcome of the investment. This information is essential to allow the Committee and the Parliament to understand and constructively comment on policy priorities and allocation of resources.

### Response to Committee's Recommendations

As set out, Integration Authorities must publish:

- Annual audited accounts;
- Their budgets for the year, as part of an Annual Financial Statement;
- Financial performance reports during the course of the year; and
- An Annual Finance Report, as part of the Annual Performance Report which is published within three months of the end of the financial year.

Legislation requires sufficient information on the budget and financial performance of each Integration Authority to be in the public domain. It should be noted that the processes for planning and reporting under integration – strategic commissioning plans that span three years, annual financial plans, and annual performance reports and financial statements – all provide important mechanisms to set out local expectations and experience of the relationship between spending, outputs and outcomes.

We are moving towards greater consideration of outcomes and impact of funding. The Waiting Times Improvement Plan is an example of a more balanced approach demonstrating investment to support specific outcomes.
Committee Recommendation

47. We welcome the announcement by the Scottish Government of a move to a three-year financial planning cycle as this is something we have made repeated calls for over a number of years. We welcome the introduction of more financial flexibility for NHS boards. Ultimately, we wish to ensure that improvements in long-term budget planning in turn support effective decision taking and delivery of the Scottish Government’s Performance Framework. We ask the Scottish Government for further information on what changes it expects to see NHS boards make as a result of the move to three-year budget management. We also request further information on how it will monitor the implementation of this change in approach. And what actions it proposes to take against any Boards who fail to meet or are considered to be on a trajectory to fail to break even.

Response to Committee’s Recommendation

The Scottish Government is developing guidance for NHS Boards on the new three year planning and performance cycle and will set this out for Boards early in the new year. Boards will be required to provide plans that deliver a breakeven position over three years. The plans will be assessed by the Scottish Government and, once signed-off, Boards will have the flexibility to overspend or underspend by up to one per cent in any single year.

It is expected that this greater flexibility will allow Boards to improve their longer-term planning and thinking beyond one year and how key areas of investment, such as in relation to Primary Care, Mental Health and Waiting Times improvement, will deliver better outcomes.

The performance of NHS Boards is regularly reviewed throughout the year by the Scottish Government and this will continue under the arrangements for the new planning and performance cycle. This review includes the consideration of financial management, operational performance and quality of care.

Where a Board cannot deliver a balanced plan over a three-year period, this will be reflected in its position on the NHS Board Performance Escalation Framework. For example, a Board that is escalated to Stage 3 is required to develop a formal Recovery Plan, including clear milestones and responsibilities. The Board will also be provided with external expert support to implement its Plans. Escalation to Stage 4 however indicates that a higher level of support is required and may involve the appointment of a recovery team reporting to the Director General Health and Social Care & Chief Executive of NHS Scotland.

Committee Recommendation

48. During the course of our pre-budget scrutiny IAs commented on the value of having a longer-term financial plan. A short-term input focused budget process does not support the development of genuine reform. The Committee believes it would be
beneficial for integration authorities to have more longer-term financial plans. We ask the Scottish Government to respond to the concerns raised by IAs. We also ask for clarification on what impact it expects the move to three-year budget management for health boards will have on IAs approach to budget setting, for example whether it will improve timescales for agreement on the budget.

Response to Committee’s Recommendation

Integration Authorities follow Local Government accounting arrangements, and as such are already able to use reserves to support flexibility between financial years. Our three-year planning and performance cycle for NHS Boards, provides Boards with a degree of flexibility that is already in place for Integration Authorities.

The publication of the Medium Term Financial Framework and the new planning and performance cycle for NHS Boards ensures that both NHS Boards and Integration Authorities have a strong basis by which to plan for the medium to long-term. The Scottish Government agrees that this will allow for the development of genuine reform and it will be critical that Integration Authorities and Health Boards work in partnership to deliver these reforms.

Committee Recommendation

49. We have noted in previous inquiries that budgets are increased at various times during the year to take account of changes and initiatives introduced. We heard when taking evidence from NHS Greater Glasgow and Clyde this, in part, is anticipated when they set their budget although there is no guarantee of exact sums that may be allocated. We are concerned the receipt of additional funds on a seemingly ad-hoc basis during the year does not assist prudent budget management. We ask the Scottish Government how this will be affected by the move to longer-term budgeting.

Response to Committee’s Recommendation

The Scottish Government allocates baseline funding to NHS Boards at the start of the financial year, with in-year funding to support existing and new programmes of work in line with the Government’s priorities. This process allows the Scottish Government to develop and consider outcomes required for new and developing policies and ensure funding is distributed appropriately across NHS Boards. This approach allows targeting of funding in line with NHS Boards’ plans to deliver specific outcomes – for example to deliver the Waiting Times Improvement Plan.

To give some context, in 2018-19, 89% of NHS Board funding for the year from Scottish Government was provided in the baseline budget and in-year allocations have been brought forward with £1.3 billion allocated by end of September.

The Scottish Government works closely with NHS Boards and Integration Authorities to ensure they are notified as early as possible of in-year funding and where this funding is over a multi-year period, provide the expected funding levels for future years. For example, in 2018-19 the Scottish Government informed Integration Authorities and NHS Boards of indicative funding assumptions for 2019-20 and beyond for the Primary Care Fund.
Committee Recommendation

50. We also welcome the publication of the Scottish Government's Medium Term Health and Social Care Financial Framework. The framework provides confirmation of the four key health and social care expenditure commitments. To assist scrutiny, it would be helpful if regular progress updates were provided for each commitment and that definitions are clear e.g. for what is included in the definition of primary care.

Response to Committee’s Recommendation

The definitions for the commitments are consistent with the letter sent by the then Cabinet Secretary for Health and Sport on 9 February 2017. In terms of the overall shift in the balance of care, Annex D sets out detail on the position for 2016-17 and 2017-18.

The Scottish Government continues to work with NHS Boards and Integration Authorities to develop regular progress updates on the key commitments. This will be agreed with NHS Directors of Finance and Integration Authority Chief Finance Officers and will form part of regular financial reporting and will be in place from the start of 2019-20.

Committee Recommendation

51. We note the concerns raised in evidence about the merits of longer-term financial planning. We recommend the Scottish Government clearly set out and specify for each NHS board planned health expenditure over the course of this Scottish Parliament taking account of the commitments made in the Framework.

Response to Committee’s Recommendation

The Scottish Government works closely with NHS Boards to consider and set out anticipated health expenditure in future years. This requires to be done within the context of the overall Scottish Government’s budget, and the level of certainty provided by the UK Government’s budget (the UK Autumn Budget 2018 provided a one-year settlement for resource funding and a two-year settlement for capital funding).

Following the publication of the Medium Term Financial Framework, we are progressing work with NHS Boards to set out expected level of expenditure at local and regional levels.

Committee Recommendation

52. The Framework contains a range of figures using different definitions and covering different time periods. In advance of publication of the Budget it would be helpful if absolute clarity could be provided on the detail that it contains. This will assist us when we consider the actual budget proposals.

Response to Committee’s Recommendation

The health figures in the Financial Framework are taken from the NHS Costs Book for 2016-17. This was the latest set of figures available and also represents the baseline spend for this Scottish Parliament.
As set out above, the definitions for the commitments are consistent with the letter sent by the then Cabinet Secretary for Health and Sport on 9 February 2017. In terms of the overall shift in the balance of care, Annex D of this letter sets out in detail how this is progressing from 2016-17 to 2017-18.

The time periods for policy commitments are set out to 2021-22, in line with the lifetime of the current Scottish Parliament. For the purposes of the analysis on investment and reform required by the system, the period to 2023-24 has been used as this links with the period of the UK Government’s funding announcement for the NHS in England. Scottish Government officials would welcome the opportunity to discuss this analysis in more detail with Committee officials and/or SPICe colleagues if that would be of assistance.

Committee Recommendation

53. One area in particular is clarification on the increase in spend on the NHS in Scotland. The Medium Term Financial Strategy published in May referred to resource spending on the NHS increasing by £2 billion over the course of this Parliament (to 2021-22). The Medium Term Health and Social Care Financial Framework refers to an increase of £1.5bn in spending on frontline NHS Boards over the period 2016-17 to 2021-22. Although this relates to a narrower definition of health spending it is unclear to us how this reflects the planned £2bn additional health spending. We ask the Scottish Government to clarify and specify the issue and also to confirm the extent to which the figure fully includes the anticipated Barnett consequentials.

