



# Health and Sport Committee, Scotland

## Draft budget 2018/19 consultation response

### Who are we

The Healthcare Financial Management Association (HFMA) is the representative body for finance staff in healthcare. For the past 60 years, it has provided independent and objective advice to its members and the wider healthcare community. We are a charitable organisation that promotes best practice and innovation in financial management and governance across the UK health economy through our local and national networks. We also analyse and respond to national policies and aim to exert influence in shaping the wider healthcare agenda. We have a particular interest in promoting the highest professional standards in financial management and governance and are keen to work with other organisations to promote approaches that really are ‘fit for purpose’ and effective.

### Our comments

We welcome the opportunity to comment on the Scottish Government’s draft budget for 2018/19.

Our views on the specific questions raised by the Health and Sport Committee are set out below. We do have a general point to make about the budget setting process, and think that multi-year budgets would be helpful. They would aid the development of longer-term plans and support effective decision-making. The Nuffield Trust’s report *Learning from Scotland*, states, ‘Scotland has yet to produce a multi-year national analysis that sets out how much funding will be available, how much needs to be saved and what services may be undeliverable as a result of this at a regional level. This is in contrast to England’s Five Year Forward View and delivery plan, and the reports commissioned by the Welsh Government from the Nuffield Trust and Health Foundation.’<sup>1</sup>

The Finance and Constitution Committee report also recommends multi-year budgets by the Scottish Government and a medium term financial strategy.<sup>2</sup>

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<sup>1</sup> P37 *Learning from Scotland*, The Nuffield Trust, July 2017

<sup>2</sup> Pp23-25, [www.parliament.scot/S5\\_Finance/Reports/BPRG\\_-\\_Final\\_Report\\_30.06.17.pdf](http://www.parliament.scot/S5_Finance/Reports/BPRG_-_Final_Report_30.06.17.pdf)

**Do you consider that the Scottish Government's health and sport budget for 2017/18 reflects its stated priorities (as set out in the National Performance Framework, the LDP standards and the national health and wellbeing outcomes)? If not, how could the budget be adjusted to better reflect priorities?**

The draft budget for 2017/18 was published in December 2016, and levels 2, 3 or 4 considered by the Health and Sport Committee are at a high level in explaining the additional funding for health and social care for 2017/18.<sup>3</sup>

The biggest additional investment of £107 million in social care (following a £250 million increase in funding for social care in 2016/17) is explicit, as is the £72 million investment in primary care. However, additional funding for cancer is not separated out in the draft budget, and so while £100m of additional funding over the next five years is noted in the explanatory notes, it is not clear what the level of additional investment is by year. It would be helpful to health boards to be clear on the level of additional cancer funding by year.

We note that, according to the budget, the funding for territorial health boards has increased from £9,102.3m in 2016/17 to £9,354.6m, an increase of £252.3m or 2.8%. However, we assume that the increase includes the £53.8m alcohol and drugs budget that was previously included elsewhere in the overall health and sport budget. It therefore does not represent growth in the underlying budget. Likewise, the £107m increase in social care funding, while being an increase in health boards' budgets, is not available to be spent on healthcare.

If our assumptions above are correct, this leaves an increase in funding of £91.5m or 1.0%. However, there are also requirements for additional new investment included in the narrative to the budget. This means that the underlying growth in like-for-like health board budgets will be lower than 1% for 2017/18. The growth in the budget will be below the rate of inflation and likely increasing demand, placing further pressure on an already financially stretched system.

There are a number of pressures on healthcare funding; including demographic pressures on demand; technological pressures, the introduction of the apprenticeship levy at 0.5% of pay, and historic pressures on prescribing costs (some of which will be attributable to demographic pressures).

The investments made by government are in line with stated priorities, but do not directly address the pay and prescribing cost pressures or demand increases. These pressures will mean that the efficiency requirements will be challenging in 2017/18.

