



Health and Social Care Committee's request for evidence

Evidence to inform the scrutiny of the Draft Budget 2025-26

December 2024

This document is a response to the Health and Social Care Committee's request for information to inform scrutiny of the Draft Budget 2025-26.

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1. Prioritisation

Details of the approach taken by Welsh Government to prioritise areas of spending, across the whole budget and within health and social care.

The Cabinet Secretary for Finance, Constitution and Cabinet Office has said the next Welsh Government budget will “once again be very challenging, and we will have to focus on our most important priorities, and there simply won't be enough money to meet all of the pressures that we face”.

Response:

The Draft Budget for 2025-26 has been framed around key priorities in areas identified by Cabinet as being critical for delivery. For the Health & Social Care (HSC) MEG our priority is 'lechyd da' - *A Healthier Wales*.

There is £435m of additional Resource funding and £175m of additional Capital funding for the HSC MEG to assist in the ongoing work to reduce long NHS waiting times, improve access and improve services for women's health. This is building on the additional funding already agreed for 2024-25.

The Housing and Local Government MEG is receiving an increase to boost access to social care via the Revenue Support Grant to Local Authorities (RSG).

The published Draft Budget Table illustrates a total increase in Resource funding of £921.73m. This includes £447.65m of baseline adjustments relating to pay and pension increases for 2024-25 and an increase in funding for 2025-26 of £474.08m.

The increase for 2025-26 is split between £435m for Fiscal Resource and £38.2m for Non-Fiscal Resource. The Final Budget for 2024-25 is restated and includes the additional £447.65m before the additional funding for 2025-26 is added in to show the Draft Budget Plan figure for 2025-26.

The table below shows the breakdown of the additional Resource funding for the Health & Social Care (HSC) main expenditure group (MEG):

| | |
|-------------------|---|
| £m | |
| 11,318.693 | Final Budget Restated Sept 2024 |
| 312.500 | NHS Pay Funding for 2023-24 and 2024-25 |
| 134.000 | Pension Increases (SCAPE) Funding for 2024-25 |
| 1.150 | Pay and Pensions – Non-NHS additional allocations |
| 11,766.343 | 2025-26 Revised Baseline |
| 0.880 | MEG to MEG transfer from Local Gov MEG |
| 435.000 | Additional Revenue Allocation for 2025-26 |
| 38.200 | Non-Cash increases (Depreciation & IFRS 16 adjs) |
| 12,240.423 | 2025-26 Draft Budget Plans |

Taken together, the increase in funding over the last two years in health and social care is over £880m or eight per cent, with the majority of this supporting workforce pay.

The approach to this budget has been to ensure that the NHS is supported with a settlement for pay and inescapable demand growth and inflation, that is sustainable and will enable the delivery of balanced plans for 2025-26. This is essential in order for the NHS to be able to deliver on improvements in performance, outcomes and financial plans. Part of these plans will be the actions being taken to support the key deliverables of 'Iechyd da' – A Healthier Wales.

Unavoidable Demand Growth & Inflation

Officials have undertaken an assessment and challenge on the assumptions associated with the cost of unavoidable demand growth, and inescapable inflationary pressures in the NHS.

It is crucial that sufficient funding is given to the NHS to meet inescapable costs, alongside stretching savings expectations. These costs will materialise. Not providing sufficient funding to meet inescapable costs in the NHS, having considered stretching savings and efficiency assumptions, will impact on the system's ability to deliver both financially, and in performance and outcomes.

It is also important to recognise that the ambition and expectation of performance improvement from additional funding will only materialise if this is supplementary to sufficient funding being made available to "keep the wheels on" existing services.

The unavoidable demand growth and inescapable inflationary pressures have been considered carefully in setting our planning assumptions. The NHS in Wales will, again, be set challenging savings targets and a range of actions will be required to deliver balanced plans for 2025-26.

Savings Assumptions

Based on the principles and assumptions outlined above, NHS bodies will need to deliver the £70m non-recurrent actions in 2024-25 again in 2025-26. In addition, it is assumed that the NHS will deliver a £150m, or circa 1.4 per cent savings on a recurrent basis.

Combined, this £220m savings expectation will be a circa two per cent savings target against total expenditure budgets. This is consistent with the two per cent expectation set by UK Government of savings and productivity across departments, but greater than the historic Nuffield and Health Foundation assessment of circa 1.5 per cent being a realistic savings and efficiency expectation.

This is in addition to the NHS having delivered record levels of savings of £260m in 2023-24, and forecast saving delivery in 2024-25 now being at £267m.

The actions to deliver this level of savings requirement will be more challenging given the progress made in recent years. Therefore, whilst there remains some opportunity for improvement this is at a reduced scale than previously, and without material investment in transformation to drive additional savings delivery.

The settlement to the NHS for 2025-26 will be considered alongside how the funding being retained within the MEG for 2024-25 (the £168m) is allocated on a recurrent basis. This will support the drive to sustained improvement, balanced plans, and make progress on the financial agenda. This allocation is being progressed alongside the funding settlement for 2025-26, to support inescapable cost increases. As individual Health Board positions improve through that framework, actions must be delivered by those Health Boards in greatest deficit to deliver on a balanced MEG. This is a key condition that is being set out within this approach.

Allocation of funding for 2025-26

Health and social care continues to be prioritised in 2025-26 with additional Resource funding of £435m, as well as £175m of additional Capital funding. This is on top of the extra funding provided for the NHS in 2024-25.

Of the £435m Resource uplift, more than £400m of this will support a range of additional allocations to the NHS, including activity to continue reducing the longest waiting times and improving timely access to care and treatment. It will also support a 2025-26 pay award for the workforce, building on the additional funding provided in 2024-25.

In addition to the core support for frontline NHS services, we will be investing over £20m in workforce training which will include ongoing support for the expansion of the North Wales medical school and additional post graduate medical and dental training places.

In line with the lechyd Da priorities, we will provide £3m towards improving healthcare for women, in line with the milestones set out in Wales' first Women's Health Plan, which is published on 10 December 2024.

Recognising the importance of preventative health investments, we are increasing allocations to screening and vaccination programmes by £3m. This helps to ensure we identify some health issues earlier and, in the case of vaccination, prevent more serious illness later on.

We will also maintain the mental health ringfence, in the main NHS allocation and this will be over £820m for 2025-26.

We are allocating £3m to support the hospice sector in 2025-26. This funding will be recurrent, because we recognise the important role they play in supporting the NHS and all those who need end-of-life care.

We are also investing an additional £20m to support our flagship Childcare Offer, which will provide a vital increase to the hourly rate paid to providers. This will help ensure the sustainability of the sector, support the workforce and improve settings and parental choice.

On capital, our increase of £175m includes £60m which will need to be directed at supporting the implications of IFRS 16, the accounting standard for leases. An additional £115m will be available to allocate for maintaining and improving the NHS estate and driving NHS productivity, by investing in new equipment and digital technology. The total capital budget rises to £614m for 2025-26.

Outside of the HSC MEG, Social Care is being directly supported by local authorities. In 2025-26, the revenue support grant (RSG) in the Local Government MEG, will be increased by £235m to reflect the additional pressures being experienced by local authorities.

The HSC MEG supports Social Care directly via a series of funds and grants, including more than £140m of directed funding, which will be maintained in 2025-26. This includes maintaining the existing support for the Eliminate programme. Our funding for regional partnership boards is also maintained and includes schemes to reduce delayed discharges and improve community-based provision.

Other Budget changes in the HSC MEG

Included in our budget for 2025-26 is a £38.2m increase in non-cash funding, covering such items as depreciation costs.

The decrease in the Annually Managed Expenditure (AME) budget relates to the latest assessment of budget cover needed for such things as expected movements in impairments and provisions, mainly in the NHS.

We have one example of a MEG to MEG transfer where a social care grant of £0.880m is moving out of the Revenue Support Grant in the Local Government MEG and back to the Social Care budgets within the HSC MEG.

It is also worth noting that the Draft budget table for 2025-26 contains a relatively high number of budget movements within the MEG. These simply reflect the process of maintaining our budgets and making sure funding is in the correct place, reducing the administrative burden of issuing this funding in-year.

2. Waiting times

Allocations to support the programme for transforming and modernising planned care and reducing NHS waiting lists.

Response:

A recurrent annual investment of £170m to NHS Wales was made in 2022 to support the national commitment to reduce delays in treatment and recover from the pandemic.

The Transforming and Modernising Planned Care Recovery Plan was issued in April 2022, setting out the approach to waiting times recovery and transformation of planned care services.

Throughout 2023-24 we saw consecutive monthly reductions in the number of open pathways waiting over 104 weeks up until March 2024. The waiting list size continued to grow through this period at a rate of 4.7 per cent, this trend has continued through 2024-25.

The total number of open pathways waiting over 104 weeks at the end of March 2024 was 20,636, the lowest point since the recovery plan was issued.

Since April 2024, we have seen a growth in the number of waits over 104 weeks, although the longest waiting times have been gradually reducing during this year.

The number of pathways over 104 weeks is 66 per cent lower than its peak.

