



Scottish Government Draft 2010/11 Budget Proposals

Response to the call for evidence from the Health and Sport Committee

**The UNISON Scotland submission to the Scottish
Parliament's Health and Sport Committee on the Scottish
Government Draft 2010-11 Budget Proposals
September 2009**

Introduction

UNISON Scotland has over 160,000 members in Scotland, over 60,000 of whom work in the NHS in Scotland. We welcome the opportunity to provide evidence to the Scottish Parliament's Health and Sport Committee on the Scottish Government's Draft 2010 -11 budget proposals.

Overview

Last year UNISON's research into health board's budgets revealed that many boards were experiencing a great deal of financial pressure. This budget will not tackle these problems because demands on the services continue to grow. While the 2.7% rise is of course welcome a significant element of the overall Health Budget is still held centrally rather than by the health boards who actually deliver care. The allocation for individual boards is not yet clear. Not all will get a rise of 2.7% so the impact of the budget on individual areas will be different. Health Boards also have to make efficiency savings of 2%. The problems revealed by last year's research are ongoing and many boards will find themselves in an even worse position this year.

Cost challenges

Health inflation is higher than general inflation so the recent inflation rises have been worse for health spending than other areas. This also coincided with changes in the formula for the allocation of funds to health boards and a new government with new priorities. Health boards also face additional pressures for funding caused by: 48-hour working week limit under Modernising Medical Careers, Agenda for Change where successful grading appeals in some areas are considerably more numerous than budgeted for, waiting-time targets and general cost pressure such as increased fuel costs. It has recently been confirmed that the current high fuel prices will not come down this winter. The expected value of land sales will be affected by falling property prices.

The Education and Training budget has been cut from £157.9m to £152.m just when the large cohort of "baby boomer" nurses begin to retire. These are experienced highly trained nurses. There was no build up of expertise behind this group because during the 1980s the training budget was substantially cut along side the many other cuts in health budgets. This budget is therefore crucial to maintain standards. Despite Government rhetoric we are now seeing the resurrection of Private Finance in the Scottish NHS through the hub initiative, based on English Local Improvement Finance Trust PPPs.

Agenda for Change

As well as the under-budgeting for the cost of the appeals that have already been successful there are many appeals still to be heard. UNISON is confident that members will win these appeals and therefore there will be a need to fund the wage bill accordingly.

Health Boards

The following detail is based on UNISON research into individual boards budgets last year.

Ayrshire and Arran

At the time of the research their budget was underspent by £1.51 million. This total masked an overspend of £529k in integrated and emergency services made up from the cost of locums to cover vacancies, orthopaedic nursing staff and theatre supplies overspends. Underspends in other areas which covered this were in particular vacancies in women and children's services and mental health services mainly in drug and alcohol. The public health underspend comes from ring fenced allocations. It was expected that this money would be spent once plans came to fruition leaving a high risk of shortfall at the year-end. Other risks highlighted were that no provision had been made for in the budget equal pay back pay. They also expect extra costs to arise from Modernising Medical Careers (MMC).

Borders

The board's financial report indicated a "tight financial outlook". They were overspent by £425k. This was due to £611k in efficiency targets not "being fully covered" and a £186k underspend on operational budgets. Nursing costs also continued to be overspent. The report indicated the need for "robust measures" and the achievements of recurring efficiency savings through the Strategic Change Programme. The efficiency target is £3 million per year. "Robust measures" usually means cuts.

Dumfries and Galloway

The board had an efficiency savings target of £4.6 million. Currently the overspend is £373k and they forecast £2.4m by year-end. The report predicted that the target for nursing pay will not be met and will result in an overspend of £240k. The overspend in patient admin was £149k at six months. The water borehole project was delayed due to technical problems which raised concerns about achieving expected savings. They believed the efficiency target was achievable but highlighted some key risks: half of staff are now assimilated to Agenda for Change but the full costs are not yet clear. Maintaining 24-hour medical cover and reducing working-time below 48 hours without a serious risk to services: "potential solutions involving substantial extra investment". Achieving the waiting times target will "need a high level of additional funding: £7.88m" which is £1.9m more than budgeted. There is a clear risk of cuts if these risks are realised

Fife

At six months there is an underspend of £1.234 million and they were predicting an underspend of £1.876m by year-end.

