The Scottish Parliament
Pàrlamaid na h-Alba

FINANCE COMMITTEE

AGENDA

21st Meeting, 2013 (Session 4)

Wednesday 11 September 2013

The Committee will meet at 10.00 am in Committee Room 5.

1. **Public Bodies (Joint Working) (Scotland) Bill:** The Committee will take evidence on the Financial Memorandum from—

   Jean Campbell, Planning and Development Manager, East Dunbartonshire Council;

   Nick Kenton, Director of Finance, NHS Highland;

   and then from—

   Frances Conlan, Bill Team Leader, Christine McLaughlin, Deputy Director Finance Health and Wellbeing, Paul Leak, Integrated Resources Framework Lead, and Alison Taylor, Policy Lead, Scottish Government.

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The papers for this meeting are as follows—

Agenda item 1

Note by the Clerk	FI/S4/13/21/1

Finance Committee

20th Meeting, 2013 (Session 4), Wednesday 11 September 2013

Public Bodies (Joint Working) Scotland Bill

Introduction

1. The Public Bodies (Joint Working) Scotland Bill was introduced on 28 May 2013.

2. In June 2013, the Committee agreed to seek written evidence on the Financial Memorandum from a range of organisations potentially affected by the Bill.

3. The submissions from the organisations which will provide oral evidence to the Committee are attached as the Annexe to this note. The organisations are East Dunbartonshire Council and NHS Highland. All other submissions are available at: http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/65999.aspx. Hard copies of the submissions can be provided to members on request.

The Bill

4. The Policy Memorandum states that "the Bill is designed to establish a framework to support the integration of local authority and health board functions. The Bill will permit Scottish ministers to require the integration of, as a minimum, adult health and social care, based on the principles of a person-centred approach to service planning." (paragraph 51)

5. The FM sets out costs in relation to the various parts of the bill as follows—

- Part 1 - Cost implications to the Scottish Government from provisions in the Bill: transitional costs
- Part 2.1 - Recurrent cost implications to health boards and local authorities from provisions in Part 1 of the Bill
- Part 2.2 - Cost implications to health boards and local authorities from provisions in Part 2 of the Bill
- Part 2.3 - Cost implications to health boards and local authorities from provisions in Part 3 of the Bill
- Part 2.4 - Consequential cost implications to health boards and local authorities from provisions in Part 1 of the Bill
- Part 3 - Cost implications to other public bodies from provisions in the Bill
- Part 4 - Cost implications to other bodies, individuals and businesses from provisions in the Bill.

6. A table summarising "direct costs resulting from the Bill" is provided on pages 47 and 48 of the FM. No significant comments have been submitted in relation to Parts 2.3 or 4.

7. The FM provides estimates based on the two models of integration provided for by the Bill; delegation between partners and delegation to a body corporate.

8. In considering the points raised in the submissions to the committee's call for evidence, Members may wish to note the following.

9. The Bill estimates potential efficiencies of between £138 million and £157 million for health boards and local authorities from the combined effect of anticipatory care plans, reducing delayed discharge and reducing variation. However, the FM also notes—

> "That there is considerable uncertainty around these estimates and the eventual outcome and phasing will be dependent on local decisions taken by partners on resource allocation through their strategic plans."

10. A number of the costs arising from the Bill will depend on the overall shape of the integration models that are chosen across Scotland. Members may wish to note that, in discussing the potential costs arising under Part 1, the FM states—

> "...the likely case is based on the assumption that all partners, with the exception of Highland, will opt for delegation to a body corporate; this reflects feedback on the preference of partnerships between the two mains models."

11. The uncertainties acknowledged by the Scottish Government in the FM are also commented on in written submissions. For example, Scottish Borders Partnership notes—

> "...the figures in the paper are very much estimates at this time and agree that much more research and a robust evidence base will be needed to ensure the financial assumptions accurately reflect the costs and, importantly, the potential opportunities to both local authorities and the NHS arising from integration. Given the limited information, it is not possible to comment on the completeness of the financial implications at this state."

