



Mark Drakeford AM
Minister for Health and Social Services
Gwenda Thomas AM
Deputy Minister for Social Services

25 October 2013

Dear Ministers,

Welsh Government draft budget 2014–15

Thank you for attending Committee on 17 October 2013 to discuss the Welsh Government's draft budget for 2014–15. Our scrutiny concentrated on matters affecting our Committee portfolio, the main conclusions of which are outlined in this letter and will be published on our website. This letter will also be shared with the Finance Committee with a view to aiding its overarching scrutiny of the draft budget.

We have sought to label our key issues in accordance with the four principles of good financial scrutiny: affordability, prioritisation, value for money and budget process.

Additional revenue allocation to the Health and Social Services budget

(Principle: prioritisation)

The Committee welcomes the additional funding of £180 million for 2014–15 and a further £240 million in 2015–16 to support the NHS in Wales. The Committee recognises the importance of this additional funding to respond adequately to the issues raised by the recent Francis Review Report.

You clarified that additional funding for the 2014–15 and 2015–16 years would be allocated on a “population share basis with a Townsend twist to it in taking some of the inequality dimensions of Townsend”.¹ We welcome the method by which monies have been allocated to LHBs, particularly the fact that you have sought to address the historic problem of allocating funds to those LHBs who have done the least to live within their means.² The Committee would, however, welcome further detail on what you constitute as

¹ National Assembly for Wales, Health and Social Care Committee, [Draft RoP](#) 17 October 2013

² Ibid

success and failure in this respect when allocation decisions are made. Furthermore, the Committee seeks further reassurance that sufficient consideration is given during the allocation process to the impact of demographics – particularly age profile – on the health needs of any given Health Board area.

Overall allocation of funding to LHBs

(Principle: Budget process)

The Committee has previously noted its concerns about aspects of the existing model of financing LHBs. We welcome your review of the resource allocation to LHBs, including the development of a formula that can:

- be applied both at LHB level and to support further distribution of resources by Health Boards at a local level;
- ensure that relevant factors such as demographics and inequalities are reflected in the needs weighting.

Given the magnitude and importance of this review the Committee will take an active interest in its development. We would welcome further detail, when available, of how a future mechanism will be applied. We will monitor the process by which LHB funding is allocated and give further consideration to how funding flows within the NHS in Wales as part of our ongoing programme of financial scrutiny. To this end we would welcome a technical briefing from you and your officials on the development of the proposed formula.

We welcome the introduction of the *NHS Finances (Wales) Bill*. It will be vital that LHB service plans are evaluated and monitored throughout the three-year cycle to ensure realistic, sustainable, medium/long-term planning. We were reassured that you plan to strengthen monitoring procedures for LHB finances under the new Bill and welcome your intention to involve the Committee in this work.

Information provided in relation to the draft budget

(Principle: budget process)

While the Committee recognises that there have been improvements in the presentation and clarity of the written evidence provided by the Welsh Government, we continue to believe that the provision of further information within the budget papers is necessary to facilitate robust scrutiny of allocations.

We welcome your assurance that you are eager to provide more information next year to assist the Committee in its scrutiny. We would further welcome a more concerted effort on the part of the Welsh Government to provide more accessible, consistent and comparable financial information. We extend the same recommendation to LHBs in relation to the production of their publically available financial reports and plans, as these appear not to be prepared on a consistent basis. We further recommend that the Welsh Government provide guidance and support to LHBs in this regard to enable them to all report on the same basis to allow for greater transparency in the financial information made publically available.

Capital

(Principle: affordability)

Our letter to the Finance Committee last year requested information to demonstrate ongoing consideration of service reconfiguration within capital allocations. We were reassured this year by your confidence that the capital programme is being aligned with service reconfiguration plans across Wales. The intrinsic link between service reconfiguration plans and capital allocations must continue to feature in LHB and Government financial planning and we will continue to monitor this as part of our programme of financial scrutiny.

We note from the Welsh Government's draft budget narrative document that innovative mechanisms for raising capital funding are being identified in other portfolios. We welcome your confirmation that you are working with the Finance Minister to identify alternative options for raising capital within your portfolio and recognise the importance of such developments in the current financial climate. We would welcome further detail on the options currently under consideration. Furthermore, clarity about the point at which the Government believes legislative changes may be necessary to widen the opportunity to adopt innovative mechanisms for raising capital within the portfolio would be helpful.

Alignment with the Programme for Government

(Principle: prioritisation)

During last year's draft budget process we highlighted our concerns about the Welsh Government's ability to deliver its Programme for Government commitments within the allocations as outlined for 2013–14. Specifically, we requested further information on:

- the costs associated with – and projected outcomes of – the proposed health checks for the over 50s;
- how existing expenditure would be realigned to deliver extended GP opening hours.

The Committee would welcome further clarity on the projected outcomes of the proposed health checks for the over 50s and an assessment of the financial resources required to deliver the proposed expansion of the scheme to community settings in future years.