Response to Committee's Recommendation

The Scottish Government’s commitment to increase health resource spending by £2 billion over the course of this Parliament refers to the total health resource budget. The Scottish Government is on track to deliver this commitment, with the 2019-20 budget having increased resource spending by £1.46 billion since 2016-17.

The Scottish Government has committed to pass on Barnett health resource consequentials in full. This commitment has been delivered since 2010-11, and in 2019-20 the Scottish Government has allocated an additional £55 million to the health resource budget to reinstate the reduction in consequentials applied by the UK Government at the Autumn Budget 2018.

Additional spending by Frontline NHS Boards as set out in the Financial Framework relates to the 14 NHS Territorial Boards and 4 NHS National Boards delivering frontline services.

As set out in Annex D, spending by Frontline NHS Boards increased by £340 million in 2017-18. The Scottish Budget for 2019-20 confirms that Frontline NHS Boards are receiving additional funding of £430 million, which amounts to an increase of 4.2% in cash terms.
### Committee Recommendation 54.
The Framework also refers to funding for primary care increasing to 11% of the frontline NHS budget by 2021/22. We request confirmation of the actual amount this will equate to and the current amount and percentage of the NHS frontline budget which is spent on primary care.

### Response to Committee's Recommendation
Increasing investment by £500 million for primary care over the lifetime of the Parliament will take spending on primary care to at least £1.28 billion and to 11% of the frontline NHS budget by 2021-22. £250 million of the increase will be in direct support of general practice.

The next step towards this in 2019-20 will see £941 million to support the new GP contract and primary care reform. We are also investing to support wider primary care services. In 2019-20 we project that total spending on primary care will represent approximately 9% of the frontline NHS budget.

### Committee Recommendation 55.
The Financial Framework states that future demand projections for health have been based on an annual growth rate of 3.5% in the cash budget. If demand pressures are to be met within this annual uplift, then substantial savings will need to be found, as outlined in the document. We ask the Scottish Government what plans it has for future funding should these savings plans prove unachievable.

### Response to Committee's Recommendation
The Health Portfolio is required to live within its means, and the Financial Framework sets out a proposal for further resource funding of £3.3 billion by 2023-24. This is around 2.7% real terms per year, and is therefore more than the 2% indicated as necessary by the Fraser of Allander Institute for the health budget to stand still. The Framework also sets out the level of savings and types of reform initiatives that are required to deliver a sustainable health and social care system. This has been agreed by NHS Boards and Integration Authorities to represent an appropriate set of assumptions.

### Committee Recommendation 70.
We note that the Financial Framework outlines spending plans that depend on substantial levels of savings being achieved. We ask the Scottish Government to comment on how realistic this aim is, given the challenges that Boards already face in meeting efficiency saving targets.

### Response to Committee’s Recommendation
The Financial Framework was developed jointly by the Scottish Government, NHS Boards, Integration Authorities, and COSLA. The assumptions were jointly agreed and extensively tested. The Financial Framework anticipates annual savings of circa 1%, and taken together with reform measures this amounts to circa 1.3%. This forms a set of realistic expectations that is in line with
the majority of independent economic analysis and is consistent with the UK Government’s planning assumptions for the NHS in England.

Committee Recommendation

73. We note that the brokerage requests from NHS boards for 2017-18 showed a significant increase in the finances required in the last three months of the financial year. We ask the Scottish Government why this increase was not anticipated and what steps have been put in place to improve the accuracy of financial monitoring.

Response to Committee’s Recommendation

Three Boards required brokerage in 2017-18: NHS Ayrshire and Arran, £23 million; NHS Tayside, £12.7 million; and NHS Highland, £15 million. While there were some specific late movements in the NHS Tayside position, beyond this the brokerage required was in line with the financial forecasts from NHS Boards. In supporting our commitment to transparency and accountability, we have introduced regular reporting of the financial position of NHS Boards and Integration Authorities. To support the focus on the year-end position, this requires Boards to confirm their anticipated level of brokerage over the course of the year. This is assessed as part of our ongoing monitoring and management of all NHS Boards.

Committee Recommendation

74. The Cabinet Secretary has estimated brokerage for NHS territorial boards for the last five years as £150m. We ask the Scottish Government to confirm how it has arrived at this figure broken down to NHS board level. In response to this report we ask the Scottish Government where the funding to ‘write off’ the brokerage payments is coming from.

Response to Committee’s Recommendation

The estimated level of outstanding brokerage for NHS Territorial Boards at the end of 2018-19 is set out in the table below. This is based on the opening balances for 2018-19 and the anticipated levels of brokerage required by the relevant Boards for 2018-19 (as set out in the monthly finance reports):
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<tr>
<td></td>
<td>£m</td>
<td>£m</td>
<td>£m</td>
</tr>
<tr>
<td>NHS Ayrshire &amp; Arran</td>
<td>23.0</td>
<td>20.0</td>
<td>43.0</td>
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<tr>
<td>NHS Borders</td>
<td>0</td>
<td>10.0</td>
<td>10.0</td>
</tr>
<tr>
<td>NHS Highland</td>
<td>15.0</td>
<td>19.0</td>
<td>34.0</td>
</tr>
<tr>
<td>NHS Tayside</td>
<td>45.9</td>
<td>18.7</td>
<td>64.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>83.9</strong></td>
<td><strong>67.7</strong></td>
<td><strong>151.6</strong></td>
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This money has already been spent on patient care, and has been managed within our planned level of tolerance within the overall Portfolio budget. The 2019-20 Scottish Budget makes no assumption for repayment of brokerage.

No Territorial Board has repaid any brokerage since 2016-17, and the medium term financial plans to 2023-24 (as set out in the Financial Framework) have not assumed any brokerage repayments. As such, the decision to provide a clean slate to all Territorial Boards in 2019-20 does not have a negative impact on the financial planning assumptions for the Health and Sport portfolio.

**Committee Recommendation**

75. *We ask the Scottish Government how NHS boards will be incentivised to reduce their need for brokerage and meet efficiency savings before the financial year end given the commitment that all outstanding brokerage expenditure will be written off.*

**Response to Committee’s Recommendation**

The Scottish Government has been clear in its expectation that Boards that are currently anticipating brokerage in 2018-19 must work to ensure no further deterioration to the brokerage requirement in-year, and that all other Boards must work to delivering a balanced financial position. Also, in order to benefit from the new planning and performance cycle, Boards are required to demonstrate a balanced financial position.

There has been no deterioration in the anticipated brokerage requirement since the announcement of the new arrangements for Boards.
Committee Recommendation

76. We note that the money to write off outstanding brokerage expenditure has as yet not been approved by the Scottish Parliament. To allow Parliament to consider this proposal would the Cabinet Secretary indicate her proposed absolute maximum and what measures are in place to ensure the announced open-ended guarantee is not subject to any misuse by these or other NHS boards?

Response to Committee’s Recommendation

The money incurred by Territorial Boards has already been spent in providing patient care, and has been accommodated within the overall Health and Sport Portfolio budget, which has consistently delivered a balanced outturn each year that brokerage has been provided. The provision of brokerage demonstrates that patient care is the top priority, and there has been no assumption for the repayment of brokerage from Territorial Boards in the medium term financial plans.

The Scottish Government will not seek to recover outstanding historic brokerage provided to Territorial Boards to the end of 2018-19. This decision is therefore not open-ended and does not apply to future requirements for brokerage by Boards that cannot deliver the requirements of the new planning and performance cycle (breakeven over three years and up to one per cent over/underspend in any one year).

Committee Recommendation

85. Regionalisation will be an important aspect of future financial planning. We are therefore concerned that although the three regional boards were asked to provide a delivery plan in 2017 they are still to be published. We request this lack of transparency be addressed and the delivery plan be published by the Scottish Government in advance of the budget.

Response to Committee’s Recommendation

Each region is engaging with stakeholders on their broad proposals - for instance the West region has run large engagement events with stakeholders ranging from Health Board and Integration Authority Board members to Councillors and staff representatives - in advance of the formal endorsement by the individual Boards within the regions involved in developing these proposals. This process of endorsement helps to provide accountability arrangements for the regional delivery plans. It would therefore be premature to publish the final delivery plans before the process of endorsement is complete.

