

**Scottish Parliament
Health and Sport Committee
Draft Budget 2018/19 –
Call for Views**

A Submission by:

**The CIPFA IJB Chief Finance Officer
Section**

And

**The Chartered Institute of Public
Finance and Accountancy (CIPFA)**

July 2017

The CIPFA IJB Chief Finance Officer Section

The CIPFA IJB CFO Section constitutes the Chief Finance Officers (section 95 officers per the Local Government Scotland Act 1973) of all the Integration Joint Boards (IJBs), as well as the finance lead officer for the single Integration Joint Monitoring Committee (IJMC). It therefore includes the senior finance professionals in all the Integration Authorities (IAs).

CIPFA, the Chartered Institute of Public Finance and Accountancy, is the professional body for people in public finance. CIPFA shows the way in public finance globally, standing up for sound public financial management and good governance around the world as the leading commentator on managing and accounting for public money.

Further information about CIPFA can be obtained at www.cipfa.org

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Executive Summary

1. This submission provides the joint professional views of the CIPFA IJB CFO Section and CIPFA in response to the questions asked by the Committee. The CIPFA IJB CFO Section is the most recently formed professional public finance grouping within Scotland.
2. Consequently, this submission focuses on the element of the Health and Sport budget which relates specifically to integrated services which are within the responsibility of the Integration Authorities (IAs).
3. As an indicator of scale, in 2017/18 integration authority budgets for expenditure were of the order of some £8.3bn^[1]. This represents a substantial proportion of public sector spending in Scotland and is funded from Scottish Government budget resources which are provided to NHS Boards and to local authorities. In addition, local taxation provides part of the funding.
4. There is emerging evidence which indicates that the current level of resources is less than that required to meet current cost and demand pressures. In practical terms this means that the required shift in the balance of care will take longer to achieve. A number of Integration Authorities have modelled the level of additional resources required to meet cost and demand pressures, with estimates between 3% (for 2018/19) and 14% (over two years) of existing budget.
5. The IJB Chief Financial Officer Section and CIPFA recognise that realistically, additional resources will be at a premium and potentially resources will have to come from within the current financial envelope. This will however accelerate disinvestment in acute hospital services accompanied by a consequent transfer to community based services. The long term nature of such a resource transfer will however require clear leadership at national and local level together with enhanced demand management.
6. A central feature of this would be the development of a clear medium to long-term financial strategy and modelling of the costs of care. Transparency on a clear plan for the funding of integrated services would assist all decision makers in identifying areas for investment and savings or disinvestment. The CFO Section would be pleased to provide professional assistance at both local and national levels.
7. The integration of health and social care services represents a major public sector reform. It is however at an early stage of both reform and development. Indications of change already achieved however are evident. A primary example is evidence of the reduction of delayed discharges in some integration authorities. As professionals, we are committed to the further progress that needs to be made. The future direction of integration authorities is expected to include development of more stability in the funding process. For discussion, this should include in the longer term:
 - longer term funding arrangements; and
 - consideration of direct funding allocation.
8. Although this will not impact upon the Committee's scrutiny of the 2018/19 budget it could provide a useful area for improvement to not only accountability but also for the Committee's future scrutiny.

^[1] Per Scottish Government information

2017/18 Budget Link to Stated Priorities

9. The [2017/18 Draft Budget](#) does not appear to provide clear links between the funding proposals and the stated outcomes and priorities as indicated in the National Performance Framework, the National Health and Wellbeing Outcomes; and the Local Delivery Plan Standards.
10. There is reference within the narrative to specific allocations in furtherance of some of the strategic priorities but not what the level of budget attached to each outcome is. This does not necessarily mean that there is no link, simply that it is not readily apparent.
11. Furthermore reference to funding for specific priorities can focus on the changes over the base budget (i.e. an incremental budgeting approach), rather than an explanation of the overall amount included in the budget for a priority or outcome.
12. This however reflects the requirement to allocate funding at a high level while allowing service delivery bodies and their staff to make appropriate decisions in relation to local community and client population priorities and needs. The ring-fencing of significant elements of funding, at a Scottish budget level, may not be appropriate and could limit local flexibility.
13. This therefore places a focus on the mechanism by which each funded body reports on, and is accountable for, the outcomes it achieves in relation to the funding it has used. In principle it could be suggested that this should not just apply retrospectively but should also apply during the development of the draft budget.