The context for the change in improvement relates to several factors:

- Total waiting list size March 2024 had increased by 4.7 per cent compared to March 2023, this increase has continued though out 2024.
- The trend in outpatient waits over 52 weeks has increased by 15 per cent since March 2024 compared to March 2023.
- Referral trends for referral to treatment (RTT) and cancer have increased, with overall referrals in the last 12 months to September 2024 increasing by 6.7 per cent.

Although the All-Wales position has worsened, this is driven by local factors and significant variation across Health Boards and specialities.

We identified seven challenged specialities in the Recovery plan which continues to account for a significant proportion of long waits in elective services. These seven specialities account for 88 per cent of all long waits over 104 weeks, the main challenges being in orthopaedics (25 per cent) and Ophthalmology (22 per cent).

Betsi Cadwaladr Health board accounts for 43 per cent of all the 104 week waits in Wales.

Comparing September 2024 referral to treatment (RTT) data to March 2024

The focus on outpatient waiting times and demand management approaches at Swansea Bay Health Board and Cwm Taff Morgannwg Health Board have seen total waiting lists in these health boards decline.

There has also been progress in some of the challenged specialities and a focus on women and young people:

Children and Young People waits: a 2.5 per cent improvement in 2024.

Gynaecology: three health boards have cleared and sustained zero over 104 week waits and the all-Wales position has shown 27 per cent improvement in 2024.

ENT: two health boards have cleared and sustained zero over 104 week waits and the all-Wales position has shown 17 per cent improvement in 2024.

Urology: the all-Wales position has shown 18 per cent improvement in 2024.

Orthopaedics: the all-Wales position has shown six per cent improvement in 2024.

Dermatology: five health boards have cleared all over 104 week waits. One health board accounts for 98 per cent of all over 104 weeks. They are still implementing the Telederm project, which all other health boards have implemented.

It was confirmed that the HSC MEG would receive additional funding from Reserves in 2024-25 to support the actions to reduce NHS waiting times. In October and November 2024, additional funding of over £50m has been issued to the NHS to supported targeted reduction in long waits over two years, diagnostics over eight weeks and a specific focus on neurodiversity (ND) pathways.

The NHS will use the £50m to:

- Treat 16,000 more people by the end of March 2025.
- Carry out 14,000 extra tests by the end of March 2025.
- Add up to 20,000 more outpatient appointments by the end of March 2025.

The funding will pay for more evening and weekend appointments to target the longest waits in specialties such as orthopaedics, ophthalmology, general surgery and gynaecology.

£3m of additional funding has been provided to health boards to reduce the longest waiting times for children's neurodivergence (ND) services. It is estimated that an additional 2,000 appointments can be delivered across health boards up to March 2025. The learning from the ND waiting list reduction plan will be used alongside the outcomes of the Children's neurodivergence services rapid re-design event held on 27 and 28 November 2024. This will recognise the critical fragility of existing services as a catalyst to developing proposals for new assessment and support pathways, whilst also addressing existing waiting list pressures.

Just over £3m has also been targeted to support reduction in diagnostics waits across health boards.

All our health boards have submitted activity plans which will start to deliver in November 2024, for statistical reporting in January 2025.

We have mobilised enhanced capacity solutions through waiting list initiatives and contract arrangements with other providers.

Each health board has clear delivery trajectories which will be reported to the Cabinet Secretary for Health and Social Care on a monthly basis.

Further plans are being developed to enhance delivery through the next six to 12 months.

We will look to understand how through current additional planned care funding together with the transformation fund could support and target actions to improve productivity and efficiency. This would help to support any recommendations from the Ministerial Advisory Group, in informing our plans to deliver continued improvements in planned care next financial year.

3. Mental health

A breakdown of allocations to improve mental health and wellbeing in Wales, including allocations to:

- support implementation of the Welsh Government's new mental health and suicide prevention strategies;
- improve access to mental health services and outcomes for both adults and children and young people.

Response:

Mental health and suicide prevention strategy

We continue to ringfence mental health funding for the NHS and in 2025-26 this will be over £820m, thus sustaining our investment in mental health services. We have also continued to invest in developments like 111 press 2 to and alternatives to admissions which are key components of our future priorities.

We are investing £2.2m annually in the NHS Executive for the Strategic Programme for Mental Health which is providing a dedicated resource to NHS Wales to drive improvements in performance, quality and safety. This is part of our significant programme of work to improve mental health and well-being, for instance through our Whole School Approach, NEST/NYTH and our Strategic Mental Health Workforce Plan.

Following the publication of our consultation summary reports for the [mental health and wellbeing](#) and [suicide and self-harm prevention](#) strategies, the Welsh Government are continuing to develop the final strategies and delivery plans.

As these strategies will set policy direction for the next ten years, it is vital that they incorporate the views provided at consultation and reflect the broader policy context in which they will operate. In order to achieve this, it is anticipated that publication will be aligned with the new 2025-26 financial year.

The strategies have been developed in the current financial context and aim to provide direction to the system to better target resources and are not dependent on new/additional funding. The published strategy will be accompanied by a series of delivery plan, which over the life of the strategy will be renewed and refreshed. This will provide the opportunity to identify new investments should the economic position change.

Improving access to services and outcomes

We have taken an all-age approach to develop both the mental health and wellbeing and the suicide and self-harm strategies to ensure we have a system which will support everyone, and that it promotes better integration between services.

Whilst it takes an all-age approach, it does draw out where we need a specific focus on young people or older adults, and our consultation analysis has provided feedback to how we can strengthen this approach. But what is crucial in our approach is that our services need to be needs led and person centred.

As part of the consultation, we also published draft impact assessments and have provided the opportunity through the consultation to ask whether it was clear about how the Suicide and Self-harm Prevention Strategy and the Mental Health and Wellbeing Strategy deliver for all age groups. This information has been used to gather further evidence of impact in these areas and is informing the final impact assessments and delivery plans/strategies.

We continue to improve access to mental health support for instance through 111 press 2 for mental health, online access to cognitive behavioural therapy and piloting sanctuaries for children and young people.

There is a strong association between exposure to childhood adversity and trauma and poorer physical and mental health and wellbeing. We will maintain our current investment in the development of ACE and trauma-aware services and the adoption of trauma-informed practice in 2025-26 (£1m).

4. Workforce

Allocations to support implementation of the 10-year strategy for the health and social care workforce and the national workforce implementation plan, including specific reference to retention and staff wellbeing.

Response:

Despite the difficult financial climate, the Minister for Health and Social Services announced on the 14 February 2024 that the investment in education and training of healthcare professions will be maintained at £283.126m for 2024-25. This will support education and training programmes for healthcare professionals in Wales. This continues to be a record level of funding and will support the highest ever number of training opportunities in Wales.

The Welsh Government is committed to providing the NHS the workforce it needs to meet ever increasing demand. We are achieving this through increasing training places, encouraging young people to take up health professions and recruiting outside Wales when necessary.

In 2025-26 we are committing to increase funding by over £20m for NHS workforce training, which will include ongoing support for the expansion of the North Wales medical school and additional post graduate medical and dental training places.

We provide core funding to Health Education and Improvement Wales (HEIW), our statutory workforce body, to deliver key priorities such as improving staff retention and taking positive actions to improve staff wellbeing. For example, HEIW have this year delivered a National Retention Programme and have invested in appointing a Retention Lead in each NHS organisation. The NHS Wales Staff Survey is in its second year, the results of which will enable us to monitor progress against critical areas that that require improvement and ultimately provide the necessary learning to further improve staff health and wellbeing. HEIW also utilise their core funding to continue to deliver on the Workforce Strategy for Health and Social Care and their assigned actions in the National Workforce Implementation Plan.

In 2016 the then Minister for Health and Social Services agreed to fund a targeted incentive scheme for GP Trainees and Core Psychiatry Trainees. The financial incentives formed part of a wide suite of actions to deliver the government's commitment to attract and train more GPs and to place general practice on a more sustainable footing.

The current targeted incentive scheme provides £20,000 to GP trainees who take up a training post in north Wales, Ceredigion, Pembrokeshire and Powys, as these training schemes have a trend of low fill rates; less than 75 per cent over a five year period. Trainees receive £10,000 on commencing their training, with the second payment made after they complete one year of practice in the incentivised region following completion of their training.

Running parallel to the decision to continue the targeted incentives scheme for the 2025-26 financial year, the former Minister of Health and Social Services also agreed a full review and evaluation of the existing schemes should be undertaken in 2025 along with recommendations, including options for the next five years. Officials are currently in the process of finalising the arrangements for an independent review via a procurement process and establishing the review's terms of reference. One of the considerations of the review will be to measure the effectiveness of the scheme and determine, given the changing landscape whether the scheme is still appropriate and acts as a recruitment and retention incentive.

We are providing £5m central funding to support the delivery of NHS Wales international recruitment plans during 2024-25. This funding will support the recruitment of approximately 360 registered nurses, 60 registered mental health nurses and 30 medics.

5. Primary care

How the budget will support delivery of the Welsh Government's commitment to reform primary care, and the shift of more care out of hospitals into primary care/community settings.

