Scottish Government Draft Budget 2016-17

NHS Lothian

I refer to your email of 9 October 2015 requesting that NHS Lothian submits views on the Scottish Government's draft health budget for 2016-17, given that the Committee's scrutiny of the budget is considering two broad areas:

- An outcomes-based review of health spending over the last Parliamentary session, to identify any trends and to consider the extent to which broad spending allocations reflect stated priorities and desired outcomes; also highlighting the continuing challenges with the outcomes-based approach, reflecting the difficulties in linking spend to specific outcomes.
- A review of progress to date in developing the reporting framework for integrated joint boards and an assessment of how this might inform future scrutiny.

Our response is based on a set of assumptions in relation to the outcome of the Comprehensive Spending Review and the impact on the Health vote.

Question 1

Do you consider that Scottish Government spending on health reflects its stated priorities (for example, as set out in the National Performance Framework and Local Delivery Plan Standards)?

Audit Scotland have highlighted in their last two annual reports on the performance of the NHS the significant pressure the health system is under in meeting the national priorities. In the 2014 report, the Auditor General commented that:

"NHS boards need to deliver major changes to meet the future needs of patients. The effort invested in meeting annual targets, within tightening budgets, makes it difficult for NHS boards to reshape care in line with an ambitious national policy. The Scottish Government should review whether the current financial and performance targets for the NHS can be achieved at the same time as implementing its vision for health and social care."

The 2015 Audit Scotland report further highlighted a deteriorating trend in performance against the national performance targets combined with an increased pressure on annual budgets. "The NHS in Scotland missed seven of its nine key waiting time targets and standards at March 2015."

The Scottish Government have set an ambitious set of performance metrics for the NHS in Scotland, however, it is clear from current performance that Board's are struggling to achieve both the service and financial targets. The challenge is further compounded by the availability of capacity to meet Access Standards and the pressure from Council partners to support the flow of patients from hospital. The creation of IJB's and the commitment to fund new elective centres should support the delivery of priorities in the medium term,

nevertheless the immediacy of the current system pressures will necessitate a review of existing targets and allocated resources.

One area of further investment is within primary care and general practice in particular. Although the Scottish Government have recently announced £60m of funding over three years the money is being allocated through bundles or work or by bidding for funding. NHS Lothian would have rather had their appropriate share of this funding allocated directly as we have identified, through working with our primary care general practitioner community a range of priorities over the next two to three years that such funding could have supported.

At the same time as investing in primary care we also need to refresh the targets and standards the Scottish Government set as most are geared towards the acute/elective and unscheduled care services. Rebalancing this going forward will be important as it may also help IJB’s and Health Boards to re-balance so of their investment priorities.

Question 2
With the creation of IJBs, do you consider that the framework established for monitoring performance is suitable and does it support IJBs to determine their priorities for resources?

Each IJB working with the NHS Board will be required to set a strategic plan for meeting the needs of their local population. In doing so 'directions' will require to be set for how the IJB'S would wish the NHS Board and the Local Authority to operationally deliver these 'directions'. In so doing a set of performance metrics need to be agreed as part of this process and these need to be reported to both the NHS Board and the Local Authority as well as each IJB.

It is at the discretion of each IJB as to how and when it wishes to receive performance data and whether or not a subcommittee of the IJB Board is required to monitor performance. The latter is certainly an action that the Edinburgh IJB is in the process of establishing.

What is still unclear is where responsibility and accountability sits with the IJB's and the Scottish Government in relation to delivery of agreed performance metrics. At this stage discussions are taking place but clarity does need to be provided as the current arrangement of holding NHS Boards to account will not be sufficient in the future.

Question 3

Is the current level of spending in health appropriate? If you consider that spending should be reduced, in what areas should it be reduced and how should any saving be invested? Alternatively, if you consider a higher level of spending appropriate, in what areas should it be spent and how would this be funded?

NHS England produced the 5 Year Forward View Report in 2015 which articulated the scale of the investment required to tackle 4 key areas:

- Tackle the “root causes of ill health”, noting that future sustainability of the NHS depends on a radical upgrade in prevention and public health.
- Commitment to give patients more control of their own care, including the option of combining health and social care, and new support for carers and volunteers.
- Requirement for NHS to evolve to meet the needs of patients, who are living longer, have more complex conditions and are more demanding
- Action needed to develop and deliver new models of care, local flexibility and more investment in workforce, technology and innovation.