Area for Committee Consideration

14. The following would assist in supporting improved transparency of the linkage between the budget proposals and priorities and outcomes:
 - An explanation, possibly by diagram, of which priorities (and therefore actions or services by funded bodies) and other factors, support which outcomes.
 - This can be referred to as a 'logic map' or 'logic model' for outcomes.
 - This would indicate the logic that underlies the total resource allocations (i.e. the use of the total budget, not just the annual changes).
 - This could form the basis of, and be accompanied by, an indication of which line(s) within the overall budget are related to which outcomes.

Areas for Increased Resources and Savings

15. Additional resources could be deployed to community based, preventative services and transformational investment to support the delivery of the [Scottish Government's outcomes](#):

"Outcome 1: People are able to look after and improve their own health and wellbeing and live in good health for longer"

"Outcome 2: People, including those with disabilities or long term conditions, or who are frail, are able to live, as far as reasonably practicable, independently and at home or in a homely setting in their community"

"Outcome 4. Health and social care services are centred on helping to maintain or improve the quality of life of people who use those services"

16. Such additional resources, allocated to Integration Authorities, can help to achieve a change in the 'balance of care' towards more community based services, in both NHS services (eg GP practices) and local authority social care services, at a local level.
17. For the 2017/18 financial year additional funding was provided, as a [Fife HSCP](#)¹ report stated, for "supporting Social Care for continued delivery of the living wage, sustainability in the care sector, disregarding the value of war pensions from financial assessments for social care and pre-implementation work in respect of the new carer's legislation".
18. The ring-fencing of additional funding, net of any funding partner reductions, can support specific policy objectives. For example funding living wage implementation can assist in establishing and retaining a suitable Health and Social Care workforce. Ring-fencing of additional funding, especially for new policy implementation, may not however guarantee that an increase in the quantity of community based health and social care services will be achieved. Additional resources, over and above the living wage requirements and other cost pressures, would be anticipated to be required to achieve this.
19. Modelling of the cost and demographic pressures is undertaken by individual Integration Authorities. At present it is not possible to provide an indication of the Scotland level of funding that would be needed to meet cost and demand pressures. This partly reflects the variation in the functions delegated to each Integration Authority and other differing local circumstances and assumptions. A wide range of figures, in percentage terms, is anticipated to occur between Integration Authorities. This is illustrated by the following examples:
 - North Ayrshire HSCP has indicated an additional £30m (14%) increase would be required over the next two years to meet cost and demand pressures.
 - Midlothian IJB, in earlier financial modelling, indicated a budget gap for 2018/19 of 2.65%.
20. At present therefore extrapolation of a limited number of examples to a Scotland-wide position would be inappropriate. If it is helpful to the Committee, the IJB CFO Section will seek to keep the Committee informed as more information becomes available regarding the Scotland-wide financial impact of cost and demand pressures on integrated health and social care services.
21. The potential impact of demographics is however illustrated by a report to [Fife HSCP](#)² which noted "If current trends continue, the number of those aged 75+, those presumed to have the greatest care needs and living alone could increase by 41.62% by 2027" with the statement that "Modelling of recent real cost increases and population changes suggest that there is a strong relationship between cost increases and the number of people aged 75+".
22. In the event that additional resources, over and above cost and demand pressures, are not available, it would be anticipated that the main alternative to achieving the change in the 'balance of care' would be savings or disinvestment in acute hospital based services, with a budget transfer to community services. Such an approach may however be particularly difficult to deliver at a 'Scottish budget' level. Even where there

¹ Per report to Fife HSCP Full link http://publications.fifedirect.org.uk/c64_AgendaReportsIJB080217.pdf [Item 6.2, page 50 on, 8 February 2017]

² Full link http://publications.fifedirect.org.uk/c64_AgendaReportsIJB080217.pdf [Item 6.2, page 50 on, 8 February 2017]

is agreement that this should be undertaken at a Scottish budget level, a phased and planned approach would be required which could be anticipated to require a number of years to complete.

Area for Committee Consideration

23. A medium to long-term funding strategy, based on the Scottish Government's [Health and Social Care Delivery Plan](#) in collaboration with stakeholders, would assist in achieving a shift in the balance of care.

Information Required to Support Scrutiny

24. It is presumed that a key objective of scrutiny is to establish the extent to which the budget proposals support one of the Scottish Government's health and well-being outcomes:

"Outcome 9. Resources are used effectively and efficiently in the provision of health and social care services"

25. This would be assisted by, as indicated earlier, a clearer linkage between the budget proposals and the Scottish Government's outcomes. This should reflect the total budget allocations, not only the proposed changes from the prior year.

