

## **COVID-19 Recovery Committee**

### **19th Meeting, 2022 (Session 6), Thursday 8 September 2022**

## **Pre-budget Scrutiny**

### **Introduction**

At this week's meeting, the Committee will begin to take evidence as part of its pre-budget scrutiny.

The Committee has agreed to focus its scrutiny on how the Scottish Government plans to fund its [COVID-19 Recovery Strategy](#) and the ongoing costs associated with the pandemic.

This session will focus on the [COVID-19 Strategic Framework](#) and what key public agencies need to manage the ongoing COVID-19 response and the other indirect costs of the pandemic. Further evidence sessions will focus on surveillance and the recovery strategy.

The Committee issued a call for views with the following questions on the strategic framework:

- To what extent is the Strategic Framework reflected in the Resource Spending Review and the Medium Term Financial Strategy?
- What should be prioritised for funding in the Scottish Government's COVID-19 Strategic Framework?
- What level of funding should the Scottish Government be allocating to future pandemic preparedness and long-term resilience?

These questions will form the focus of today's evidence session and the following witnesses will be in attendance:

- **Richard Robinson**, Senior Manager of Public Finances, Audit Scotland
- **Mary Morgan**, Chief Executive, and **Carolyn Low**, Director of Finance, National Services Scotland

- **Nick Phin**, Director of Public Health Science, Public Health Scotland
- **Dr Graham Foster**, Director of Public Health NHS Forth Valley and Chair of the Scottish Directors of Public Health

## About the Budget Process

The Parliament's budget process is now based on the approach of the [Budget Process Review Group from 2017](#). The aim of the reformed process is to increase Parliamentary influence on the drafting of the budget.

As a result, Committees now undertake 'pre-budget scrutiny' which focuses predominantly on the Resource Spending Review (RSR). The [most recent RSR was published in May 2022](#).

The RSR is a helpful document in giving an indication of Scottish Government's priorities and budget choices over a multi-year timescale within current projections (as set out in the [Medium Term Financial Strategy](#)).

It is important to note, however, that the RSR is not a budget, and the numbers contained within it will inevitably change. This is useful for subject committees to keep in mind during their pre-Budget scrutiny.

The main task for committees is to **provide a pre-budget report** to their respective Cabinet Secretary/Minister at least 6 weeks prior to the publication of the Scottish budget (the working assumption is that pre-budget reports will be published **by the end of October**).

The budget document will then set out [how committee views have been taken account of](#), with more detail provided individually to committees, within five sitting days of the publication of the budget.

The Finance and Constitution committee has also provided [guidance to committees on this year's budget process](#)

## Key Issues

The following sections detail possible areas for questioning.

### Spending envelopes

The strategic framework includes policy measures such as the booster vaccination programme, provision of personal protective equipment (PPE), surveillance and work on future pandemic preparedness.

However, the RSR only presents spending envelopes to Level 2. The following tables show the indicative spend for Health and Social Care, and the Deputy First Minister and COVID Recovery portfolios.

**Table 1: Health and Social Care Portfolio Spending Plans**

| <b>Level 2*</b>         | <b>2022-23<br/>£m</b> | <b>2023-24<br/>£m</b> | <b>2024-25<br/>£m</b> | <b>2025-26<br/>£m</b> | <b>2026-27<br/>£m</b> |
|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Health and Social Care  | 17,084                | 17,527                | 17,972                | 18,513                | 19,006                |
| Food Standards Scotland | 23                    | 23                    | 23                    | 23                    | 23                    |
| <b>Total</b>            | <b>17,106</b>         | <b>17,550</b>         | <b>17,995</b>         | <b>18,536</b>         | <b>19,029</b>         |

\*Figures include rounding adjustments and projected running costs which are subject to change as programming is finalised.

**Table 2: Deputy First Minister and Covid Recovery Portfolio Spending Plans**

| <b>Level 2*</b>                          | <b>2022-23<br/>£m</b> | <b>2023-24<br/>£m</b> | <b>2024-25<br/>£m</b> | <b>2025-26<br/>£m</b> | <b>2026-27<br/>£m</b> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Public Service Reform</b>             | 3                     | 3                     | 3                     | 3                     | 3                     |
| <b>Government Business and Elections</b> | 14                    | 15                    | 14                    | 15                    | 44                    |
| <b>Organisational Readiness</b>          | 26                    | 25                    | 26                    | 26                    | 26                    |
| <b>Total</b>                             | <b>43</b>             | <b>43</b>             | <b>43</b>             | <b>43</b>             | <b>73</b>             |

\*Figures include rounding adjustment and projected internal running costs which are subject to change as programming is finalised.