Response:

Our vision in *A Healthier Wales* is for people to access the majority of health and care services at or close to home. The Primary Care Model for Wales is our agreed approach to achieving that vision.

The Welsh Government hypothecate some funding within the core funding allocations made to Health Boards. For example, we set a minimum level of funding for each of the services Health Boards typically contract from independent providers of General Medical Services, Community Pharmacy, General Dental Services and Optometry.

Other specific funding allocated for building capacity in community-based care includes:

- £146.2m Regional Integration Fund.
- £5m for the allied health professional capacity.
- £11.95m for weekend district and end of life nursing capacity and identifying those at greater risk of urgent care and agreeing care plans to anticipate and reduce that risk or meet that need at home or in the community.

The rebalance of the health and care system away from hospitals and treatment towards community-based care and health and wellbeing is a long-standing policy aim of the Welsh Government.

It is widely recognised the pace and scale of progress must accelerate in the face of the unprecedented challenges and known projected growth in volume of population need.

Whilst the stated policy ambition is to increase relative investment into out of hospital services, the impact of unavoidable cost growth in terms of inflationary pressure, and unavoidable demand growth in areas such as NICE approved medicines and treatments is greater in the acute setting. In addition, given the scale of the recovery backlog post COVID in relation to planned care, investment is being prioritised to addressing these challenges which results in increased expenditure in the acute settings. This alongside the need to deliver increased

savings and efficiencies to support financial sustainability result in challenges to deliver this policy intent and ambition.

Whilst it remains of importance to deliver reforms through Primary and Community Care, the investment into contracted services (General Medical Services, Community Pharmacy, General Dentistry Services and General Ophthalmic Services) has been limited to pay awards for staff working in those settings. In parallel, the Welsh Government has continued to invest in community services; including the Regional Integration Fund, expanding Allied Health Professional Capacity and district and end of life nursing services.

The Welsh Government, therefore, has published a refreshed set of actions for *A Healthier Wales* to drive much more rapid and sustained investment in community-based services to fully implement the Primary Care Model for Wales.

The 2025-26 NHS Planning Framework identifies building community capacity as one of the Welsh Government's national priorities.

Regional Partnership Boards continue to provide a crucial vehicle through which health, social care, housing, third sector and wider partners come together to plan, commission and deliver integrated services and system solutions in the community. The amended part nine regulations and statutory guidance, laid and passed in November 2024 will further strengthen these regional arrangements and clarify their role in supporting the development of an Integrated Community Care System for Wales.

The Welsh Government is also strengthening how it holds the NHS to account on its implementation of the Primary Care Model for Wales. We will demand evidence of how Health Boards are accelerating the development of the 60 Clusters. With a population focus on a place based, neighbourhood care level, Clusters are uniquely placed partnership mechanisms to both plan for and deliver care that better matches local needs.

At county level, the Pan Cluster Planning Groups (PCPGs) connect Clusters to the wider health and social care system partnerships. When supported and enabled by health and care system leaders, PCPGs are well positioned to make decisions based upon improving population health and can create the environment for collaboration to implement the Primary Care Model for Wales. We will demand evidence of funding and decisions being delegated to PCPGs.

6. Service transformation

How this budget will balance the need to meet immediate/short-term pressures (e.g. the waiting times backlog, workforce shortages) with longer-term service transformation.

Response:

In developing the budget approach for the HSC MEG for 2025-26, careful consideration has been given to balancing the need to recognise unavoidable inflation and demand pressure, deliver improvements in short-term priorities and continue to support longer-term service transformation.

We are continuing with the £15m planned care transformation budget to support local and national transformation projects. We have invested in clinically led implementation networks across the key specialities who are responsible for developing the transformation projects and driving their implementation within the NHS organisations, reflecting national policy and guidance.

From a planned care perspective, £12.5m will support local and national transformation projects and £2.5m of the original £15m budget is used to staff the Planned Care Programme and clinical leads, who are responsible for developing the transformation projects and driving their implementation within the NHS organisations, reflecting national policy and guidance. This £2.5m has now been transferred to the NHS Executive.

What is clear from the continued growth in referrals and the size of the waiting list is the need for a transformative approach to elective care services this coupled with our focus on productivity and efficiency needs to be the approach to any further budget investment in 2025-26.

The NHS Executive which hosts the National Planned Care programme has developed an “effective planned care programme” which is utilising the £15m planned care transformation programme to support modernisation of services and through a clinical implementation approach transform pathways of care.

This funding has broadly been divided into six areas:

Referral management

In 2023-24, two health boards had implemented the pathway alliance programme. In 2024-25, six out of seven health boards have signed up to implement the pathway alliance work, developing and implementing national and locally developed referral pathways. This has seen 191 pathways in place aim to have 300 Wales wide pathways agreed for local implementation. An evaluation of the system impact on this work is in the process of being completed. The Health Boards who were pathfinders for this programme have seen referral rates below

the national average and have evidence of cost-effective referral in targeted reduced diagnostic testing.

All health boards are participating in consultant connect an electronic advice and guidance service for both planned and urgent care pathways, which has shown (April 2023 to March 24) that 52,000 pathways were managed by advice and thus diverting away from hospital intervention. This supports the concept of advice and guidance keeping care locally where clinically appropriate.

Outpatient transformation projects

In September 2024 the total number of outpatient appointments attended (includes new, follow ups, pre op assessments and unknown appointments) was 307,816. This was 8,454 (2.8 per cent) higher than the same month last year and 43,180 (16.3 per cent) higher than the same month pre-pandemic (September 2019). The national programme is supporting implementation of innovative approaches and initiatives that contribute towards sustainable transformation, such as alternative to outpatient follow-up through 'see on symptom', patient-initiated follow-up and looking at straight-to-test pathways. Utilising these approaches to maximum effect will enable a more effective pathway and drive first outpatient activity. Monthly increases in patient initiated follow up and see on symptoms pathways have been seen June to September, but there is still significant variation, with total follow-up waiting list fluctuating an overall two per cent reduction September 2024 compared to June 2024.

Theatre productivity

Building on the Get it Right First Time (GiRFT) work in 2023-24 a national data set has been agreed to identify areas to improve productivity, reduce late starts early finishes, improving number of cases per list, maximising use of empty slots.

Average day case rates for general surgery range from 68.2 per cent to 34.7 per cent and for all Wales it is 55 per cent (January 2023 - September 2024). If this can be increased across all sites this will improve efficiency and reduce requirement on inpatient beds.

Based on GiRFT data, the potential use of fallow theatres across health boards would see activity gain opportunities across Wales.

For ophthalmology, the average length of surgical cases are around 70 minutes and currently 20 per cent of theatres finish over 60 minutes before their allotted end time (January 2023 to September 2024). Based on over 40,000 cases in the same period this could result in an extra 8,000 procedures just by removing early finishes over 60 minutes.

High Volume Low Complexity Surgery

Each clinical implementation network is championing pathways based on GiRFT recommendations for national implementation of high-volume surgical sessions. This will support a national approach to increasing capacity and activity in few key pathways such as cataract surgery and some general surgery pathways.

Eye care pathway redesign

Supporting the implementation of both recovery activity and innovative approaches and initiatives specific for eye care, the eye care pathway redesign is linking with primary care optometry in support of the new contract arrangements. The proposal, which has commenced in quarter three, estimates the transfer of 35,000 ophthalmology pathways into primary care, freeing capacity in secondary care urgent outpatients.

Implementation of waiting well services - the 'three Ps'

All health boards have started to implement their single points of contact to provide dedicated resources for people waiting to:

- Promote healthy behaviour help;
- Prevent people becoming worse and;
- Prepare for treatment.

The aim is a reduction of late theatre cancellations due to patient's health and reduce the need for repeat pre-op assessments. This has been evidenced in Hywel Dda who have had a single point of contact since 2022.

Digital pathology developments

A. Digital Pathology Breast Ibex AI

Continuing to build on the benefits of digital pathology by:

- 1. extending Breast Ibex AI evaluation to all laboratories across Wales.*
- 2. undertaking a pilot study in BCUHB to develop a new AI algorithm to triage routine skin histology cases for urgent reporting*

When using AI to prioritise cancer cases, there is better understanding of the construction and working of AI platforms when it is developed in-house to meet specific challenges. For example, developing a system where all routine cases will be scanned and scrutinised by AI to identify any cases with cellular changes suspicious of malignancy and push them into the urgent pathway.

B. Precision medicine

Realising the benefits of Precision Medicine and informing a future funding and delivery model for increasing indications of targeted therapies.

Costs: Year one £150,000 up to £200,000 year two.

Previous work indicated that outsourcing costs to a private provider in England to be approximately £750,000 for 300 patients.

Benefits:

- Delays the progression of advanced cancer
- Compliance with delivery of treatment as per NICE guidance within the allocated time limits.
- Increased numbers of patients receiving a 3rd or 4th line targeted therapy.
- No displacement of existing Pathology work to allow for introduction of Precision Medicine requirements.

7. Prevention

Has there been a shift of resources towards prevention/early intervention. Where in the budget can this be seen.

