



The Scottish Parliament  
Pàrlamaid na h-Alba

## **Finance Committee**

### **7th Report, 2013 (Session 4)**

# **Report on The Financial Memorandum of the Public Bodies (Joint Working) (Scotland) Bill**

**Published by the Scottish Parliament on 26 September 2013**

© Parliamentary copyright. Scottish Parliamentary Corporate Body

Information on the Scottish Parliament's copyright policy can be found on the website -  
[www.scottish.parliament.uk](http://www.scottish.parliament.uk)



The Scottish Parliament  
Pàrlamaid na h-Alba

**Finance Committee**

**7th Report, 2013 (Session 4**

**Report on The Financial Memorandum of the Public Bodies (Joint Working)  
(Scotland) Bill**

The Committee reports to the lead committee as follows—

INTRODUCTION

1. The Public Bodies (Joint Working) (Scotland) Bill was introduced in the Parliament on 28 May 2013.
2. 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.”
3. 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.
4. Under Standing Orders Rule 9.6, the lead committee is required, among other things, to consider and report on the Bill’s Financial Memorandum (FM). In doing so, the lead committee is also required to consider any views submitted to it by the Finance Committee (“the Committee”).
5. In June 2013, the Committee agreed to seek written evidence on the Financial Memorandum from a range of organisations potentially affected by the Bill. A total of twenty submissions were received.<sup>1</sup>
6. At its meeting on 11 September 2013, the Committee took oral evidence from stakeholders and the Scottish Government bill team.

---

<sup>1</sup> The written submissions are available at:  
<http://www.scottish.parliament.uk/parliamentarybusiness/CurrentCommittees/65999.aspx>

7. Following the evidence session, further information was provided by the Bill team in relation to current targets for delayed discharge in terms of the national performance framework and the calculations used to reach some of the estimated efficiency costs set out in the FM.

8. The Bill provides for a framework to support the integration of local authority and health board functions and, permits Scottish Ministers to require the integration of, as a minimum, adult health and social care. The focus of the written and oral evidence considered by the Committee can be captured under the following headings—

- estimates of the financial implications of the Bill
- costs of transition
- realising efficiencies.

#### ESTIMATES OF FINANCIAL IMPLICATIONS OF THE BILL

9. 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.

10. The FM 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.”<sup>2</sup>

11. A number of the costs arising from the Bill will depend on the overall shape of the integration models that are chosen across Scotland. The Committee noted 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.”<sup>3</sup>

12. The uncertainties acknowledged by the Scottish Government in the FM were also commented on in written submissions. For example, Scottish Borders Partnership noted—

“...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,

---

<sup>2</sup> Public Bodies (Joint Working) (Scotland) Bill. Explanatory Notes (and other accompanying documents) (SP Bill 32-EN, Session 4 (2013)), paragraph 35. Available at: <http://www.scottish.parliament.uk/parliamentarybusiness/Bills/63845.aspx>

<sup>3</sup> Public Bodies (Joint Working) (Scotland) Bill. Explanatory Notes (and other accompanying documents) (SP Bill 32-EN, Session 4 (2013)), paragraph 44.

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.”<sup>4</sup>

13. Dumfries and Galloway Council also commented 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.”<sup>5</sup>

14. Other responses noted that there is ongoing work being undertaken in order to fully inform the development of integration models. For example, East Dunbartonshire Council commented—

“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.”<sup>67</sup>

15. The Convener asked the Bill team to explain how much uncertainty they estimated that there is. In response, the Bill team stated—

“On uncertainty, part of the challenge for us is that, as in all health and social care systems in developed countries, the issues at work are highly complex. There is a wealth of evidence but that is, in itself, complex. Drawing down what potential improvements are available requires a multifaceted calculation.”<sup>8</sup>

**16. The Committee notes that the move towards integration that the Bill provides for is complex to deliver and that at this stage it is not unreasonable for there to be uncertainty as to the costs of establishing the framework for, and the delivery of, integrated services.**

**17. Nonetheless, the Committee is concerned about the level of uncertainty surrounding the estimated costs set out in the FM. It will be important for**

---

<sup>4</sup> Scottish Borders Partnership. Written submission, paragraph 7.

<sup>5</sup> Dumfries and Galloway Council. Written submission, paragraph 12.

<sup>6</sup> East Dunbartonshire Council. Written submission, paragraph 2.

