



The Scottish Parliament  
Pàrlamaid na h-Alba

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Dear Cabinet Secretary,

### **Health, Social Care and Sport Committee: Pre-budget scrutiny 2024-25**

1. I am writing to you further to the evidence the Committee recently took as part of its pre-budget scrutiny and in anticipation of the planned publication of the Scottish budget for 2024-25 in December.
2. In preparation for its pre-budget scrutiny, the Committee launched a call for written submissions which ran from 30 June to 25 August. In total, 28 responses were received and published on the [Parliament website](#).
3. The Committee held two oral evidence sessions. The first of these sessions took place on 19 September and heard evidence from the following witnesses:
  - Carmen Martinez, Coordinator, Scottish Women's Budget Group;
  - Professor David Ulph, Commissioner, Scottish Fiscal Commission;
  - Philip Whyte, Director, IPPR Scotland
4. The second evidence session took place on 3 October and heard evidence from the following Scottish Government officials:
  - Richard McCallum, Director of Health Finance and Governance
  - Stephen Lea-Ross, Deputy Director of Health Workforce, Planning and Development

- Niamh O'Connor, Deputy Director, Director of Population Health
5. These evidence sessions and the call for written evidence that preceded them have raised a number of important issues which we would like to draw to the Scottish Government's attention and to see addressed in preparation of the 2024-25 Scottish budget.

### **Multi-year budgeting**

6. Many respondents to our call for written views highlighted that the current model of single year budgeting hampers the delivery of services and stands in the way of transformative change required in the sector.
7. In their submission, Glasgow City Health and Social Care Partnership stated:
 

“[The] Scottish Government also need to recognise that the delivery of alternative service delivery models takes time and single year funding offers restrict our ability to deliver longer term transformation. We need to move to multi-year funding letters as the norm if we are ever truly going to deliver on a transformation agenda and enable staff to be recruited for the lifetime of that transformation to support delivery.”
8. This theme was echoed by multiple other respondents - including one individual, a councillor and member of a local IJB, who described their inability to access multi-year budgets as the biggest barrier to being able to carry out transformational change projects. They added:
 

“We require seed funding and governance frameworks which will enable payback periods over medium to long-term timelines. Greater financial flexibility is urgently required.”
9. While it was noted in evidence that councils undertake multi-year financial planning, COSLA highlighted in their submission that the accuracy and effectiveness of this planning is inhibited by single-year settlements from the Scottish Government. This, in turn, means councils are unable to provide longer-term funding certainty to third and independent sector organisations that deliver services on behalf of councils. Advocating for a change in approach to financial planning, they stated:
 

“Local Government would welcome the introduction of multi-year settlements. This would provide greater certainty for local authority budgets, allow for more effective service design, and provide Best Value in public spending – as well as allowing Local Government to prepare for future challenges such as an ageing population and demographic changes in local communities across Scotland.”
10. Audit Scotland welcomed the Scottish Government's commitment in the recent Medium-Term Financial Strategy (MTFS) to publishing multi-year spending envelopes alongside the 2024/25 budget but noted these will need to provide sufficient financial detail to enable public bodies to plan their finances effectively over the medium term.
11. On the MTFS, The Health and Social Care Alliance argued:

“Although the Scottish Government has repeatedly stated it remains committed to carrying forward proposals on multi-year funding, there has been little to no visible progress on this for several years.”

12. Similarly, COSLA welcomed the 2022 Resource Spending Review and the high-level spending plans set out to 2026-27, but noted it was not sufficiently detailed to fully support long-term planning purposes.

13. The Committee also notes that the 2022 Resource Spending Review set out plans for a 2.6% cash increase in the health and social care resource budget between 2022-23 and 2023-24, but that the 2023-24 budget allocated an additional 6.3% in cash terms with limited rationale behind this change from the previous plans.

14. Philip Whyte of IPPR also commented on the need for greater detail in the Resource Spending Review, making reference to the ‘Level 2’ budget figures, which do not provide particular detail:

“If we go back to last year’s resource spending review, we ended up with level 2 figures, which is better than what we had previously for the understanding of long-term budget outcomes or potentials, but level 2 figures obviously do not provide any kind of detail....”