Response:

The Welsh Government continues to focus on embedding a shift towards prevention and early intervention, as outlined in *A Healthier Wales*.

It remains the case that prevention is fundamental to a wide range of activity across health and social care and NHS Wales, supporting people in Wales to live longer, healthier lives.

The policy ambition to shift resources away from acute settings into primary and community settings involves two component parts, firstly the physical relocation of services, providing care closer to home, resulting in the shift of the relevant service, workforce, and resource. Secondly, the policy intention is to invest increasingly in these areas to strengthen the prevention agenda, and shift demand away from hospital services. Delivering this ambition is challenging given the impact of unavoidable cost growth in terms of inflationary pressure, and unavoidable demand growth in areas such as NICE approved medicines and treatments is greater in the acute setting.

In addition, given the scale of the recovery backlog post COVID in relation to planned care, investment is being prioritised to addressing these challenges which results in increased expenditure in the acute settings. This alongside the need to deliver increased savings and efficiencies to support financial sustainability result in challenges to deliver this policy intent and ambition. Despite these challenges, Welsh Government continue to take steps to strengthen activity and investment in prevention activity.

We have maintained the highly valued £146.2m Regional Integration Fund which is helping health, social care and the third sector to work together to develop integrated models of care that will help people to look after their own health and wellbeing, live well at home, prevent the need for conveyance or admission to hospital and help them return home quickly if they have needed secondary care.

We continue to invest in our *Healthy Weight Healthy Wales* strategy to tackle overweight and obesity, with £2.9m allocated to support health boards to continue to develop and roll out their weight management pathways, and £4.042m allocated to support other activities, such as our Children and Family pilots and whole system approach work across all health board areas.

Healthy Weight Healthy Wales prioritises prevention and early intervention, with a focus on encouraging healthy behaviour changes. The strategy takes a cross-government approach to reducing obesity in Wales and has been developed

based on the evidence of what works, which combines individual behaviour change with environmental and system change.

The strategy is delivered with a holistic view of the whole environment we live in, and how that impacts on the food and activity choices we make, which requires a cross government and cross organisational approach.

The Children and Communities Grant (CCG) seeks to address the support needs of the most vulnerable children and adults in our communities through a range of early intervention, prevention and support mechanisms. The programmes within this grant (including Flying Start and Families First) seek to mitigate or remove disadvantage to vulnerable people to enable them to have the same life chances as others, thereby contributing to a more equal Wales.

Our Flying Start and Families First programmes provide interventions to help give children the best possible start in life; build their resilience and confidence; and achieve positive wellbeing. The programmes place an emphasis on early help and prevention and tailored support to meet the needs of children and their families.

Our Families First programme promotes multi-agency systems of support and works with the whole family, helping them address problems before they reach crisis point. The Team Around the Family (TAF) model brings together professionals from various sectors to work collaboratively with families, creating tailored action plans that address their unique needs.

Childhood experiences, particularly during the early years, have a significant influence over future health and well-being. Flying Start and Families First staff, in collaboration with other multi-agency professionals (as part of a Team Around the Family approach), are essential in the early identification of concerns relating to adverse childhood experiences and trauma and can play a crucial role in mitigating their impact on children.

Health And Social Care Regional Integration Fund

We have maintained the highly valued £146.2m Health and Social Regional Integration Fund (RIF) which is helping health, social care and the third sector to work together to develop integrated models of care that will help people to look after their own health and wellbeing, live well at home, prevent the need for conveyance or admission to hospital and help them return home quickly if they have needed secondary care.

The RIF is delivered by Regional Partnership Boards to ensure services are acting early to avoid escalation and through a national model of care focussing on preventative community co-ordination, supporting activity such as:

- Social prescribing and helping people connect with support service local to them.
- Aids and adaptations to enable people to stay longer at home.

- Falls Prevention Services
- Community-led preventative support delivered by the third sector.
- Befriending services to reduce loneliness and social isolation.
- Unpaid care short break provision.

Other models of care also support early intervention and include *Complex care closer to home* (helping people to stay well at home and prevent the need for hospital admission) and *Home from hospital* (helping people to move from hospital back closer to home, into their community safely and swiftly with the aim of preventing the detrimental deconditioning that occurs with unnecessary extended stays in hospital).

These activities are contributing towards preventing conveyance and admission into hospital, maintaining people at home through a variety of care and support services. Likewise, activities funded to support 'Home First' through the Home from Hospital model are supporting early discharge for patients to their place of choice. In year two of the RIF (2023-24) the Wales spend on these three models of care totalled:

- Preventative community co-ordination - £ 32.3m
- Complex care closer to home - £ 20.6m
- Home from hospital - £ 33.9m

A similar spend is expected in year three (2024-25).

Vaccinations

The Welsh Government's shift towards prevention can be seen clearly through the ambitions of the National Immunisation Framework to drive vaccination as an essential public health tool, which prevents serious illness, protects people, communities and the NHS in Wales.

Vaccination programmes undertaken by health boards uses their core allocation to deliver existing programmes, which cover from birth to older years. Further investment into vaccine preventable diseases in 2025 are planned as below:

Reallocation of resource for the central procurement of influenza vaccine - £10.6m

This change will help to maximise the uptake of seasonal flu vaccine by ensuring supply and distribution is better matched to demand and by enabling more efficient delivery models and increased alignment with other vaccination activity.

NWSSP investment to support central flu vaccine procurement and distribution- £0.5m

Investing recurrent funding in NWSSP to support the logistics of flu vaccine procurement, supply and distribution, including health courier service.

Mpox/Gonorrhoea JCVI advised programmes - £1.43m

New routine vaccination programmes for Mpox and Gonorrhoea will be delivered by the NHS in 2025, delivered through Sexual health services to prevent against infectious diseases and to tackle antimicrobial resistance through reduced use of antibiotics.

Childhood vaccination schedule changes - £0.3m

Changes to the childhood schedule and vaccines used to enhance uptake and deliver an additional vaccination appointment for young children.

Respiratory Syncytial Virus vaccination - £1.85m

Continued rollout of new RSV vaccine programmes to older adults and to protect infants via maternal vaccination

Screening

There is an additional £0.8m investment set aside for expansion of screening services in 2025-26. This relates to the Bowel screening programme.

Screening is an important preventative service, identifying conditions at an early and more easily treatable stage in people without symptoms and, therefore, improving health outcomes and avoiding costly interventions and treatments at a more advanced stage. Funding for the national screening programmes is included in Public Health Wales' core budget. The Welsh Government continues to work with Public Health Wales to provide screening programmes in line with the advice of the UK National Screening Committee.

8. Estates and infrastructure

Capital and revenue allocations to develop, improve, and maintain NHS estates and infrastructure, including digital infrastructure.

Response:

We are continuing to invest significant sums in the NHS estate across Wales. The challenges of delivering a modern NHS through an ageing estate across NHS Wales continue to be felt. Good progress has been made with better understanding NHS organisations infrastructure requirements during 2024 which will help direct the available capital towards those schemes that will have the greatest impact on patients, staff and visitors.

Maintaining the existing estate continues to require significant investment and the capital being made available to NHS organisations as discretionary funding to support the day to day running of the buildings will increase in 2025-26 from £83m to £100m. With a continued focus on the provision of a safe and compliant estate, £40m is being made available to support prioritised investment across the following areas:

- General Infrastructure: £18m
- Fire Safety: £5m
- Mental Health: £5m
- Decarbonisation: £6m
- Infection, Prevention and Control: £3m
- Decontamination: £3m

The largest investments being supported in 2025-26 remain the on-going refurbishment of Prince Charles Hospital in Merthyr Tydfil (a £220m scheme) which will see the transformation of the site going forward with works for this phase due to complete in late 2026.

2025-26 will see the completion of the orthopaedic hub development at Llandudno Hospital. This will provide benefits for patients, staff and the wider North Wales community by delivering a planned 1,900 procedures a year. Work is on site and progressing well with the expectation that the hub will be seeing patients by the end of the summer 2025.

The construction of the Radiotherapy Satellite Unit at Nevill Hall hospital has progressed well during 2024 and is due to see its first patient in May 2025. This

development is key in bringing oncology services closer to patients' homes in southeast Wales.

The new Velindre Cancer Centre is now progressing well on site and is being funded through the Mutual Investment Model. The new centre is due to see its first patient in 2027 which will bring significant improvements for Welsh residents.

Funding will continue to be required (and is being made available) to replace the roof covering at the Princess of Wales hospital which is a clear reflection of the ageing nature of the NHS estate in Wales.

The presence of Reinforced Autoclaved Aerated Concrete (RAAC) is requiring continued investment across two main acute hospital sites in NHS Wales: Withybush and Nevill Hall. These essentially unplanned works further demonstrate some of the challenges of dealing with the ageing estate.

Digital, Innovation & Technology

The digital initiatives we continue to invest in are aligned with the Digital and Data Strategy for Health and Social Care in Wales, reflecting the aims of the six missions outlined and our policy position of 'better data, better care'.