<sup>7</sup> More information about the Integrated Resources Advisory Group is available at:

<http://www.scotland.gov.uk/Resource/0041/00416904.pdf>

<sup>8</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2913.

**review and monitoring of the costs to be undertaken throughout the implementation of the Bill and the Committee intends to include this as part of its wider and ongoing commitment to monitor the delivery of the shift to preventative spending.**

**18. The Committee suggests that the lead committee may also wish to actively monitor the cost of the implementation of the Bill by asking the Scottish Government to provide regular updates on the work of the integrated resources advisory group and on the establishment of the health and social care partnerships provided for in the Bill.**

#### COSTS OF TRANSITION

19. Parts 1, 2 and 3 of the Bill set out the provision which will result in costs of transition, recurring and non-recurring, falling on the Scottish Government, local authorities, health boards and other public bodies.

20. 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.”<sup>9</sup>

21. The Committee sought clarification from the Bill team as to what the opportunity costs are likely to be. The Bill team explained—

“The method that we used to calculate the transition costs was to take the Highland example...and remove from its costs any costs that do not apply under the bill, such as children’s services costs and costs that are specific to the lead agency model, to give us a transition cost estimate for the integrated joint board or body corporate model.”

In carrying out that calculation, we understood from Highland that it incurred some costs on which it did not have to expend expenditure; it covered them by reallocating resource from other budgets in its programme. We noted that as a potential opportunity for other partnerships to follow in due course, but we did not apply it to our calculations, so the estimate for transition costs in the financial memorandum makes no assumptions for opportunity costs.”<sup>10</sup>

#### **Identification of transition costs on local authorities**

22. A number of responses commented 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 1 of the Bill.

---

<sup>9</sup> Public Bodies (Joint Working) (Scotland) Bill. Explanatory Notes (and other accompanying documents) (SP Bill 32-EN, Session 4 (2013)), paragraph 38.

<sup>10</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2914.

23. For example, ADSW commented—

“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.”<sup>11</sup>

24. This was 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.”<sup>12</sup>

25. Dumfries and Galloway Council identified 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.”<sup>13</sup>

26. In oral evidence to the Committee, East Dunbartonshire Council commented, in relation to organisational redevelopment, that—

“Some costs are reflected in the financial memorandum, such as those for the appointment of joint accountable officers and for the displacement of community health partnership managers – under the bill, those posts will go. However, there seems to be no reciprocal provision for the local authority side, which has management or leadership posts that will go under the new arrangements as well as management structures that are underneath them.”<sup>14</sup>

27. The Bill team explained that the specific focus of the FM is on changes that arise directly as a result of provisions in the Bill—

---

<sup>11</sup> ADSW. Written submission, paragraph 32.

<sup>12</sup> Glasgow City Council. Written submission, paragraph 2.

<sup>13</sup> Dumfries and Galloway Council. Written submission, paragraph 6.

<sup>14</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2910.

“...we included a provision for the potential displacement cost of CHP general managers. We have not included any other posts, as the CHP general manager posts are the posts that will be directly removed as a result of the bill.”<sup>15</sup>

28. The Bill team also commented on the information that they are able to use on the basis of the pilot in the Highland area—

“We recognise that the various partnerships are at different stages, but some of them are already implementing what they call shadow arrangements and some have already appointed people to posts, so there are different partnerships that we can use to give us a bit more assurance – or not – about costs... We would hope that the fact that the partnerships have more time to put their arrangements in place will allow them to resolve potential issues and to work through any potential for redeployment.”<sup>16</sup>

**29. It is clear from the evidence provided to the Committee that local authority stakeholders have significant concerns that the transition costs they will face have not been fully considered and are not reflected in the FM.**

**30. The Committee is not convinced that the explanation provided by the Bill team gives sufficient reassurance about the capacity for partner organisations to absorb any costs that arise for staff displacements that occur as a consequence of the provisions in the Bill.**

**31. The Committee recommends that the lead committee asks the Scottish Government why funding has not been provided for local authority staff displacements that may occur directly as a result of the requirements of the Bill.**

#### **Recurrent Cost Implications to Health Boards and Local Authorities from Provisions in Part 1 of the Bill**

32. 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.

33. 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*

34. 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

---

<sup>15</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2926.

<sup>16</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2926.



model. (Existing HMRC guidance allows for a VAT neutral solution to the delegation between partners model.)