Committee Recommendation

86. We have received examples where there is confusion regarding where responsibility as well as accountability for delivery of some services lies. Whilst recognising the ‘organic’ approach taken to date in the development of regionalisation we believe this is presenting challenges that need to be addressed by making lines of accountability and decision-making clearer and more transparent.
### Response to Committee's Recommendation

Regional planning and delivery has existed for many years within the current accountability structures, which is being enhanced through the work that is now taking place. We are looking systematically at how we can expand approaches that benefit patient care and experience, whether by taking a regional or a national approach. For instance, trans-catheter aortic valve implantation (TAVI) was a national service for patients across Scotland provided in Lothian, now expanded to the Golden Jubilee Hospital, with a business case pending to create a third regional centre in the North. Standardised, detailed radiology data collection, available in the first half of 2019 and a single cross-boundary IT system fully deployed across Scotland by the middle of the next year, is another example where Boards, working collaboratively and with partners, provide better patient outcomes and more efficient, consistent and sustainable services for staff and patients at local, regional and national levels.

### Committee Recommendation

87. We believe there are currently issues around accountability of services. Evidence we received from the Scottish Government suggested that changes to accountability was something for future consideration. However, we have received examples of issues around accountability that are already occurring as a result of service delivery at a regional level. We would welcome the Scottish Government’s comments on this and believe steps should be taken now to address issues around accountability structures.

### Response to Committee's Recommendation

In terms of regional plans, accountability for service provision remains with the individual NHS Boards who sign off any proposal generated at regional level. However, planning services for the regional population will create greater opportunities for improvement across the NHS Boards in the regions. The Regional Implementation Leads are also Chief Executives of Health Boards with the associated accountability arrangements that these roles involve. This means that the planning and delivery of regional services can work to the best advantage, including improving the day-to-day operation of frontline services.
### Committee Recommendation

116. For the integration of health and social care to deliver transformational change in services requires a fundamental change in the relationship between local authorities and health boards. Integration authorities are tasked with leading and driving this change and ensuring it is embedded in the culture and approach being taken.

### Response to Committee’s Recommendation

The Scottish Government agrees that strong, effective leadership centred on partnership working across health and social care is central to the success of integration. We are committed to ensuring the conditions for integration are in place locally and nationally, and our work to review progress with integration has identified leadership as one of its four key themes.

The first output from our review – our recent joint statement on integration with local government and the NHS – is a clear indicator of that commitment. The joint statement was issued on 26 September 2018; it frames our joint ambitions for integration and sets the context for recommendations that will follow from our review.

A finance leadership event was held on 19 November 2018 to enable professionals engaged in making integrated financial arrangements work to come together and discuss the challenges, successes and ways forward. The learning from this will be fed back to the Integration Finance Development Group (FDG). This is a group chaired by the Scottish Government Director of Health Finance, Corporate Governance and Value, which in addition to Scottish Government includes representation from Integration Authority Chief Officers and Chief Finance Officers, the Chartered Institute of Public Finance and Accountancy (CIPFA), Audit Scotland, NHS and Local Authority Directors of Finance and COSLA. The group is working with Health Boards and Integration Authorities to consider next steps.

Chief Officers of Integration Authorities across Scotland launched a collaborative leadership network called “Health and Social Care Scotland” at their inaugural annual conference on 7 December 2018. The First Minister opened the event and the Cabinet Secretary for Health and Sport was interviewed as part of it. The event provided an opportunity for partnerships to share learning and practice with one another.

### Committee Recommendation

117. The message we have received from the Scottish Government is that it considers the legislation underpinning integration to be clear regarding lines of accountability and IA Chief Officers should feel empowered to provide the clear leadership direction and authority that is required in this role.
Response to Committee's Recommendation

The legislation is clear about lines of accountability and the recent Audit Scotland report on health and social care integration, when commenting on the need to agree local accountability arrangements, stated that “there is sufficient scope within existing legislation to allow this to happen.” Integration is working within the current framework in areas that particularly demonstrate strong leadership.

The Scottish Government recognises that achieving greater clarity and transparency on governance responsibilities and accountability arrangements, in every local system, is essential to the success of integration. Many Integration Authorities are making good progress on governance and it is important that we learn from those examples and spread good practice. As part of the review of progress with integration that is currently underway, we are working with Integration Authorities, NHS Boards and Local Authorities to achieve this. Under the Public Bodies (Joint Working) (Scotland) Act 2014 the issuing of written directions is a key aspect of governance and accountability, which provides clarity on responsibilities between partners. Recognising that the use of directions and their effectiveness to date has been limited, we are exploring the development of guidance, based on good practice, which will support all the parties involved in integration to improve practice and use directions as intended.

Committee Recommendation

118. However, three years [we include in this period the 12 months for set up] into integration, a number of integration authorities do not appear to be exerting that challenge function and ultimately their authority and control over the budget is being dictated by individual partners. This situation cannot be allowed to persist and we would welcome the views of the Scottish Government on when they consider it appropriate for the changes agreed by Parliament, when passing the legislation, to be delivered.

Response to Committee's Recommendation

This matter has also been discussed as part of our review of progress with integration, which will make recommendations to the Ministerial Strategic Group (MSG) for Community Health Care in the new year.

Integration Authorities are defined as s106 public bodies under the Local Government (Scotland) Act 1973 for accounting purposes. Each has a S95 Officer who is responsible for the proper administration of the funds delegated to the Integration Authority by the Health Board and Local Authority. The Scottish Government expects each Health Board, in partnership with the Local Authority and Integration Authority, to fully implement the integrated financial arrangements, including set aside requirements, of the legislation in line with the statutory finance guidance published in June 2015.

Our Integration Finance Development Group, which is chaired by the Scottish Government Director of Health Finance, Corporate Governance and Value, is working with Health Boards, Integration Authorities and NHS National Services Scotland to ensure partners have sufficient information to support implementation of this aspect of the legislation, and to share good practice. This
group is currently looking at how to improve the budget setting process, delegation of hospital budgets and support for the Chief Finance Officer. The Scottish Government will work with Integration Authorities, Health Boards and Local Authorities to ensure the legislation and statutory guidance on hospital specialties delegated to Integration Authorities, particularly in relation to set aside budgets, is put into practice.

**Committee Recommendation**

119. We have explored in our pre-budget scrutiny whether there are further steps that could be taken to support integration authorities. This has included addressing concerns that IA Chief Officers (and Finance Officers) are associated with either a health board or a local authority leading to conflicts of interest. Also whether direct funding may be an appropriate change to allocating funding. However, to date, the Scottish Government has emphasised that it is about supporting and facilitating the effective operation of the current arrangements, not making changes to lines of accountability or mechanism for budget allocation.

**Response to Committee’s Recommendation**

The recently published Audit Scotland report on health and social care integration recognises that integration is working within the current legislative framework in areas that particularly demonstrate strong leadership. Therefore we are working closely with partnerships to support effective implementation of the legislation across the country.

Our review of progress with integration is considering matters related to integrated finance.

**Committee Recommendation**

120. If in response to this report the Scottish Government remains firm on this view we believe it must then take further action to support IAs in their relationships with local authorities and health boards. We do not believe at this stage we are seeing evidence that IA leadership across all 31 IAs is equipped to deliver this change in relationships and ultimately deliver the transformational change in health and social care that is required. We ask the Scottish Government in response to this report to detail the steps it is taking to measure the quality of leadership at IA level.

**Response to Committee’s Recommendation**

The Scottish Government agrees that strong, effective leadership centred on partnership working across health and social care is central to the success of integration. It is important to be clear that responsibility for making good progress in reasonable timescales is shared across the system and does not sit solely with individual organisations or individuals, no matter how senior. Trust between partners varies around the country. We are committed to ensuring both the correct expectations and conditions for integration are in place locally and nationally, and our work to review progress with integration is focussing especially on leadership challenges. The first output from our review – our recent joint statement on integration with local government and the NHS – is a clear indicator of that commitment. The joint statement was issued on 26 September 2018; it frames our joint
ambitions for integration and sets the context for recommendations that will follow from our review, which is due to report to MSG (Ministerial Strategic Group) in January 2019.

