



## Resource Transfer

### **Purpose**

1. The purpose of this report is to set out a recommendation to uplift resource transfer payments for 2013/14, following negotiations between NHS Scotland and COSLA.

### **Recommendations**

2. The Cabinet Secretary and Council Leaders are invited to:
  - i) Note that the issue of synchronising budget cycles between Health Boards and Councils has largely been addressed;
  - ii) Agree to a 2.0% uplift on all Resource Transfer payments from NHS Boards to Councils for 2012/13, as recommended by the COSLA / NHS Scotland negotiating committee; and
  - iii) Agree that resource transfer payments are for explicit use in supporting social care arrangements and as such should be voted into aligned or integrated budgets for Health and Social Care Partnerships.

### **Background**

3. The Resource Transfer policy has been in existence for over 20 years and allows Health Boards to fund local authority social care services for people who formerly received, or would have in the past received, care in NHS continuing care beds. The policy has underpinned the closure of learning disability hospitals and significant reductions in NHS long-stay beds for older people and for mental illness. Over the same period, local authority social care services for older people, adults and children with disabilities, have been refocused to provide care and support for people with more complex needs, who formerly would have received NHS continuing care.
4. Resource Transfer, together with these wider changes, has made a very significant contribution to shifting the balance of care, better use of hospital inpatient beds, reductions in delayed discharge, and better outcomes for people who use health and social care services.
5. However, given that Resource Transfer discussions have in the past exposed local tensions, the Ministerial Strategy Group for Health and Social Care proposed that a high level working group should be established to design a series of protocols that would govern the Resource Transfer relationship. This work was signed off by the COSLA Convention and the Cabinet Secretary in October 2010.
6. The protocols were written in such a way as to remove the tension from local negotiations, particularly around the issue of the inflationary uplift and efficiency savings. The partnership protocols look to facilitate stronger financial planning and more effective joint commissioning between councils and Health Boards. While these protocols should not be seen to place absolute constraints on decision making, they explicitly reject the principle of unilateral decision making with respect to mutually committed resources.

### **Budget Cycles**

7. Last year, the negotiating committee raised the synchronicity of budget cycles with the Director of Health Finance at the Scottish Government. Insofar as budget setting timelines between Councils and Boards were out of kilter, joint financial planning was being rendered more difficult.

8. The Scottish Government has looked to address this issue by issuing details of Health Board allocations at an earlier stage. Indicative budgets for 2013/14 have already been shared with each territorial Health Board, thereby allowing joint financial planning to proceed at local level. It is anticipated that the indicative budgets will be agreed by the Cabinet Secretary at around the same time councils sign off on their budgets.

### **National Resource Transfer Negotiations**

9. Over the last decade, there have been a range of local disputes about inflationary uplifts, which MEL (1992) 55 states should be applied annually, along with the management of efficiency measures.
10. As such, the National Resource Transfer protocols (2010) stipulate that national negotiations should establish the Resource Transfer uplift applied by all Health Boards. The negotiations are undertaken by a committee of senior officers from Scottish local government and NHS Scotland, with Scottish Government colleagues also in attendance. Proposed uplifts require to be signed-off by Scottish Ministers and COSLA Leaders.
11. The value of any uplift will be considered on an annual basis, but will not be allowed to fall below zero. The national negotiations give consideration to key cost drivers on both sides, including general pay pressures and other inflation measures. The national negotiations for 2011/12 and 2012/13 both resulted in a 0.5% uplift being agreed.