35. However, 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. The FM does not comment on any funding being provided to meet any cost exposure in the event that a VAT neutral position cannot be agreed with HMRC.

36. The current understanding of the issue in relation to the VAT status of the delegation to a body corporate model was set out by the Bill team in oral evidence to the Committee—

“HMRC has advised us that, in its opinion, the integration joint board – the body corporate model – is not a taxable person because it does not provide services. However, the bill includes provision that, at some point in the future, a body corporate might be empowered to do so. In that case, in HMRC’s view, the body corporate would become a taxable person and the questions of section 33 or section 41 status – in terms of the Value Added Tax Act 1994 – would need to be decided on.”<sup>17</sup>

37. 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.”<sup>18</sup>

38. ADSW commented, 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.”<sup>19</sup>

39. 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.”<sup>20</sup>

40. When questioned on this issue by the Committee, the Bill team set out the most current position—

---

<sup>17</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2933.

<sup>18</sup> South Lanarkshire Council. Written submission, paragraph 17.

<sup>19</sup> ADSW. Written submission, paragraph 3.

<sup>20</sup> Falkirk Council. Written submission, paragraph 7.

“We are close to a resolution on VAT. We have been working effectively with Her Majesty’s Revenue and Customs on the issue and have had good engagement with it. We are not yet at the point of a formal decision, but the advice that we are getting on the model that we have proposed is that, on the face of it, HMRC is in agreement with our working assumptions, which would mean that there would not be an additional VAT burden.”<sup>21</sup>

**41. The Committee notes that the potential exposure to VAT could represent a significant recurrent cost to local authorities. The Committee invites the lead committee to request an update from the Scottish Government on discussions with HMRC and confirmation of whether any additional funding would be made available should a VAT neutral solution not be found for the body corporate model.**

#### *Information technology costs*

42. The FM provides £0.75 million up to 2014/15 for the purposes of developing IT in relation to management information to support strategic planning. In evidence to the Committee, the Bill team outlined that—

“The information we have used to support the figures in the financial memorandum is based on a project that we have had underway for a number of years, which is called the integrated resources framework.”

“The experience in health over the past five years or so has certainly been very much about the convergence of systems as opposed to creating new systems, and focusing on the standardisation of clinical information as well as the data itself. The approach very much fits the wider e-health strategy of using existing systems and accepting that sometimes the answer is not a one-size-fits-all system for every part of the country.”<sup>22</sup>

43. ADSW commented 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.”<sup>23</sup>

44. 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.”<sup>24</sup>

---

<sup>21</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2929.

<sup>22</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2917.

<sup>23</sup> ADSW. Written submission, paragraph 33.

<sup>24</sup> North Ayrshire Council. Written submission, paragraph 3.

45. Glasgow City Council shared this view and commented that—

“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.”<sup>25</sup>

**46. The lead committee is invited to ask the Scottish Government what discussions it has had with local authorities and health boards about the IT developments that will be necessary to improve data sharing. In particular the lead committee may wish to ask whether additional funding has been requested and, if so, why there is no discussion of this in the FM.**

*Harmonisation of terms and conditions for staff transferring between partner organisations*

47. 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.”

48. 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.” 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.”

49. Paragraph 121 of 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.”

50. 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.”

51. 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

---

<sup>25</sup> Glasgow City Council. Written submission, paragraph 9.

they undertake similar duties but work for separate employers on different pay, terms and conditions, within an integrated system.”

52. 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.”

53. On this point, Dumfries and Galloway Council noted—

“...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.”<sup>26</sup>

54. North Ayrshire Council also commented 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.”<sup>27</sup>

**55. The Committee recommends that the lead committee asks the Scottish Government to provide further information about—**

- **the number of partnerships that have confirmed they will use the model of delegation to a body corporate**
- **what options are being considered in relation to the pension funding issue set out in paragraph 116 of the FM, including estimated costs and the provision of funding**
- **whether any additional funding would be provided to partnership bodies in the event of equal pay claims being successful.**

### **Cost Implications to other Public Bodies from Provisions in the Bill**

56. 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

---

<sup>26</sup> Dumfries and Galloway Council. Written submission, paragraph 13-14.

<sup>27</sup> North Ayrshire Council. Written submission, paragraph 4.

and the Care Inspectorate” and estimates that “these bodies will undertake six inspections per year” at a cost of £173,362 per joint inspection.”<sup>28</sup>

57. North Ayrshire Council stated—

“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.”<sup>29</sup>

58. Scottish Borders Partnership also commented—

“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.”<sup>30</sup>

59. 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.