26. Additionally the performance information that is used in managing the public funds made available for service delivery would appropriately be available to the Committee. While these may not always be directly attributable to the totality of any Scottish level budget line, it would be reasonable for the Committee to reassure themselves, on a sample basis, that public funds are being managed appropriately to meet the stated 'Outcome 9' and in accordance with the requirement to achieve Best Value³.

27. Integration Authority 'Performance Reports'⁴ provide a suitable initial source of information for examination. For example

- [Glasgow City HSCP's Performance Report](#)⁵ includes details of continuing decreases in delayed discharges with acute bed days lost falling from 38,152 (13/14) to 15,557 (16/17); 482 Anticipatory Care Plans to minimise unscheduled interventions, being supported for clients; and improving carer feedback with 87% (16/17, 76% in 14/15) stating the support had improved their ability to support the person cared for. The Performance Summary (page 55 on) provides an overview.
- [Clackmannanshire and Stirling IJB's Draft Performance Report](#) (item 8.3 submitted for approval, page 103 onwards)
- [Aberdeen City HSCP draft Performance Report](#) (Item 8, submitted for approval, page 55 on) This states "In the first year of Partnership, we have maintained a steady downward trend in the rate of emergency admissions to hospital each month, and in the number of bed days used for unscheduled care."

³ Local government: [Local Government in Scotland Act 2003 \(section 1\)](#); Central Government Bodies: [Scottish Public Finance Manual \(Best Value\)](#)

⁴ As required by [The Public Bodies \(Joint Working\) \(Content of Performance Reports\) \(Scotland\) Regulations 2014 \(SSI 2014/326\)](#)

⁵ Full link: <https://www.glasgow.gov.uk/CHttpHandler.ashx?id=38250&p=0> [21 June 2017]

- [West Lothian IJB draft Performance Report](#) (item 12, submitted for approval)

28. Care should however be taken in respect of comparison of information, either over time or between different bodies. For example the remit of each Integration Authority can differ dependent on the founding Integration Scheme and delegated budget determination.

29. Evaluation of performance information is reliant upon the robustness of the underlying data and there can be qualitative and context factors which are of relevance when interpreting performance data.

Impact of Integration on Achieving Outcomes

30. Although early in the life of Integration Authorities, it is considered that there needs to be a seismic shift in the way resources are allocated, with investment at the early stages to act as a catalyst for service redesign. The scope for this without additional funding is limited. In particular the context of reducing Local Authority and Health settlements is extremely challenging, as this typically means continuing pressure to deliver savings on Integration Authority budgets.

31. Integration Authorities have achieved improvements in the area of delayed discharge⁶, however focus needs to shift to prevention of admission and the development of services which support this goal. [Glasgow City HSCP's Unscheduled Care Strategic Commissioning Plan](#)⁷ is an example of the action being undertaken to build on this.

32. There is growing challenge to existing budget usage, and more investigation of options for achieving efficiency and shifts in the way resources are allocated, in accordance with the desired outcomes. An example is [Glasgow City HSCP's testing of a transitional model for 'continuing and complex care'](#)⁸ in North East Glasgow; to provide more support through community services rather than utilising NHS 'continuing care' facilities.

33. There needs, however, to be more work done on set aside (for example acute hospital service) budgets to establish clearer linkages between bed usage and resource usage to inform decisions on the shift in investment which is necessary to support the Scottish Government's outcomes.

Area for Committee Consideration

34. A longer term plan for the funding arrangements, including set aside budgets, for Integration Authorities would assist in supporting and building on the achievements to date. This should include consideration of direct allocation of funding for Integration Authorities, with due regard to the implications for the governance, accountability and VAT arrangements of Health and Social Care services.

⁶ see Glasgow City HSCP Performance Report noted earlier. See also [Fife HSCP's unaudited annual accounts 2016/17](#) which include re delayed discharge: "For the 12 months from January 2016 to January 2017 an improvement of 44% has been achieved in terms of the reduction in the number of people in delay." [Aberdeenshire IJB meeting 28 June 2017 Item 13](#) includes "a 30% reduction in bed days lost to delays in discharge in 2016 compared to 2015. Whilst the actual number of people delayed in hospital reduced these figures suggest the length of time these individuals are delayed is also reducing."

⁷ Full link <https://www.glasgow.gov.uk/CHttpHandler.ashx?id=37094&p=0> [Meeting 15 March 2017]

⁸ Full link <https://www.glasgow.gov.uk/CHttpHandler.ashx?id=35617&p=0> [31 October 2016]