The Nuffield Trust report noted, 'Scotland's health boards are being required to make very high levels of savings. In 2016/17, Audit Scotland found that these amounted to around 5 per cent or £492 million. The underlying driver is rapid rises in costs and the need for care, coupled with historically low funding increases as across the UK.'<sup>4</sup>

**For the health and sport budget for 2018/19 where do you suggest any additional resources could be most effectively deployed and where could any further savings be found? What evidence supports your views?**

The HFMA notes that any new pay awards agreed by the Scottish Government would represent additional costs to the healthcare system in Scotland. Consideration should be given about how these pay costs can be funded, or whether there will need to be a change in the service offer to accommodate them.

<sup>3</sup> [www.gov.scot/Publications/2016/12/6610/7](http://www.gov.scot/Publications/2016/12/6610/7)

<sup>4</sup> P36, *Learning from Scotland*, The Nuffield Trust, July 2017

Similarly, it will be beneficial for health boards if the budget setting process acknowledges the predicted impact on demand of demographic pressures and technological advances.

Our recent briefing, *Medicines costs in Scotland*,<sup>5</sup> noted that medicines costs are generally increasing at a faster rate than overall healthcare funding. The briefing also noted the potential for growth in costs of medicines for end of life and very rare conditions given the relaxation of the cost-effectiveness threshold for such medicines.

We highlighted concern from healthcare finance practitioners that the new medicines fund (NMF) is likely in 2017/18 (and future years) to be insufficient to meet the full cost of new medicines for very rare and end of life conditions. The budget setting process should take into account the rising costs of these medicines, the extent to which the NMF funds them, and what the future of the NMF is likely to be.

### **Is sufficient information available to support scrutiny of the Scottish Government's health and sport budget? If not, what additional information would help support budget scrutiny?**

It would be helpful if an assessment of demand pressures because of demographic changes and technological advances was made to support the scrutiny of the budget.

Where additional investment is required, it would support the process if this requirement could be set out on a year by year basis, rather than a total amount for a number of years being provided.

Where there is a measurable impact because of a new policy decision or legislative change it would be helpful to include an estimate of the financial impact of it.

The NMF mentioned above is not part of normal budget scrutiny as it does not form part of the normal Departmental Expenditure Limit, but instead arises from receipts by UK government from pharmaceutical companies. This does not therefore form part of the scrutiny of the budget by the Health and Sport Committee. There may be benefit in bringing this into the scrutiny process.

The Scottish Government received about £144m of consequential capital and revenue funding for 2017/18 from the UK Spring 2017 budget (not all of which was related to health and social care). We understand that this was not a part of the normal budget scrutiny process because of the timing. There may be benefit in considering how budget scrutiny can be undertaken where there are future such announcements.

### **What impact has the integration of health and social care budgets had on ensuring resources are directed at achieving the Scottish Government's desired outcomes?**

We note that a significant portion of the additional funding in both 2016/17 and 2017/18 is directed towards social care.<sup>6</sup> Were it the case that councils reduce their funding for social care, then the net increase in social care funding will be less than the investment earmarked in health boards' budgets. For the full benefit of integration of health and social care budgets to be felt, there should not be a reduction in council funded social care funding at the expense of health boards' budgets.

The published *Health and Social Care Delivery Plan* has a target that by 2018 there should be a 10% reduction in unscheduled care which would save up to 400,000 hospital bed days by reducing

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<sup>5</sup> [www.hfma.org.uk/publications/details/medicines-costs-in-scotland](http://www.hfma.org.uk/publications/details/medicines-costs-in-scotland)

<sup>6</sup> Ayrshire and Arran health board report for example that two thirds of their additional funding in 2016/17 was earmarked for social care and that nearly three quarters of additional funding in 2017/18 was for social care

delayed discharges.<sup>7</sup> We note the scale of this ambition and that it will require adequate social care funding and support if it is to be achieved.

## Contact

If you would like to discuss any of our comments in more detail please contact Emma Knowles, head of policy and research (emma.knowles@hfma.org.uk.)

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<sup>7</sup> P8, *Health and Social Care Delivery Plan*, Scottish Government, December 2016