Digital technology offers us an unprecedented opportunity to reshape health and social care including improve outcomes, patient safety and increased job satisfaction and staff retention.

To achieve our vision of optimised data sharing across health and care settings, ensuring that our health and care staff have access to the information they need when they need it, we require critical systems and improved data sharing and connectivity across primary and secondary care electronic health records as well as social care, mental health and community care systems. Investment focuses on fundamentals in these core areas.

To achieve this will require strong partnerships with commercial entities, academia and third sector organisations that align with the values and open architectural principles of NHS Wales as well as a renewed focus on enterprise architecture from Digital Health and Care Wales (DHCW), the national digital organisation working in conjunction with health and care organisations. The DHCW baseline budget for 25-26 will be over £64m.

Without these fundamental digital underpinnings, we will not be able to leverage newer technologies such as artificial intelligence.

Work continues to align with one of five themes being:

- Transforming digital services for patients and public.
- Transforming digital services for professionals.
- Investing in data and intelligent information.

- Modernising devices and moving to cloud services.
- Cyber security and resilience.

The Digital Priorities Investment Fund (DPIF) is used to fund strategic digital transformation opportunities in NHS Wales, and it is intended to support the delivery of NHS Wales' service change. In 2025-16 we will increase investment in our digital priorities by £15m.

The DPIF fund for 2025-26 is £30m capital and £57.8m Revenue. We will ensure that the fund is adequately allocated between national and local organisations to reflect the critical role that health board and local authority digital teams play in delivering national policy.

We will prioritise accelerating the care data repository within the National Data Resource platform that will form an integral part of our data architecture and increasing the services available within the NHS Wales App through an expanded roadmap expanding beyond the current primary care service offer.

Digital Maternity Cymru remains a multi-year funded priority to deliver a specialist maternity record available across NHS Wales along with a citizen facing app. NHS Wales organisations are on track for the technology to be available to staff and mothers and birthing people as planned by the end of 2025-26. Increasing the allocation of local versus national funding will support this, remaining within the agreed overall budget for the programme.

Other multi-year funded initiatives include the Programme for Government electronic prescribing and medicines (ePMA) programme with the majority of NHS Wales organisations moving to year two and the delivery phase. Additionally, multi-year funding completes the critical diagnostic system replacements of the RISP, radiology system and LIMS, laboratory testing, without which our hospitals cannot operate.

Mental health funding has been allocated to support Betsi Cadwaladr University Health Board and Cym Taf Morgannwg due to the special measures status of mental health services.

The NHS Wales Cyber Resilience Unit continues to protect patient information, ensuring the safety and security of our digital infrastructure. This is crucial for maintaining the trust of our citizens. At the end of financial year of 2023-24 over £22m capital was investment in cyber improvement initiatives and any surplus capital continues to consider digital infrastructure and cyber mitigation within health boards as a high priority area.

We have seen first-hand the benefits and cost saving that investment in digital maternity, the NHS App, ePMA and connecting data across care settings have delivered in England and other comparator health nations and which exemplifies why we not only seek to deliver in Wales to meet the needs of our citizens but seek to leverage an agile approach to 'leapfrog' and accelerate digital transformation.

9. Health inequalities I

Evidence of a cross-government approach to tackling inequalities and the wider determinants of health, and that 'population health' is a consideration across government department budgets.

Response:

We are maintaining our funding of the Regional Integration Fund (RIF) at £146.2m. Within this, the Integrated Community Service is developing preventative and capacity building models of care specifically for the following key population groups:

- Older people including people with dementia;
- Children and young people with complex needs;
- Unpaid Carers;
- People with learning disabilities and neurodevelopment conditions;
- People with emotional and mental health wellbeing needs.

Flying Start

Our targeted early years programme Flying Start has an integrated approach and includes four core elements:

- fully funded quality childcare,
- parenting support,
- intensive health visitor support, and
- support for speech, language and communication (SLC).

The promotion of key public health messages and of healthy lifestyles is a key part of the additional Flying Start health support offered by health visitors and the wider workforce.

Flying Start delivery data for 2023-24 shows that 41,328 children benefited from Flying Start services, which is approximately 35 per cent of children under four

years old in Wales and is 17 per cent higher than 2022-23.

Speech, Language & Communication

It is estimated that 10 per cent of all children in the UK have long-term, persistent speech, language and communication (SLC) needs. Research shows that children living in poverty suffer disproportionately from transient early language delay. Language skills are a critical factor in the intergenerational cycles that can perpetuate poverty as poor communication skills are passed down from parent to child. Our continued investment in SLC through Flying Start and our national approach to SLC through the Talk with Me delivery plan demonstrate how we are addressing inequalities and wider determinants of health.

Families First Programme

Our Families First programme is designed to improve outcomes for babies, children, young people and their families, particularly for those living in poverty. It places an emphasis on early help, prevention, and provides support for the whole family. The programme works with the family to stop problems from escalating towards crisis.

This inclusive programme uses a strengths-based approach, placing an emphasis on early help, prevention, and support, to encourage happy, resilient, empowered, and independent families.

Families First support provided by local authorities can vary as it is based on a population needs analysis. It can include initiatives focused on nutrition, cooking skills, and the importance of physical activity, ensuring families have access to the resources and knowledge they need to make healthier lifestyle choices.

Families First also plays a critical role in embedding health and well-being practices within schools, childcare settings, and community spaces.

By fostering environments where healthy habits are encouraged and normalised, we are laying the foundation for lifelong healthy behaviours.

Initiatives such as school-based nutrition programmes, active play schemes, and family fitness activities are pivotal in shaping the health outcomes of our citizens.

10. Health inequalities II

How the impact of funding allocations on different groups/communities has been taken into account during the development of the budget proposals.

Response:

The impact of funding allocations on equalities and Welsh Language and on different groups/communities has been considered as part of the Strategic Integrated Impact Assessment, as well as by the drafting of supporting impact assessments by individual policy areas.

As in previous years, we have looked to mitigate the more serious impacts on frontline services, patient care, access and performance targets, with the view supporting our most vulnerable populations. However, health boards will undoubtedly continue to face challenging decisions to manage within their individual budgets. All decisions by health boards will also be subject to quality impact assessments and each health board faces different challenges in terms of population need and the configuration of services. The actions taken to manage costs within budgets will vary according to organisation and will be subject to local determination.

The Welsh Government continues to place a strong emphasis on equity and inclusion in health and care. This means ensuring that everyone in Wales has access to the same high-quality healthcare, regardless of their background or circumstances. *A Healthier Wales* - our long-term plan for health and social care - has addressing health inequalities as a core theme running throughout. Part of our work includes the establishment of an NHS Health Inequalities Group, which is co-chaired by Welsh Government and NHS Wales, to focus and drive efforts towards tackling health inequalities through the lens of the NHS.

The implementation of the Health and Social Care (Quality and Engagement) (Wales) Act 2020 places a Duty of Quality on Welsh Ministers and NHS bodies to provide a focus on improving the quality of health services and equitable population health outcomes on an ongoing basis. The development of Quality Statements in service-specific areas will help health boards to plan services and make resourcing decisions to ensure quality services are delivered across the whole population.

Women's health

On 10 December the Women's Health Plan for Wales was launched. This sets out how the NHS will meet the ambitions of the Quality Statement for Women and Girls health and address the health inequalities currently faced by women through clear actions to improve service delivery. An additional £3 million has been allocated to Women's Health from April 2025 for delivery of the actions in

the Plan, with a particular focus on establishing pathfinder women's health hubs in each health board.

Children and Communities Grant

We have protected funding for the Children and Communities Grant (CCG) which supports the needs of the most vulnerable children and families through a range of early intervention and prevention support. This includes:

- **Flying Start** which supports the First 1,000 days because the evidence shows that this period significantly influences the outcomes for children and their families. Flying Start includes intensive health visitor support and support for speech, language and communication (SLC) to tackle health inequalities. Children and families living in Flying Start areas are all eligible for an enhanced level of health visiting support. Those families with the greatest level of identified need receive the most intensive support. SLC development is fundamental to positive outcomes for children. Children's SLC skills have an impact on a wide range of outcomes including behaviour, mental health and employability.
- **Families First** supports improved outcomes for babies, children, young people and their families, particularly those living in poverty. Support is based on a population needs analysis which allows services to be tailored to meet the specific needs of communities. Through its comprehensive and multi-agency approach, Families First helps create healthier families and stronger communities, thereby reducing health disparities and promoting overall wellbeing.

11. Women's health

How the budget will support women's health, including details of the funding that has been allocated to support the 10-year delivery stage of the women's health plan.

Response:

The Women's Health Plan (WHP) is intended to provide the NHS in Wales a blueprint for enacting the Quality Statement and the outcomes of the Discovery phase work.

The WHP sets out the areas that the NHS in Wales is expected to prioritise for improvement. These are listed below:

- Menstrual Health
- Endometriosis and Adenomyosis
- Contraception, Post-Natal Contraception and Abortion Care
- Preconception Health
- Pelvic Health and Incontinence
- Menopause
- Violence against Women and Girls
- Ageing Well and Long-Term Conditions Across the Life Course

The WHP identifies actions for each of these areas and they are assigned short-, medium- and long-term timeframes for delivery.