“There needs to be some attempt to move to a level beneath level 2 whenever it comes to long-term budget setting.

**15. The Committee wishes to highlight to the Scottish Government the extent to which single year budget settlements hamper the ability of public bodies within the health and social care sectors to undertake effective medium and long-term financial planning. The Committee calls on the Scottish Government to set out what actions it is taking to address this issue in the lead-up to publication of the Scottish budget for 2024-25 and beyond.**

**16. In particular, the Committee reiterates previous requests for clarification on timescales for the publication of the refreshed Medium Term Financial Framework for Health and Social Care, which would help provide greater clarity on medium-term financial planning for these sectors. The Committee would also request that this provides more detailed analysis than was set out in the MTFFS or Resource Spending Review.**

**17. The Committee notes the concerns raised in evidence regarding the level of detail set out in medium-term plans, which often differ when actual budgets are set, and the difficulty this poses to organisations when it comes to long-term planning. The Committee therefore asks for greater detail to be added to the spending plans up to 2026-27. Where budget plans differ from plans set out in the MTFFS and Resource Spending Review, the Committee would also request further information as to the rationale behind any change in spending plans.**

## Transparency in the health and social care budget

18. The Committee also heard concerns from stakeholders both in written and oral evidence regarding transparency related to health and social care spending.
19. The Committee recalls that, in its pre-budget letter for the 2023-24 budget period, it raised a number of issues in relation to the availability of data. The Scottish Government's response subsequently set out a range of areas where it committed itself to make progress in this regard.
20. Notwithstanding these commitments, a number of responses to the Committee's call for evidence for its 2024-25 pre-budget scrutiny highlighted ongoing issues around availability of data and the challenges this continues to create in measuring and reporting on progress towards fulfilling defined budget and policy goals.
21. In oral evidence to the Committee on 19 September, Philip Whyte, Director of IPPR Scotland, said:

"...once money hits a health board's budget, it is very difficult to know what sits beneath that for each individual health board. That data is really difficult to find so, quite often, you have to do it after the fact, once audited accounts are produced. There is the idea that, once it has left the Scottish Government budget and gone into health boards, it should equally be split out at a level beneath that.

"Data exists across multiple different sources. It is incredibly difficult to find and, even if you do find it, it is often not made user friendly."

22. Limitations and gaps in availability of data were also highlighted by the Scottish Association for Mental Health (SAMH). Specifically, their written submission pointed to specific challenges associated with assessing progress in the context of mental health spending. They argued it is essential for spending to be tracked accurately to be able to evaluate its effectiveness.
23. Difficulty in tracking mental health spending was also specifically highlighted by Philip Whyte in oral evidence:

"Data is an issue. There are issues around funding. Take for example the really good commitment from the Government that 10 per cent of all front-line health spend will go to mental health by the end of the parliamentary session. Because that is delivered through health boards and it is up to them to determine how much money is put where, you have no idea whether it is being delivered and, more importantly, who is doing the heavy lifting of delivering it. Things like that become impossible to track."

24. Similarly, Philip Whyte highlighted difficulties in tracking other health and social care commitments:

"...in its first programme for government in this parliamentary session, the Scottish Government also committed to increasing primary care spend by 25 per cent over the session, with at least half of all front-line spend going into community health. The opacity of primary care and community health funding means that I am not sure

whether that commitment is being met, what that looks like, or what success looks like.”

25. Similar challenges were also highlighted in relation to other Scottish Government priorities, such as spending on alcohol and drug services.

26. Responding to the questions around transparency in spending, Richard McCallum, Director of Health Finance and Governance at the Scottish Government, in oral evidence, stated the following:

“The investment that we put in the health and social care system is no secret. If you, as a committee, feel that there is information that you are not seeing, or you would like more of, I would be pleased to give you it. It is absolutely crucial that you can see it, and that you can hold us to account on it.”

