**From: Minister for Health and Social Services**
**To: Health and Social Care Committee**
**Date: 14 January 2016**
**Title: Scrutiny of Draft Budget 2016-17**

## Purpose

The Committee's Chair wrote to both the Minister for Health and Social Services and the Deputy Minister for Health on 16 October inviting them to give evidence on their Draft Budget proposals and asking them to provide a paper in relation to the Draft Budget.

## Introduction

The Draft Budget was published on 8 December 2015. This paper provides information for the Health and Social Care Committee on the Health and Social Services Main Expenditure Group (MEG) future budget proposals for 2016-17.

## Budget Overview

| | **2016-17** |
|---|---|
| **Revenue** | **£m** |
| Revised 2015-16 DEL Baseline | 6486.5 |
| MEG Allocation | 260.0 |
| MEG to MEG Transfers | (15.3) |
| **Revised DEL as @ Draft Budget 2015** | **6731.2** |
| **Capital** | |
| Revised 2015-16 DEL Baseline | 219.6 |
| MEG Allocation | 33.4 |
| **Revised DEL as @ Draft Budget 2015** | **253.0** |
| **Overall Total HSS MEG** | **6984.2** |

The table does not include Annually Managed Expenditure (AME), which is outside the Welsh Government's Departmental Expenditure Limit (DEL).

Changes from the 2015-16 revised budget are summarised below:

**Revenue: Increase of £244.6 million**

**MEG Allocation**

- **£200.0 million** additional investment in line with Welsh Government's spending review priority to support the NHS in Wales
- **£30.0 million** to increase the Intermediate Care Fund to £50.0 million
- **£30.0 million** to increase funding for older people and mental health services

**MEG to MEG**

- **£(14.8) million** to the CSA MEG in respect of the repayment of Invest to save schemes
- **£(0.5) million** transfer in respect of the Welsh Health Survey to the CSA MEG as a result of integrating several well-established large-scale surveys into one.

**Capital:**
**MEG Allocation**

- **£33.4 million** additional investment in the All Wales capital programme

Details of all transfers are shown in Annex A to this paper with a breakdown to BEL level at Annex B.

**Integrated Impact Assessment at Annex C**
Due to the timing constraints this year, the Strategic Integrated Impact Assessment material published along side the budget on December 8, centred on the strategic spending decisions that reflected Cabinet's decisions priorities.

It was agreed that detail on specific spending decisions would be reflected in Ministerial evidence papers to Assembly Committees. Annex C to this paper details the impacts of all significant spending decisions within the Health and Social Services MEG.

**Approach to Budget Proposals**
The most significant budgetary change to the Health and Social Services MEG for 2016-17 is the additional investment in health care of £260 million, which is shown within the 'Delivery of Core NHS Services' Action. This additional funding means that this budget is now the largest it has ever been and will account for 48 per cent of the funding allocated to Welsh Government Departments in 2016-17.

This investment is supported by the evidence of the independent review on NHS Wales funding by the Nuffield Trust, published in June 2014. The findings of its report 'A Decade of Austerity in Wales', together with the information from the Local Health Boards from their integrated plans, informed our decision to provide an additional £225m to the NHS in 2015-16. In preparing for this year's Budget, and as part of the cross cutting work approach we have taken to consider how we can manage pressures within our key service areas, work has been undertaken to update the Nuffield model to reflect the latest assumptions on spending pressures and efficiencies in the NHS. This demonstrates our clear commitment to a sustainable NHS in Wales based on the reforms outlined in the Nuffield report, which also acknowledges the scope for the NHS to continue to achieve efficiency savings in the medium to longer term.

As part of our commitment to strengthen primary and community based care, £30m of the £260m will be used to increase the funding available for the Intermediate Care Fund in 2016-17 rising from £20m to £50m.

The need to increase integration between health and care services has been key to planning the Draft Budget 2016-17, particularly where there is evidence we can achieve a greater impact by understanding how the NHS, local government and other key partners can work better together to tackle the challenges that we face. In setting our plans we have used a 'whole systems approach; to undertake a broader assessment of how social services provision interacts with a variety of other support interventions to meet people's needs.

Details of the rationale for this additional funding are included within the main budget documentation which was published at the time of the budget announcement on 8th December.

In order to help the Committee's scrutiny and to provide a greater understanding of how the NHS spends its allocation of funds contained within the 'Delivery of Core NHS Services' Action line, the following section provides more information on the funding arrangements for Local Health Boards.

**Funding arrangements for Local Health Boards**
Within the BEL tables shown at Annex B the Delivery of Core NHS Services action line shows a budget of £5.9bn for 2016-17. Notwithstanding a few minor adjustments, this budget is the main revenue allocation budget issued to Health Boards at the beginning of the financial year. The allocation provides funding for:

- Hospital and Community Health Service (HCHS) and Prescribing revenue discretionary allocation.
- HCHS protected and ring-fenced services
- General Medical Services Contract allocation
- Community Pharmacy Contract allocation
- Dental Contract allocation

The 2016-17 Health Board revenue allocation was issued in December 2015, setting out the allocations between the various funding streams shown above. The table below summarises the allocation by Health Board.

**2016-17 Health Board Revenue Allocations**

| Health Board | Discretionary & Prescribing Allocation | Ring Fenced Allocation | GMS Contract | Pharmacy Contract | Dental Contract | Total |
|---|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m | £m |
| ABM | 688.528 | 158.900 | 72.996 | 29.335 | 26.756 | 976.516 |
| AB | 772.424 | 130.803 | 83.392 | 31.453 | 26.604 | 1,044.676 |
| BC | 917.930 | 184.689 | 113.391 | 33.471 | 26.760 | 1,276.242 |
| C&V | 564.046 | 110.687 | 63.119 | 22.218 | 24.033 | 784.103 |
| CT | 416.145 | 82.234 | 44.409 | 18.501 | 11.581 | 572.870 |
| H Dda | 490.388 | 101.247 | 59.386 | 20.923 | 17.368 | 689.312 |
| Powys | 171.725 | 38.104 | 30.176 | 4.753 | 5.503 | 250.261 |
| **Total** | **4,021.186** | **806.666** | **466.869** | **160.654** | **138.605** | **5,593.980** |

The table above does not include the **additional £200m** for the NHS announced in this Draft budget for 2016-17. I have still to determine in detail how this funding will be used to support delivery and transformation of services in 2016-17. However, I intend to distribute this funding to the NHS based on population shares and wrote to Chairs on 21 December informing them of that intention for planning purposes.