The investment of £8bn was secured on the basis that the NHS would deliver £22bn in efficiency savings during the period of the new parliament. What has not been articulated is how the system will deliver the level of savings projected. The consequential funding impact on the NHS in Scotland is welcome however, what remains to be assessed is whether the funding level is sufficient to meet the priorities of the parliament and whether the savings forecast can be delivered in a safe and sustainable manner.

The Health Foundation and the Kings Fund have both urged the UK government to allocate a greater proportion of GDP to meet the burgeoning costs of healthcare. It is not yet clear how the actual stepped increase will be phased. This will clearly have an impact on the Scottish settlement and the 2016/17 health budget.

At a local level NHS Lothian is forecasting a net uplift of 1.8% (£22m) for 2016/17 together with a movement to NRAC parity of £12m. The following pressures leave the Board with a current projected gap for next financial year of £60m (circa 5% of core budget).

- National Insurance increase due to changes in state pension of £14.1m;
- Pay uplift £10m;
- GP and secondary care prescribing £12m;
- Recurrency of 15/16 financial pressures £20m;
- Efficiency savings slippage £8m;
- Contractual obligations £6m;
- Policy commitments £11m;
- Medical supplies £8m;
- Other commitments £5m.

It is clear from the above list of pressures that a number of the issues are legacy items from the financial performance of the Board in 2015/16. The ability for Boards to achieve financial balance by utilising non recurring resources to fund recurring pressures has been greatly diminished during the period of public sector austerity. For 2015/16 the Board agreed to deliver a 2% recurring efficiency target plus a 1% non recurring target. The ability of the Board to meet its service objectives and deliver a 5% efficiency recurring target in 2016/17 is not considered achievable within the current planning and policy priorities.

NHS Lothian has been successful in securing a number of significant capital developments to modernise the organisational asset base and enhance the quality of service provision. A number of the projects have been funded via the HUB and NPD approach, which have been promoted as core capital budgets have been significantly reduced. The concern in the future is both the impact of such schemes on the revenue position of the NHS in Scotland and that the availability of publicly funded capital to support an asset base of £800m is clearly under pressure.

The ability of the Board to meet the significant demand and fiscal challenges is compounded by the impact the NRAC resource allocation formula has had on the Board. NHS Lothian receives 90p per resident when compared against an allocation of £1.06 for Greater Glasgow Health Board. The formula is driven by a needs based model of service usage which the Board would contend does not meet the demand side pressures of the local population. A review of the current distribution model would be welcomed.

Whilst the long-term strategic direction outlined in the 2020 vision would see a reduction in overall spend in acute hospital services this is currently a significant driver of financial pressure for the board and is likely to continue to be a major source of financial performance risk in 2016/17. The majority of national service priorities are focused on the performance of the acute sector which drives investment decisions. As an example the recent focus on end of life drug availability care has impacted on the Boards ability to assess the relative investment priorities of its population.

Recognising the extent of the challenge, over a number of months members of a multi-professional Clinical Change Forum have discussed how NHS Lothian might develop a more sustainable approach to care, by radically changing our current practice while maintaining or improving clinical outcomes.

NHS Lothian is proposing a fundamental shift in the way we work, learning from high reliable organisations and building on the success of the patient safety programme in Lothian. We are seeking to move away from seeing improvement as one off projects to a way of working embedded into the management system in order to realise improvement in patient outcomes, reduction in clinical variation and improved resource utilisation. This Clinical Quality Management System requires collective and dedicated leadership. It would be set within NHS Lothian’s core values with skilled clinicians working

with experienced managers developing, implementing and monitoring clinical care processes across primary, secondary and social care services.

We have also undertaken a Data Diagnostic review to assess opportunities for improvement and are currently working on an implementation plan.

As stated at the beginning of our submission the response is caveated on the basis of existing financial planning assumptions. Please do not hesitate to contact me if you would wish to discuss the submission in greater detail.

NHS Lothian