Spending on the health and social care portfolio is projected to increase to over £19 billion in 2026-27, an increase of 2.6% in real terms over the course of the RSR period. This equates to an average annual increase of 0.6% in real terms. By comparison, the 2022-23 health and social care budget was 1.9% higher in real terms than the previous year.

However, as outlined above, there is no detail on spending plans below level 2. As a result, we do not yet know whether particular organisations or services may have a greater uplift than others.

Some commentators have said that even this real-terms protection will result in a tight settlement for health, given the post pandemic backlogs and pressures facing the sector (e.g. energy price inflation, drug price pressures, pay inflation).

The [IFS and Health Foundation](#) have previously said that spending on healthcare would need to increase by an average of 3.3% per year in real terms over the next 15 years in order to maintain NHS provision at current levels, and that social care funding would need to increase by 3.9% per year to meet the needs of a population living longer and an increasing number of younger adults living with disabilities.

## Members may wish to ask:

- **Is there enough detail in the proposed spending plans to be confident that it will adequately cover the ongoing COVID-19 spend, as well as the indirect costs now being felt in the NHS and social care?**
- **Are there particular areas of COVID-19 spend that the witnesses would prioritise?**

## Ongoing CV-19 spend

The RSR sets out the following priorities:

- Tackling child poverty;
- Addressing the climate crisis;
- Securing a stronger, fairer, greener economy; and
- Delivering excellent public services.

The RSR does not specifically mention the ongoing costs of dealing with the virus beyond the wider recovery. However, on publication of the COVID-19 Strategic Framework in February, [Prof Jason Leitch stated](#):

"This pandemic won't end in February. We are getting close to the end of Omicron - we're not close to 'after the pandemic'. The World Health Organisation think we are halfway through."

According to [Audit Scotland](#), over the two years of the pandemic, the Scottish Government allocated £15.5 billion in its budgets to its Covid-19 response. This was funded largely from £14.4 billion of Barnett consequentials arising from spending on Covid-19 in devolved areas in England. The remaining £1.1 billion was funded by redirecting existing budgets and from the Scotland Reserve.

In a recent [Audit Scotland report on the financial response to the pandemic](#), Audit Scotland writes:

"Public services faced financial pressures before the pandemic. Covid-19 funding was used to ensure the financial sustainability of councils and other public bodies. But now Covid-19 specific funding from the UK Government has ended, pre-existing pressures must be balanced alongside continuing spending demands related to the Covid-19 response and recovery."

Audit Scotland also notes that it is becoming increasingly hard to define what is, and is not, COVID-19 spend, and there is uncertainty about future COVID-19 funding levels.

## Members may wish to ask:

- **Do the comments from Prof Leitch indicate there is still considerable expenditure required for dealing with the remainder of the pandemic?**
- **How significant is the ongoing direct COVID-19 spend?**
- **Has there been any work conducted to estimate what the scale of this expenditure might be?**
- **Where do the burden of direct costs lie in terms of;**
  - **specific spend on things like surveillance, PPE, testing, vaccines and therapeutics?**
  - **which organisations bear the largest share of these costs?**
- **Are the witnesses confident these ongoing costs have been factored into spending plans?**
- **Will direct spend on COVID-19 be subsumed within the general budget allocations of NHS territorial boards and special health boards such as Public Health Scotland and National Services Scotland?**
- **What will the withdrawal of COVID-specific funding have on the sustainability of public services?**

## Preparedness

Much of the pandemic response has been rolled back as the harm of the virus has receded. However, the importance of preparedness and the need to adequately plan for future risks has not gone away. As autumn/winter approaches, concerns have been raised about the resurgence of covid, as well as other winter viruses such as flu.

The written evidence from NSS explains how it is trying to retain the proportionate use of key pandemic response measures such as Test and Protect, while also retaining the ability to scale as appropriate. However, it states that a change in testing policy or any action in response to a Variant of Concern would require additional resource.