I do not intend simply to allocate recurrently the additional £65 million allocated in 2015-16 for primary care, delivery plans, health technology and mental health until the projects initiated in the current financial year have been reviewed. I have also yet to determine the use and distribution of the £30 million for older people and mental health services allocated in the Draft Budget. It is my clear intention,

however, that the £65m will be made available again in 2016-17 for the same purposes.

The Health Board revenue allocations do not include the Intermediate Care Fund, which now totals £50 million in 2016-17, which is distributed through the partnership arrangements with local government and the third sector.

Within the 'Delivery of Core NHS Services' Action, there are some elements of funding that are issued to Health Boards in year, based on actual costs / agreed criteria which may differ from year to year, so are not included within the above recurrent funding amounts. Examples of these items of expenditure are:

- Substance Misuse funding
- Dental and Pharmacy Trainee costs

### LHB Discretionary Allocation

A high level historical analysis, by cost category, of the majority of the expenditure within the LHB discretionary allocation shown above, taken from the 2014-15 financial year is shown below:

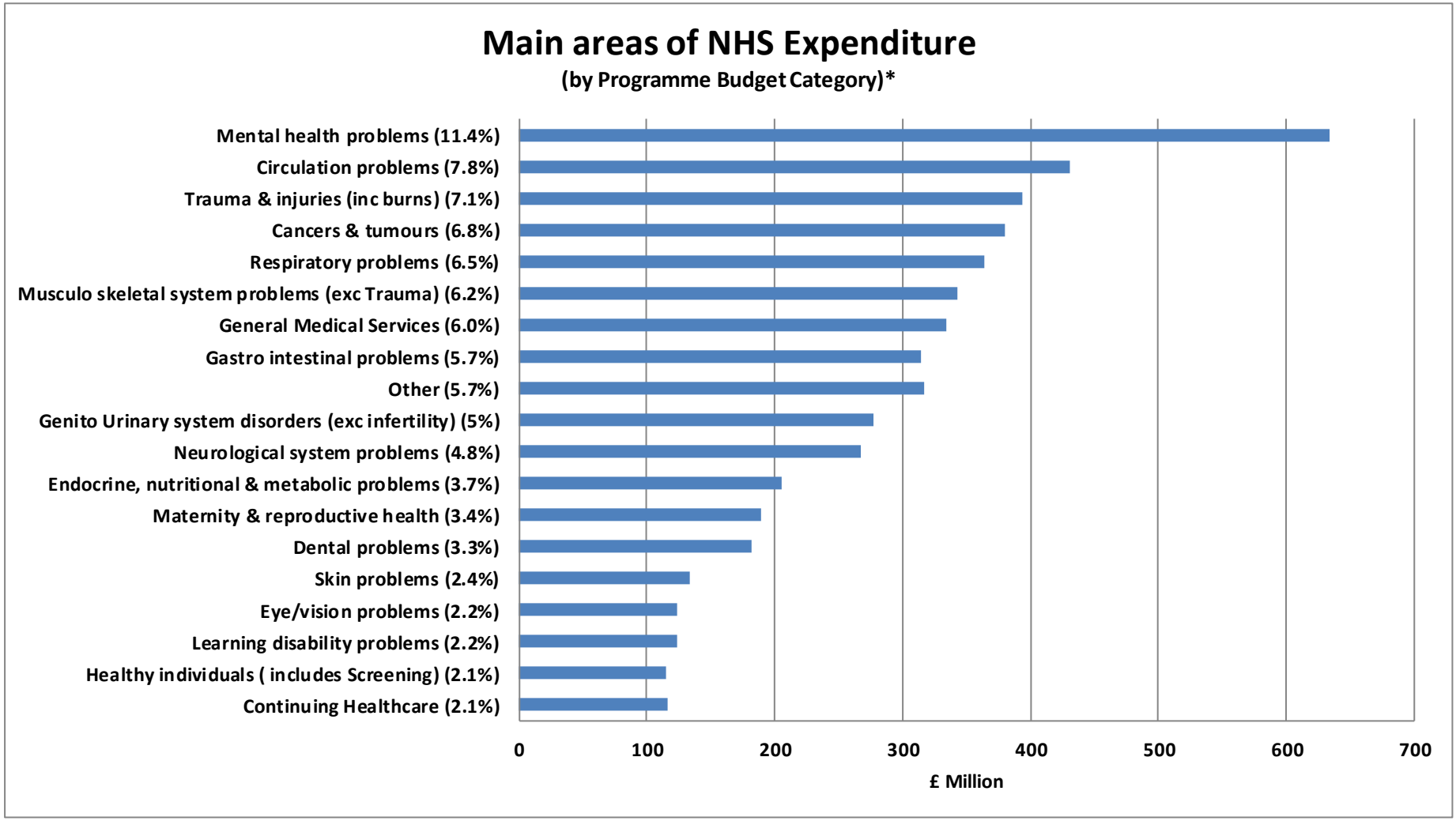
| LHB ANALYSIS OF EXPENDITURE BY TYPE 2014-15 | LHB Totals | |
|---|---|---|
| **REVENUE - PAY EXPENDITURE** | **£m** | **£m** |
| TOTAL NHS STAFF SALARIES AND WAGES | | 2744.6 |
| TOTAL NON NHS STAFF SALARIES AND WAGES | | 86.6 |
| Chair and non-executive members' remuneration | | 1.8 |
| **TOTAL REVENUE EXPENDITURE ON SALARIES AND WAGES** | | **2833.0** |
| | | |
| **REVENUE - NON-PAY EXPENDITURE** | | |
| Total clinical supplies | 539.1 | |
| Total general supplies and services | 56.4 | |
| Total establishment expenditure (Travel, subs, printing, stationery etc.) | 70.0 | |
| Total premises and fixed plant | 135.0 | |
| Total depreciation/fixed asset impairment and reversals | 133.7 | |
| Total external consultancy staffing and consultancy | 9.3 | |
| Total miscellaneous | 53.7 | |
| **TOTAL NON-PAY REVENUE EXPENDITURE** | | **997.2** |
| | | |
| **Summarised Revenue Expenditure - LHBs 2014-15** | | **3830.2** |