Forth Valley

The board predicted a revenue surplus of £3.5m. This assumed that savings of £14.5m were made. The cash savings plan was still in development, the target was £7m per year. The plan included achieving a sickness absence rate of 4% and reducing older peoples' admissions. This though faces a serious challenge as the proportion of the Scottish population that is elderly is rising. The board assumed Agenda for Change costs would be as budgeted, other boards are finding this not to be so. On the savings programme the finance papers stated : "real cash release savings are at a level that it is unlikely that traditional approaches to efficiency will fully deliver. Every opportunity therefore must be taken as part of the strategic change resulting from the Healthcare Strategy to improve efficiency and more importantly release cash savings to meet the shortfall envisaged".

Grampian

This area already had an overspend of £1.6m for the first 6 months of year. There was real concern that even the current underspends were due to phasing and would catch up while overspends were real. "virtually all of the organisations financial reserves are now committed". The report stated that it was "difficult at present to see any change in the pattern of overspend". Pay budgets were reduced to reflect savings targets but were then overspent by £1.3m. The report stated "Sectors and departments that are operating at a level above their net funded establishment must take steps to bring their staffing levels and costs back into line as a matter of priority" There were also risks that the situation would worsen: need to meet efficiency target £26.2m in savings and underspends "some areas are facing significant difficulty in achieving these targets". Energy costs: new electricity contract 59% increase on current costs. £1.2m this year and £2.4m on a full year basis until 2009/10." Agenda for Change: staff are assimilating at higher grades than predicted so additional savings will be needed to compensate for the extra costs. There is a clear risk of cuts to jobs and services in order to balance the budget.

Greater Glasgow and Clyde

Glasgow spending levels were closely in line with budget. The board cut services to meet costs savings targets of £22.2m against a year-to-date target of £24.2m. Overall Glasgow and Clyde had a savings target of £42.2 million, increased costs on energy, capital charges and drugs have added another £8 million taking the new target to £50.7 million. The plan included the creation of a £11.4 million surplus for the two new hospitals planned next year but because of the additional costs, this money will be spent this year. This had implications for the 2009-10 budget: the new cost savings target is now in the region of £56-£66 million. A further £5-10 million is to be included for Modernising Medical Careers costs, extra pay costs or new initiatives. This resulted in an "overall net funding challenge of £61-£76m" for 2009-10. Our most recent discussions with NHSGGC indicate that they believe they will need to make savings in the region of £55-60 million in 2010-11 plus their 2% efficiency target. They are already overspent by about £1.3m. In response to this they have opened discussions around voluntary redundancies and are accelerating the review of acute services.

Highland

The finance report emphasised the importance of "adjustments" in order to break even. Increased energy costs led to an overspend of £762k. They budgeted for a £600k loss of income now that parking charges have been abolished. A potential £7.3m in recurring savings were identified and included in budget plans. Plans for 2009/10 though included a 1% reduction across all health board budgets. It is hoped the savings are to be achieved through increased productivity. There was no detail on where the "savings" would be made or on how they will affect service delivery.

Lanarkshire

After six months the board had an underspend of £7.467m. They expect a cumulative surplus of £14.835m by year-end. This surplus is already allocated to meet some of the same challenges that other boards are facing such as staff costs arising out of modernising medical careers.

Lothian

The board had overspent by £1.5m for first 6 months of year. £1.2m in unmet efficiency targets and £0.3m in overspending. The report indicated that the savings target of approximately £20 million would be achieved by year-end and they expected to break even. There was though no detail on how this would happen.

Orkney

Orkney had a revenue deficit of £421k. Overspends in local services total £103k: £113k overspend on locums, overspends of £38k on out-of-hours services and £32k on nursing offset by underspends in community nursing. An action plan was being prepared supported by an external consultant. This was expected by end November and was to be reported at the next meeting. Cuts of £555k are already in place.

Shetland

The savings target was £911K. There are additional pressures from overspends on locums and outpatient drugs and theatre supplies partially offset by underspends in community dentistry and prescribing. Spending had to be monitored because of the risk of going over budget. There was a large overspend in estates the finance team were investigating: £208,236. Shetland forecast breaking even but this assumed an arrangement relating to the abatement of the Revenue Resource Transfer would be agreed.