12. Dumfries and Galloway Council also comment on this matter—

> "At paragraph 35, the FM recognises that there is considerable uncertainty around the estimates in relation to projected efficiencies. It is important to recognise that this qualification applies not only to the projected efficiencies but also to a range of other estimates and timescales reflected in the document. This uncertainty is not unreasonable at this stage."

13. Other responses note that there is ongoing work being under taken in order to fully inform the development of integration models. East Dunbartonshire Council comments—

> "The five workstreams being taken forward by the Integrated Resources Advisory Group will fully inform the development. For reference these are:-

- Accounting Treatment and VAT
- The Financial Reporting
- Controls and Assurance
- Financial Management, Planning and Finance Function
- Capital and Assets."[1]

Main issues identified in written submissions

14. In considering the written submissions, Members will note that there are a number of themes that re-occur throughout, including—

- A view that costs to health boards have been better assessed and set out than costs to local authorities
- A highlighting of the potential risk of additional VAT costs for the delegation to a body corporate model
- Comment on the effect of delegating budgets from secondary to primary care and the potential effect on acute services
- The costs for harmonisation of terms and conditions should staff transfer between the partnership organisations.

Part One – Cost Implications to the Scottish Government from Provisions in the Bill: Transitional Costs

15. A description of the "transitional non-recurrent costs to the Scottish Government associated with Bill implementation" states that the SG "will provide approximately £16.7m" to health boards and local authorities "as partners in integration joint boards or lead agency arrangements, on a proportional basis for transitional costs, to implement the organisational development and other change management functions necessary." It further states, however, that "in moving to these arrangements, it is reasonable to assume that health boards and local authorities will realise opportunity costs, which will be expected to support transitional arrangements." (paragraph 68)

16. A table is provided after paragraph 37 which sets out the investment the SG intends to make to cover these expected "non-recurrent transitional costs." This shows that such costs are expected to total £16.315 million over the five years from 2012-13 to 2016-17, peaking at a total of £10.8 million in 2014-15.

[1] More information about the Integrated Resources Advisory Group can be found at: http://www.scotland.gov.uk/Resource/0041/00416904.pdf

17. However, beyond the costs identified in the FM, a number of comments were received on the difficulties that will be presented in terms of the statutory partners being able to realise the efficiencies that will support the intention of the Bill. East Dunbartonshire Council comments—

> "There is no focus on the issues arising from the delegation of budgets and resources under each of the 2 options available which is a key area of concern and will have far reaching implications in the medium/longer term and the realism attached to releasing resources from budgets tied into acute budget without de-stabilising hospital provision."

18. BMA Scotland addresses the reduction of acute hospitalisation but also comment on the demographic pressures in relation to service demands—

> "Growing numbers of frail elderly patients with multiple physical co-morbidities, and often with dementia, will produce significant pressure on hospital-based services, undermining the perception that the funding necessary for quality community-based healthcare can be found solely through the transfer of resources from secondary care. There is often an assumption that the only way to develop community services is to move funding from secondary to primary care, or health to social care, rather than considering the overall resource envelope and whether that needs to change."

19. The Association of Directors of Social Work (ADSW) states—

> "For the integration vision to be achieved, health and social care partnerships need to unlock the budgets currently funding emergency inpatient admissions. ADSW is extremely concerned that the Scottish Government may set the minimum inpatient budgets to be transferred to Partnerships at too low a level to deliver the step change required."

Identification of costs on local authorities

20. A number of responses comment that the costs on health bodies are more clearly identified and addressed than costs on local authorities, including in relation to the transitional costs identified in relation to Part One.

21. For example, the ADSW comments—

> "The…non-recurring Scottish Government investment is either targeted to Health Boards or retained to fund central government support or third sector initiatives. While we understand that CHP leadership posts will be deleted by the Bill, other management posts, including those in some local authorities, are also at risk of deletion as partnerships develop integrated management structures… Therefore we think that potential redundancy and redeployment costs will be significantly larger than those contained in the FM."