### Ring Fenced Allocation

Within the ring fenced funding allocation, the primary elements are **£587m** for Mental Health services, **£139m** is for depreciation costs and Learning Disabilities/Renal Services are **£134m**.

**Expenditure by Programme Budget Category**

A further analysis of historical expenditure can be shown by Programme Budget category. This information is produced each year but is only available approximately 8 months following the end of the financial year. Consequently the information shown below has been compiled from expenditure during the 2013-14 financial year. The areas of expenditure are detailed in the graph below:



The chart above illustrates the main areas of spend in the NHS in Wales. The information is drawn from the programme budgeting returns for 2013-14 and covers over 90% of the expenditure in that year (circa £5.2bn). NB The programme budgeting information for 2014-15 is not yet available. *The categories of spend shown above are based on the World Health Organisation International Classification of Disease.

## Areas of Interest as Detailed in the Letter from the Committee Chair:

**Service transformation - How funding allocations reflect the Welsh Government's aim of moving services from the hospital to the community**. The goals of the Wellbeing of Future Generations (Wales) Act include achieving a prosperous, resilient, more equal and healthier Wales, through improving the social, economic, environmental and cultural well-being of Wales, both now and in the future. To support a healthier Wales and to ensure sustainable health services, the Welsh Government's aim is to move the health system away from a focus on illness and hospitals towards one focused on health improvement, with people having equity of access to the majority of the care they need as close to home as possible, underpinned by an ethos of coproduction.

The Social Services and Well-being (Wales) Act provides a statutory framework based on the well being of people with needs for care and support and carers who need support. This framework will enable delivery of more integrated, community focussed services and our intermediate care fund increasing this year by £30 million to £50 million will support that shift.

International evidence shows primary care is the core element of a sustainable health system Our national primary care plan sets out how we will achieve sustainable and effective health system through a more social model of health and wellbeing. This creates a response to people's needs which draws in and makes prudent use of all available financial, workforce and other resources, not just those of NHS Wales, helping support people to take responsibility for their own health and wellbeing.

This requires action to move the balance of care and resources - including workforce and funding - out of hospitals into the community so people only go to hospital where this is appropriate. There is evidence that assessing the needs of individuals, families and communities and using this to plan the use of resources to meet that need is most effective when done at very local level of around 25,000 to 100,000. Health boards have established and are developing their 64 primary care clusters – groupings of GP practices and other local service providers – to collaborate to share their knowledge of local need.

The draft Budget for 2016-17 supports this strategic aim. It includes a commitment to continue to provide the additional £40m for primary care. The three priorities for this funding are to help achieve service sustainability, improve access and to move services out of hospital in to the community.

As our population increases, the burden of chronic conditions increases. The draft Budget for 2016-17 includes a commitment to continue to provide the additional

**£10m** for the ten delivery plans: cancer, stroke, diabetes, end of life, neurological conditions, respiratory, heart disease, critical care, liver and mental health.

**Evidence of how the Welsh Government is monitoring activity to ensure delivery of meaningful reform to services and positive outcomes to patients**. In April 2015 the transitional NHS Outcome Framework was launched. This was the first step towards monitoring NHS delivery on an outcome based approach. The Outcomes Framework will determine the success of the NHS in planning and delivering safe quality services to support an annual improvement in the health and wellbeing of people in Wales. It will also be the foundation for the future direction of health and care for Welsh Government, the NHS and the public.

The framework has two parts - population indicators (monitored annually) and performance measures (monitored throughout the year). Both the population indicators and performance measures are based around an agreed set of population outcomes within seven key domains.

The framework highlights the role of the NHS in the delivering a health services that make a difference. For example, the population indicator that monitors the 'percentage of children with decayed, missing or filled teeth' will be supported by the NHS performance measure 'the percentage of the health board population regularly accessing NHS dental care'. Another example of this approach is that the population indicator 'crude rate of new certifications for people classified as severely sight impaired or sight impaired due to glaucoma, AMD and diabetic eye disease', will be supported by the NHS performance measure '26 week RTT access target'.

As part of the Outcome Framework, a commitment was made to expand the areas of monitoring to include all aspects of health and wellbeing (not just ill health) and to focus on improvement rather than "target setting" (which can produce perverse behaviours). Although it will take time to develop new measures that are truly outcome focused and to evidence whether "people are better off", a national group (involving the NHS) is driving this approach forward. As a result, it is hoped that future measures will be more focused on the impact that care has on the health and wellbeing of Welsh citizens rather than just measuring the process

Planned delivery of the measures in the Outcomes and Delivery Frameworks form an integral part of the formal review and approval of the three year Integrated Medium Term Plans (IMTP). The development and approval of the IMTP must be accompanied by a robust approach to delivery, including effective management, monitoring and escalation. Organisational delivery will be monitored against these plans.