**27. The Committee welcomes the commitment from Richard McCallum to provide additional information to assist its scrutiny of health and social care spending as part of the Scottish budget.**

**28. In this context, the Committee would request that the forthcoming 2024-25 Scottish budget clearly sets out the various commitments to spending in relation to health and social care – including the progress towards achieving these, along with clarity around the definitions used. The Committee would specifically call on the Scottish Government to deliver on its commitment to enhanced transparency concerning how health and social care budgets are spent by providing a level of detail beyond level 2 to enable progress against specific commitments to be properly tracked and measured.**

**29. The Committee also seeks further clarification as to what consideration the Scottish Government has given to publishing more regular and timely information on spending in health and social care – as well as assurances that any further information published is done so in a format which is accessible and supports meaningful scrutiny. The Committee would also welcome a detailed update on what the Scottish Government is doing to address points previously raised by the Committee in relation to the lack of availability of data and how it plans to address these in the preparation of its 2024-25 budget.**

**30. The Committee also highlights concerns around difficulties in evaluating fulfilment of the Scottish Government’s commitment that 10 per cent of all front-line health spend will go towards spending in mental health by the end of the parliamentary session. The Committee therefore seeks clarification on progress towards meeting this commitment and improved transparency to enable it to be properly evaluated for the remainder of the parliamentary session.**

### **NHS Board budgets**

31. The Committee also heard in evidence that, despite an increase in NHS funding in recent years, a number of health boards continue to struggle to operate within their

budgets. The financial sustainability of health boards was also explored during the Committee's recent periodic scrutiny of NHS Boards.

32. The financial sustainability of NHS boards was highlighted in Audit Scotland's NHS in Scotland 2022 report, with analysis of NHS Boards' spending plans for 2022/23 showing that, of the 14 territorial boards, only 3 were predicted to break even if savings targets were met. The Scottish Government has previously required NHS boards to demonstrate their ability to break even by 2025-26 as part of their three-year financial plans.
33. In response to the Committee's call for views, NHS Borders argued the case for a fundamental change in approach to improve long-term financial sustainability of NHS boards:

"It is hard to see how the existing challenges to financial sustainability will be addressed through 'more of the same'...

"...Progress towards financial sustainability will require a strategic approach that recognises the health and care system requires transformational change immediately and on an enduring basis."
34. Giving evidence to the Committee on 3 October, Richard McCallum highlighted the NRAC formula as a critical tool in determining levels of funding for individual health boards in Scotland, stating:

"We have talked before at the committee about the NHS Scotland resource allocation committee formula, which is the key and main driver of funding for health boards in Scotland."
35. He indicated that this considers remoteness, deprivation and other factors that might drive increased costs for individual boards, further stating:

"When we allocate to health boards, we actively take account of the NRAC formula, but we also try to take specific actions and make specific investments on top of that."
36. However, in response to paragraph 26 in the Committee's pre-budget scrutiny letter for 2023-24, the Scottish Government has previously indicated that it plans to undertake a review of the NRAC formula.
37. **The Committee calls on the Scottish Government to clarify whether the NRAC formula continues to be "the key and main driver" when determining health board budgets, and to confirm whether there are still plans to replace the formula and to provide a prospective timescale for completing this review.**
38. **The Committee also asks whether the Scottish Government is still expecting boards to demonstrate an ability to break even by 2025-26 and to provide an assessment of how likely it is that this will be achieved and details of what further action it will take in relation to those boards that are unable to meet this expectation.**

## Workforce and pay

39. Though not a direct question in the Committee's call for evidence, many respondents raised the topic of NHS workforce capacity as well as budget implications arising from NHS workforce pay deals.

40. Both Audit Scotland and the Royal College of Nursing Scotland were of the view that workforce capacity remains the biggest risk to recovery of NHS services. UNISON and the Royal College of Physicians and Surgeons of Glasgow both stressed the need for an updated NHS workforce plan, with UNISON further stating:

"Current plans were drawn up pre-pandemic, the need for them to reflect what has been changed by COVID in the NHS and the society it supports is urgent. This means more and better trained staff."

41. The Committee also notes evidence submitted by NHS Borders, who said:

"Given the expectation of public sector workforce towards pay restoration it is hard to envisage that the totality of the budget increase would not be fully consumed by pay policy and price inflation alone, leaving no additionality to address system pressures."

42. The impact that NHS pay awards may have on third sector organisations was also raised. Children's Hospices Across Scotland (CHAS) highlighted that hospices must remain competitive with NHS pay awards, but do not receive additional statutory funding when NHS awards are made, a position they describe as unsustainable.