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<td><strong>121.</strong> We note the King’s Fund call for individual and collective leadership development at a Chief Officers level. We ask the Scottish Government since publication of the King’s Fund report what steps it has taken to support this work. We ask the Scottish Government how it evaluates leadership within the IAs and, where concerns regarding leadership and relationship are found, what steps are taken to improve performance. We believe further steps need to be taken to ensure IA leadership is sufficiently robust in setting out requirements and providing clear direction. To rephrase the quote from Robert McCulloch-Graham there can only be one master; it is the responsibility of the IAs to lead on allocation of funding in areas delegated to the IA.</td>
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<tr>
<td>The King’s Fund have continued to work with Chief Officers since the report was published on 21 June 2018. The last development session of the programme was held in October 2018, which reflected on progress since the report was published. We continue to support the Chief Officer network by providing funding for policy, administration and communications posts and have also committed to providing future development support. The nature of that development support is subject to current discussion to ensure that individual and collective leadership development continues to grow across the system. We are committed to collaborative leadership support programmes, examples of this leadership work include:</td>
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<tr>
<td>o Kings Fund Leadership Programme for Chief Officers - Chief Officers have for the past year been working with the King’s Fund to review their approach, achievements and direction of travel in terms of embedding and delivering their roles and responsibilities in the health and social care system.</td>
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<tr>
<td>o Project Lift is a collaboration between the Scottish Government, NHS Education for Scotland, the Golden Jubilee Foundation and NHS National Services Scotland. It supports the development of leadership capability and capacity of NHS staff in Scotland to transform health and social care.</td>
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The Scottish Government and our partners recognise that there is more to do to improve and synchronise leadership development across health and social care, and will progress activity once our review of integration has delivered its recommendations.

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<td><strong>122.</strong> The King’s Fund suggests six areas for action for IA Chief Officers and the Scottish Government’s policy leads for integration of health and social care. We ask the Scottish Government to provide comments on each of these recommendations and information on how they are being taken forward.</td>
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| Response to Committee’s Recommendation |
The first four recommendations were for the Chief Officers to consider, with the last two for joint consideration by Chief Officers and the Scottish Government.

1. **Chief Officers should consider further strengthening the work and role of the Chief Officers network.** The network continues to meet as a full network every two months, and also continues to develop their community of interest groups. Officials from Integration Division in the Scottish Government meet regularly with the network to discuss matters of interest. Integration Division also liaise with other areas of the Scottish Government to ensure the Chief Officer network are sighted upon, and involved as appropriate in the range of policy interests.

2. **Within the Chief Officers communications plan, articulate how the many diverse local initiatives add up to a national approach and progress.** The Chief Officers have held an inaugural national integration conference for December 2018 called Creativity, Culture and Courage. The conference launched Health and Social Care Scotland, which is a national collaboration of those who lead change within Health and Social Care Partnerships to come together to learn from each other, work collectively and support one another to deliver better health and wellbeing outcomes for the people of Scotland. The Chief Officers have developed a communications plan for this event and have dedicated communications support that is jointly funded by the Scottish Government and Chief Officers network.

3. **Share and clarify approaches to assessing local progress.** Integration Authorities have a duty to report annually on progress, but will also produce a number of local progress reports. A number of areas have developed groups of other similar areas that they use for benchmarking progress. The development of Health and Social Care Scotland will support the sharing of ideas and good practice. The Scottish Government is working with Integration Authorities to develop and agree a reporting framework for the Ministerial Strategic Group for Health and Community Care that provides quarterly progress updates. In addition, as part of the review of integration, the Scottish Government has produced an overview of 2017-18 Annual Reports which considers how progress is being reported.

4. **Develop and engagement plan so that the network can contribute to developments in, and be consulted by, other national bodies.** As part of the King’s Fund supported development programme, the Chief Officers network has been considering how best to contribute to and provide input to other national bodies. They have been developing a communications and engagement plan for the inaugural Health and Social Care conference, which will no doubt be the basis for further communications and engagement plans. The positioning statement within this sets out that “Health and Social Care Scotland provides leaders from health and social care partnerships in Scotland with a national collaborative network and a common voice to engage with national stakeholders and partners. We do this by engaging with national bodies, including Scottish Government and other strategic organisations, on policy and developments regarding the integration of community-based health and social care services in Scotland.”
5. **Chief Officers and Scottish Government should consider how to involve chief officers as core members of national networks.** The Scottish Government agree that Chief Officers should be involved as core members of national networks of Executive Officers. Chief Officers have representatives on a number of national networks, including the MSG and groups contributing to the review of integration.

6. **Chief Officers and the Scottish Government should consider the extent to which the leadership ask for integration is understood and what might support effective leadership of system change.** The review of integration has a clear focus on leadership challenges and is itself providing a demonstrable example of commitment to integrated working under its dual leadership of the Director General for Health and Social Care and Chief Executive of NHS Scotland, Paul Gray, and the Chief Executive of COSLA, Sally Loudon. David Williams (Chair of Chief Officer Network and Chief Officer of Glasgow City Health and Social Care Partnership) is a member of the leadership group overseeing the review, along with Andrew Kerr (Chief Executive of City of Edinburgh, representing local authority Chief Executives), Paul Hawkins (Chief Executive NHS Fife, representing NHS Chief Executives), Annie Gunner-Logan (Director Coalition of Care Providers Scotland representing the third sector collaborative) and Donald Mackaskill (Chief Executive of Scottish Care representing the independent sector).

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<tr>
<td>146. It is clear that 12 months on from when we last raised concerns with the operation of set aside budgets, there remains a disconnect between how the set aside budget should operate in principle compared with how it is operating in practice.</td>
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<td>147. The Scottish Government described the set aside budget as a mechanism for shifting the balance of care, however this mechanism is not being utilised effectively across all IAs. Some IAs describe the budget as a “notional” budget rather than an actual budget that they can use to affect change. Three years into the operation of IAs we do not consider this position to be acceptable.</td>
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<tr>
<td>148. The statutory guidance to support the new working arrangements and the Scottish Government’s Integration Finance Development Group to date have not delivered results in ensuring the set aside budget is working effectively in all IAs.</td>
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**Response to Committee’s Recommendations**

We need to step up the pace of integrating health and social care. Truly integrated services, focused on the needs of citizens – individuals, carers and families, and on the health and wellbeing of local communities – require leadership and personal commitment. We need to act together to accelerate progress.

We expect each Health Board, in partnership with the Local Authority and Integration Authority, to fully implement the set aside requirements of the legislation in line with the statutory guidance published in June 2015.
We are already making progress and recognise that there is a joint responsible for tackling challenges and that we need to adapt, compromise and support one another to deliver integration for the people of Scotland.

The Public Bodies (Joint Working) Act 2014 puts in place governance and financial arrangements, and a set of outcomes, to work within to achieve integration. There is a duty for NHS Boards and Local Authorities to empower Integration Authorities and to be held to account in order to make integration work. Partnerships will learn from one another and adopt good practice. We will also work collaboratively and in partnership beyond the statutory sector to deliver improvements.

Committee Recommendation

149. Progress needs to be made in the funding allocated to delegated acute services. We recommend the Scottish Government consider placing a requirement that NHS boards delegate their acute hospital services budget to the IA rather than having the option of the NHS board retaining this budget. We believe this approach would assist in addressing the impasse in the operation of these budgets in some IAs at present.

Response to Committee’s Recommendation

In recognising the complexities associated with the management of budgets by multiple partners for unscheduled inpatient hospital care during the consultation on the legislation; it was agreed that the set aside arrangement was the most appropriate mechanism to provide partnerships with a practical and workable solution. Furthermore, we know that some partnerships have made good progress in both establishing and managing these budgets. The Scottish Government will work with Integration Authorities, Health Boards and Local Authorities to ensure the legislation and statutory guidance on hospital specialties delegated to Integration Authorities, particularly in relation to set aside budgets, is put into practice.

Committee Recommendation

150. We note the views expressed by the Director-General that there can be challenges to release an efficiency saving if only a part of the service, for example a ward, is no longer required, as the ward still needs to be funded. If acute services budgets are not delegated to IAs we ask the Scottish Government how the situation where there is a partial reduction in a service is not sufficient to release funds can be rectified.

Response to Committee’s Recommendation

Redesigning services to relocate care from hospitals to community settings requires careful planning by Integration Authorities in close collaboration with Health Boards and Local Authority partners, if it is to achieve best value and provide better quality and sustainable models of care. Legislation and statutory guidance require Integration Authorities whose populations use hospitals managed by the same Health Board to work together, with the Health Board, to produce a shared plan for their combined required hospital capacity that takes account of how costs change with changes in activity. This approach can help local partners
to share the risks and opportunities associated with shifting the balance of care for their populations, including in terms of shifting expenditure from hospital services to communities.