Welsh Government's involvement in monitoring the delivery of NHS organisations will be dependent upon the status of the organisation's IMTP. As a minimum, Welsh Government will monitor delivery through its routine performance management arrangements (which includes standard returns and reviewing progress at Quality and Delivery and JET meetings). For organisations that do not have an approved ITMP, Welsh Government will also require far more detail on the key assumptions that underpin planned profiles.

There may be times when delivery within an organisation is not progressing to plan and gives cause for concern. In these instances, Welsh Government will instigate its escalation arrangements. In assessing escalation, Welsh Government will consider a fully rounded view of the organisation before deciding on the action it will take to gain assurance on delivery. These arrangements are currently being reviewed to ensure that the escalation process for 2016-17 is consistent with the Escalation and Intervention Framework that Welsh Government has developed with Health Inspection Wales (HIW) and Wales Audit Office (WAO).

The Social Services and Well-being (Wales) Act 2014 will provide a system that will be centred on well-being. The Act requires Welsh Ministers to specify outcomes to be achieved in terms of the well-being of people who need care and support and carers who need support. Welsh Ministers must report on the progress made towards the achievement of well-being. Well-being is defined in the Act, it covers all areas of a persons life. People who use care and support services and service providers will contribute to the achievement of well-being.

The social services national outcomes framework describes the important well-being outcomes for people who need care and support and carers who need support and the national outcome indicators to measure those well-being outcomes. The framework sets national direction in relation to the promotion of well-being. It has been published on the My Local Health and Social Care website; this is a transparent way of reporting on well-being and allows Welsh Government to monitor whether care and support services are supporting people to improve well-being outcomes and making a difference to peoples lives.

Underpinning this, services must be held accountable to supporting people to achieve well-being. The code of practice in relation to measuring social services performance, issued under the Act sets out a framework for measuring the contribution that local authorities make in relation to social services functions to improving well-being. The framework is made up of a set of quality standards and performance measures. Measures will be reported on annually from April 2016 and will evidence whether local authorities are helping people to achieve the outcomes that are important to them.

The Care and Social Services Inspectorate Wales' local authority inspection framework is currently being developed in line with the Act. The inspection framework will be outcomes focussed and the performance framework set out in the code of practice will be the basis of an inspection.

**What the 2016-17 efficiency targets are in the health sector and how are these monitored / verified**.

The Draft Budget 2016–2017 narrative set out that the additional investment in the NHS is based on evidence from an update of the model developed by the Nuffield Trust to reflect the latest assumptions on spending pressures and efficiencies in the NHS. This modelling assumed continued delivery of efficiency savings of around 1% in real terms each year, associated with acute sector efficiency savings and improved management of patients with chronic conditions to prevent unnecessary

hospital admissions. The Welsh Government does not explicitly set financial efficiency targets for NHS organisations, but they will be expected to meet the financial challenges associated with cost pressures and increased demand from within this settlement. Financial efficiencies, through delivery against medium term or operational plans, are monitored through the monthly Financial Monitoring Returns submitted by each NHS organisation.

**Staff Severance Schemes**
The 2016-17 budget does not include any specific allocations for staff severance schemes. The Invest to Save Fund has made £3.6m available to the NHS in 2015-16 for the Voluntary Early Release Scheme (VERS). In 2014-15 expenditure on VERS in the NHS amounted to £3.0m.

**Prevention**
Identifying the resources attached to preventative spend is complex, and conclusions will vary depending on definitions and criteria used. Broadly, prevention can be divided in three aspects:

**Primary prevention** aims to stop diseases before they start. Approaches to help people to achieve good health and maintain their wellbeing, such as good housing, educational attainment crime reduction, and so on, are all part of primary prevention. A large part of primary prevention is about providing education and environmental change to help people help themselves. However, immunisation is also an example of this approach, and one which involves a healthcare intervention.

**Secondary prevention** aims to identify health problems at an early and treatable stage, prompting the necessary treatment. Most secondary prevention involves some kind of healthcare intervention, such as a screening test.

**Tertiary prevention** is focused on people who already have a longstanding health condition, such as diabetes, and can pick up any predictable complications and manage them as effectively as possible. Diabetic retinopathy screening is an example of this approach. A great deal of tertiary prevention takes place in primary care, as part of looking after people with chronic health problems.

Caution is needed when considering the implications of preventative spend. Prevention has sometimes been promoted as simultaneously improving public health and saving money, but no linear relationship of that sort is likely. Preventing preventable harms releases money for other health and social care purposes. An important distinction, therefore, needs to be drawn between possible savings within a particular disease area and reducing the NHS and social care budget overall The former are important and worth pursuing even if the overall effect on the latter is more complex.

Resources that are attached to preventative spend are not always attributable to age cohorts. For instance, a significant proportion of secondary and tertiary prevention work will be undertaken in primary and community care, and a proportion of this will be in relation to children and young people, though the discrete levels of spend will not be easily identifiable.

The majority of Public Health Wales' spend can be attributed to prevention. **£86.0m** is allocated to Public Health Wales core funding. This funding enables Public Health Wales to deliver a range of public health services that cover health improvement and protection, therefore Public Health Wales has a key role to play in supporting the delivery of many actions in relation to improving public health and reducing health inequalities in children and young people. The funding allocation is not ring fenced for any particular activity to allow maximum flexibility in managing their resources to meet a wide range of priorities and commitments.

**Resource allocation formula and distribution of additional funding**
I intend that £200m of the additional investment in 2016-17 will be primarily allocated to the NHS based on population shares. The principle of allocating additional resources in accordance with a needs based population formula has been previously recognised as the most appropriate. Following "Targeting Poor Health" report in 2001 the direct needs based population formula, known as the Townsend Formula, has been the formula used for distribution funding to Local Health Boards.

