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Cabinet Secretary for Health, Well-being and Sport

Rebecca Evans AM

Minister for Social Services and Public Health

17 November 2016

Welsh Government Draft Budget 2017-18

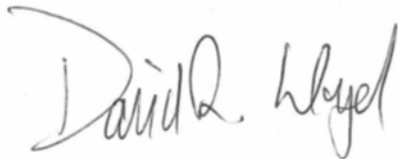
Dear Cabinet Secretary and Minister

Thank you for attending the Committee's meeting on 3 November 2016 to discuss the Welsh Government's draft budget for 2017-18.

The Committee would like to draw your attention to the matters set out in the annexe to this letter, and looks forward to receiving your response, where appropriate, in due course.

A copy of this letter goes to the Chairs of the Finance Committee, to inform its overarching scrutiny of the draft budget, and the Children, Young People and Education Committee, given the areas of common interest between our two committees.

Yours sincerely,



Dr Dai Lloyd AM

Chair, Health, Social Care and Sport Committee



Annexe: commentary on the draft budget

This was the first annual budget scrutiny session of the new Assembly and the discussions we had, although fairly wide ranging, were also quite high level. As such, we consider the session to represent the baseline for the next five years, and there are many issues that we will want to return to in more detail.

We also wish to highlight that, over the course of this Assembly, we are keen to focus our attentions on both outputs and outcomes, and how these demonstrate value for money. As such, we will be keen to get a detailed picture from you both of the financial choices you make and the outcomes you expect to receive as a result.

1. Additional allocation for NHS Services

Compared to the revised baselines for 2016–17, the total resource allocation for Health, Well-being and Sport has increased by £279.290 million. For capital allocation, there has been a net increase of £25.498 million.

The largest change in the 2017–18 budget for health and social care is the £240 million additional investment from reserves to support the NHS in Wales, including £20m for mental health services. In your paper, you state that this investment “will ensure the sustainability of the service and help to transform the provision of care” and that it will “enable organisations to continue to meet the ongoing growth in demand and costs of services that have been described in the Nuffield Trust and Health Foundation reports.”

You go on to state that “the investment assumes continued delivery of efficiency savings of at least 1% in real terms each year.” Further, the Welsh Government’s budget narrative states that this additional funding will enable NHS Wales to meet “the costs of pay awards for NHS staff; delivering more care in primary and community care; maintaining investment in new drugs and treatments and ensuring high-quality of care for all”.



As a Committee, we are very conscious of the long-term funding and sustainability pressures facing health and social care services in Wales. The reasons for this are well documented and we won't rehearse them again here. We also recognise the views of many key stakeholders that service transformation is essential to the future of health and social care, and we are very supportive of this. We do, however, feel that that pace of change here needs to be stepped up.

As such, we welcome the additional £240 million investment by the Welsh Government. However, particularly given the widely known financial challenges facing a number of LHBs (discussed later in this letter), we question whether this additional investment will be able to effect real sustainability of services and transformational change, or will simply go into the bottom line.

With this in mind, **we would be grateful if you would set out your own expectations for this additional funding – what specific outcomes you expect to be gained in terms of reform, service improvements and levering service change.**

In relation to targeted interventions, we note your evidence that you will have more to say about this later in the year, “both the work that’s been done and our expectations for each health board”. **We look forward to hearing from you on this matter.**

More generally, we note that some funding streams were made available in 2016–17 but are not identified in the draft budget or in your evidence paper. **Could you clarify the position with regards to these—**

- Older people and mental health services: £30 million allocation in 2016–17;
- Primary care, delivery plans, health technology and mental health: £65 million was made available in 2015–16 and 2016–17. (We note your statement on 20 September 2016 that £42.6 million was made available for 2016–17 to health boards to support the delivery of their primary care workforce plans, £10m of which was allocated for the 64 primary care clusters to invest in their local priorities.)



2. Financial planning and the financial position of LHBs

Specifically in relation to LHBs achieving financial balance, in your evidence, you differentiated between the system as a whole and challenges facing individual health boards. On the latter point, we note the allocation of an additional £68 million revenue to address the forecasted overspends by Betsi Cadwaladr and Hywel Dda University Health Boards in the current financial year. We further note that this money will be retained centrally within the Health, Well-being and Sport MEG to offset the forecast deficits.