22. This is echoed by Glasgow City Council—

> "Focus of the Financial Memorandum is on the additional recurring and non-recurring costs likely to be incurred by health, with an incorrect underlying

> assumption that all additional local authority costs can be met from within existing resources."

23. Dumfries and Galloway Council identifies both the displacement of local authority staff and the costs of non-clinical care professionals in locality planning as areas where costs are not addressed in the FM—

> "One particular point is that the FM focuses mainly on those costs likely to be incurred by the Health sector and does not sufficiently recognise those costs likely to be incurred by local authorities. For example:
>
> - Paragraph 50 indicates that while there will be displacement costs associated with displaced Community Health Partnership posts, it is assumed that no such costs should be incurred by local authorities; and
>
> - Paragraph 89 provides an estimate of costs associated with clinical involvement in locality planning but does not recognise potential costs associated with the involvement of other care professionals."

Part Two – 2.1: Recurrent Cost Implications to Health Boards and Local Authorities from Provisions in Part 1 of the Bill

24. The Policy Memorandum explains that the Bill provides for two distinct models of integration: delegation between partners (also referred to as lead agency arrangements and implemented by NHS Highland and Highland Council) and delegation to a body corporate model, under which a joint board is established hold an integrated budget and to allocate it between the constituent health board and local authority or authorities.

25. Tables summarising the estimated recurrent costs to health boards and local authorities of both models are provided after paragraph 68 of the FM whilst a more detailed description of these costs is provided in paragraphs 69 to 95.

26. The estimated total recurrent cost to health boards and local authorities would be £4.55 million per annum for delegation between partners and £5.6 million per annum for delegation to a body corporate.

27. The FM does not specify whether these respective total costs would be incurred in the event that *all* health boards and local authorities adopted the same model exclusive of the other, but the Bill team has confirmed this to be the case. It would therefore seem reasonable to assume that the total recurring annual costs arising from the provisions in Part 1 of the Bill could be expected to be somewhere between the two figures.

Achieving a VAT neutral solution for both partnership models

28. The costs under Part 1 of the Bill identify £35,000 for the development of VAT guidance with HMRC. This guidance would be a necessary part of ensuring a VAT neutral solution could be delivered for the delegation to a body corporate model. (Existing HMRC guidance allows for a VAT neutral solution to the delegation

between partners model.) The potential cost exposure should a VAT neutral solution not be achieved is identified in the FM as a recurrent cost of £32 million per annum.

29. A number of responses comment on this issue, with South Lanarkshire Council stating that—

> "The position in respect of reclaiming VAT is critical and requires to be confirmed in order to inform the formation of the optimum partnership model."

30. ADSW comment, in relation to both VAT and staff harmonisation costs, that—

> "The Financial Memorandum correctly identifies the risks to VAT recovery and staff pay and conditions harmonisation, and estimates their potential annual costs at up to £32m and up to £27m respectively. It is a matter of concern that the FM does not commit the Scottish Government to fund these pressures should they occur in the future."

31. Falkirk Council also raises the question of an undertaking to review costs in the light of experience—

> "This is particularly true in the case of VAT where there is a presumption that a VAT cost neutral solution will be found but a potential additional cost of £32m per annum if such a solution is not found."

Information technology costs

32. Glasgow City Council comments—

> "There is insufficient ICT development and recurring costs to allow for improved data sharing of information held on Health and local authority information systems. We need to integrate our IT systems so that information is only recorded once to improve the experience for the service user."

33. ADSW comments on the costs going beyond those identified as falling to the central Information Service Division—

> "The FM rightly notes the need to improve management information and to develop IRF jointly linked patient/client activity and cost datasets. However, all costs are seen as ISD's, with partnerships accessing data remotely. This under-states the need for greater analytical and intelligence capacity within partnerships, and also the need to invest in IT improvements locally."

34. North Ayrshire Council also commented on this issue from the perspective of multiple local authorities working with a single health board—

> "Insufficient ICT developments and recurring costs e.g. within Ayrshire the three local authorities operate different social work management information systems."