**How the Government intends to ensure that a balance is struck between maintaining existing funding distribution and moving towards shares based on the updated Townsend formula.**
In line with extant policy, the Townsend formula has only been applied to additional allocations, not existing core allocations. Thus Local Health Boards next year allocations are based on current year allocation plus or minus any allocation changes. These allocation changes will include both general additional allocations increases, distributed by Townsend formula, and any specific additional allocations.

It is important to note that, as the Townsend formula is only applied on additional allocations, the overall allocation distribution does not move towards Townsend formula shares as a result of the additional funding. Any movement towards Townsend target allocation would only arise if the policy was changed to apply the Townsend formula to baseline allocations. I have no current intention to apply the formula to baseline allocations, as this is likely to cause significant financial instability for those areas of Wales that are over target.

**Fair and transparent approach to inter-organisational financial flows within NHS Wales**.
While there are well established inter-organisational financial flows arrangements within NHS Wales there is recognition both within NHS Wales and Welsh Government that financial flow arrangements need to be improved and updated to both reflect changes in models of care and to reflect the changing patient flow arrangements that will arise through the South Wales programme and other reconfiguration plans.

The principles to underpin this approach were considered by NHS senior leaders at a Team Wales event in early 2015. As per my evidence to Committee in July 2015 this work is now being led by the NHS Collaborative Director Bob Hudson. The outcome of this work will be agreed again by Team Wales prior to its application from 2016-17 onwards.

**Provision for legislation**

| Legislation | Amount of Funding | Action |
|---|---|---|
| Human Transplantation (Wales) Act 2013 | £0.6m | Delivery of Targeted NHS Services |
| Social Services & Well- Being (Wales) Act | £4.3m | Social Services Strategy |
| Regulation & Inspection of Social Care (Wales) Bill | £1.5m | Social Services Strategy |
| Public Health (Wales) Bill | £0.7m | Promote Health Improvement & Healthy Working |
| NHS Finance (Wales) Act 2014 | £0.025m | Delivery of Core NHS Services |

**Human Transplantation (Wales) Act 2013 (enacted in full on 1 December 2015):**
The Regulatory Impact Assessment accompanying the Bill estimated £0.5 million of Welsh Government expenditure in 2016-17. This expenditure will cover communications activity (including communicating with 17 year olds); some remaining work relating to the redevelopment of the Organ Donor Register; the processing of additional registrations, and various pieces of evaluation work connected with the new legislation. The budget has been revised to £0.6 million due to re-profiling of some elements of the budget from the previous two years in relation to work being done on the Organ Donor Register and research programme.

**Social Services and Well-being (Wales) Act 2014**
The Social Services and Well-being (Wales) Act 2014 provides the framework for driving the changes needed to create sustainable social services for the future. The Act will come into force on 6 April 2016 and our implementation programme supports the changes the Act will put in place. We know that transformation, framed through the Act, must be a priority for social services. This includes ensuring that people themselves have a stronger voice and greater control over the services they receive, focussing on prevention and early intervention and developing much greater focus on integration of health and social services in critical areas. We expect that in the longer term, as set out in the Regulatory Impact Assessment accompanying the Bill, the Act will be revenue neutral.

Costs and benefit analysis for the subordinate legislation that underpins the Act has been included in regulatory impact assessments published as part of the explanatory memoranda that accompany the laid regulations. This work has provided a clearer picture of the limited individual costs and benefits accruing or incurred as a result of the changes required by the Act. This should be viewed against the broader background of a system developed to be revenue-neutral through shifting the focus and burden of cost towards supporting well-being, earlier intervention and citizen voice and away from late-stage, high intensity, intrusive and high cost interventions.

This major change has been supported by three years of transitional funding to local government and its partners to assist them in meeting the costs of moving to a new way of working.

All budget lines for Social Services are targeted towards delivering the sustainable social services agenda that is underpinned by the Act.

Welsh Government is supporting the shift to the new system and providing transitional support in preparation for the coming into force of the Act on 6 April 2016. In 2016-17, £4.3m will support delivery of the change.

In 2016-17 the Social Care Workforce Development Programme will provide £7.2m of Welsh Government funding to invest in training for people working in social care which will be directed towards enabling them to consolidate practice and delivery of the new Act. The majority of this grant funding is delivered directly to Local Authorities. A further £1.1m of the grant will be provided to Care Council for Wales to fund the delivery of training for the implementation of the Act.
The third sector grant scheme focuses on the priorities of the Act and will enable third sector organisations to deliver more innovative preventative and early intervention services to support the full implementation of the principles of the Act.

**Regulation and Inspection of Social Care (Wales) Act**
The Regulatory Impact Assessment accompanying the Act estimated **£1.5m** of Welsh Government expenditure in 2016-17. This expenditure will cover the estimated costs of transition from the current system of regulation under the Care Standards Act 2000 to the new system established under the Act. Ongoing discussions between regulatory bodies and Ministers, as well as re-profiling over a longer timeframe are likely to reduce this overall requirement for 2016-17.

**Public Health (Wales) Bill**
The Regulatory Impact Assessment accompanying the Bill at introduction estimated **£0.7m** of Welsh Government spending in 2016-17. This includes staff costs relating to developing regulations, along with other implementation costs.

The Bill has been designed in a way which seeks to minimise any new financial burdens, particularly for the local government sector. During the scrutiny process some stakeholders have emphasised the critical role of local government in implementing the Bill and the need for adequate resourcing to support this. In recognition of this the Welsh Government is currently exploring whether there may be potential for additional support to be provided to the sector to support the early stages of implementation.

These costs are subject to change as the Bill proceeds through Assembly scrutiny. It is also expected that these costs could be reduced as aspects of implementation are coordinated across different aspects of the Bill.

