

Draft Budget Scrutiny 2014-2015 Royal College of Nursing Scotland

The RCN welcomes the opportunity to offer written evidence on the health spending plans in the 2014-15 draft Scottish budget. We have focused this short submission on three of the questions set by the committee in the call for evidence.

What are the pressures on health spending and how do we mitigate them?

Many of the pressures facing health spending have been well-rehearsed in current debates on integration reforms and on the patient flow problems facing our hospitals: An ageing population, increasingly complex healthcare needs, rising expectations, persistent inequalities, fragmentation of efficient pathways of high quality care, the state of the NHS estate, ever-higher healthcare costs. There is a general acceptance that ways of delivering services must change to meet current and future demand for quality care sustainably.

In the current climate NHS boards must continue to find savings from within their allocations to fund substantively many of the new investments required. In her report on the 2011-12 financial performance of the NHS, the Auditor General noted: “demand for services continues to grow, particularly due to an ageing population; it is becoming more difficult to identify recurring savings as early opportunities have already been targeted”¹.

According to the financial agreements made between the 14 territorial boards and the Scottish Government for the current financial year, boards are planning to make £240.8m of savings (£195.2m as sustainable recurring savings; £45.6m as one-off non-recurring savings). However, by the time financial plans were signed off by Scottish Government, over 12% these savings were either not yet identified (£7.9m) or were classed by boards as high risk (£21.4m). Six of the 14 health boards place achievement of savings this year as a high risk to the delivery of their financial plan.

This pressure is clearly not new. Our analysis of unaudited end of year financial returns at March 2013 suggests that only 87% of planned recurring savings were achieved by the 14 territorial boards in the last financial year (£204.5m planned in Local Delivery Plans; £177.5m achieved). Boards relied on greater than planned non-recurring savings to make up the shortfall and meet their total target. We do not have firm data on what short-term cost saving measures were used, nor what impact unexpected end of year savings decisions had on quality of care and outcomes for service users².

With limited flexibility to adjust plans to realise sustainable savings beyond year-end, we continue to hold concerns that some NHS boards are resorting to blunt measures such as temporarily holding open vacancies or stopping all

¹ See: http://www.audit-scotland.gov.uk/docs/health/2012/nr_121025_nhs_finances.pdf

² All figures are from NHS board monthly monitoring returns given to the RCN by the Scottish Government.

but mandatory staff training to meet their immediate in-year savings targets for Scottish Government. Such actions may temporarily reduce financial pressures, but will increase pressures on the quality and accessibility of services, as well as increase financial pressures the following year when the recurring savings will have to be found.

Boards are in an undeniably difficult position while these single-year targets remain. We do welcome the examples of genuine efficiencies given as examples in the Scottish Government's submissions to Committee on the budget, such as improvements in efficient prescribing. However, we continue to question whether there is adequate transparency available to confirm that all the cash-releasing efficiencies claimed are indeed evidence of providing the at least the same level of service for less money.

Again using unaudited financial returns for last year, we note that the 14 territorial boards posted a total recurring deficit of £26.8m at the end of 2012-13, although we have not been able to be wholly clear on the impact of brokerage monies from Scottish Government on this figure. On the face of it, this marks a reduction from the £34m deficit we recorded at the end of the previous year. An underspend of over £40m of non-recurring income allowed boards to meet their 2012-13 target to break even and post a small surplus. We are not clear which areas of non-recurring funding in the Scottish budget scrutinised by the Health and Sport Committee were used to make this financial balance.

Whilst this downward shift in underlying recurring deficits is very welcome, we note that short term plugs of underspending non-recurring income, finding additional non-recurring savings or relying on government brokerage to balance the books is not a place of assured sustainability for the NHS.

In previous years, the RCN has noted the additional responsibilities placed on frontline NHS boards at each budget which must be funded from core recurring uplifts. Again this year, we note from the Level 4 supporting information that there are various funds provided on a non-recurring basis in previous years which will, from next year, be wrapped up in the core funding to boards, such as the Healthy Working Lives programme. Presentation of this year's budget makes it hard to quantify each of these transfers from non-recurring to recurring funding, but we note that this does put additional pressure on the headline real terms uplifts awarded to territorial boards that are intended to cover healthcare inflation rises.

What are we doing to ensure that the quality of service regarding outcomes for patients is protected?