Part Two – 2.2: Cost Implications to Health Boards and Local Authorities from Provisions in Part 2 of the Bill

35. The FM states that, at present, "whilst the Common Services Agency (CSA), commonly known as NHS National Services Scotland, may provide goods and services to NHS bodies in Scotland generally, it may only provide a limited range of goods and services to other public bodies." (paragraph 96) The Bill seeks to change this so the CSA can "offer services such as legal, procurement, counter fraud and IT support to the wider public sector, which have the potential to produce operating and cost efficiencies" (paragraph 97) The FM then states that "costs to the public sector will be cost neutral. There will be no increase in the level of the Common Services Agency budget as a result of it delivering services to the wider public sector." (paragraph 99)

36. NHS National Services Scotland has provided a submission which identifies a number of risks but also highlights that there is ongoing national work to manage those risks. The risks identified include—

- That revenue may fall if the procuring entity changes given that Health Boards are currently required to buy some services from the CSA

- How compliance with procurement procedures would operate and be ensured given the existing provisions that enable the sourcing of optional goods and services from the CSA by Health Boards (and vice versa) without the need for a formal procurement process.

Clinical Negligence and Other Risks Scheme (CNORIS)

37. The Bill also seeks to extend the insurance cover provided by CNORIS to "allow local authorities and Health Boards to obtain indemnity cover under CNORIS and avoid the potentially material costs of market indemnity." (paragraph 103) Whilst the FM notes that the costs of such bodies having to obtain indemnity cover from the market "may be prohibitive," it makes no mention to any additional costs that might arise from the extension of the scheme.

38. In its submission, Falkirk Council notes that—

> "In respect of Clinical Negligence and Other Risks Insurance, the FM notes that the costs of obtaining indemnity from the market might be prohibitive but makes no mention of additional costs that might arise from extension of the scheme."

39. North Ayrshire Council also comments on this point, stating that a "better understanding of the risk and cost implications for local authorities of using CNORIS is required."

Part Two – 2.4: Consequential Cost Implications to Health Boards and Local Authorities from Provisions in Part 1 of the Bill

40. The FM states that, in the event that partners choose to "transfer some staff between them in order to better integrate delivery teams," they will do so under TUPE arrangements. It goes on to note that in such cases, "there is a risk of a

potential cost to partners in terms of harmonisation of terms and conditions, including equality of pay; the risk is different depending on which model of financial integration is chosen." (paragraph 112)

41. Finally, in paragraph 121, the FM provides "three estimates for costs associated with staff transfer under the two main models of integration" ranging from the lowest cost scenario of £nil per annum "where all partnerships opt for delegation to a body corporate model (except Highland)" to a mid-cost scenario costing £13.5 million "where half of partnerships opt for delegation to a body corporate model and half opt for delegation between partners model," and finally to the highest cost case of £27 million per annum "where all partnerships opt for delegation between partners model with functions delegated to health boards and adult social care staff transferring to Boards."

Harmonisation of terms and conditions for staff transferring between partner organisations

42. The FM notes that staff moving from local authorities to health boards would be likely to migrate to more advantageous NHS terms and conditions but where the reverse was the case, there would "be a risk of an equal pay claim from the existing local authority staff." (paragraph 115) It further notes the potential for such transfers to result in surpluses or deficits in pension funds but states only that "the SG is considering options for a solution to this issue and no estimate has been included in the scenarios at paragraph 121." (paragraph 116)

43. The FM predicts that "most partners will use the body corporate model" and states that "it is not intended that staff will transfer to the body corporate, but partners may nonetheless choose in time to transfer some staff between each other in the same way as under delegation between partners." (paragraph 117)

44. In such circumstances, the FM states that "the situation would be similar to those under delegation between partners outlined above," before noting "an additional theoretical risk" that staff may bring future claims "on the grounds that they undertake similar duties but work for separate employers on different pay, terms and conditions, within an integrated system." (paragraph 118)

45. However, the FM then states that "given the contingent nature of staff transfers under delegation to a body corporate, in the scenarios for potential costs described below, we have assumed that no staff will transfer under this model and have therefore assumed no harmonisation costs." (paragraph 119)

46. However, on this point, Dumfries and Galloway Council notes—

> "…it is important to recognise that there are significant risks associated with a number of areas, including those where the FM has assumed that the impact will be nil or cost neutral… the estimated costs associated with potential staff transfers and the harmonisation of terms and conditions indicate that these issues/costs are expected to be relatively small. Again, given the potential amounts involved and the uncertainty associated with issues such as potential pay claims, it should be recognised that there are significant risks associated with this assumption."