Delivery of the WHP actions will begin from January 2025 onwards. Continuing the NHS led approach to the development of the WHP being the driving force for improvement in women's health service delivery, the NHS Executive will be responsible for the delivery of its actions.

There are a number of short-term actions identified in the WHP. The focus will be on the following actions in the first instance:

- Women's Health Hubs;
- A **Women's Health website** to bring information on women's health issues together in one trusted place;
- **Make Every Contact Count (MECC) – Menstrual Health and Menopause:** clinicians should take the opportunity to ask women about menstrual health and menopause as part of existing touchpoints;
- **Women's Health Research** to inform future service delivery;
- **Pelvic Health and Continence:** providing access to evidence based high quality information on pelvic health and perinatal health (inc. videos), via the NHS Wales women's health website and the WG commitment in relation to raising awareness;
- **Endometriosis and Adenomyosis:** provide education and training to all healthcare practitioners on endometriosis and adenomyosis as a chronic condition and to ensure patients receive multi-professional care including access to adequate mental health support.

We will also be looking to make sure there is oversight of the following key area:

- **Embedding Women's Voices :** the WHP will set an expectation that health boards will involve women, and those with lived and learnt experiences locally, in its implementation. This is key to the effective delivery of the WHP as it will rely upon listening to the voices of women in Wales by identifying and embedding techniques and behaviours that ensure women's and girl's voices are heard in every interaction they have with the NHS.

The Draft Budget for 2025-26 includes an increased allocation for Women's Health of £3m which will be utilised to support the set-up costs and evaluation of the pathfinder Women's Health Hubs.

12. Assessing impact/value for money

The mechanisms in place (within the health and care system and at Welsh Government level) to assess whether spending by health boards/trusts and local authorities is achieving its aims and delivering value for money. What/where does the Welsh Government consider are the main challenges in assessing outcomes/value for money.

Response:

NHS

The NHS has long standing processes which report on performance and financial monitoring. The Welsh Government HSC Finance team receive and scrutinise the financial reporting information on a monthly and annual basis.

This is supported by the Financial Planning and Delivery team within the NHS Executive who work with the NHS in support of Government to support financial sustainability and delivery in the NHS, alongside maximising the impact and use of health and social care spending in Wales. It also supports the pursuit of an integrated quality and safety agenda, focusing on how the NHS uses its resources and the outcomes it achieves to identify opportunities for improvement.

As part of the System Enhanced Monitoring and Recovery Framework in 2023-24, the Utilisation of Resources Group was reframed as the NHS Wales Value and Sustainability Board, which meets monthly. The Board drives a systematic approach to strengthen cross system working, to deliver actions for financial improvement and to deliver more sustainable health care on a consistent basis.

The principle is for Board and supporting work to drive a strengthened national approach to support and compliment local planning and delivery arrangements to progress the identification, development, and implementation of opportunities for both in-year and recurrent financial improvement across NHS Wales.

The work of the Value and Sustainability Board is used to highlight the variation across several significant areas of resource utilisation and opportunities for improvement. The work of the Board is centred around the main areas of resource utilisation within the NHS, namely workforce, CHC, non-pay & procurement, medicines, and clinical variation. The work of the group has supported identification of variation, and opportunities for improvement to enable continued delivery of an increased level of savings and efficiency.

In addition, this framework also supports the work of the Welsh Value in Health Centre, and the Value Based Healthcare approach in NHS Wales to supporting

improving patient outcomes relative to costs. This includes defining high-value interventions across pathways in different condition areas, which support not only improved value for money and improvements in resource utilisation, but also improved clinical outcomes and patient experience. This work is supported by all the NHS Wales Health Boards.

Further opportunities to standardise approaches and pathways will continue to be developed. Using the strategic national programmes in Wales, the NHS and Welsh Government are collaborating with clinical colleagues and stakeholders to embed best practice and value for money approaches.

It remains a challenge to deliver a once for Wales approach in all areas due in part to the variation in public health across different communities, and also the availability of workforce in some areas will restrict a standardised approach. Work is underway to assess further sustainability issues in service provision and identify opportunities to eliminate excessive cost drivers in these challenged areas.

In recent years, we have improved and embedded our planning and delivery frameworks with the NHS. This has included a focus on a number of areas to deliver on improvements in financial sustainability, for example, the implementation of Getting it Right First Time (GIRFT) related initiatives and priorities such as patient initiated follow-ups in planned care and implementing a value-based healthcare approach in a number of condition areas, to improve outcomes relative to resources utilised. The Welsh Value in Health Centre, hosted by the NHS Executive, also provides capacity and support to Local Health Boards in the delivery of value-based healthcare activity which will improve the outcomes of our population.

Flying Start

We have just begun a three-year evaluation of the Flying Start Programme, in which we have included an impact evaluation of Flying Start. We also continue to work with Local Authorities and Health Boards to submit Flying Start data into the Secure Anonymised Information Linkage (SAIL) databank and plan to use this data for the impact analysis. Our aim is to show the long-term outcomes of the Flying Start programme in helping those in the most disadvantaged areas of Wales.

Social Care

Welsh Government direct investment in social care is intended to support local authority mainstream spending, through investing in specific aspects of service development and improvement. Such investment is subject to individual grant agreements which include proportionate provisions in relation to the assessment of outcomes and value for money.

Almost all of the funding for local authority social services is funded through the un-hypothecated general revenue settlement and local authorities' own resources from council tax, fees and charges and other income. This expenditure in relation

to social care is under the control of individual local authorities, including the determination of intended outcomes for that spend and the associated assessment of value for money, within the requirements of relevant statutory provisions. There are both specific service-related requirements (such as through the Social Services and Well-being (Wales) Act 2014) and more general provisions, which establish or update Local Government in Wales (such as in the Local Government and Elections (Wales) Act 2021) and set the framework within which local authorities operate and are accountable. Through this, the Welsh Government ensures that there is a local and national general framework of assurance and control.

Key elements of this framework are:

- requirements on local effectiveness and efficiency, on scrutiny and on performance;
- requirements for external audit;
- the publication of data (such as the Local Authority Social Services Annual Report) to enable local and national transparency, monitoring and scrutiny and inspection through Care Inspectorate Wales (CIW).

Local Authorities have a general obligation to secure economic, effective and efficient services which Authorities must keep under review (The Local Government and Elections (Wales) Act 2021). Similarly, to provide for a general culture where councils in Wales continually aim to do better, Welsh Government has legislated to require that Councils must keep their overall performance under review. This includes requiring they seek the view of citizens and publish an annual self-assessment of how effectively they are exercising their functions. Each local authority must also periodically ensure that a panel assessment of its performance takes place. Local scrutiny is an essential element of this assurance, in addition to local authority specific scrutiny, the role of which was strengthened for all services through the Local Government and Elections Act 2021.

The Auditor General for Wales is responsible for auditing both the accounts of and the value for money of local authorities. The Welsh Government publishes data on social service and other local authority services budgets and expenditure each year. To complement this, local authority social service provision is monitored, on a monthly basis, via the Social Services Checkpoint report. This provides, for example, data around the number of contacts, the number related to safeguarding, assessments, children and adults receiving care and support, and children looked after. This is further complemented by the measuring activity and performance data of the Performance and Improvement Framework for social services. Such data is an important asset in understanding the environment of social care both locally and nationally, being used to assess the volume of people local authorities provide care and support to and the demand on particular services and functions. It also serves as a tool that can be used by local authorities to monitor their capacity to deliver against the requirements of the Social Services and Well-being (Wales) Act 2014. A report on measuring activity and performance

data of the Performance and Improvement Framework for social services is published annually. This data provides an annual summary of the activity of local authority social services across Wales.

The above is underpinned by arrangements to consider the operations, efficiency, etc., of local authority social services departments through the regulator, Care Inspectorate Wales.

13. Health board's financial performance and planning

An update on the overall financial performance of health boards, including:

- projected end of year financial position for health boards for 2024-25, and which health boards are forecasting to breach their statutory financial duties to deliver break-even over the period 2022-23 to 2024-25 and to secure Ministerial approval for their integrated medium-term plans for the period 2024 to 2027;
- which health boards have received additional end-of-year and in-year financial support in 2024-25; the extent of that support and the planned duration; together with confirmation of any funding being held in the Main Expenditure Group for Local Health Boards that has yet to be allocated or is being held to cover overspends
- a copy of the letter issued to Local Health Boards to be used in their preparation of their Integrated Medium Term plans for 2025 to 2028, if this is not published by the time the evidence is submitted to the Committee;
(In its report on the Welsh Government Draft Budget 2024-25, the Committee recommended that the then Minister for Health and Social Services publish a copy of the letter she issued to Health Boards to be used in the preparation of their respective Integrated Medium-Term Plans. Where applicable, she should do this on an annual basis, alongside publication of other Welsh Government draft budget documentation. In her response, the then Minister for Health and Social Services agreed to do so moving forward.)
- details of the Local Health Board allocations for 2025-26, which are issued annually under a Welsh Health Circular, if the letters have been issued to Local Health Boards but not published at the time the evidence is submitted to the Committee;

- details of how the Welsh Government will support and work with health boards to bring NHS Wales back into financial balance.
(The accounts for 2023-24 show that none of the Local Health Boards met the first statutory financial duty under the NHS Finances Act 2014 (the 'Act') to break even over a rolling three year period: they all reported a cumulative overspend against the revenue resource allocation limit for 2021-22 to 2023-24. This is the first time all Local Health Boards have breached break-even over a three year period since the implementation of the Act. In total, Local Health Boards' overspent by £185 million in 2023-24, with a cumulative overspend of £385.3 million over the three years).