### 2013/14 Negotiations

12. The table below offers a series of relevant indicators for the forthcoming negotiations:

Index	Percentage
Health Boards' Baseline Settlement (2013/14)	2.8%
Local Government Settlement (2013/14)	0%

13. Unlike previous years, the NHS uplift was not partially ring-fenced to deliver specific central government objectives. Nonetheless, the financial position for Health Boards in 2013-14 will be challenging. First call on additional funding will be in meeting unique cost pressures, especially in respect of the prescribing budget and required investment in new technologies, both of which create particularly challenging and mandatory financial pressures. Additional pressures arising from demographic change, pay and supplies will again require NHS Boards to deliver and retain efficiencies: NHS Boards are required to make 3 per cent efficiency savings in 2013-14, beyond the cash uplifts discussed above, to achieve financial balance. In doing so, NHS Boards will need to maintain and enhance the quality of care.
14. From a local government perspective, councils are absorbing a number of cost pressures on pay and supplies against a flat cash settlement. Councils therefore need to deliver significant efficiencies against this backdrop, in the order of 3%. Within the context of social care budgets, demographic change is driving cost pressures across the board and is creating higher levels of demand, particularly within the population of older people and people with a learning disability. In addition, there is a growing pressure to invest in the care home sector, which continues to make a slow recovery after a financial crisis two years ago.
15. Against this backdrop, the negotiating teams met on 19<sup>th</sup> December to consider what a reasonable Resource Transfer settlement would look like. The settlement options ranged

from 0% (the minimum settlement position set out in the national protocols)<sup>1</sup> through to 2.8% (which would see the full NHS baseline passed on).

16. A 'fair' starting point for the discussion was identified in line with previous years: in order to maintain a strong partnership focus, and recognising that efficiencies have to be made within both NHS and Council budgets, we started discussion around the mid-point (1.4%) between the full NHS baseline uplift and the local government settlement.
17. Having opened negotiations on these terms, it was recognised that there was a need to identify which parts of the health and social care system needed greater levels of investment. Notwithstanding the very real pressures that continue to burden NHS Boards – particularly around the prescribing budget and new technologies – it was recognised that the legacy of three successive challenging settlements for local government (-2.6% 2011/12; 0% 2012/13; 0% 2013/14) and the particular pressure on the care home contract which impacts on both health and local government, meant that there was a case to move upwards from the midpoint. Insofar as NHS Boards would not have their inflationary uplift partially ring-fenced to deliver Scottish Government policy objectives, it was agreed that there was scope to inflate the increase beyond the mid-point to 2.0%.
18. This position was deemed to be reasonable, and indeed, as Councils and Health Boards move to establish integrated budgets, it was recognised that the interdependence of health and social care services will require these pressures to be addressed in the round.
19. The proposed 2% uplift on the Resource Transfer payment is, of course, for explicit use in supporting social care arrangements and as such we are asking for agreement that this budget line will be voted into aligned or integrated budgets for Health and Social Care Partnerships.

## Conclusion

20. COSLA, the Scottish Government and NHS Scotland have agreed a set of protocols that will guide councils and Boards around the Resource Transfer relationship. The protocols indicate that the annual inflationary uplift on resource transfer allocations should be negotiated at a national level. The Resource Transfer Negotiating Committee is recommending a 2.0% uplift for 2013/14.

**Ron Culley**  
**COSLA**

**Brian Slater**  
**Scottish Government**

**Tim Davison**  
**NHS Scotland**

### Communications Bulletin

Council Leaders and the Cabinet Secretary for Health and Well-being have agreed to apply a 2% uplift to Resource Transfer payments for 2013/14, following a joint recommendation from COSLA, NHS Chief Executives and Scottish Government Officials. Resource Transfer payments are used to fund local authority social care services for people who would otherwise have needed NHS continuing care beds. These payments have made a significant contribution to shifting the balance of care, better use of hospital beds, quicker discharge arrangements, and better outcomes for people who use health and social care services.

---

<sup>1</sup> It was noted as an aside that had COSLA been successful in arguing for the RT quantum to be moved from the NHS settlement to the Local Government settlement in 2010, both sides would have lost out since that quantum would not have increased in line with inflation (the local government settlement has not seen an uplift since 2010/11 and the NHS would have had a smaller overall settlement on which inflationary increases have been applied).