**NHS Finance (Wales) Act 2004**
In the Regulatory Impact Assessment the total cost to the Welsh Government from the NHS Finance (Wales) Act 2014 was estimated at £0.1m. We have spent less than this. For example, we estimated that we would spend £0.062m on external

scrutiny for the 2014-15 planning round. We only spent £0.025m. In addition, for the Regulatory Impact Assessment, the WAO estimated that, as a consequence of the Act, the fees for the audit of Local Health Boards annual accounts would increase by £0.119m per annum. For the first year, of the new three year duty, Wales Audit Office have estimated the costs to be around £0.025m and noted that costs will rise, potentially up to the original estimated costs, to reflect the work report required at the end of the first 3-year period

We are eighteen months into the implementation of this Act, and no health board has yet completed a three year cycle, so the final costs are not yet available. The above costs relate to costs so far.

**UK Government Legislation.**
Welsh Government monitor UK legislation and are engaged with Whitehall officials on the 7 UK Bills before Parliament and 26 Private Member Bills that are considered to have possible policy implications for Health and Social Services in Wales– these include

- The Proposed Wales Bill
- Enterprise Bill
- Immigration Bill
- Policing and Criminal Justice Bill
- Psychoactive Substances Bill
- Access to medical Treatments (innovation) Private Members Bill.
- NHS (Charitable Trusts etc) Private Members Bill

Until the final Bill provisions affecting Wales are known it is not possible to identify firm financial implications. The key aim is to ensure that Wales and the Welsh Ministers are not adversely affected by any UK legislation and that opportunities for any legislation for Wales are taken.

**Capital funding**
The NHS Capital Programme supports the key investment objectives of the modernisation and replacement of NHS assets and the estate, as well as the transformation of healthcare provision. The forward Capital Programme is aligned to these objectives and includes schemes that have been prioritised in NHS organisations' Integrated Medium Term Plans (IMTPs). Individual project proposals are asked to demonstrate evidence of fit against five key investment criteria, including health gain, clinical and skills sustainability, equity, affordability and value for money.

The updating of the Programme is now an annual process. Work will continue over the coming months to refresh the Programme to take account of the latest IMTPs to be submitted in January 2016.

The revised draft budget capital allocation for 2016-17 is £253m, which includes additional funding of £33.4m. This provides an increase of £18m in comparison to the 2015-16 budget allocation. Despite some slow cash growth in the Spending Review, in real terms the public capital available to the Welsh Government and the Welsh NHS will have been cut by 30% by 2019-20 from its peak in 2009-10.

The table in Annex D provides details of approved projects in NHS Wales.

In terms of innovative funding models, following the approval of the Strategic Outline Programme in January 2015, positive progress is being maintained in developing the Outline Business Case (OBC) for a new cancer hospital at Velindre NHS Trust. This project will be taken forward using the Non Profit Distributing Model (NPD) and will be the first scheme to use this funding model in Wales. Under the current timetable, the OBC will be submitted to Welsh Government for consideration in July 2016. Subject to approval, the procurement will start in autumn 2016 with the new hospital opening in 2021-22.

Other funding models are being explored in a number of areas, including low carbon/ energy efficiency initiatives and medical equipment. With regard to primary and community care, work is underway to identify potential priority developments across Wales. This emerging pipeline will shape the funding models that can be utilised, but will include opportunities of enhanced collaboration with local government and the third sector, as well as European funding.

**Cross-cutting budget process**
The approach taken to the overall allocations to health and social services was set out in the Strategic Integrated Impact Assessment that was published along with the Draft Budget documentation on 8th December. More information on the impact is set out in the Integrated Impact Assessment at Annex C.

**Welsh Risk Pool**
The current Welsh Risk Pool accounting provision estimate as at November 2015 is £665.1m, a reduction of £9m. Payments have been made by the Welsh Risk Pool in 2015-16 of £24.3m. As is usual at this stage in the financial year, a number of claims are in progress and will be further assessed towards year end as to whether an accounting provision will be required. Accordingly it is estimated that the full year provision for the Welsh Risk Pool will be in the range of £700m - £725m.

The Welsh Risk Pool provision for the most part is in respect of Clinical Negligence claims. The NHS in Wales has seen a growing number of new clinical negligence claims in recent years and growth in the costs and damages associated with the claims. This growth is not restricted to Wales and has been experienced across the NHS in England, Scotland and Northern Ireland.

It is considered that the recent growth in England and Wales has been driven, in part, by changes to the Legal Aid, Sentencing and Punishment of Offenders Act (LASPO) which came into effect on 1st April 2013. The legislation has reformed the funding arrangements for civil litigation including the “no-win, no-fee” arrangements which allowed claimant solicitors to charge a 100% success fees on their costs. Other factors identified across the UK as potentially driving the increase include an increase in the number of patients being treated, a more litigious society, increase in the value of claims, and an emerging trend for significant costs associated with smaller value claims.

The Welsh Government is unable to affect the levels of damages paid out to eligible claimants, as the levels are determined by the courts. With regard to the costs of

claims, a process of costs budgeting has been introduced by the Courts which require both parties to put forward and agree estimates of their costs over the lifetime of the claim, as part of work to seek to reduce disproportionate costs, evidence is yet to emerge of the impact this will have on claim costs. The Department of Health in England indicated in 2015 that it intends to address disproportionate legal claims for lower value clinical negligence cases. The Welsh Government is engaging with the Department of Health on this policy proposal.

A robust but fair approach is adopted by NWSSP Legal Services, on behalf of NHS Wales' bodies, to ensure that unmeritorious claims received are appropriately defended and finalised without compensation being paid. Proactive and robust management by Legal and Risk Services ensures fair and equitable settlement of claims.

The introduction of Putting Things Right in 2011 has provided NHS Wales with a simpler, more responsive and comprehensive complaints procedure which permits a health body to make an offer of redress where harm has arisen from treatment.