60. However, in its submission to the Committee, Healthcare Improvement Scotland noted—

“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.”<sup>31</sup>

**61. The Committee suggests that the lead committee requests details from the Scottish Government of any further discussions it has had with Healthcare Improvement Scotland about the estimated costs, and provision of additional funding, for delivering inspections under an integrated model.**

62. 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

---

<sup>28</sup> Public Bodies (Joint Working) (Scotland) Bill. Explanatory Notes (and other accompanying documents) (SP Bill 32-EN, Session 4 (2013)), paragraph 122.

<sup>29</sup> North Ayrshire Council. Written submission, paragraph 7.

<sup>30</sup> Scottish Borders Partnership. Written submission, paragraph 9.

<sup>31</sup> Healthcare Improvement Scotland. Written submission, paragraphs 4 and 6.

of goods and services to other public bodies.”<sup>32</sup> 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”<sup>33</sup> 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.”<sup>34</sup>

63. 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.

**64. With reference to the ongoing national work cited in the submission from the CSA, the Committee suggests that the Scottish Government is asked what action has been taken to address the risks identified and on what basis the Parliament can be certain that this change will be cost neutral to the public sector.**

## REALISING EFFICIENCIES

### Challenges to realising efficiencies

65. Beyond the costs identified in the FM as arising directly from the Bill, 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, specifically the transfer of resource from acute service provision and the impact of demographic change.

66. East Dunbartonshire Council commented—

“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.”<sup>35</sup>

---

<sup>32</sup> Public Bodies (Joint Working) (Scotland) Bill. Explanatory Notes (and other accompanying documents) (SP Bill 32-EN, Session 4 (2013)), paragraph 96.

<sup>33</sup> Public Bodies (Joint Working) (Scotland) Bill. Explanatory Notes (and other accompanying documents) (SP Bill 32-EN, Session 4 (2013)), paragraph 97.

<sup>34</sup> Public Bodies (Joint Working) (Scotland) Bill. Explanatory Notes (and other accompanying documents) (SP Bill 32-EN, Session 4 (2013)), paragraph 99.

<sup>35</sup> East Dunbartonshire Council. Written submission, paragraph 5.

67. BMA Scotland addressed 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.”<sup>36</sup>

68. The Association of Directors of Social Work (ADSW) stated—

“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.”<sup>37</sup>

69. NHS Highland noted that from experience—

“It is not clear yet, but just to hold the line in acute spend might be a good result, given the demographic increases and pressures in the acute sector. We are not yet confident that we can take large amounts of fixed costs out of the acute sector. That is untested. We are confident, however, that having all the resources in one place can only help with that.”<sup>38</sup>

70. East Dunbartonshire Council stated that—

“There needs to be more consideration of how we meet the pressures that will be caused by demographic growth. Although integration will go some way towards addressing that, it would have been helpful had the financial memorandum set out the extent of the issue that we are going to be dealing with over the next 20 years, if we are indeed going to be predicating efficiency savings on that basis.”<sup>39</sup>

71. Responding to questions on this, the Bill team stated—

“The bill focuses on enabling parts of the NHS to use resources better across the entire spectrum of care. At present, there are artificial disconnects between boards and local authorities, all of which affect expenditure in each of those sectors. The bill’s premise is that, by bringing those things together and focusing on them all, we can better allocate the resource...”

---

<sup>36</sup> BMA Scotland. Written submission, paragraph 9.

<sup>37</sup> ADSW. Written submission, paragraph 3.

<sup>38</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2902.

<sup>39</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2905.

There are efficiencies to be made through reallocating resources, but that will not be sufficient to offset demographic change, and we indicate that in the financial memorandum.”<sup>40</sup>

72. Further expanding on this, the Bill team also reiterated the approach to integration—

“It is not really about handing money over; it is about bringing money together to reflect the care journey of the growing population of need, which largely consists of people who are frail and in their older years, but also includes other adults who have multiple and complex needs.