As in previous years' evidence, we note that it is not possible to make direct correlations between national allocation proposals in the draft budget and the improvements in outcomes set as national priorities. The Scottish Government submission to the Committee Convenor of 11 September notes that the "2020 Route Map" provides a commentary on the priorities for action. Again, these priorities are not clearly reflected in the presentation of the budget itself. We hope that as we enter a new spending review period the presentation of the

budget will be overhauled to ensure we can all scrutinise how policy priorities and funding decisions are aligned.

In terms of the impact of specific allocations and the impact on quality and outcomes, the RCN has a particular question with regard to the reduction of the nursing education and training line of the budget, which is nearly £11m (7%) lower than originally planned for 2014-15. We understand the rationale for NHS boards to now directly fund the one-year job guarantee for newly qualified nurses (though we note that this is now an additional expectation for boards to fund from their core inflationary uplift). We also acknowledge that previous year-on-year cuts to student nursing numbers, which the RCN opposed, are now showing in the funding required for total bursaries in 2014-15. However, given specific health priorities to improve early years' prevention, increase access to community-based services for people with complex clinical conditions and find creative solutions to hospital pressures, we are disappointed that £11m of potential workforce investment in nursing has simply been lost rather than re-directed to meet government priorities. For example:

- 45% of Scotland's health visitors are aged 50 or over. Even without the funding required to meet the welcome additional obligations on health visitors contained in the Children and Young People Bill³, there are currently insufficient health visitors in training in Scotland to replace those expected to retire in the next few years and we know that some areas have struggled to recruit health visitors because too few are available. We welcome the additional £1.5m funding for Family Nurse Partnership development in the "Improving Health" line, but note that this may well put additional strain on the existing health visiting workforce providing our universal service as staff move into new, highly attractive FNP roles. In light of this – and as there is currently no central funding pot for health visitor training - we ask why, for example, some of this £11m funding in 2014-15 could not be targeted to post-graduate health visitor development to support Scottish Government prevention priorities.
- In line with the 2020 vision, NHS and local government partners are moving toward the establishment of shadow integration boards in anticipation of legislation being enacted by 2015. The successful shift in resource and the move to fully integrated, 24/7 care pathways will require more nurses to be located in community services with the capabilities and competence to deliver the sorts of complex clinical interventions traditionally delivered within hospital settings. We need a far greater focus on developing Advance Practitioners in nursing, in sufficient numbers to provide in- and out-of hours care. Investment in this shift is required now to effect change within the timescales set. Despite this, £11m of potential staff training and education investment will be lost to nursing at a critical point in this path of change.

³ The RCN has been critical of the funding assumptions for health visitors underpinning this Bill. Our evidence on the financial memorandum is available at: http://www.scottish.parliament.uk/S4_FinanceCommittee/Royal_College_of_Nursing_Scotland_1.pdf

We note the Scottish Government's comments on workforce planning tools and nursing numbers in the Level 4 spreadsheets. However, we do believe that the financial situation facing boards since the public sector downturn began has been directly reflected in workforce investment. Between September 2009 and December 2012 there was a decrease of nursing and midwifery staff in post in NHS Scotland of more than 1,800 whole time equivalent posts (3.1%). Over the period March 2012 to March 2013, there was a modest rise in the overall numbers of nursing staff in post across Scotland, however the increase in the use of bank and agency nursing staff is an indication of the continuing pressure on health boards. There has been a 1.7% increase across NHS Scotland in nursing numbers over the last year since the low of 56,183.7 WTE in June 2012 – however this increase is not replicated across all NHS employers.

On the ground, the pressures are clear. In a 2013 ICM poll, nine out of ten nurses in Scotland believed that staffing levels are not always adequate (90%), while 27% of nurses in Scotland thought staffing levels are rarely or never safe⁴. We urge the committee to investigate the impact of reduced workforce investment and the delivery of workforce savings – both recurring and non-recurring – on the availability and morale of appropriately trained clinical staff and the subsequent impact on quality of care and achievement of outcomes.

How are we planning for change (particularly with regard to the integration of health and social care)?

We do not underestimate the scale of public sector reform in hand through the integration of health and social care. Whilst the legislation is still under debate and therefore the costs and efficiencies outlined in the financial memorandum to the Public Bodies (Joint Working) (Scotland) Bill are somewhat tenuous, we, like the finance committee's budget advisor⁵, have struggled to make clear links between statements of integration costs and the current budget draft.