Response:

Update on financial position of Local Health Boards 2024-25

For 2024-25, Welsh Government set out a clear allocation framework for NHS bodies, alongside clear delivery expectations, and expectations in terms of financial improvement.

Plans submitted at the start of this financial year by Local Health Boards totalled a combined deficit position of £220m. All other NHS organisations submitted financially balanced plans. Cwm Taf Morgannwg University Health Board was the only Health Board to submit a financially balanced Integrated Medium Term Plan (IMTP) for 2024-2027.

As at Month 7 the consolidated forecast deficit for the NHS is being reported as £220.0m, as detailed below:

Month 7 forecast year end position

| Organisation | Surplus/ -Deficit £000s |
|-------------------|----------------------------|
| Swansea Bay | -50,100 |
| Aneurin Bevan | -47,856 |
| Betsi Cadwaladr | -19,761 |
| Cardiff & Vale | -15,900 |
| Cwm Taf Morgannwg | 0 |
| Hywel Dda | -64,000 |
| Powys | -22,948 |

| | |
|----------------------|-----------------|
| HEIW | 0 |
| DHCW | 0 |
| PHW | 0 |
| Velindre (inc NWSSP) | 524 |
| WAST | 0 |
| NHS Wales | -220,041 |

As at month 7, essentially NHS organisations are currently forecasting to deliver their plans. Welsh Government have planned on the basis that Health Boards will deliver the plans that they have set out. This combined deficit of £220m is offset by £168m of recurrent savings actions which were identified and delivered in the MEG in full which have been transacted through budgets in 2024-25, and a further £52m of identified actions to support delivery of a balanced MEG which mitigates this level of deficit. As at month 7 the HSC MEG is forecasting financial balance, however with a small number of significant high-risk items to mitigate, including delivery of this NHS forecast position.

In November 2024, we agreed to the allocation of additional funding to Local Health Boards from the funding retained within the MEG to support the NHS position in the 2024-25, to support continued improvement. These allocations will aid the strengthening of delivery arrangements and the resetting of Local Health Board target control totals.

The first element relates to a £50m general allocation to the seven Local Health Boards, on a resource allocation formula (fair shares) basis. This will be a confirmed recurrent allocation. This funding was to recognise inflationary pressures continuing in 2024-25 in specific areas against which non-recurrent funding support was provided during the 2023-24 financial year. In addition, these are evidenced and quantified inflationary pressures continuing across all Boards in specific areas above plan in 2024-25. These relate largely to prescribing, secondary care medicines, and continuing healthcare packages (CHC) in particular.

The general allocation includes providing £7.5m for Cwm Taf Morgannwg Health Board which is provided in recognition of their delivery of a balanced position in 2023-24, a ministerially approved IMTP, and to support in part the impact of the increased revenue costs associated with the roof issues at the Princess of Wales hospital.

The second element provides specific allocations totalling £62m and is directed to three organisations. These allocations follow a review carried out by officials of Local Health Boards "distance from target", which reviewed funding positions of each Board against the resource allocation formula, as well as further evidence considered by Board.

These allocations in effect recognise where organisations are relatively distant from the target funding allocation by Board, if all allocations were allocated based on the Resource Allocation Formula. Based on that review, and using a consistent

and equitable approach using agreed principles, three Health Boards were assessed as having an evidence-based case for financial support at that stage. Those are, Aneurin Bevan (£31m), Hywel Dda (£26m), and Powys (£5m). No other Health Board had a material case for recognition of funding support at the time of the review. These additional allocations are supported by specific prospective conditions that support sustaining continued improvement.

As an outcome of this in-year review process and allocation of funding, we set refreshed Target Control Totals by Health Board.

Allocations to Local Health Boards and Target Control Totals:

| Organisation | M7 forecast | Additional in-year allocation (genera) | Additional in-year allocation (specific) | Revised M7 forecast position | Target control total 2024-25 |
|-------------------------|--------------------|---|---|-------------------------------------|-------------------------------------|
| Surplus/-Deficit | £000s | £000s | £000s | £000s | £000s |
| Swansea Bay | -50,100 | 6,399 | 0 | -43,702 | -17,000 |
| Aneurin Bevan | -47,856 | 9,546 | 31,000 | -7,311 | -7,315 |
| Betsi Cadwaladr | -19,761 | 11,151 | 0 | -8,611 | -8,611 |
| Cardiff & Vale | -15,900 | 6,804 | 0 | -9,097 | -9,097 |
| Cwm Taf Morgannwg | 0 | 7,475 | 0 | 0 | 0 |
| Hywel Dda | -64,000 | 6,449 | 26,000 | -31,551 | -31,552 |
| Powys | -22,948 | 2,178 | 5,000 | -15,770 | -12,000 |
| HEIW | 0 | 0 | 0 | 0 | 0 |
| DHCW | 0 | 0 | 0 | 0 | 0 |
| PHW | 0 | 0 | 0 | 0 | 0 |
| Velindre (inc NWSSP) | 524 | 0 | 0 | 524 | 0 |
| WAST | 0 | 0 | 0 | 0 | 0 |
| NHS Wales | -220,041 | 50,000 | 62,000 | -115,516 | -85,575 |

For Health Boards forecasting delivery of their plans, the revised target control total recognises the additional funding against that plan and forecast position. In

the instances where Health Board plans are a deterioration on the outturn and target control position delivered in 2023-24 (Swansea Bay, and Powys Health Boards respectively), the existing Target Control total has been maintained as the milestone for the Health Board to get back on track in terms of financial delivery.

For organisations who cannot deliver that target control total in year, in effect (based on the control totals set and current forecasts), non-recurrent cover is provided within the MEG for the difference in existing forecast and the target control total based on current forecasts. The target control will remain the milestone and target for Health Boards plans to get back on track and deliver in the first instance.

Against the original forecast deficits of Health Boards of £220m, £104m was allocated to Health Boards at Month 7 with an additional £8m allocated to Cwm Taf Morgannwg UHB in respect of the issues at the Princess of Wales Hospital, making the total additional in-year allocation £112m. Target control totals were set at £85m. £116m is being retained in the MEG to off-set the revised forecast deficit.

Statutory Break-Even Duty 2022-23 to 2024-25

As reported in the NHS Summarised Accounts for 2023-24, none of the seven Local Health Boards had met the duty to break-even over the reported three-year period. As Cwm Taf Morgannwg are the only LHB forecast to breakeven on an in-year basis for the 2024-25 year, none of the Local Health Boards are currently expected to meet their break-even duty for the three-year period from 2022-23 to the end of 2024-25.

Only Cwm Taf Morgannwg University Health Board provided a three year Integrated Medium Term Plan for 2024 - 2027 which was ministerially approved.

Additional in-year financial support 2024-25

Further allocations of in-year funding, from Welsh Government Reserves, have been agreed by the Cabinet Secretary for Finance and the Cabinet, which will be directed towards this Government's top priority areas.

We have allocated £50m for reducing NHS waiting times and £27m supporting improvements in pathways of care, both allocations being for 2024-25 only. There are also capital allocations for Diagnostic Equipment and Cyber Security & Digital, totalling £31m.

The additional £8m, referred to above, for Cwm Taf Morgannwg UHB is funding being provided from WG reserves in-year and non-recurrently. This will support maintaining performance whilst the organisation deals with the issues at the Princess of Wales hospital.

These allocations will support NHS delivery in the current financial year and provide for additional capacity.

All allocations will be detailed within a second supplementary budget later in the financial year

Local Health Board allocations for 2025-26

The main NHS Health Board Allocation letter has not been fully completed at this point. Further details and a copy of the letter and financial tables will be provided to the committee once they are finalised and issued to the NHS.

Welsh Government support

For 2024-25, Welsh Government set out a clear allocation framework for NHS bodies, alongside clear delivery expectations, and expectations in terms of financial improvement. The actions set out above reflecting additional in-year allocations and reset target control totals, are all part of Welsh Government are supporting and working with Health Boards to return to financial balance.

The expectation is that each Local Health Board makes progress in delivering improvements with a trajectory for delivering sustainable financial positions. The reset target control totals are a key milestone in the improvement trajectory to return to in-year financial balance.

This framework supports improvement, whilst recognising that there are some challenges which affect all Health Boards consistently such as sustained unavoidable demand growth, and persistent inflationary pressures, which have been supported by additional funding. However, in addition each Health Board will have its own challenges which will be unique to organisations given different population needs, geography, and configuration of services across health boards. Delivery actions which may be possible in some health boards may not be possible in others.