47. North Ayrshire Council also comments on—

> "Wider concerns around the emergence of additional staffing costs pressures and integrated teams develop. Specific examples include; harmonisation of terms and conditions – a particular issue where similar services are being provided e.g. support services; jobs being evaluated on different bases; concern re the NHS no redundancy policy and current and future pension risk around potential transfer of employees between funded and unfunded schemes and rising employer contributions."

Part Three - Cost Implications to other Public Bodies from Provisions in the Bill

48. The FM states that "the performance of partnerships in achieving the nationally agreed outcomes and other relevant outcomes in relation to the delegated functions will be assessed jointly by Healthcare Improvement Scotland and the Care Inspectorate" and estimates that "these bodies will undertake six inspections per year" at a cost of £173,362 per joint inspection." (paragraph 122)

49. North Ayrshire Council states—

> "In the section which deals with impact on other agencies additional inspections costs have been identified, it is not clear why this would be additional to rather than different from the current inspection arrangements. Any additional costs for external inspectorates require to be matched with partnership funding to prepare for additional inspection. There is a view that rationalisation of the current inspectorates is possible as the HSCPs develop."

50. Scottish Borders Partnership also comments—

> "Additional inspection costs are identified for inspection agencies but the association costs of preparing for inspection both in the NHS and Local Authorities are not factored in."

51. The FM further notes that "additional resource, longer term, will also be required to fund the Care Inspectorate and Healthcare Improvement Scotland for scrutiny of strategic commissioning," estimating that this will result in a recurrent cost of £670,000 per annum. (paragraph 123)

52. However, in its response to the Committee, Healthcare Improvement Scotland notes—

> "The costings included in Part Three are estimates that were based on particular assumptions at the time of the consultation. In practice those assumptions may change and this may impact on Healthcare Improvement Scotland's financial requirements… For Healthcare Improvement Scotland to comply with the Bill, it will be necessary to review the appropriate skills and resources to conduct the required inspections. We will consider the associated financial implications in the context of our broader financial strategy. Additional costs may require some uplift to our baseline funding which is currently reducing on an annual basis and any uplift will have to be agreed with Scottish Government finance colleagues."

Other issues - Change Fund for Older People

53. Some respondents comment on the role of the Change Fund for Older People in supporting the transition to integration and whether the Fund can be continued beyond the current end date of 2015/16.

Conclusion

54. **The Committee is invited to consider the above issues in its scrutiny of the FM.**

Catherine Fergusson
Senior Assistant Clerk to the Committee

ANNEXE

SUBMISSION FROM EAST DUNBARTONSHIRE COUNCIL

Consultation

Did you take part in either of the Scottish Government consultation exercises which preceded the Bill and, if so, did you comment on the financial assumptions made?

1. The Council contributed to and supported the consultation responses from COSLA and CIPFA Directors of Finance Section and contributed to the consultation on the integration policy generally as opposed to specific elements of a draft bill.

Do you believe your comments on the financial assumptions have been accurately reflected in the FM?

2. The five workstreams being taken forward by the Integrated Resources Advisory Group will fully inform the development. For reference these are:-

- Accounting Treatment and VAT
- The Financial Reporting
- Controls and Assurance
- Financial Management, Planning and Finance Function
- Capital and Assets

3. Individual Council comments were not provided to the financial memorandum (per above) so we would not be able to determine whether responses were reflected in the bill.

Did you have sufficient time to contribute to the consultation exercise?