Reducing the costs of clinical negligence is not simply a matter of costs management, improvements in patient care by reducing the incidence of clinical negligence and harm will reduce the volume of eligible claims for settlement. The Welsh Government have established internally a Quality & Safety Assurance group which monitors the quality and safety of healthcare services through the regular review of a range of key indicators and emerging issues that may give cause for concern or where there is insufficient progress with agreed improvements. The Group ensure that action is taken where improvement is required, agreeing appropriate escalation and intervention and to monitor and keep under review as necessary until the required improvements have been met.

The Welsh Government has also established a National Quality Safety forum which brings together senior leaders of NHS Wales to share what they have learnt on quality and safety. Its aim is to promote and improve quality and safety both nationally and locally.

The National Reporting and Learning System (NRLS) enables patient safety incident reports to be submitted to a national database into which NHS organisations in Wales are required to report all patient safety incidents. Information regarding risks identified by the NRLS was formerly disseminated by various mechanisms developed and operated by the National Patient Safety Agency (NPSA) prior to June 2012. This included Patient Safety Alerts, Patient Safety Notices and Rapid Response Reports. As a consequence of the abolition of the NPSA, the Welsh Government now leads on this vital role in identifying any significant safety risks and concerns and develop Patient Safety Solutions (Solutions) at a national level for issue to the NHS in Wales so that the safety of patient will be improved.

All claims received for reimbursement by NWSSP Welsh Risk Pool Services are reviewed to ensure that proportionate action has been taken to reduce the risk of recurrence. Claims are also considered by the WRP Committee - an Executive level multidisciplinary group from across Wales for further consideration of action required to disseminate lessons learned or requesting a claims review.

As a result of the Evans review the Welsh Government is working with the National Quality Safety forum facilitating a number of work streams to improve and strengthen the Putting Things Right arrangements, examples include:

- working to procure a national risk management system to standardise the way data and information is collected throughout NHS Wales. This will improve the consistency in data and enable national themes and trends to be identified and has the potential to reduce repeat incidents. Such a system will become a core tool in driving patient safety by producing metrics as well as creating alerts.

- working collaboratively with the NHS to ensure they have the appropriate structures in place, bringing together patient experience and concerns in order to identify lessons, learn and make improvements from complaints.

- Welsh Government are simplifying the Putting Things Right Guidance to encourage the use of redress. Not only does the process provide an apology and openness but it also identifies lessons and learning when things go wrong so that organisations can make improvements to their services.

**Update on Programme for Government Commitments**
Back in 2011, we put forward the most ambitious and comprehensive Programme for Government since devolution, which now includes 547 separate commitments covering the breadth of the services for which we are responsible. We did so in the knowledge that the outlook for public finances was challenging.

Dealing with austerity has been a major test for the Welsh Government and devolution as a whole, but we have succeeded by maintaining a firm focus on delivery and supporting those most in need. We have done this through setting four overarching priorities on behalf of the people of Wales, on health and health services, educational attainment, growth and jobs, and supporting children, families and deprived communities. On each of these key priorities, we have focused our resources in order to make a difference to people's lives.

As a Government we have also remained committed to the principle of transparency so this Government can be judged on its record. Since 2011 we have published an annual report to provide a transparent account of what is being done and what is being achieved against our 547 commitments measured by 336 outcome and performance indicators.

We published the final Programme for Government annual report in June 2015 which showed that more than 95 per cent of our commitments have either been delivered, or are on track to be delivered.

**GP Access**
General Practitioners are making surgeries more accessible to working people based on evidence of need. The latest published GP access statistics for 2014 show an improving trend. 80% of GP practices in Wales are now open for daily core hours (or within one hour of the daily core hours), up from 76% in 2013 and 79% of

practices now offer appointments at any time between 5pm and 6.30pm every week day, up from 76% in 2013.

There is a centrally directed enhanced service to fund appointments after 6.30pm. At 2014, 7% of practices offered appointments that after 6.30pm on at least 1 week day. Health boards have provided assurance access to services after 6.30pm reflects reasonable patient need. Where there is an assessed reasonable patient need for enhanced access after 6.30pm and on a Saturday morning, access will be expected to be provided. It is anticipated improved access to primary care and community-based services on the weekends will be delivered by groups of GP practices working together, through primary care clusters, which includes the potential for Saturday morning services.

As part of the agreed changes to the GP contract for 2015-16, there is a commitment from GPC Wales, Welsh Government and NHS Wales to identify ways to improve access to GP services, in particular, improving the patient experience and the first point of contact patient experience. As a means of making it easier for people Welsh Government is considering making it a contractual requirement for all GP practices to offer more online appointments using *My Health Online*. All practices in Wales have the capability to offer *My Health Online*, with 60% of practices currently using *My Health Online* services. Specific actions to increase the uptake and utilisation of My Health Online are in place – for example, by January 2016, easier online registration for My Health Online without the need to visit the practice to register in person; the availability of a mobile application for use on Smart Phones; first line patient support via NHS Wales direct; My Health Online re-launch through a public awareness campaign / promotion.

**The Common Ailments Scheme**

The Choose Pharmacy (common ailment) service was introduced in 32 pharmacies across two pathfinder sites in Cwm Taf and Betsi Cadwaladr University Health Boards in September 2013. The pathfinder sites were established to allow the service model to be tested. In particular the pathfinders would test whether and to what extent the management of common ailments could be transferred from general practice to community pharmacies. Any decision to roll out the service nationally was dependent on demonstrating that Choose Pharmacy is genuinely substitutive of existing arrangements for managing common, minor ailments.

An independent evaluation of Choose Pharmacy found that the service was well designed and delivered, and that it is likely to be achieving its primary objective to reduce both demand for GP appointments and the associated prescribing of medicines for minor ailments. However results were equivocal with significant variation in activity between pharmacies. The evaluation did not highlight significant cash releasing savings. Several conditions were identified as needing to be met in order to maximise the benefits of the service. These included: pre-existing good working relationships between GPs and pharmacists; GPs engaged in promoting the service; and GPs and practice teams understanding the service well.

