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Convener
Health and Sport Committee

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I am writing to provide the additional information requested at the meeting of the Health and Sport Committee on 20 December 2016. As you will be aware, I wrote to you on 21 December setting out further information on sleepovers and the Living Wage. This letter sets out detail on the remaining items, those being: 1. shifting the balance of care to community health services, 2. use of the Primary Care Fund and 3. Non-Profit Distribution projects and capital spending.

1. Shifting in the balance of care to community health services

The Health and Social Care Delivery Plan, published 19 December 2016, affirms that we will shift the balance of care from hospital to community care settings, and to individual homes when that is the best thing to do.

The NHS revenue budget will increase by almost £2 billion by the end of this parliament, and will be prioritised towards community health services. This will support delivery of the aims set out in the Health and Social Care Delivery Plan, and will mean that more than half of frontline NHS spending will be in community health services by 2021-22. It is anticipated that Integration Authorities will have a key role in effecting the shift of the balance of care through their strategic plans.

Our assessment is that, based on 2015-16 data, 47.7% of frontline NHS spending is in community health services. It should be noted that this is derived from a broad categorisation identified for the purpose of measuring the overall direction of spending, based on published spending figures as set out in the NHS Costs Book (R300) and Boards' annual accounts.

Linked to the commitment to spending on community health services is the commitment to increase funding for primary care to 11% of the frontline NHS budget.

The budgeted spend of £783 million in 2016-17 will increase by £500 million by 2021-22 so that it is at least £1,283 million. The table below sets out the planned budgeted spending in 2016-17 and the first step in 2017-18 to meeting the commitment to increase funding by £500 million.

	2016-17 Draft Budget £m	2017-18 Draft Budget £m
Territorial Boards	9,032.6	9,285.1
Special Boards delivering frontline care*	363.9	380.8
Frontline Boards	9,396.5	9,665.9
Primary care**	783.0	851.4
Mental health services (Scottish Government direct investment)***	39.5	52.2
Total frontline NHS budget	10,219.0	10,569.5
Primary care as % of frontline NHS budget	7.7%	8.1%

*NHS Scottish Ambulance Service, NHS Waiting Times Centre, NHS State Hospital, and NHS 24.

**This comprises General Medical Services, the Primary Care Fund, and other increases in investment in primary care not covered by the Primary Care Fund.

*** In 2017-18, total investment in mental health will exceed £1 billion for the first time. This will include spending by NHS Boards from their resource budgets and also direct investment by the Scottish Government.

Primary Care Fund

The Scottish Government's Primary Care Fund was established in June 2015 to provide funding of £60 million over three years (including £10 million of mental health in primary care investment). As part of the Scottish Government's commitment to deliver a shift in the balance of care, the level of investment in this Fund has steadily increased, with the draft Budget setting out proposed investment in 2017-18 of £72 million.

It is anticipated that the Primary Care Fund will provide resource for a range of measures in support of general practice and the wider primary care sector. For example, we will continue our commitment to building the multi-disciplinary workforce in primary care settings, including recruiting pharmacists with advanced clinical skills to work with and within general practice, supporting GP recruitment and retention, and increasing the number of link workers based in GP practices. We will support GPs in their work by providing oxygen to GP practices and by improved access to occupational health. Throughout Scotland, support will continue for transformational change projects and improved digital infrastructure.

The detailed breakdown of this funding is in development with our partners, and I will provide more detail to the Committee in due course.

Non-Profit Distribution (NPD) projects and capital spending

Lastly, you also asked about the impact on capital spending in the NHS in light of the reclassification of NPD projects. Four projects across NHSScotland are impacted by the Eurostat guidance which determined that NPD investments should be classified as on-balance sheet. These projects are:

- NHS Lothian - Sick Kids / DCN

- NHS Dumfries and Galloway – replacement Dumfries and Galloway Royal Infirmary
- NHS NSS – Blood Transfusion National Centre
- NHS Orkney – Balfour Hospital

There are two points I would wish to highlight:

- the change in classification and the resulting change in budgeting treatment do not alter the profile of cash expenditure associated with these projects.
- although Capital DEL(CDEL) budget is used during the period of construction and so is no longer available for other projects in the relevant years, the resource DEL (RDEL) budget required to cover the future stream of unitary charge payments – from which capital repayments are made – is reduced by the amount of the capital repayments. Otherwise there would be double counting in budgets, since capital costs are already covered by CDEL during the construction period. This releases additional budget cover over the period of operation of the project to be applied to other uses.

Addition CDEL budget cover for these four projects has been provided centrally from the Scottish Government, therefore this issue has not resulted in delay or postponement to planned NHS capital investment. The resultant reduction in RDEL expenditure has now been reflected in the financial plan for the health portfolio.

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