4. Yes – timescales for responses to the consultation on the integration policy were extended for wider consultation and this gave ample time to respond and seek political input into the process.

Costs

If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the FM? If not, please provide details?

5. The FM focuses on the resourcing issues in relation to the implementation of the agenda and in this regard, the range of financial implications has been accurately reflected. There is no focus on the issues arising from the delegation of budgets and resources under each of the 2 options available which is a key area of concern and will have far reaching implications in the medium / longer term and the realism attached to releasing resources from budgets tied into acute budgets without de-stabilising hospital provision.

6. A significant omission appears to be an estimate of the cost of the rising demographic of older people requiring a service (per paragraph 18 of the FM) given there are savings predicated on the way this will be delivered into the future. In terms of the costs associated with the Bill implementation there is provision for the displacement of CHP leadership staff, however an absence of any provision for the displacement of local authority staff which if management teams are to come

together to deliver on joint outcomes there will inevitably be management efficiencies on both sides of the partnership. The establishment of transition arrangements is predicated on being able to realise opportunity costs, but it is not clear what these relate to. Support to develop strategic plans and inform performance management requires a linked patient/client level health and social care dataset and information system and the costs built in to establish this across Scotland appear low given the experience with MGF funding which sought a solution to this issue without any real success. There are costs built in for the appointment of a chief officer but no recognition of other posts which will require to be appointed to support this role where evidence across already established CHCP constructs shows an overall increase in the costs associated with establishing new structures, including start-up and recurring ICT costs.

Do you consider that the estimated costs and savings set out in the FM and projected over 15 years for each service are reasonable and accurate?

7. The range of cost considerations seems reasonable, however without having the detail on the underlying assumptions and costs associated each area, it is not possible to determine if these are accurate.

8. The savings assumptions are predicated on a 3 key areas:

- Delayed Discharges – predicated on a maximum 14 day delay in hospital – is this realistic and achievable? Look to success of change fund programmes and partnership performance against the current 28 day target.
- Anticipatory care planning needs to be effective – limited success locally from this initiative and the basis for estimating the likely savings from this area being predicated on a small study undertaken in Nairn may be problematic.
- Reducing variations in cost per head across partnership areas without any clarity on what causes these variations and the fact that these variations may be justifiable. Requires more in depth analysis to establish the reasons for variation.

9. Accordingly to fully assess these figures further detail should be released.

10. Work is ongoing within the IRAG workstreams and VAT presents a significant uncertainty.

11. The harmonisation of terms and conditions is also an area with cost implications which needs to be considered and quantified.

If relevant, are you content that your organisation can meet the financial costs associated with the Bill which your organisation will incur? If not, how do you think these costs should be met?

12. Cost implications should be further refined and if further set-up costs or bridging finance is required this should be provided by Scottish Government.

Does the FM accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

13. Range of cost provided but without the detail on the underlying factors which sits below these assumptions it is hard to form a view as to whether they are accurate. The estimates fall within wide ranges with an acknowledgement of the

uncertainties which may be present, however how this leads to effective planning is unclear and individual partnership experiences will vary greatly in terms of allocation of any funding.

Wider Issues

Do you believe that the FM reasonably captures costs associated with the Bill? If not, which other costs might be incurred and by whom?

14. As per 4.

Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?

15. Potential equal pay claims for staff working more closely together doing broadly the same role but within differing organisation on different terms and conditions.

16. Investment in research analysis to provide an robust evidence basis for assumptions being made across a number of areas.

SUBMISSION FROM NHS HIGHLAND

Consultation

Did you take part in either of the Scottish Government consultation exercises which preceded the Bill and, if so, did you comment on the financial assumptions made?

1. Yes we responded. Our comments relating to finance were limited to the questions posed in the consultation. For instance, in our response to question 9 we felt that Health Boards and Local Authorities should be free to choose whether to include the budgets for other CHP functions – apart from adult health and social care – within the scope of the Health and Social Care Partnership and in our response to question 10 we agreed that the two models described can successfully deliver the government's objective to use money to best effect for the patient or service user, whether they need “health” or “social care” support? However, we expressed a view that the Lead Agency model would be more effective model for this.