In your view, despite pressures in those two particular health boards, as well as other health boards, the announcements made by the Welsh Government as part of the budget process “should allow us to be in a system where, at the end of the year, we do expect the whole system to balance”. **We are keen to follow up this point with you in due course.**

As regards the three-year planning horizon under the NHS Finance (Wales) Act 2014, we believe this has been a useful tool for LHBs in terms of linking strategic and financial planning. We are, however, concerned that a number of organisations, including ABM and Cardiff and the Vale, are operating on the basis of a one-year IMT plan because you felt unable to approve their three-year plans.

Based on figures as at 31 August, Abertawe Bro Morgannwg and Aneurin Bevan UHBs have projected end of year deficits of £20.1m and £19.1m respectively. This appears to represent a very real challenge to achieving an end-of-year financial balance. **Are you confident that these UHBs can achieve a balanced end of year position in 2016–17 without additional financial support? Do you have concerns about 2017–18 and their long-term financial position?**



3. Financial position of Local Government

The provisional local government settlement 2017–18 has set total local government revenue funding for 2017–18 at £4.107 billion; an increase of £3.8 million on 2016–17.

The Cabinet Secretary for Finance and Local Government has also announced that an additional £25 million is being provided to recognise the importance of strong local social services in the long term success of NHS Wales and of the growing pressures facing social services.

In relation to this additional £25 million, this is un-hypothecated funding for local authorities. We note your evidence that the use of this money by local authorities will be a matter for them and that you do not want to direct their spending “other than (...) on ensuring that we have strong, sustainable social services for the future”. However, **we would like to hear more from you about the monitoring and evaluation measures you have in place to ensure that the additional allocation is used for the purposes you outlined above.**

Social care charging

We note that the local government settlement includes £4.5 million to fund the Welsh Government’s commitment to increase the capital limit for residential care charges from £24, 000 to £30, 000 initially, and then to £50, 000. Further, the settlement also provides £0.3 million to introduce a full disregard of the War Disablement Pension when charging for social care.

In relation to charges for residential care, you stated that research commissioned by you had shown that there are up to 4000 care home residents who currently pay the full cost of their care and that increasing the capital limit from £24,000 to £50,000 “has the potential to benefit around 1000 of these” people. You also stated that your commitment to increase the limit to £30,000 as of April next year would benefit “in the region of 250 people”.



We will be keen to follow up this matter with you at the appropriate future point to hear more about progress against your expected targets. In the meantime, we would be grateful for information from you about your estimates of the annual costs of a £50,000 threshold.

In relation to the war disablement pension disregard, how many people do you anticipate are likely to benefit from that disregard?

4. Prioritisation of spending

Intermediate care fund

We welcome the continuing investment of £50 million in the ICF in 2017–18 and the evidence provided in your paper about bed days saved and hospital admissions avoided as a result of the use of the fund. **Are you able to provide details of the specific outputs and outcomes you expect to be achieved over the course of the next budget period based on the continuing investment in 2017–18?**

We were interested to hear Mr Heaney’s evidence about the arrangements for increasing the evaluation of the fund from this year. He also told us that, at the end of each quarter, you will be writing back to each regional partnership board “with feedback, in response, so we’re able to share intelligence across Wales smarter and quicker, to enable us to be much more effective.”

We are very supportive of any arrangements to better evaluate and share good practice across Wales. **We would be glad to hear from you in due course about the new arrangements for sharing of good practice and how effectively they are working.**

Primary Care

We welcome confirmation from you that the additional investment in primary care in 2015–16 is a recurrent commitment. In terms of outcomes for this investment,



you stated that “over 240 extra people [are] employed within the primary care system now, as a direct result of this investment.”

You were very positive about the effects of this investment on primary care clusters in particular, and the opportunities given to the clusters to determine their own priorities for their areas. You told us that you were “really encouraged about the progress that we see in this area” and that you “expect to see a greater improvement again, in the way that primary care works and delivers even more services”.

With that in mind, can you set out the specific outputs and outcomes that you wish to see achieved for this investment in 2017–18, along with the arrangements in place for monitoring progress?