43. A similar point was made by Hospice UK:

"To match the NHS pay offer, hospices' wage bill has increased by £15.5 million over two years, 2022-23 and 2023-24 but their statutory funding was not uplifted to cover this. This presents a significant and growing challenge for hospices... The Scottish Government must ensure that staffing costs and pay awards across all sectors of the health and care workforce, including hospices, are fully factored into their financial planning."

44. At its meeting on 19 September, Professor David Ulph, commissioner at the Scottish Fiscal Commission, outlined to the Committee the extent to which the impact of pay awards on the Scottish budget will depend on decisions at a UK Government level:

"The impact of pay increases on the Scottish budget will therefore depend to some extent on what happens in the rest of the UK. It will depend on the level at which the UK Government settles and on whether it increases budgets in order to pay for the increase in wages in the rest of the UK. That is something to bear in mind when you are thinking about budgeting for the year ahead."

**45. The Committee would ask the Scottish Government to set out what specific actions it intends to take as part of the 2024-25 budget to address challenges around staff recruitment, training and retention in the health and social care sectors.**

**46. The Committee calls on the Scottish Government to address directly concerns raised in evidence that any commitment to increase the budget for health and social care risks being entirely absorbed by current and future pay settlements and broader price inflation and to outline what further action it intends to take to address this.**

### **Preventative spend and a whole system approach**

47. The Committee explored issues related to preventative spend in last year's pre-budget scrutiny, and this theme has recurred in the Committee's pre-budget scrutiny for 2024-25.

48. Although the 2022-23 Programme for Government affirmed the Scottish Government's intention to invest at least 5% of all community-based health and social care spend in preventative whole family support measures, the Committee notes that this did not feature in the 2023-24 Programme for Government.

49. Many respondents to the call for views identified the need for an increased focus on preventative spend but argued that this objective is being inhibited by multiple factors. In written evidence, Audit Scotland stated:

"Our January 2022 Social Care briefing identified important ongoing barriers that are inhibiting the desired shift towards increasing preventative spending. In particular, the extent to which resources are currently tied up in dealing with short-term problems. The briefing warned that without a shift to preventative action, increasing demand would swamp public services' capacity to achieve high quality outcomes. Making a shift towards preventative spend is even more difficult when there is significant pressure on existing resources and there are new, emerging and competing demands."

50. Similar points were made by Public Health Scotland, who pointed towards evidence they had gathered on the impact of preventative spend measures. They stated there is a strong consensus for the need for preventative action, but a lack of clarity about what that means in practice for different stakeholders.

51. In their written submission, COSLA advocated for whole system thinking and a focus on preventative spend but noted the challenges in moving towards such a model "within cycles of short-term funding where agreement of repeat funding is based on evidence of short-term results."

52. Indeed, many respondents stressed the need for a 'whole system approach' to budget-setting, recognising the impact that reductions in other budgets (education, health, leisure etc.) can have on health outcomes.

53. Some stakeholders, such as Audit Scotland, emphasised that improving public health is not solely the responsibility of the health and social care sector:



“...It is vital that the Scottish Government facilitates cross-sector working, across its own directorates and with other partners and stakeholders, to tackle the numerous factors contributing to poor public health. There is a need for long-term policy and investment to improve public health and reduce inequalities.”

54. The need to shift towards a preventative spending model was also raised by witnesses in oral evidence. At the meeting on 19 September, Philip Whyte of IPPR told the Committee:

“Ultimately, it all comes down to preventative spend. We are more than a decade on from the Christie commission, but the vision that is set out continues to be an ambition rather than something that is being realised.”

55. Philip Whyte went on to acknowledge the challenges associated with moving towards a preventative approach in the context of acute short-term demand for services but argued that further delay in making such a shift would only exacerbate existing pressures on the system.

56. In oral evidence, Carmen Martinez, Coordinator at the Scottish Women’s Budget Group, also noted the importance of investment in social care as a key element of an effective preventative approach:

“Looking after people before they get very sick should prevent lengthy stays in hospital, which would alleviate pressures on the NHS...perhaps we need to ask ourselves whether we can afford not to do something about the situation and whether we can afford not to invest in care.”

