The Jimmy Reid Foundation

BRIEFING

March 2024

Health & Care: Finance, Workforce and Reform

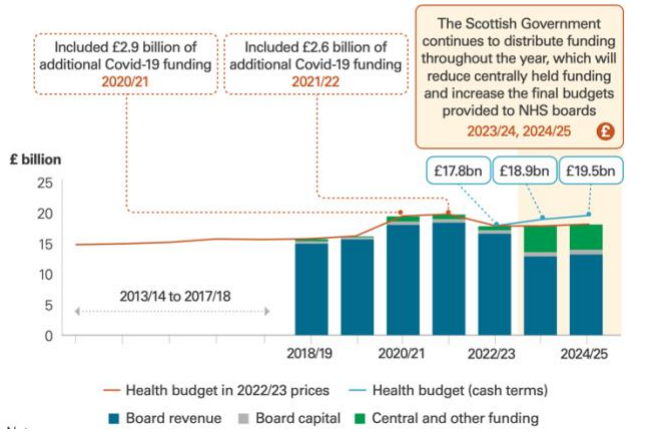
Introduction

In the context of the Scottish Budget for the coming year, Audit Scotland and the Institute of Fiscal Studies (IFS) have been looking at the finances of NHS Scotland. This has led to further calls for the reform of NHS Scotland. In this briefing we look at the finances and workforce plan for health and social care and emphasise caution when using comparative data. We conclude that reforms must address the underlying challenges facing our health and care system.

NHS Scotland Finances

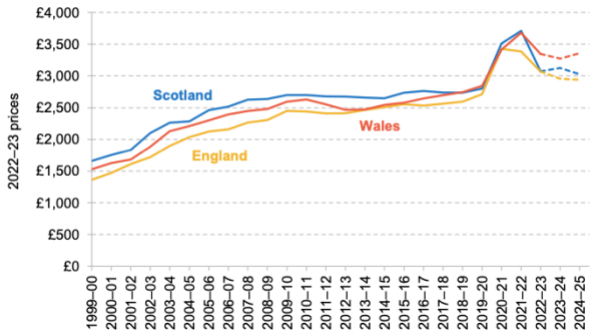
There is no question that NHS Scotland is under considerable financial pressure. The Scottish Government health budget in 2022/23 was £17.8 billion, restated to £18.9 billion with in-year increases. Most health funding is provided to territorial boards to deliver services. In the coming year the Budget will increase to £19.5 billion, a real-term increase of 1.7%. Health spending is forecasted to grow faster than other public services, squeezing the Budget for other services.

The health budget has been increasing in real terms since 2013/14
Specific funding was given to support the response to Covid-19, and funding is now increasing again annually.



Spending grew rapidly in the first decade after devolution, with average real growth of 5.0% per year between 1999–2000 and 2009–10, but at a much slower rate of 0.4% per year between 2009–10 and 2019–20. Spending per person on health was higher in Scotland than in either England or Wales at the start of devolution, but this gap has narrowed. In 1999–2000, Scotland spent 22% more per person on health than England, but by 2019–20 this had fallen to 3% more per person.

Figure 4.1. Real spending per person on health in Scotland, England and Wales



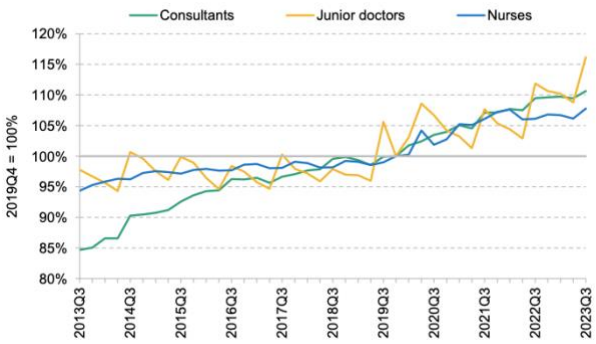
This narrowing of spending partly reflects the smaller overall increase in funding due to the 'Barnett squeeze' in the 2000s. However, as the Audit Scotland report shows, NHS Boards are struggling financially and rely on one-off savings to balance the books. Only three out of eight key waiting times standards have been met at a national level in any quarter in the last five years.

Scotland spends substantially more on adult social care than England. In 2022–23, Scotland spent £591 per person on adult social care compared with £403 per person in England (and £582 in Wales). This reflects free personal care for the elderly in Scotland.

Workforce

It is unsurprising that half the budget goes on staffing in a people-led service. The NHS in Scotland employs substantially more consultants, junior doctors and nurses than it did either in 2013 or prior to the COVID-19 pandemic in 2019.