The RSR details the DFM and covid recovery indicative spend at £43m per annum between 2022/23 to 2025/26, rising to £73m in 2026/27. Most of this allocation (£26m per annum) is earmarked for 'organisational readiness'. This is described as:

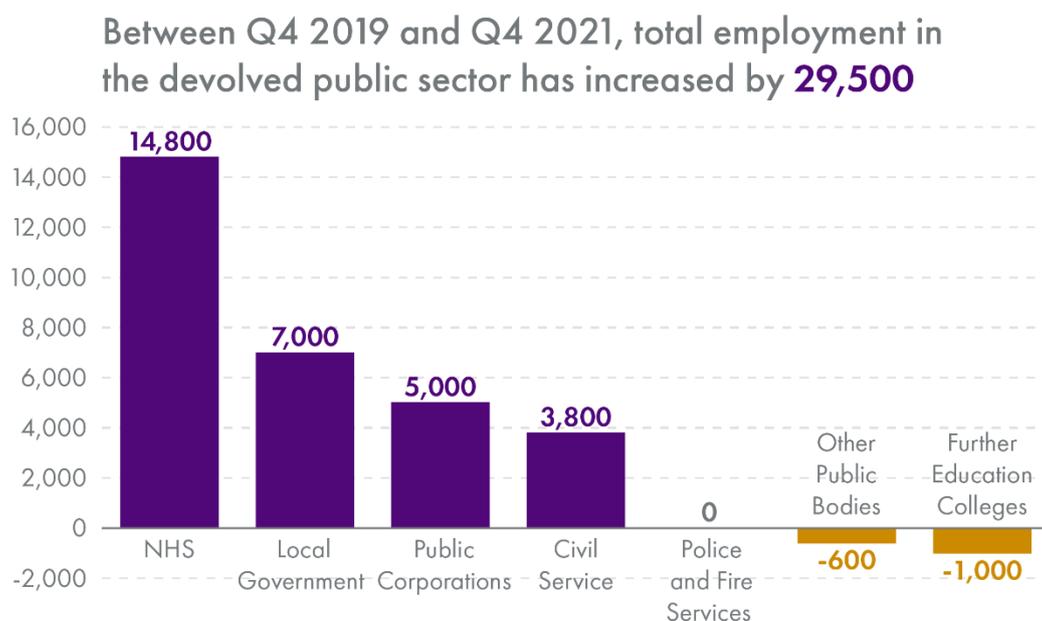
More resilient communities and work to build Scotland's resilience by improving Scotland's understanding and preparedness against a range of hazards and threats, through multi-agency planning, strengthening national work on risk and prevention and working with partners to build and deliver capacity.

## Members may wish to ask:

- Will funding for pandemic preparedness be covered by the £26m earmarked for 'organisational readiness' or does some spend also need to be built into NHS board budgets?
- Is there any indication as to how this funding will be distributed?
- What level of funding should the Scottish Government be allocating to future pandemic preparedness and long-term resilience?
- What risks do pressures such as inflation and supply chain disruptions pose to preparedness plans?

## Public Service Reform

Employment in the devolved public sector has grown over the last three years.



The RSR notes that some of this increase will reflect new functions taken on by the Scottish Government in respect of tax and social security, but the document also notes that “continued growth of the public sector away from frontline services is not sustainable”.

The RSR goes on to state that the Scottish Government recognises the need to ‘reset the public sector following the COVID-19 pandemic, including by returning to a pre-pandemic size’.

## Members may wish to ask:

- **How far from pre-pandemic size are the organisations represented today?**
- **Will it be possible to return to pre-pandemic size?**
- **What will need to happen for this to be realised in each of the respective organisations?**

## Public-sector Pay

The RSR indicates that the total pay bill will be held at 2022/23 levels, but pay levels will increase:

“To achieve this we propose an approach which aims to hold the total public-sector pay bill (as opposed to pay levels) at around 2022-23 levels whilst returning the overall size of the public sector broadly to pre-COVID-19 levels. This will enable space and flexibility for fair and affordable pay increases that support the lowest paid in these challenging times.”

Along with plans to return the public sector to a pre-pandemic size, this may suggest that pay increases will be funded by a reduction in the overall size of the public sector and the number of employees.

The [most recent workforce data for the NHS](#) shows the following vacancy rate for each of the main professional groups:

- Medical and dental consultants – 7.7%
- Allied Health Professionals – 8.2%
- Nursing and Midwifery – 8.7%

In addition, the sickness rate in the NHS overall is 5.7%, above the target of 4%.

## Members may wish to ask:

- **How feasible is it for the NHS and public health services to reduce staff?**
- **Given the vacancy levels in certain parts of the NHS, where could staff cuts come from?**

## Staff wellbeing

The RSR states that the Scottish Government will use the spending review as a springboard to begin purposeful engagement with public sector delivery partners to navigate the challenges of a post-pandemic recovery. This will include improving

staff wellbeing, meeting the objectives of fairness and sustainability, driving high quality services and ensuring sustainable levels of public sector pay.

**Members may wish to ask:**

- **Do the witnesses think staff wellbeing and quality services can be achieved if staff numbers are cut?**
- **What would be the most effective ways to improve staff wellbeing?**
- **What would be the most effective ways to improve service quality?**

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2 September 2022**