The "IRF – health and social care integration" line of the miscellaneous allocation has clearly risen by £8.6m compared to this year's budget and the level 4 explanation is that this is to support the legislative process. However, the explanation to the board uplifts given in the Level 4 spreadsheets notes: "All territorial NHS Boards are receiving a minimum baseline uplift of 2.7%, in 2014-15 with an additional £40 million invested in NRAC and after adjusting for reducing the adult and social care change fund from £80 million to £70 million the average territorial uplift is 3.1% in 2014-15". It would be easy to put these two statements together to conclude a net reduction in monies available to support adult health and social care integration in 2014-15 and we are keen for this situation to be made clear by the Scottish Government.

⁴ Scotland findings from ICM poll Congress 2013, 792 respondents in Scotland

⁵ "The financial memorandum projects transition costs of £34M over a five year period although this differs from the Cabinet Secretary's commitment to assist integration by providing £120M in 2015/16. In addition, the Bill provides for secondary legislation which will enact much of the detail. I have been unable to identify whether the financial consequences of secondary legislation has been fully identified and budgeted for." See:

http://www.scottish.parliament.uk/S4_FinanceCommittee/Final_Budget_Adviser_Report_Scotland_WEBUPDATED.pdf

In NHS Highland, the only area so far to have attempted the level of integration now proposed for all of Scotland, we have seen that the smooth integration of finances has remained a significant issue. The cost of adult social care packages which have transferred to the NHS has placed considerable strain on Highland's in-year budgeting, with a £3.2m overspend on adult social care noted within the first five months of this year⁶. NHS Highland's 2013-14 Local Delivery Plan noted:

The integration of adult social work services into NHS Highland has proven extremely challenging in terms of agreeing the financial quantum of budget, dealing with in year pressures and gaining agreement on 13/14 funding base. This remains a high priority area and requires considerable focus throughout the year.

Of course, as a forerunner to wider integration, NHS Highland is the first to be grappling with financial issues that it may help to resolve for future partners. However, the current Highland experience shows just how difficult financial integration is, even with willing partners. It also highlights the dangers in heralding the protection of NHS budgets alone when care organisations are being asked to integrate services and finances across government portfolios.

We presume that the presentation of the Scottish budget will have to change significantly to account for these public sector reforms in future years. For example, we do not know how the Scottish Government's allocations of specific non-recurring funds for centrally determined priorities will fit with the promotion of local determination of the allocation of funds through joint strategic commissioning and locality planning.

We also question how we will engage most effectively with subject committees in the Scottish Parliament on future scrutiny of the budget, or indeed of integrated policies across health and social care.

Finally, we note with some interest the *Agreement on Joint Working on Community Planning and Resourcing* that accompanies the budget, which states: "The CPP is the only strategic forum where partners are able to jointly plan how to deploy collective resources to achieve the agreed priorities set out in the SOA"⁷. Given that all areas, bar Highland which has already integrated services, are now setting up shadow integration arrangements in advance of the expected April 2015 transition date, we question this statement and raise some concern at the continued confusing landscape of local strategic planning that is emerging, despite policy intentions to simplify and integrate the public sector.

Summary of key points

Health spending pressures

- Some NHS boards are still relying on non-recurring funding, finding extra non-recurring savings and using government brokerage to meet year-end

⁶ See:

<http://www.nhshighland.scot.nhs.uk/Meetings/BoardsMeetings/Documents/Board%20Meeting%201%20October%202013/5.2%20Area%20Finance%20Report%20to%2031%2008%2013.pdf>
⁷ <http://www.scotland.gov.uk/Resource/0043/00433714.pdf>

financial targets. To make the NHS sustainable in the face of strong demand and cost pressures we must find new ways to deliver services *and* think creatively about setting financial targets for the longer term.

Service quality and outcomes

- Once again the presentation of the budget does not allow us to make direct links between health spending and delivery of national outcomes / priorities.
- The budget should clearly state where financial responsibilities are being transferred from boards' non-recurring income and included in headline uplifts to core recurring funding. An uplift cannot cover both inflationary pressures and new responsibilities at the same time.
- The £11m reduction in the nursing and midwifery education and training line should be redirected to meet Scottish Government priorities, e.g. for training additional health visitors and advanced nurse practitioners providing 24/7 community healthcare.
- We ask the committee to consider the impact of reduced workforce investment and cuts in staff numbers on quality of care and patient outcomes.

Integration

- The Scottish Government should clarify whether the total budget for integrating adult health and social care is facing a net reduction in 2014-15.
- We must learn from the financial challenges facing NHS Highland as a result of its integration of health and social care.
- Future Scottish Government budgets should be presented and scrutinised differently to allow meaningful analysis of budgets for integrated services across portfolios.

RCN Scotland