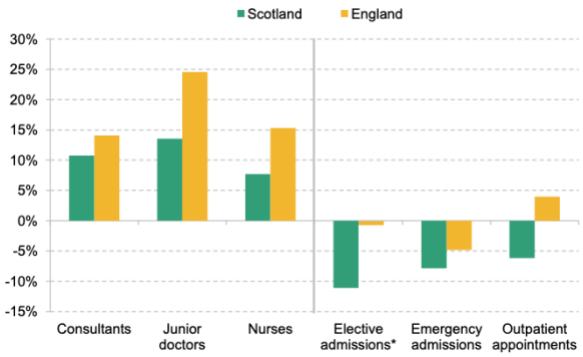
Figure 4.3. Full-time-equivalent staff employed relative to 2019Q4: Scotland



However, the turnover rate for all NHS staff has increased from 6.3% in 2019–20 to 9.4% in 2022–23. Over the same period, agency spending for medical and dental staff rose by 16% and bank and agency spending for nurses and midwives more than doubled. Workforce increases in England have been much larger over this period.

The IFS analysis draws attention to a large reduction in hospital productivity. This is based on a crude measure of labour productivity – more staff treating fewer patients. Productivity on this measure has fallen by broadly the same amount in Scotland and England.

Figure 4.5. NHS inputs and outputs in January–June 2023 relative to 2019



While this form of productivity analysis might work in simple manufacturing processes, there are significant problems in applying it to the NHS. For example, NHS Scotland had 1.9% fewer hospital beds than pre-pandemic with little spare capacity. The average number of beds per 1,000 people in OECD EU nations is 5, but the UK has just 2.4. It is also likely that patients are being admitted with more severe and multiple conditions. Hospitals must also maintain COVID-19 safety measures, which slow many clinical procedures.

However, the biggest challenge remains delayed discharge. In November 2023, there were 1,910 people delayed in Scottish hospitals, 28% more than in November 2019. This reinforces the critical importance of staffing and funding social care. The National Care Service Bill has passed the first stage in the parliamentary process, but we are still unclear how it will operate. There is certainly nothing in the Scottish Budget that indicates a funding increase to address the levels of delayed discharge.

The most striking difference between England and Scotland is in workforce strategies. The 2022 National Workforce Strategy for Health and Social Care in Scotland set out an objective to grow the NHS workforce in Scotland by 1% over five years. Over the same period, the English plan implies a workforce growth of 20–21%. Many organisations highlighted the Scottish Government's optimistic assumptions about the impact of technology and the need to focus on retention. With the capital budget effectively frozen, there is little prospect of better buildings and equipment coming to the rescue. The maintenance backlog across the NHS estate now exceeds £1.1 billion.

The crude numerical analysis in the IFS study can mislead as some media headlines have done. However, it can be a starting point for a more considered analysis by those with a better grasp of NHS practice.

Reform

The Audit Scotland report recognises that financial challenges and operational pressures mean that the NHS has continued to focus on recovery and responding to short-term challenges. They argue that the NHS now needs to move away from short-term firefighting to long-term fundamental change.

While the financial and operational challenges have resulted in some opportunistic proposals to consider new funding models and privatisation, none addresses the reforms the NHS really needs. International studies show that the NHS remains underfunded, and siphoning off cash to insurance companies, administration, and corporate profits is not a solution. Funding is critical coupled with action on:

- Investment in digital health and care.
- A realistic workforce plan.
- Investment in social care.
- A focus on prevention and early public health interventions.

The pressures on our NHS are largely the result of Scotland's health inequalities. Men in the most deprived areas of Scotland not only live 14 years less but can expect to spend 35% of their lives in poor health. The solutions to inequalities lie outwith the health and care system.

The Chief Medical Officer is promoting the Realistic Medicine concept. The OECD estimates that 20% of healthcare spending does not result in health improvements. This is due to treatment decisions that do not give patients the outcome they would most value, over-investigation and over-treatment, and not taking full advantage of conservative treatment options that deliver better outcomes.

Whatever combination of solutions Scotland adopts, it is hard to disagree with the Audit Scotland conclusion that the health and care system needs a long-term vision. The new Cabinet Secretary for Health has promised one, which needs to reflect the views of patients and staff.

Jimmy Reid Foundation

The Jimmy Reid Foundation is a think tank which brings together different voices from across Scotland to make the case for economic, environmental, political and social equity and justice in Scotland and further afield.

https://reidfoundation.scot

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