**Committee Recommendation**

151. The Scottish Government emphasised that the acute component of hospital care should be built into service delivery plans. These plans should then direct how the money flows – in turn assisting with how the set aside budget operates. The Scottish Government highlighted that Aberdeen City IA as a good example of this. We ask the Scottish Government why Aberdeen City has been able to deliver this approach whilst other IAs have not? What barriers are other IAs facing which have prevented them from successfully implementing this approach and how can these be overcome?

**Response to Committee’s Recommendation**

The set aside arrangements involve a major change in the way hospital services are planned by bringing them within the scope of plans for the whole unscheduled care pathway, overseen for the first time by a single body, the Integration Authority. This approach requires financial and activity information to be presented and considered in new ways, new arrangements for planning to take place and strong leadership to prioritise making these changes. Partnerships have managed to implement these to varying degrees and the Integration Finance Development Group is working to ensure partners have sufficient information to support implementation and to share good practice.

**Committee Recommendation**

152. We believe leadership is an important component in determining the effectiveness of the operation of the set aside budget. The Director-General referred to “contested views” between health boards, local authorities and IAs about how the set aside budget should work. The Scottish Government spoke of set aside budgets as giving IAs some ‘authority’ over aspects of acute hospital care. We believe that the current operation of the set aside budgets in IAs suggests they are not exerting this authority with regard to the operation of the set aside budget. We ask the Scottish Government how this can be rectified in the coming financial year.

**Response to Committee’s Recommendation**

As set out above, we expect each Health Board, in partnership with the Local Authority and Integration Authority, to fully implement the set aside requirements of the legislation in line with the statutory guidance published in June 2015. The review of progress with integration is considering financial matters and will make recommendations in the new year.
**Committee Recommendation**

153. We also request information on the target that has been established for the set aside budget impacting on the shift in the balance of care. We wish to monitor progress towards delivery of this target and request this information is provided as part of the overall figures on progress towards delivery of the shift in the balance of care.

**Response to Committee’s Recommendation**

No individual target has been aligned to the set aside budget in terms of its specific impact on shifting the balance of care. The set aside budget is included as part of the calculation in the shift in the balance of care, which it is expected partnerships will implement (see Annex D).

**Committee Recommendation**

154. We are concerned that IAs are not providing the clear leadership, direction and authority required in these situations. We ask what further actions the Scottish Government will take to ensure IAs Chief Officers ‘lead’ and use the tools they have at their disposal to ensure the effective operation of the set aside budget.

**Response to Committee’s Recommendation**

The legislation and statutory guidance provide the powers and processes to enable Chief Officers to lead in planning care across the whole unscheduled care pathway. Notwithstanding this, it is clear that some partnerships are finding this difficult. The Integration Finance Development Group is working to ensure partners have sufficient information to support implementation, to share good practice, identify obstacles and to advise the review of progress with integration on improvement.

**Committee Recommendations**

174. Whilst there is a statutory requirement for IAs to report on how they have used their resources to achieve the health and wellbeing outcomes, it is unacceptable this is not being done and the Scottish Government and Parliament does not know how some £8billion is being spent.

175. We note some IAs continue to raise the same concerns regarding the complexity of linking budgets to outcomes and the value of adopting such an approach.

176. There is a statutory obligation for IAs to provide this information yet limited progress has been made to date. For IAs to embrace this approach there must be value in it. We consider it unacceptable IAs are taking allocation and investment decisions without assessing, or even possessing the ability to assess the relationship between the effectiveness of spending on outcomes.

**Response to Committee’s Recommendations**

We recognise the importance of linking expenditure to outcomes, and that it will enable us to establish the value of expenditure on services in terms of people’s experience of care. Integration Authorities are making progress using the data provided via the Source system (managed by NHS National Services Scotland) and analytical support for strategic commissioning provided via
the LIST (Local Intelligence Support Team) provided by NHS National Services Scotland. The processes for planning and reporting under integration – strategic commissioning plans that span three years, annual financial plans, and annual performance reports and financial statements – all provide important mechanisms to set out local expectations and experience of the relationship between spending and outcomes.

Committee Recommendations

177. We have previously called for direction to be given by the Scottish Government to provide IAs with clear parameters within which to measure and quantify IA budgets against specific outcomes. We now expect such measurement to be provided.

178. We welcome the comments from the Scottish Government which suggest some steps are being taken to look at national outcomes in relation to financial expenditure. We also welcome the Scottish Government’s comments which recognise the importance of ensuring this information is meaningful and provided on a real-time basis for IAs.

179. However, we believe it remains unclear what priority this work is being given by the Scottish Government; how long a system linking spend with outcomes will take to develop and implement and, ultimately, at what stage the Scottish Government will be able to evaluate IAs performance against its own priorities. We expect this issue should be a key priority and Parliament should no longer be put in the position of approving allocations which are not measurable.

Response to Committee’s Recommendations

The “National Health and Wellbeing Outcomes” provides a framework for improving the planning and delivery of integrated health and social care services. The priority for Scottish Ministers is to improve people’s experience of health and care services and the outcomes that services achieve. In particular, improving the quality and consistency of outcomes across Scotland, so that people and carers have a similar experience of services and support, whichever Health Board or Local Authority area they live within, while allowing for local approaches to service delivery. Sourcing, linking and interpreting data is key to understanding and projecting patterns of service demand. Providing such insight delivers better plans, designing improved service user pathways and more generally better health and social care services. To ensure that performance is open and accountable, the Public Bodies (Joint Working) (Scotland) Act 2014 requires Integration Authorities to publish an Annual Performance Report. The required content of the performance reports is set out in The Public Bodies (Joint Working) (Content of Performance Reports) (Scotland) Regulations 2014. In summary, each report must include an assessment of performance in the context of the Integration Authority’s strategic commissioning plan and financial statement and how the expenditure allocated in the financial statement has contributed to achieving the national health and wellbeing outcomes.

Committee Recommendation

180. The Scottish Government must, in advance of the publication of the budget, provide assurance that developing budget information against outcomes is a top priority, advise when this information will be available and provide further information on the work that is being undertaken with the deadlines set for delivery.
### Response to Committee's Recommendation
Integration Authorities are required to take into account the integration planning and delivery principles and the national health and wellbeing outcomes, which are set out in the legislation that underpins integration, when preparing their strategic commissioning plans. This approach is designed to ensure that outcomes are at the heart of planning for the local population’s needs, and to embed a person centered approach alongside anticipatory and preventative care planning. The strategic commissioning plan incorporates a medium term financial plan and Integration Authorities are also required to publish an Annual Financial Statement setting out the amount that will be spent in each year of the strategic plan. Retrospectively, Integration Authorities are required to publish an annual performance report that sets out their performance in planning and carrying out the functions for which they are responsible.

### Committee Recommendation
181. In relation to data that is currently available we note the comments from the Scottish Government that data they are starting to gather on IAs performance in priority areas is not only demonstrating a variation in performance but also in ambition for change between different IAs. Given this, we expect the Scottish Government to take steps to ensure this variation in performance and ambition is addressed.

### Response to Committee's Recommendation
It is vital that Integration Authorities apply learning from one another in terms of practice that does, and indeed does not, improve outcomes across health and social care. National bodies such as Healthcare Improvement Scotland, the Care Inspectorate, Audit Scotland and National Services Scotland each provide important support in this regard. In addition, we are taking forward work with Chief Officers of Integration Authorities and senior operational staff in local systems to identify the features of consistently good care that should characterise local services.

### Committee Recommendation
182. We note the concerns raised by some IAs that a large proportion of IA budgets are ‘fixed’ at least in the short term. We ask the Scottish Government if only a limited proportion of the budget is ‘free’ to be directed by IAs how it can be assured this is not hampering innovation in the delivery of services. It is impossible to track spend on innovation and there is no way of evaluating its overall success. Where that does happen we are unaware of any system which rolls out successful changes. We request further information on how information on innovated approaches is being collected and disseminated.
Response to Committee's Recommendation

Financial planning locally for Integration Authorities includes the incorporation of a medium term financial plan for the resources within the scope of the Strategic Plan. Integration Authorities are also required to publish an Annual Financial Statement which sets out the amount that will be spent in each year of the strategic plan. The Scottish Government continues to work closely with Integration Authorities and their Local Authority and Health Board partners in a variety of ways. In addition to their own formal and informal networks, the Integration Finance Development Group, chaired by the Scottish Government Director of Health Finance, Corporate Governance and Value, is an example of where the Scottish Government is working to ensure that partners have sufficient information to support implementation of innovative approaches to problem solving. This includes the sharing of best practice by those who have made good progress in specific areas, for example, improvements in delayed discharge performance. Whilst some costs will be “fixed” in nature, this is just one example of where there is flexibility for resource to be vired within the system in a planned and systematic way.