We are focusing in particular on the importance of strategic planning effort across primary care, social care and the particular aspects of acute hospital care that we believe lend themselves to being redesigned in favour of prevention. The key is the bringing together rather than the handing over.”<sup>41</sup>

**73. The Committee invites the lead committee to ask the Scottish Government what level of resource transfer from acute services provision has been identified as being required to deliver the change to delivery of integrated services. The lead committee may also wish to ask what impact this is anticipated to have in ensuring that sufficient resource remains to deliver acute services.**

#### **Efficiencies identified in the FM**

74. The FM sets out three areas in which efficiencies can be realised that would release money to support the provision of integrated health and social care. These areas are—

- Anticipatory care plans
- Delayed discharge
- Reducing variation.

#### *Anticipatory care plans*

75. The FM identifies potential savings of £12 million from putting in place anticipatory care plans, explaining that this estimate is based on extrapolated figures from a study carried out in Nairn. The Committee questioned how robust the Nairn study is and the likelihood of the findings from there being deliverable elsewhere.

76. In response, the Bill team stated—

“The study is robust. It was published in the *British Journal of General Practice*, is second-tier and has been peer-reviewed. However, although its evidence is transferable to other partnerships in Scotland, it is contingent on

---

<sup>40</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2923.

<sup>41</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2923.



having an integrated approach. Nairn fostered an integrated approach between health and social care, with locality and integrated teams working closely together and a reactive response to admissions. There is no question but that it is transferable. Indeed, a subsequent study across other settings supports our initial assessment and indicates a £16 million saving.”<sup>42</sup>

**77. The FM does not provide any detail of the how the estimate of £12 million has been reached.**

**78. The lead committee may therefore wish to ask the Scottish Government to provide the calculations and assumptions that led to the estimate included in the FM.**

#### *Delayed discharge*

79. The FM outlines anticipated efficiencies of £22 million per annum for a maximum 14 day delay in individuals being discharged from hospital. This would tie in with the NHS Scotland performance target of no-one being inappropriately delayed for more than 2 weeks by April 2015.

80. In considering the challenges of meeting that target, the Committee notes the comments made to it in oral evidence. East Dunbartonshire Council stated—

“From my perspective, to go from 28 to 14 days is asking a lot of the social work teams that will need to provide assessments in that timescale... To reflect realistic expectations about that, it might be worth considering the extent to which other partnerships are achieving the current 28-day target. As that moves to 14 days, it will become more and more difficult for teams physically to get people out in those timescales.”<sup>43</sup>

81. NHS Highland also commented on this issue and what experience from other integration projects might demonstrate—

“...I think that we have set ourselves a target of beating that target. However, we currently have issues with delayed discharges, so we are looking at care-home capacity and at-home capacity. Now that such matters are under our direct control, it is in our gift to address the problem, whereas in the past we had to negotiate with the council on a joint response... I do not have the figures to hand, but I think that evidence from Torbay, where there is a similar model to the Highland model, suggested that fairly good results on delayed discharges have been achieved from the integration approach.”<sup>44</sup>

82. The July 2013 statistics from the Scottish Government’s Information Services Division, set out in the table below, provide information about the achievement of delayed discharge targets.<sup>45</sup>

---

<sup>42</sup> Scottish Parliament Finance Committee. *Official Report, 11 September 2013*, Col 2932.

<sup>43</sup> Scottish Parliament Finance Committee. *Official Report, 11 September 2013*, Col 2911.

<sup>44</sup> Scottish Parliament Finance Committee. *Official Report, 11 September 2013*, Col 2911.

<sup>45</sup> <https://isdscotland.scot.nhs.uk/Health-Topics/Health-and-Social-Community-Care/Publications/2013-08-27/2013-08-27-DelayedDischarges-Summary.pdf?50161379576>

	July 2012	April 2013	July 2013
<b>Delayed over 28 days</b>	164	44	118
<b>Delayed over 14 days</b>	390	208	312

83. **Given that the existing 28 day target was not delivered by April 2013, the lead committee is invited to pursue with the Scottish Government whether there can be any degree of certainty that 14 day target, upon which the savings set out in the FM are predicated, will actually be met in the anticipated timescale.**

*Reducing variation*

84. The largest area of efficiency identified in the FM is £104 million per annum from reducing variation in per capita expenditure. To ascertain the certainty with which the figures in the FM can be regarded, the Committee sought clarification from the Bill team of the methodology used to calculate the potential efficiencies from reducing variation. The clarification provided is set out at Annexe B of this report.