You told the Committee that the funding for increasing access to GP services outside contracted hours will come from existing resources by reviewing and realigning the current spend on enhanced services. The Committee would welcome further clarity on which enhanced services will experience a disinvestment in order to fund this policy. Moreover, the Committee would seek a further indication of how the impact of any realignment will be assessed.

Legislation

(Principle: affordability/value for money)

The Stage 1 scrutiny of the *Social Services and Well-being (Wales) Bill* included consideration of the financial provisions made by the Welsh Government for the implementation of the Bill. The Welsh Government stated in the Regulatory Impact Assessment (RIA) that the Bill will be cost neutral in the long-term, although some additional funding would be allocated to meet the initial costs of implementation. This would amount to £3 million, in addition to the training budget for social services staff.

However, evidence presented to the Committee, including that provided by the WLGA and ADSS, questioned whether the Bill would be cost neutral. In addition, there was some concern about whether the allocations for implementation are sufficient. We welcome the Deputy Minister's review of the RIA at Stage 2 and remain concerned that additional funding may be necessary to fully realise the Bill's aims and objectives. We note that the availability of more detailed financial information at an earlier stage in the legislative process would aid the Committee's ability to undertake scrutiny.

The Committee remains mindful of the need to ensure that the costs associated with the implementation of legislation are adequately forecast and that contingencies are in place for meeting any additional unforeseen

costs. The Minister told Committee that a £25 million general contingency fund is available for 2014–15 and we will monitor how this is utilised throughout the year as part of our programme of financial scrutiny.

Preventative spending

(Principle: prioritisation/value for money)

The Committee requested information about preventative spend within the portfolio, however we acknowledge that prevention runs through many elements of health and social services spend. We welcome your commitment to testing programmes to ensure they are delivering their intended outcomes and value for money. We were reassured to learn of your positive approach to re-directing finances where evidence shows it can be better utilised elsewhere. Your approach was illustrated in the case of Public Health Wales's recent review of its health improvement programmes in Wales which resulted in resources being re-prioritised towards childhood obesity programmes. We welcome the emerging culture of assessing existing programmes and the willingness to re-prioritise funding towards services or programmes that can demonstrate evidence of better value for money. We recommend that, where such decisions are made, they are made public together with the evidence informing the decision.

In addition to the themes above, the following areas of note arose during our scrutiny of the draft budget for 2014–15:

- **Financial risks associated with the funding of continuing NHS healthcare**

Despite the conclusion of the Wales Audit Office's *Implementation of the National Framework for Continuing NHS Healthcare*³ report that retrospective claims for costs wrongly charged to individuals between 1996 and 2003 may not be cleared by June 2014, we note your confidence to the contrary. We would welcome updates from the Welsh Government on progress in this area as any unexpected claims could impact on allocations.

- **Individual Patient Funding Requests (IPFR)**

We note your indication that a national IPFR process is under consideration. The Committee would welcome clarification of the

³ Wales Audit Office, [Implementation of the National Framework for Continuing NHS Healthcare](#), June 2013 [accessed 24 October 2013]

financial implications of such a policy and further information on the possible consequences for LHB allocations.

– **Provision for social care**

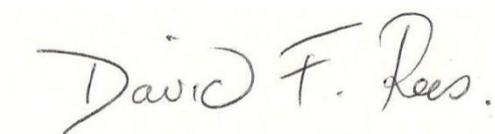
In our letter to the Finance Committee last year we welcomed the importance Ministers attached to collaboration between health and social services. We therefore welcome the £50 million allocation to create the Intermediate Care Fund and note that this sits within the Local Government MEG and Housing and Regeneration MEG. We welcome the Deputy Minister's agreement to provide the Committee with a further note on how allocation decisions relating to the Fund will be made. Furthermore, we welcome the Deputy Minister's intention to consult on future arrangements for the £50 per week cap on domiciliary care payments.

– **Mental health ring fence**

The limitations relating to monitoring compliance with the mental health ring-fenced allocation was acknowledged by the Welsh Government as part of the draft budget process last year. The Committee was reassured however that expenditure in previous years was higher than the ring-fenced quantum. We note that the ring-fence will continue until at least 2015 when a review of it will take place. The Committee is likely to undertake an inquiry in the field of mental health during the course of this Assembly, part of which may include consideration of the efficacy of the ring-fence mechanism.

I hope this information is helpful. The Committee would welcome further clarification where we have noted its need above as soon as possible. A copy of this letter will be shared with the Finance Committee to aid its over-arching scrutiny of the Welsh Government's draft budget.

Yours sincerely,

A handwritten signature in black ink that reads "David F. Rees." The signature is written in a cursive style with a large initial 'D' and 'R'.

David Rees AM
Chair

cc. Jocelyn Davies AM, Chair of the Finance Committee