Committee Recommendations

183. The impact of targets on behaviour is an issue we have explored in previous budget reports and most recently with Sir Harry Burns in the context of his review of Targets and Indicators in Health and Social Care in Scotland.

184. We recognise and support the comments we received in our pre-budget evidence sessions regarding ensuring outcomes capture both quantitative and qualitative data. As we stated in our NHS Governance report, targets should be aligned with quality of care and outcomes. We are disappointed with the lack of progress that appears to have been made in the further development of a suite of health and care targets following the findings and recommendations in Sir Harry Burns review. In advance of the publication of the Scottish Government budget we request a timetable from the Scottish Government for when the new targets will be in operation.

Response to Committee's Recommendations

Sir Harry Burns made it clear in his conclusions that indicators and targets have been effective in improving performance in a number of areas of health and social care in Scotland. It is not the intention to change existing targets, but over the course of the next year, it will be important to consider more widely how we measure performance. We will further engage with stakeholders to ensure indicators appropriately reflect the landscape of health and social care.

We have already announced a number of such developments, in recent months, with some of these developments being identified below.

In June 2018, the Scottish Government launched the new and updated National Performance Framework which sets out the outcomes we are working towards.
The Waiting Times Improvement Plan, published in October 2018, sets out the improvements in elective and cancer waiting times that will be delivered through to Spring 2021.

Integration Authorities will continue to report annually on local progress in terms of the nine statutory outcomes for integration, using 23 national indicators as well as any measures agreed upon as priorities locally. In addition, the Ministerial Strategic Group for Health and Community Care regularly reviews progress with integration against a suite of six key indicators, development of which is being taken forward in partnership with local systems.

The Local Delivery Plan (LDP) Standards remain in place, including the measure on time spent in A&E. Work will continue to ensure we have the right measures, including work on additional measures on Healthcare Associated Infections.

In addition to the LDP standards, the Mental Health Strategy (Action 38) has developed a quality indicator profile in mental health which includes measures across six quality dimensions – person-centred, safe, effective, efficient, equitable and timely. Work is also progressing which will produce a Mental Health Population Framework for launch in 2019. This will provide an accessible overview for those seeking to understand Scotland’s mental health and wellbeing at the population level. The Framework presents a small number of indicators grouped under four themes:

- Childhood determinants of a mentally healthy life
- The impact of mental health and wellbeing
- Population mental health and wellbeing
- Parity of mental and physical health

The Chief Executive’s Annual Report for 2017-18 also highlights some of the new ways in which we are using indicators and targets to support improvement, building on the principles Sir Harry Burns promoted in his review.

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<td>198. We believe accelerating the pace of change in shifting the balance of care is required. To assist with this acceleration, we ask the Scottish Government to consider a re-evaluation of the aim that by the end of this Parliament, at least 50% of spending will take place in Community Health Service. We ask the Scottish Government to consider if this target was significantly more ambitious whether this would assist in driving changes in behaviour and practice.</td>
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Response to Committee’s Recommendation

Delivering over 50% of frontline NHS spending in community health services represents a significant shift in the balance of spending. In line with the modelling underpinning the Medium Term Financial Framework, our expectation is that delivery of this commitment requires a shift in services from hospital to community settings in the region of £200 million. This is an ambitious
target that NHS Boards and Integration Authorities are working to deliver and we believe will be important in driving the changes in behaviour and practice that the Committee highlight are needed.

**Committee Recommendation**

199. We note the comments made by integration authorities that, in the context of rising demand it is an achievement just to prevent a further shift towards spending on acute services. In the context of rising demand, we ask the Scottish Government for its view on what further shift in the balance of care is considered realistic.

**Response to Committee’s Recommendation**

The Scottish Government has committed that, by the end of this Parliament, more than half of frontline NHS spending will be in community health services. This is considered to be realistic, and latest figures show a further shift towards community health services in 2017-18. The level currently stands at 49.6%, and this is set out in Annex D.

**Committee Recommendations**

217. There is broad agreement of the need to achieve parity of esteem between mental and physical health. This can only be achieved if there is adequate investment in mental health services to deliver the outcomes that are required.

218. We note the ambition to spend £5 billion on mental health during this Parliament. We note that some increases have been promised and we would welcome from the Scottish Government detail setting out anticipated spending in all areas which will result in the £5 billion target to be met.

**Response to Committee’s Recommendations**

The Scottish Government continues to support its ambition to improve mental health care by increasing its investment in services. The Mental Health Strategy makes clear that mental health should be treated in the same way as physical health. Expenditure on mental health services exceeded £1 billion for the first time in 2017-18, and will therefore reach £5 billion by the end of this Parliament. To support the Mental Health Strategy, a further £17 million was invested in 2018-19. In 2019-20, the Scottish Government has increased direct investment in mental health by £27 million and this will take overall funding for mental health to £1.1 billion.

These new investments will support the commitment to increase the workforce by an extra 800 workers; for transformation of CAMHs; and to support the recent Programme for Government commitments on adult and children’s mental health services. In order to maximise the contribution from this direct investment, this funding is provided on the basis that it is in addition to a real terms increase in existing spending levels by NHS Boards and Integration Authorities. This increased investment is supporting shifting the balance of care towards mental health, and towards primary and community services.
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<td><strong>219.</strong> To date, investment does not appear to be delivering the outcomes that are required. We have continued to hear concerns regarding access to services and support for those with mental health conditions since the publication of the Scottish Government’s Mental Health Strategy in 2016.</td>
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<td><strong>220.</strong> We therefore welcome the additional investment of £35 million in mental health over the next five years. We also welcome the recognition of specific concerns regarding the provision of CAMHS services through the additional investment of £5 million for a new CAMHS Taskforce.</td>
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<td>Response to Committee’s Recommendations</td>
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<tr>
<td>The Scottish Government recognises that it is not acceptable for people to wait for a long time to be seen by mental health services. When an individual experiences mental ill health it is vital that they are able to access the support and help they need, when they need it.</td>
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<tr>
<td>Over the lifetime of this Parliament, mental health investment will exceed £5 billion, while the Programme for Government announced an additional £250 million of investment over the next five years. Our Mental Health Strategy is investing £150 million in services over five years, including £54 million to help Boards to improve their performance against CAMHS and Psychological Therapies waiting time targets by investing in workforce development, recruitment and retention, and service improvement support.</td>
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<td>The Scottish Government is supporting NHS 24 to provide a number of other services to expand access, such as computerised Cognitive Behavioural Therapy, and Breathing Space.</td>
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<td>The Scottish Government is also investing funding to increase the workforce to give access to dedicated mental health professionals to all A&amp;E Departments, all GP Practices, every police station custody suite, and to our prisons. Increasing additional investment to £35 million in 2021-22, for 800 additional mental health workers in those key settings.</td>
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<tr>
<td>The CAMHS Taskforce will examine our whole approach to mental health services, backed with £5 million funding. It will develop a blueprint for how services, and surrounding support, can better meet the needs of children and young people.</td>
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<td><strong>221.</strong> We note that, to date, some IAs have spent less than the budget that has been allocated to these services. Given concerns raised regarding mental health service provision we find it difficult to understand why this is the case. We ask the Scottish Government to clarify if those areas are currently delivering an adequate service and meeting targets. The Committee also asks the Scottish Government what assurances can be given that the funding allocated to mental health and specifically CAMHS will be utilised for that purpose.</td>
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Response to Committee’s Recommendation

In 2018, Integration Authorities responded to concerns raised by Committee about spend on mental health services by providing for the first time a consolidated report on mental health budgets and expenditure for NHS service budgets (excluding local authority service budgets and spend). Direct Scottish Government investment in mental health is set out in allocation letters issued to NHS Boards and Integration Authorities, which give clear direction on the specific purposes for which funded is being provided and the monitoring processes for tracking progress against outcomes. Integration Authorities also have the option of using reserves to hold any unspent funds, keeping them earmarked for this specific purpose.