- 57. The Committee asks the Scottish Government to provide examples of where budget decisions have reflected a commitment to preventative spend and a whole system approach. The Committee would also seek further clarity from the Government as to how both preventative spend and a whole system approach are built into the decision-making process for the health and social care budget.**

- 58. The Committee also seeks an update on progress towards meeting the Scottish Government’s commitment to invest at least 5% of all community-based health and social care spend in preventative whole family support measures as well as what work is being done to identify and measure the preventative impact on public health of budget interventions outside the health and social care portfolio.**

## **Public engagement**

59. Many respondents to the Committee’s call for evidence argued the case for initiating a ‘national conversation’ to involve the public in discussions around the future of health and social care in the context of increasing demand, demographic change and finite budgetary resources.

60. NHS Fife stated:

“The key for government will be having an open and transparent conversation with the public on what the NHS will need to look like in the future, including changing models of care, increasing focus on population health and wellbeing, and supporting people to manage their own health conditions where that is possible.”

61. This was echoed in the response of The Royal College of Physicians of Edinburgh, who commented:

“The Scottish Government should initiate a broad and comprehensive debate about the current and future demands on our health service, the anticipated costs of these and what priorities should be. This debate should also set out the evidence base for preventative health policies and the Scottish Government should continue to highlight the important Realistic Medicine agenda.”

**62. The Committee asks the Scottish Government to set out what plans it has, if any, (and over what timescale) to engage the public in a ‘national conversation’ about the future of the health and social care system and the ways in which it will likely need to adapt to meet changing priorities, new and emerging challenges and in the context of finite budget resources.**

## Health outcomes

63. The Committee received both oral and written evidence highlighting significant shortcomings in linking health and social care spend to specific outcomes.

64. COSLA expressed a view that, when it comes to public spending, there appears to be a focus on input and output measures, rather than outcomes— and that this drives behaviour and spending in ways that are not necessarily cost-effective.

65. Audit Scotland also argued that, as currently configured, the National Performance Framework (NPF) fails to support budget scrutiny or to enable the success of specific budget interventions to be effectively evaluated:

“Given that outcomes are long-term in nature, milestones are helpful in judging progress. The current lack of milestones for National Outcomes will make monitoring how changes to budgets and public sector reform impact on people and longer-term goals much more difficult. It also makes it harder for parliament and other bodies to scrutinise the work of public bodies and have assurance that spending and reform is delivering improved outcomes and providing maximum value for money.”

66. While arguing that, in its view, the existing National Outcomes and associated National Performance Framework provide an appropriate strategic focus for decision-making, Public Health Scotland argued that implementation across the whole system needs to be strengthened.

67. This point was echoed by Philip Whyte in oral evidence to the Committee on 19 September:

“The NPF is described in Government as its north star...North stars are good. If I get lost, I can follow the north star and have a good idea of where I am going, but that does not mean that I do not run the risk of falling off a cliff unless I actually know what my route is. It is fine to have that big national-level macro north star to follow, but you need to know what your route map is, and I do not think that we have those lower-level targets...

...outside the targets that have been set nationally, I am not sure whether we know where we are going yet.”

**68. The Committee asks the Scottish Government to set out what role the NPF has in informing decisions on the health and social care budget. As highlighted in evidence from Audit Scotland and the IPPR, it calls on the Scottish Government to address how it intends to shift spending away from a current focus on short term targets and towards a long-term outcomes-based approach. In particular, it calls on the Scottish Government to address to what extent the introduction of lower-level milestones linked to NPF outcomes might assist a shift towards a more strategic, long-term outcomes-based approach to spending.**

**69. The Committee indicates its intention to undertake focused scrutiny of the relevant outcomes in the National Performance Framework as part of the forthcoming five-year review. As part of this scrutiny, it would welcome a debate with the Scottish Government and key stakeholders as to how the NPF can be reformed to become a more effective tool to support strategic outcomes-based policymaking and spending in the fields of health, social care and sport.**

In conclusion, the Committee looks forward to receiving a detailed response to the points raised in this letter in due course and to working with you constructively as you continue to develop the health, social care and sport budget for 2024-25.

Yours sincerely,

A handwritten signature in black ink that reads "CHaughey". The signature is written in a cursive, flowing style.

Clare Haughey MSP  
Convener, Health, Social Care and Sport Committee