85. The FM notes that this efficiency relates only to healthcare expenditure and does not include social care expenditure “due to the confounders for variation in per capita social care expenditure”. The confounders are identified as; differences in local democratic decisions, input costs, prevalence of unpaid care, the relative size of the voluntary sector or inefficiencies.

86. Referring to the estimation of costs around reducing variation, the Bill team explained—

“We are indicating that, through the integration proposals, the difference in expenditure per head will be evident to the partnership and there will be a basis for scrutinising that. However, we are unsure about the processes that the partnerships will follow and the decisions that they will make in reviewing that information and informing their allocations subsequently. That is the uncertainty in that area. It is more uncertainty about the decisions that partnerships will take than uncertainty about the figures.”<sup>46</sup>

87. Asked how the provisions of the bill would make a difference in terms of the existing knowledge of differences in health board expenditure across partnership areas, the Bill team stated—

“We think that the bill’s provisions will give it [variation] more prominence and that there will be at least the potential for partners to scrutinise why expenditure per head in, say, Edinburgh is different from that in Midlothian. It will allows comparison of the outcomes to be achieved for the additional

<sup>46</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2914.

expenditure per head and conclusions to be drawn from that. We hope that in due course that would then inform partners' strategic spending decisions."<sup>47</sup>

**88. The Committee notes the projected savings are substantial and invites the lead committee to ask the Scottish Government how confident it can be that this efficiency will be realised in practice and, if not, what implications that has for other aspects of the delivery of integrated health and social care, such as the shift of resources from acute provision.**

#### CONCLUSION

**89. The lead committee is invited to consider this report as part of its scrutiny of the FM for the Public Bodies (Joint Working) Scotland Bill.**

---

<sup>47</sup> Scottish Parliament Finance Committee. *Official Report*, 11 September 2013, Col 2919.

## **ANNEXE A: EXTRACT FROM THE MINUTES**

### **21st Meeting, 2013 (Session 4) Wednesday 11 September 2013**

**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; 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.

## **ANNEXE B: INDEX OF ORAL EVIDENCE SESSIONS**

### **21st Meeting, 2013 (Session 4) Wednesday 11 September 2013**

Jean Campbell, Planning and Development Manager, East Dunbartonshire Council; Nick Kenton, Director of Finance, NHS Highland; 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.

## **ANNEXE C: INDEX OF WRITTEN EVIDENCE**

### **Written submissions—**

- [Association of Directors of Social Work Ltd \(298KB pdf\)](#)
- [British Medical Association \(193KB pdf\)](#)
- [COSLA \(144KB pdf\)](#)
- [Dumfries and Galloway Council \(77KB pdf\)](#)
- [East Ayrshire Council \(87KB pdf\)](#)
- [East Dunbartonshire Council \(77KB pdf\)](#)
- [East Lothian Council \(94KB pdf\)](#)
- [Falkirk Council \(72KB pdf\)](#)
- [Fife Council \(94KB pdf\)](#)
- [Glasgow City Council \(17KB pdf\)](#)
- [Healthcare Improvement Scotland \(71KB pdf\)](#)
- [NHS Dumfries and Galloway \(74KB pdf\)](#)
- [NHS Highland \(77KB pdf\)](#)
- [NHS Lothian \(108KB pdf\)](#)
- [NHS National Services Scotland \(179KB pdf\)](#)
- [North Ayrshire Council \(89KB pdf\)](#)
- [Scottish Borders Partnership \(33KB pdf\)](#)
- [South Lanarkshire Council \(98KB pdf\)](#)
- [West Dunbartonshire Council \(72KB pdf\)](#)
- [West Lothian Council \(82KB pdf\)](#)

Supplementary written evidence

- [Scottish Government Bill Team \(133KB pdf\)](#)

Members who would like a printed copy of this *Numbered Report* to be forwarded to them should give notice at the Document Supply Centre.

---

Produced and published in Scotland on behalf of the Scottish Parliamentary Corporate Body by APS Group Scotland

All documents are available on  
the Scottish Parliament website at:

[www.scottish.parliament.uk](http://www.scottish.parliament.uk)

For details of documents available to  
order in hard copy format, please contact:  
APS Scottish Parliament Publications on 0131 629 9941.

For information on the Scottish Parliament contact  
Public Information on:

Telephone: 0131 348 5000  
Textphone: 0800 092 7100  
Email: [sp.info@scottish.parliament.uk](mailto:sp.info@scottish.parliament.uk)

---

ISBN 978-1-78351-787-9

---