The Scottish Government has delivered on our commitment to invest £1 billion in mental health in 2017-18. Over the life of this Parliament investment will exceed £5 billion. This underpins the improvement agenda set out in our mental health and suicide prevention strategies. We remain determined to improve access to mental health services, and are working with Integration Authorities and other partners to make sure that improvement is delivered across Scotland.

To ensure that performance is open and accountable, the Public Bodies (Joint Working) (Scotland) Act 2014 requires Integration Authorities to publish an annual performance report, including detail on mental health investment.

Committee Recommendation

222. We note that the Scottish Government, along with a pilot integration authority, is developing a methodology for identifying all mental health related expenditure. We request an update on this work and confirmation of when this methodology will be adopted by all integration authorities.
Response to Committee’s Recommendation

Falkirk Integration Authority has mapped the delegated mental health and care services used by its residents to produce an analysis of mental health expenditure. This includes:

- social care services specifically for adults with mental health needs;
- home care and care at home services for older people with a dementia diagnosis;
- general and geriatric inpatient services for adults;
- forensic psychiatry inpatient services;
- community psychiatric services; and
- GP prescribing for psychiatric drugs.

Those areas not part of the analysis include:

1. services for which data is available but that have not been delegated to the partnership. e.g. child and adolescent mental health services; and
2. services that have been delegated but for which data on mental health is currently not available. e.g. primary care (except prescribing), addiction services and criminal justice.

The Integration Authority Chief Finance Officer Network received a report at its meeting in December that set out the methodology used in Falkirk, which will allow the analysis to be replicated across all partnership populations. The Scottish Government will work with the network on the results of this and also continue to work with the network and NSS ISD to address any data gaps so that a complete analysis is available in early 2019-20.

Committee Recommendation

223. Whilst investment in mental health services is important, ultimately it is the outcomes of this investment which should be the focus. We note the complexities faced in linking investment to outcomes especially when mental health spend deals with expenditure across both primary care and social care. However, we believe this assessment is vital to determine that funds are being allocated and used appropriately to deliver the right services and ensure the correct outcomes are achieved. We believe this is an issue the Scottish Government must prioritise, especially given the high levels of additional investment it wishes to make in this area. We ask the Scottish Government to confirm how it proposes to measure the effectiveness of any such investment.
Response to Committee's Recommendation

The Programme for Government has a range of measures to build our capacity for prevention and early intervention. This includes more counsellors in schools, more school nurses, training and resources for teachers support for perinatal mental health and community services for 5-24 year-olds.

The Mental Health Strategy makes clear that mental health should be treated in the same way as physical health. All services should strive to do that, including structures, funding and delivery. Sustained delivery against waiting times standards requires solutions that deliver the skills and capacity of specialist care to respond to crisis and severe cases. Importantly, it is also necessary to also focus on the development of preventative and early intervention approaches that harness the delivery of effective support and treatment across the wider healthcare system and allied services.

To assess performance in a way that is open and accountable, the Public Bodies (Joint Working) (Scotland) Act 2014 requires Integration Authorities to publish an annual performance report. The required content of the performance reports is set out in The Public Bodies (Joint Working) (Content of Performance Reports) (Scotland) Regulations 2014. In summary, each report must include an assessment of performance in the context of the Integration Authority's strategic commissioning plan and financial statement and how the expenditure allocated in the financial statement has contributed to achieving the national health and wellbeing outcomes.

Committee Recommendation

224. We believe specific focus should be given to assessing the outcomes of investment in preventative spend in mental health. Our recent inquiry on preventative health and public health has found a lack of a longer-term focus and strategic direction to increase preventative action. We acknowledge there are challenges faced in being able to determine the saving made in mental health spending due to investment in early intervention. However, we believe this requires to be quantified to identify both the financial and practical benefits of adopting this approach. It is important investment in preventative spend on mental health is evaluated and its cost effectiveness assessed. We call upon the Scottish Government to provide details on how this information will be included in budget documents.

Response to Committee's Recommendation

The Scottish Government’s 2017-27 Mental Health Strategy sets out that mental health is equally as important as physical health, and calls for a preventative and early intervention approach to mental health, recognising the broad range of factors required to collectively improve wellbeing. Poverty, education, justice, social security and employment are all identified as areas beyond the reach of the NHS acting alone, where improved partnership approaches to public health can make a real difference.

Good mental wellbeing is one of the six public health priorities for Scotland, as published by Scottish Government and Local Government in 2018. Action on the health priorities will prioritise preventative measures and will be evidence-led, using public
health expertise, data and intelligence and drawing on our communities' lived experience. The Mental Health Strategy makes clear that prevention and early intervention are key to minimising the prevalence and incidence of poor mental health and the severity and life time impact of mental disorders and mental illnesses. Prevention and early interventions must be a focus of activity and funding.

The Government’s National Performance Framework is the population level evidence which provides a broad measure of national and societal wellbeing, incorporating a range of economic, social and environmental indicators and targets. Underpinning this will be the Population Mental Health Framework – currently being finalised (part of MH Strategy Action 38) for launch in 2019; which will provide an accessible overview for those seeking to understand Scotland’s mental health and wellbeing at the population level. The Framework presents a small number of indicators grouped under four themes:

- Childhood determinants of a mentally healthy life
- The impact of mental health and wellbeing
- Population mental health and wellbeing
- Parity of mental and physical health

The impact of the intervention work will necessarily be realised over the longer term. On individual interventions there will be a focus on outcomes. By way of example, the Distress Brief Intervention (Action 11 of the Mental Health Strategy) has an evaluation aspect which will measure the impact on qualitative and quantitative use of services (Mental Health Strategy Action 21). The work on early interventions for first episode psychosis (Mental Health Strategy Action 26) is underpinned by clear evidence on the longer term economic benefit.

Committee Recommendation

225. We recognise the importance of improving transition services from CAMHS to adult services. We therefore welcome the acknowledgement by the Chief Medical Officer of the importance of this service. We ask specifically how the additional investment in mental health services will ensure concerns regarding lack of a transition service is addressed.

Response to Committee’s Recommendation

The Minister for Mental Health recently launched our new Transition Care Plans (TCPs), which will help young people to move more smoothly from child and adolescent mental health services to adult mental health services. The TCPs have been designed entirely by young people, in collaboration with the Scottish Youth Parliament and in dialogue with clinicians. This is a shining example of what can happen when we listen to the views of our young people and act accordingly. The Minister has written to all Boards and Integration Authorities in Scotland to set out her expectations that the TCPs will become used as standard across the country.
This work will be of close interest to Dame Denise Coia’s Taskforce as an example of best practice. It is particularly relevant for the Specialist strand of the Taskforce’s thinking, covering young people who require to be supported by specialist CAMHS.

Committee Recommendation

226. We also ask the Scottish Government to provide an update on the allocation of 800 mental health workers since its consideration by the Health and Justice Collaboration Improvement Board in September. We are specifically interested in how it has determined what type of mental health workers will be appointed and where to. We request further information on how the approach taken to determining allocation will ensure the appropriate outcomes for mental health can be delivered.

Response to Committee’s Recommendation

The Scottish Government is working with the Chief Officers of Integration Authorities on this commitment, and how they are reaching decisions on the allocation of the additional workers to the key settings set out in the Mental Health Strategy Action 15, in consultation with their partners. As part of our discussions with the Chief Officers, we are also developing a reporting framework which will capture information on workforce allocation, location of workforce and details on the trajectory toward the 800 total by 2021-22.

Committee Recommendation

236. We are very concerned at the high number of drug-related deaths in Scotland and the rate of deaths in comparison to other countries. We believe a reduction in drug related deaths must be a priority area for the Scottish Government. We still await publication of the Scottish Government’s refreshed substance misuse strategy and ask the Scottish Government to confirm when this will be published.

Response to Committee’s Recommendation

The Scottish Government published a new Alcohol and Drug Strategy - to prevent and reduce the use of alcohol and drugs - on 28 November 2018. The new strategy is the, ‘Rights, Respect and Recovery – Scotland’s strategy to improve health by preventing and reducing alcohol and drug use, harm and related deaths’.