Tayside

Tayside overspent by £1 million, last year the overspend was £0.5 million at same stage. While some areas had underspent there were also large overspends: The delivery unit overspend is £2.3 million due to FHS prescribing and energy and a savings target shortfall. Anticipated underspend of £6 million on capital charges was covering this. Only £16.2 million of the deferred expenditure target of £24m has been identified. They also planned a saving of £2m from expenditure carried forward from 2007/08 and they expected an under-spend of £2 million on board earmarks. Additional cost pressure meant the savings target changed from £11.4m to £16.1m. A gap of £1.3m had already emerged which would mean a full year shortfall of £3.8 million. The board hoped to break even if additional costs savings met. The papers indicated a high risk of not meeting savings targets and a high risk of Agenda for Change cost being above budget. The number of successful reviews is higher than anticipated. The board identified the need for more cuts though there were no details.

Western Isles

The Western Isles had an overall overspend of £4k and believe there is high risk of not covering this by the end of the financial year. While this may seem small there have been considerable overspends and a significant proportion of reserves have been used to cover these. The papers state "so early in the year is a source of concern as it severely curtails any year-end flexibility." And "it is unacceptable that so far the organisation has not identified any further recurrent or non-recurrent savings. It is clear that decisions will have to be taken ahead of concluding the work on the clinical strategy if we are to break-even this year and in 2009/10". Key areas of high expenditure were: overspend on medical staff including locums and junior doctors forecasting a final overspend of £334k. The unexpected purchase of new cleaning system at £45K (was officially rejected but somehow bought anyway). Forecast of overspend of £287k on patents being treated by NHS Highland. Facilities overspend forecast at £284k: cost of fuel oil, and increased costs of food and other consumables. The board made plans to cut spending including a freeze on vacancies.

Questions

• *Given the potential for the reduction in expenditure across the Scottish budget in the foreseeable future, what should be the priorities of the Scottish Government for health expenditure?*

It is clear that the recent growth in health spending is at best slowing. There is a great deal of discussion about cost saving and efficiencies to meet this challenge. UNISON believes that budgets should go to boards which actually deliver services rather than held in the centre by the Minister. The best way to make savings in the NHS in Scotland would be:

- an end to the failed mortgaging experiment of PFI/PPP in all public works capital projects
- a review of all expenditure on external business consultancy by all public sector organisations both national and local
- an end to the expensive 'bonus' systems for consultants and other general managers in NHS Scotland
- more progress in driving out agency costs

• As part of a wider policy to shift the balance of care from secondary to primary care, is the effective transfer of resources from the NHS to local authorities occurring, particularly in relation to services for older people? If not, what are the challenges in achieving such transfers?

There is no national strategy for resource transfer between health boards and local authorities across Scotland. Each have the power allocate budgets to their own priorities. Councils are directly accountable to their local electorate for their spending priorities. Where it works well it is due to strategic planning frameworks at senior manager level and close operational liaison between Social Work Area Teams and Community Health Partnerships. It is our understanding that it is common for Boards and Local authorities to have an agreed 'baseline' of beds and an agreement that any changes to those numbers will form the basis of a resource transfer discussion.

UNISON believes the principle should be that neither party should plan changes to provision that have a knock- on impact on the other without wider discussion/involvement. If a new plan requires more social services support then the cost that should be factored into the business case/agreement. If the new model simply replaces one type of NHS care with another and does not require extra social services input, then there should be no case for a resource transfer. This principle should of course apply to local authority plans as well.

Conclusion

While it is clear that the Scottish health budget continues to rise the demands on that budget are considerable and continue to grow. Health inflation is higher than general inflation so the recent inflation rises have been worse for health spending than other areas. Health boards also face additional pressures for funding caused by: 48-hour working week limit under Modernising Medical Careers, Agenda for Change where successful grading appeals in some areas are considerably more numerous than budgeted, waiting-time targets and general cost pressure such as increased fuel costs. It has recently been confirmed that the current high fuel prices will not come down this winter. The expected value of land sales will be affected by falling property prices. The Education and Training budget has been cut just when the large cohort of "baby boomer" nurses begins to retire. There are significant challenges to delivering current services within budget and achieving the efficiency target set by government. UNISON believes that some boards will have to cut jobs and services in order to balance their budgets.

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