All health boards are expected to be making the best decisions possible to balance service, workforce, and financial risk within these delivery parameters, and delivering financial improvement whilst also delivering on meeting the needs of their local population.

Organisations are expected to ensure that decisions are robustly impact assessed in terms of quality, safety, risk, and deliverability, and that balance of risk judgment and decision making are optimised. Local Health Boards will be best placed to determine what actions are the most appropriate to deliver financial improvement whilst balancing all other variables and risks.

Welsh Government has a robust framework of support, monitoring and escalation and intervention measures. We utilise the existing frameworks around intervention and have set clear de-escalation criteria to support organisational improvement as part of those frameworks, with the support of the Financial Planning & Delivery Team of the NHS Executive.

In addition, the national Value & Sustainability Board agenda continues to support the system in identifying and delivering opportunities to deliver savings and improvements in resource utilisation to deliver improved outcomes. This approach has supported NHS Wales delivering a greater level of savings and improvement than previous financial years.

14. Social Care

Planned allocation for social care, including:

- Any additional funding identified for 2025-26, and how such funding will be targeted.
- How the allocations will help to ensure the ongoing viability and stability of social care services, including residential and domiciliary care.
- What support the draft budget will provide for unpaid carers, including evidence of any new support schemes and specific spend on respite care and financial support for carers.
- Measures in the draft budget that will improve the sustainability of the social care workforce, particularly domiciliary care staff shortages

Response:

The majority of local authority social service funding is delivered through the un-hypothecated general revenue settlement and local authorities' own resources from council tax, fees and charges and other income. Control and direction of this investment is determined by individual local authorities.

The Welsh Government's direct investment in social care is intended to support local authority mainstream spending, by investing in specific aspects of service development and improvement.

In 2025-26 we intend to allocate over £141m revenue funding to deliver our social care policy goals. An example of funded delivery is the Social Care Reform Fund. This was introduced in April 2022 to support activity to promote reform and improvement in social care and complements the funding provided in the Local Government settlement.

The Social Care Reform Fund is used to support the reform of Social Care, to improve delivery and increase the sustainability of services across the social care sector. The funding is used to help deliver the Programme for Government commitments to reform social care for looked after children and to protect, rebuild and develop our services for vulnerable people and for unpaid carers and establish a National Social Care Office.

Additional funding 2025-26

In 2025-26, the general revenue settlement in the Local Government MEG, will be increased by £235m to reflect the additional pressures being experienced by local authorities.

This year, we consulted on raising the domiciliary care charge. We have decided to maintain the current maximum charge at £100 a week. An additional £5m will be allocated to local authorities to support them. Further work will be undertaken to address any inconsistencies in the way domiciliary care charges are applied across Wales.

While no other significant additional investment has been allocated to the social care budgets in the HSC MEG, we will be allocating over £141m in 2025-26 and remain committed to delivering our key Programme for Government commitments such as eliminating profit from certain types of children's social care and building more integrated health and social care services, supporting carers and also focusing sharply on reducing pathways of care delays.

We will continue to work with key partners across the sector to maximise the use of all available funding in 2025-26.

Ensuring ongoing viability and stability of services

As noted, above, the majority of local authority social service funding is delivered through the un-hypothecated general revenue settlement and local authorities' own resources from council tax, fees and charges and other income. Control and direction of this investment (including in relation to stabilising and supporting domiciliary and residential care) is determined by individual local authorities.

The Welsh Government's direct investment in social care is intended to support local authority mainstream spending, by investing in relation to specific aspects of service development and improvement.

An example of the latter would be the Social Care Reform Fund, which was introduced in April 2022 to support activity to promote reform and improvement in social care, to complement the funding provided in the Local Government settlement.

The Social Care Reform Fund is used to support the reform of Social Care, to improve delivery and increase the sustainability of services across the social care sector. The funding is used to help deliver the Programme for Government commitments to reform social care for looked after children and to protect, rebuild and develop our services for vulnerable people and for unpaid carers and establish a National Social Care Office.

For example, the two schemes for unpaid carers provided via the Social Care Reform Fund are extremely well received by carers and stakeholder partners. These schemes provide urgent financial assistance and financial advice - and opportunities for unpaid carers to have a short break from their caring role. These schemes support unpaid carers to continue in their caring role, which contributes

to the overall stability of the sector. The Short Breaks scheme is intended to drive innovation and development of alternatives to traditional respite services, more in tune with what carers state they need.

In addition, the Social Care Reform Fund will continue to support children's residential and fostering services through the eliminating profit grant which has been used by local authorities to since the 2022-23 financial year for planning the development of new provision along with its subsequent staffing. The related radical reform grant, also under the Social Care Reform Fund will continue to support local authorities in the wider transformation agenda.

Unpaid carers

In relation to unpaid carers, the Carers Support Fund (£4.5m 2022-25) has provided support to unpaid carers to cope with the rising cost of living via the provision of grants to buy basic essential items, such as food, household and electronic items. There is strong evidence for the continued need for this fund, which has been successfully delivered from the Social Care Reform Fund over the past three years.

The Short Breaks Scheme for unpaid carers (£9m for 2022-25) is also funded from the Social Care Reform Fund and provides opportunities for unpaid carers to have a break from their caring role. Again, this is an extremely well received and delivered scheme, where demand continues to exceed supply.

The evidence is almost half of applicants to these two schemes are not previously known to services. This illustrates the added value, where these schemes act as gateways for carers where they can be signposted to other sources of advice and support.

In addition to this funding, £1m is provided to health boards via the Regional Integration Fund to support unpaid carers where the cared-for person is admitted to hospital or being discharged. This ring-fenced funding is a significant support for carers and contributes to the agenda to reduce delayed hospital discharges. In addition, there is a requirement that five per cent of overall RIF funding is spent on services to support unpaid carers.

Finally, funding to national organisations is made from the Sustainable Social Services Third sector grant scheme to provide services and support to unpaid carers and to deliver the objectives of the Welsh Government strategy for unpaid carers.

There is no additional funding to enable expansion of financial support/new schemes for unpaid carers.

Sustainability of social care workforce

As a government we continue to work on creating a firm foundation to build our social care workforce. Our significant funding of approximately £28m through Social Care Wales aims to lead and support improvement in social care through

recruitment and retention of a quality and professional workforce.

Real Living Wage (RLW)

The Draft Budget for 2025-26 includes funding allocated within the RSG to raise the wages of social care workers, as part of our wider commitment to protect frontline public services and Programme for Government commitment to pay social care workers in Wales the RLW. The uplift will apply to registered workers in care homes and domiciliary care (both adults and children's services) and registered domiciliary care workers in supported living settings. It will also be received by all personal assistants funded through a local authority direct payment.

Delivering improved pay through the RLW will help address low pay associated with the sector and delivers not only improvements for the social care workforce, but improved workforce retention and outcomes for people receiving care and support. Whilst we recognise the uplift to the RLW alone will not address all challenges within Social Care, it will contribute to the sustainability and longer-term ambition to raise the profile of the sector as a professional place to work, enhance opportunities for individuals to progress their careers, and to help improve recruitment and retention.

The RLW for the social care workforce is further supported by the work of the Social Care Fair Work Forum's work to address fair pay in the sector which includes the commitment to develop a Pay and Progression Framework for the sector, aiming to provide more consistent pay, progression and development opportunities to attract more people to the sector.

Social Worker Bursary

Funding for the social worker bursary is provided to students taking up the social work degree and offers additional financial support. This makes the social work degree more financially attainable and will ensure we have a sustainable supply of future social workers.

The increase to the bursary of £10m over three years announced in 2022 has been available to students who took up the course since 2021-22. The enhanced financial support is available for both undergraduate and postgraduate students in Wales via the Social Work Bursary. The increase to the bursary brings our funding for this programme to almost £10m over three years to assist with the training of future social workers. Of this £10m package of funding, the changes we made total £3.5m across the three years. This represents a more than 50 per cent increase on the original bursary for both undergraduates and postgraduates.

Social workers carry out a vital role within our communities, supporting people to take charge of their own lives. They are at the core of our social care system and key to the delivery of effective care. The student Social Work bursary supports people with the right skills and attributes to be able to undertake social work training and aims to contribute to the growth of a sustainable social work workforce in Wales and is a contribution to the costs incurred by individuals

training to be social workers.

Workforce and Sustainable Social Services grant (workforce grant)

In recognition of the important role that local authorities play in delivering core social services, the Welsh Government has provided recurrent funding to the sector in the form of a Workforce and Sustainable Social Services grant. The criteria for the use of the grant have been broadly set allowing Local authorities to use the funding to support increases to pay, but also for other interventions aimed at supporting the delivery of sustainable social care services to ensure that they were better placed to meet increased or unexpected demand. In practice, the funding has been used for a variety of measures from salary uplifts to actions aimed at supporting the delivery of services. This grant has been issued annually to local authorities since 2019 and will total £45m for 2025-26.