Addressing drug related deaths is a public health priority of this Government, and our new strategy recognises that more must be done to protect those most at risk as a result of their drug use. It outlines how our further investment of £20 million per annum will be used to build on successes in reducing waiting times, and deliver further quality measures to improve the reach, attractiveness, and speed of delivery of services which in many instances will reduce the risk of harm and death. Furthermore, we set out how we will work with, and fund, partners to strengthen links between traditional addictions services and initiatives in housing, mental health and across the third sector to support family-centred practice and support.
Committee Recommendation

237. We welcome the additional investment of £20 million to ADPs. In the absence of the refreshed strategy and a methodology to measure impact we ask the Scottish Government what assurances it can provide that this funding will be invested effectively to deliver the outcomes that are required, including the reduction of drug related deaths.

Response to Committee’s Recommendation

The new Alcohol and Drug Strategy, ‘Rights, Respect and Recovery – Scotland’s strategy to improve health by preventing and reducing alcohol and drug use, harm and related deaths’ was published on 28 November 2018. The additional £20 million investment has been split across three funds: Local Improvement Fund, National Development Project Fund and Challenge Fund.

Responsibility for effectively investing the £17 million funding provided to Health Boards through the Local Improvement Fund has been delegated to Integration Authorities. The Scottish Government wrote to Integration Authorities, Alcohol and Drug Partnerships (ADPs), NHS Boards and Local Authorities on 23 August 2018 to outline the resources allocated through the Local Improvement Fund. The letter issued set out the priority areas for investment and includes a requirement for annual progress reports. In addition we also require regular updates and annual reports through the National Development Project Fund and Challenge Fund.

Committee Recommendation

238. We are concerned that, to date, some IAs spend on ADPs has been lower than the budget allocated. This approach would be appropriate if IAs were delivering the outcomes that are required with less funding. However, given the high number of drug-related deaths we are concerned that NHS boards and ultimately IAs have not given this issue the priority that is required and are not investing the level of funds into services required to deliver improved outcomes. We are disappointed IAs and health boards have not felt it appropriate to prioritise action on this and now ask the Scottish Government what steps it will take to ensure this issue is prioritised and the number of drug-related deaths reduced.

Response to Committee’s Recommendation

Through the Rights, Respect and Recovery strategy we have set out clearly the need to prioritise action on harms and related deaths from problematic alcohol and drug use. The strategy includes a commitment to refreshing the Memorandum of Understanding (MOU) which will set out clear roles, accountability and responsibilities for Integration Authorities, Health Boards and other partners. This should ensure appropriate priority is given to the issue. The additional £20 million investment has a focus on reducing deaths and other harms and has been provided specifically for investment in these services for this purpose. As detailed above, priority areas for investment have been set out and there is a requirement for annual progress reports to be provided.
### Committee Recommendation

239. The Committee welcomes the assurance that the Scottish Government will now provide information on ADP budget and expenditures on a regular basis. The Committee hopes that the Scottish Government will continue to seek to improve the quality and comparability of the data provided.

### Response to Committee’s Recommendation

In 2018, Integration Authorities responded to concerns raised by Committee about spend on ADP services by providing for the first time a consolidated report on ADP budgets and expenditure. As noted in correspondence with Committee, some Integration Authorities found it challenging to separate out ADP funding from wider alcohol and drug related services, and reported a combined figure. The Scottish Government will continue to give Integration Authorities and ADPs any support required for them to be able to improve the quality and comparability of the data they provide on budgets and expenditure and we will provide a further update to Committee on spend after the end of 2018-19 financial year.
# Shifting Balance of Care to Community Health Services

**ANNEX D**

<table>
<thead>
<tr>
<th>NHS Board</th>
<th>2017-18 Hospital</th>
<th>2017-18 Community</th>
<th>2017-18 Total</th>
<th>2016-17 Hospital</th>
<th>2016-17 Community</th>
<th>2016-17 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>3. State Hospital</td>
<td>33,053</td>
<td>33,053</td>
<td>66,106</td>
<td>34,923</td>
<td>34,923</td>
<td>69,846</td>
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<td>4. Golden Jubilee</td>
<td>126,045</td>
<td>126,045</td>
<td>252,090</td>
<td>123,566</td>
<td>123,566</td>
<td>247,132</td>
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<tr>
<td>5. NHS Fife</td>
<td>335,748</td>
<td>322,383</td>
<td>658,131</td>
<td>346,557</td>
<td>330,221</td>
<td>676,778</td>
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<tr>
<td>6. NHS Greater Glasgow &amp; Clyde</td>
<td>1,726,490</td>
<td>1,255,460</td>
<td>2,981,950</td>
<td>1,735,242</td>
<td>1,313,303</td>
<td>3,048,544</td>
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<tr>
<td>7. NHS Highland</td>
<td>298,587</td>
<td>332,191</td>
<td>630,778</td>
<td>310,864</td>
<td>351,059</td>
<td>661,923</td>
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<tr>
<td>8. NHS Lanarkshire</td>
<td>498,364</td>
<td>610,938</td>
<td>1,109,302</td>
<td>512,907</td>
<td>634,898</td>
<td>1,147,804</td>
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<td>9. NHS Grampian</td>
<td>485,438</td>
<td>1,070,758</td>
<td>1,556,206</td>
<td>601,634</td>
<td>497,872</td>
<td>1,099,506</td>
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<td>10. NHS Orkney</td>
<td>20,859</td>
<td>26,155</td>
<td>47,014</td>
<td>22,027</td>
<td>27,847</td>
<td>50,874</td>
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<td>11. NHS Lothian</td>
<td>972,082</td>
<td>752,832</td>
<td>1,724,913</td>
<td>987,880</td>
<td>791,434</td>
<td>1,779,314</td>
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<td>12. NHS Tayside</td>
<td>526,757</td>
<td>392,274</td>
<td>919,030</td>
<td>525,831</td>
<td>407,032</td>
<td>932,863</td>
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<tr>
<td>13. NHS Forth Valley</td>
<td>269,155</td>
<td>272,915</td>
<td>542,070</td>
<td>277,560</td>
<td>282,524</td>
<td>560,084</td>
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<td>14. NHS Western Isles</td>
<td>36,055</td>
<td>34,363</td>
<td>70,418</td>
<td>37,052</td>
<td>33,695</td>
<td>70,746</td>
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<td>15. NHS Dumfries &amp; Galloway</td>
<td>151,207</td>
<td>304,543</td>
<td>455,749</td>
<td>161,559</td>
<td>154,041</td>
<td>315,599</td>
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<td>16. NHS Shetland</td>
<td>21,211</td>
<td>27,425</td>
<td>48,636</td>
<td>21,556</td>
<td>28,857</td>
<td>50,413</td>
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<td>17. SAS</td>
<td>241,134</td>
<td>241,134</td>
<td>241,134</td>
<td>250,878</td>
<td>250,878</td>
<td>250,878</td>
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<tr>
<td>18. NHS 24</td>
<td>72,979</td>
<td>72,979</td>
<td>72,979</td>
<td>72,404</td>
<td>72,404</td>
<td>72,404</td>
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<tr>
<td>19. Community Hospitals reclassify</td>
<td>-221,823</td>
<td>221,823</td>
<td>0</td>
<td>-230,924</td>
<td>230,924</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total Spend</strong></td>
<td>5,882,803</td>
<td>5,669,166</td>
<td>11,551,969</td>
<td>5,996,859</td>
<td>5,895,041</td>
<td>11,891,900</td>
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<tr>
<td><strong>Balance of Care Split</strong></td>
<td>50.9%</td>
<td>49.1%</td>
<td></td>
<td>50.4%</td>
<td>49.6%</td>
<td></td>
</tr>
</tbody>
</table>

Notes: see over
Notes

In order to identify the current position in terms of the shift in the balance of care, the NHS Costs Book 2015-16 (R300) has been used as the starting point. This is published by ISD Scotland and is considered to be the most appropriate analysis, as it analyses expenditure between hospital and non-hospital services. The NHS Costs Book sets out expenditure for Territorial Boards, NHS Waiting Times Centre, and NHS State Hospital. Rows 1 to 16 above are lifted directly from this publication.

In order to assess spending across all frontline boards, we have added net operating costs for NHS Scottish Ambulance Service and NHS 24. These costs are taken from the Boards’ published accounts and are set out at rows 17 and 18.

We have also made an adjustment to reclassify Community Hospitals from the Hospital to the Community Sector. This is set out at row 19.