We were interested to hear details of the national event on primary care, convened by you to discuss the progress made in primary care clusters. Again, we are very supportive of measures to improve the sharing of learning and experience, and **we would be interested to hear from you about any other measures you have in place for this purpose.**

Children

In relation to taking account of the specific needs of children, we note your evidence that “it’s not just financial planning” where this is done, but that it forms part of the “whole integrated planning process”. You emphasised the importance of being able to demonstrate improved outcomes for children across your portfolio and told us that, across the Welsh Government, when decisions are made, account is taken of their impact on children.

Whilst we welcome your statements, particularly the emphasis on delivering outcomes for children, we believe there is a need for a more formalised process to better reflect the legislative commitment made by the Welsh Government in the Rights of the Child Measure. As such, **we ask that consideration is given to undertaking a children’s rights impact assessment as part of the budget process.**



Sport and physical activity

We note your evidence that the majority of the Welsh Government's work on sport is delivered through Sport Wales which, as a result, receives a "vast amount" of the sport budget. You stated that you will agree Sport Wales' budget allocation after you have received and considered the chair's review.

Once this process has been completed, **we would be interested to hear from you with details of the budget allocations; the outcomes you expect to be delivered for the investment; and the timeframe for the realisation of these outcomes.** Further, I would be grateful if you would confirm that you will publish the chair's review.

We also recognise that promoting health and well-being is a role that runs across the whole range of Welsh Government departments, and that **the broader promotion of public health is an issue we will want to return to.**

Mental health services

You confirmed that the ring-fence for 2017-18 "should be £20 million plus, representing a bit over 10 per cent of total health board allocation." This is a slight reduction on previous years in terms of percentages and total spend identified against mental health, although we note your evidence that the ring-fenced amount is a minimum, protected sum rather than a maximum. **It would, nevertheless, be useful to have a confirmatory statement from you that, in your opinion, sufficient funds have been allocated in this area.**

We had a brief discussion of the arrangements in place to monitor specific delivery of children's provision by primary care, and we note your evidence that between April 2015 and June 2016, around 2,200 young people came through the primary care gateway. **Dr Goodall offered to provide us with an update of these figures to September, and we would be grateful to receive this information.**



More generally, you told us that you were confident there was enough money in the budget to support those children who do not come within the CAMHS criteria but who require greater support than that available via primary care mental health services. You said that the challenge was to ensure that the money was well used, and you confirmed that this was an area of Ministerial commitment as well as a commitment for the service. Whilst we welcome your statement, **this remains an area of concern for us, and is one that we will want to follow up with you in the future. We do, however, believe there is a role for regional partnership boards to drive the integration agenda in this area so that children and young people with needs that do not fit the CAMHS criteria do not fall through the gaps in the system.**

CAMHS

We welcome the Welsh Government's commitment to make additional annual funding of £7.6 million in this area recurrent, as well as the further increase of £318,000 of recurrent funding¹ for support workers working with young people experiencing the most severe mental ill-health.

As regards meeting CAMHS waiting times targets, we welcome the commitment you made during our evidence session that “[you] expect each health board area to be compliant within the course of the next calendar year for the new 28 then 26-week targets.” **We will wish to follow up this matter with you at the appropriate time.**

5. Capital investment

The draft budget includes £245 million capital allocations for 2017–18, which you state in your paper is an increase of over £30 million against the recurrent funding baseline.

¹ Cabinet Secretary for Communities and Children, evidence to CYPE Committee



We agree with you that the availability of capital funding is a key lever in terms of service transformation across the sector, and we know that there are a number of ambitious projects underway requiring significant capital investment, not least the Specialist Critical Care Centre at Llanfrechfa.

Capital investment is a complex area and we are keen to get a better understanding of your plans here. **You offered to provide us with an update as to how you see the capital picture moving forward, and we would be grateful to receive this. You also offered a session to discuss capital spend in more detail. Again, we would like to take you up on this, and will be in touch separately to arrange.**

6. Impact of the EU referendum

We discussed briefly the implications for the health service of the UK's decision to leave the EU, and what account you had taken of this in your financial planning. You acknowledged that this was a challenge facing all the governments in the UK, but that you were unable to do much detailed planning at this time.

Clearly, there is a period of uncertainty ahead, not just for the health and social care sector and not just in Wales. Nevertheless, there is a need to be confident that work is underway in the Welsh Government to plan for any number of future possibilities, particularly in relation to the key areas of staffing, research, regulation and funding. **We would be grateful for further reassurance from you on this matter.**