The pathfinder sites will end in March 2016, a decision on the future arrangements for Choose Pharmacy will be made in the meantime.

**Add to Your Life**
Add to Your Life is the health and well-being check for over people aged 50 or over in Wales and was rolled out nationally in April 2014. It is a confidential and easy to use self-assessment, which can be undertaken on-line or, with support, over the telephone by NHS Direct Wales. Add to Your Life provides an opportunity for people who are 50 or over to get an overall picture of their health, and supports them to improve their health and well-being in small achievable steps, as well as improving access to the most effective prevention services.

Since Add to Your Life was rolled out nationally over 23,000 people have accessed the site with nearly 12,000 completed health and well-being assessments undertaken.

Release 2 of Add to Your Life went live on 22 April 2015 and Public Health Wales continue to deliver and develop the assessment in response to user feedback.

**NHS Wales 111 Service**
Our commitment is to build on the success of NHS Direct, and offer a single 24/7 number for accessing and directing patients to non-emergency health care in Wales, an important aspect of this will be the integration of local out-of-hours calls. This will be achieved through the introduction of a service accessed through the free to call 111 number that has been allocated by Ofcom for urgent (but non emergency) healthcare needs. A pathfinder NHS 111 service will be introduced next year, combining the current out of hours telephone call handling and initial triage and the services provides by NHS Direct Wales in the Abertawe Bro Morgannwg University Health Board area. This will enable the service to be thoroughly tested to inform future roll out across Wales and enable the detailed costings to be refined going forward.

**Palliative Care**
Together for Health – Delivering End of Life Care was launched on 18 April 2013. The plan sets out our expectations of NHS Wales to work with partners, in particular the hospice and social care sector, to reduce inequalities in end of life care.

The Welsh Government provides £6.4m funding annually to health boards and hospices for end of life care in Wales. In January this year, an additional £1m was announced to expedite the priorities within the End of Life Care Delivery Plan. The majority of this new investment will be used to expand hospice at home provision across Wales, with the remaining money supporting end of life care initiatives. Wales is the only country in the UK to provide 24/7 specialist palliative care advice to professionals caring for patients in their homes, hospices and hospitals. Specialist palliative care nurse provision is also available seven days a week across Wales. A large focus of the Delivering End of Life Care Delivery Plan is to encourage individuals to have end of life conversations with families and carers to ensure effective care planning. Two conferences were held in May 2014 to generate a national conversation about end of life. Last year, ‘Byw Nawr’, a public campaign was launched to promote, encourage and support end of life conversations.

**Eye Care**
We continue to build on existing policy which began implementation in 2001. To support this work a national Eye Health Examination Wales service was developed, for optometrists to deliver eye health examinations in primary care and reduce the capacity and demand issues in secondary care hospital eye services. Building on this policy development, £1.0m funding was provided by the Health Technology and Tele-health Fund to improve communication and speed up referrals between primary and secondary care and enable more people to be discharged to the community safely. Work is ongoing.

**Establish Ophthalmic Diagnostic and Treatment Centres in key locations throughout Wales to speed up and improve eye care.**
The Delivery Unit 2015 audits confirmed centres are in place across all health boards to address capacity and demand issues in secondary care. This work is supported by the Focus on Ophthalmology Patient Care Pathways.

**Expect health boards to monitor wet-Age Related Macular Degeneration services within their local area to ensure appropriate delivery of treatment in line with the all Wales protocol.**
This is a restatement of existing policy which began implementation in 2008 and in line with NICE recommendations. Health boards continue to make changes to develop capacity and to support this work £0.5m funding was provided to establish four pilots to deliver services in primary care to improve the patients experience in line with the key principles of prudent health care and recommendations outlined in the Together for Health: Eye Health Care Delivery Plan 2013-18.

**Require the Low Vision Service Wales to provide enhanced low vision services across Wales to ensure equity of access for all patients.**
The latest LVSW tri-annual audit confirmed the service is in place across all health boards to ensure equity of access for all patients. A national service is in place, hosted by Hywel Dda University health board on behalf of all health boards for optometrists to assess low vision, prescribe, order and dispense low vision aids to patients, for which no more treatment can be provided.

**Designed to Smile**
Our 'Designed to Smile' programme will see a continued investment of £3.7m in 2016-17. This funding is within the recurrent ring fenced dental allocation in the Delivery of Core NHS Services Action.

I am pleased to report that early data analysis suggests the decay of the average child attending schools participating in the programme is improving. The Dental Epidemiology Survey of five year olds for 2015-16 will provide clearer insight into the impact of the programme

**Social Services**
We will continue to focus on embedding our policy through the commencement of the Social Services and Well-being (Wales) Act. The Social Services budget provision in the HSS MEG has increased from £62m in 2015-16 to £68m in 2016-17. The additional element relates to the full year effect of the transfer in of the Independent Living Fund. There is also an additional £21m for social services in the

Draft Budget which will be given directly to local authorities to enable them to focus on service transformation supported by the new legislation. Taken together with the funding we have provided to local authorities and their partners to support the transition to the new arrangements under the Social Services and Well-being (Wales) Act, it will enable local authorities and health boards to have confidence in their ability to deliver new ways of working and embed new integrated arrangements. The third sector grant will enhance the delivery of the principles and policy of the Act.

In last year's Draft Budget the Welsh Government was allocated an additional £27m from the UK Government in relation to the funding for the Independent Living Fund (ILF). As part of the UK Government's Welfare Reform programme the ILF was due to close on March 31st 2015, with responsibility for the running of the fund devolved. During 2014-15 the ILF closure date was moved to 30th June 2015 resulting in a reduced transfer from HM Treasury equivalent to nine months of funding for 2015-16. The increase in funding in 2016-17 brings the budget back up to the original full year allocation of £27m.