2. In our response to question 12 we agreed that if Ministers provide direction on the minimum categories of spend that must be included in the integrated budget, it would provide sufficient impetus and sufficient local discretion to achieve the objectives the government has set out.

3. However, we felt that there must be a level of flexibility to enable that local response but if the direction is too limited the desired outcomes may not be achieved. The emphasis should be on functions and not services per se to ensure that the total resource required to deliver that function is included in the integrated pot.

4. In response to question 13 we did not think that the proposals described for the financial authority of the Jointly Accountable Officer would be sufficient to enable the shift in investment that is required to achieve the shift in the balance of care. We felt there was a danger this would continue to lead to decisions made in isolation.

Do you believe your comments on the financial assumptions have been accurately reflected in the FM?

5. We are pleased to see that the Bill allows a degree of flexibility in the financial arrangements. There are other matters that may have financial consequences we are aware of (which we did not refer to in our response as they were not really covered in the questions) but we are pleased to see these reflected in the Bill - such as an acknowledgement of the need to review the Clinical Negligence & Other Risk Insurance Scheme, the issue of harmonisation of terms and conditions plus the potential issue of pension deficits transferring along with staff under the delegation between partners model.

Did you have sufficient time to contribute to the consultation exercise?

6. Yes

If the Bill has any financial implications for your organisation, do you believe that these have been accurately reflected in the FM? If not, please provide details?

7. The direct costs of integration for the north Highland model are already largely quantified and accounted for. There are outstanding issues regarding IM&T provision. There is also an outstanding issue regarding the potential leasing of Care Homes from Highland Council to NHS Highland (or a full transfer of ownership) as the differing accounting regimes between local authorities and NHS bodies are currently proving challenging. The differing VAT regimes have implications for both these outstanding issues but this is acknowledged in the FM.

NHS Highland will incur costs in establishing an integration model with Argyll & Bute Council. These are not yet quantified in any detail but it is reasonable to assume they will be in line with estimates made in the FM.

Do you consider that the estimated costs and savings set out in the FM and projected over 15 years for each service are reasonable and accurate?

8. Forecasting this far in advance is very challenging. The assumptions seem reasonable with the caveat around the potential cost of transfer of assets - see question 6.

If relevant, are you content that your organisation can meet the financial costs associated with the Bill which your organisation will incur? If not, how do you think these costs should be met?

9. As noted above - the majority of the implementation costs are identified and covered for the north Highland model with the exception of IMT costs (which could be significant) and the potential costs for leasing or transferring Care Homes. The latter could be very significant indeed - in reality this would prevent a transfer being made or a leasing solution from being pursued. NHS Highland continues to be in dialogue with the Scottish Government with a view to resolving this issue.

It is worth noting that the integration of budgets between partner bodies requires a high degree of trust and openness - and this is as much about leadership and culture as legislation.

Does the FM accurately reflect the margins of uncertainty associated with the estimates and the timescales over which such costs would be expected to arise?

10. The FM does seem to be clear that the figures are estimates. It is perhaps not quite so clear that the potential efficiencies from reducing delayed discharges, reducing variation and anticipatory care plans are presumably based on 'full cost' estimates which are therefore not fully realisable unless fixed costs are reduced as a result of the changes.

Wider Issues

Do you believe that the FM reasonably captures costs associated with the Bill? If not, which other costs might be incurred and by whom?

11. As noted above - the bill does not seem to make provision for the potential costs of transferring ownership of assets (or long term leasing of assets). This could be viewed as an accounting issue rather than a funding issue per se, but the consequences are manifested as funding issues due to the differences in the accounting regime between the partner bodies.

Do you believe that there may be future costs associated with the Bill, for example through subordinate legislation? If so, is it possible to quantify these costs?

12. Not aware of any future direct transitional costs of integration arising from the Bill. The wider financial consequences of integration are difficult to quantify but our belief is that these will be beneficial rather than a cost burden.