

Written response by the Welsh Government to the report of the Health, Social Care and Sport Committee entitled Welsh Government Draft Budget 2018-19

12 January 2018

The Welsh Government welcomes the Committee's report on the Health and Social Services draft budget plans for 2018-19. At the heart of these plans is the Government's commitment to the Welsh NHS, providing an additional £450 million over the next two years to ensure that it is adequately funded to meet the demands and expectations of Welsh citizens. Alongside this, is our ambition to drive forward transformation of health and social care in line with our national strategy *Prosperity for All* that will be a theme that we continue to develop during 2018-19 in shaping our future spending plans.

Our detailed responses to the report's recommendations are set out below:

Recommendation 1

The Committee recommends that the Welsh Government should ensure, following the publication of the Parliamentary Review of Health and Social Care in January 2018, that it fully costs plans to take forward transformational change of health and social care. Additional funding for the NHS must be premised on it delivering change.

Response : Reject

The Welsh Government will be publishing a long term plan for health and social care in response to the report of the Parliamentary Review of Health and Social Care. The plan will set out the strategic actions that will be needed to be delivered by the NHS, local authorities and other partners to realise the vision of future service configuration that the Review will describe and recommend. It will then be for delivery partners to develop and implement their local plans within the funding envelopes set by the Welsh Government. The Health Foundation Review demonstrates that the level of additional funding included in the Draft Budget was only sufficient to maintain core services. However, £100 million additional funding for transformation has been provided in the Final Budget.

Financial Implications – None.

Recommendation 2

The Committee recommends that the Welsh Government should identify ways in which transformation and transition funding is prioritised and made available for NHS organisations from within existing budgets.

Response : Accept

Since the draft budget plans were published, the Cabinet Secretary for Finance has published the Final Budget proposals, which include a further

additional £100 million for the NHS over the next two years. This further investment provides us with a real opportunity to drive forward the transformation of services, and we will be investing this additional funding in the Integrated Care Fund, primary care, and to support strategic transformation of hospital-based services. Further details on the application of this funding will follow in early 2018.

Financial Implications – None.

Recommendation 3

The Committee recommends that the Welsh Government and NHS Wales must prioritise prevention. This must range from interventions that deliver timely outcomes for patients to invest to save programmes such as health prevention campaigns. Investment in a preventative approach must be integral to the transformational change of NHS Wales.

Response : Accept

Prevention is prioritised as a core theme in the NHS planning guidance, against which NHS Boards and Trusts develop their Integrated Medium Term Plans (IMTPs). Health Boards and Public Health Wales are also subject to the duties of the Wellbeing of Future Generations (Wales) Act 2015, and the Social Services and Wellbeing (Wales) Act 2014, both of which require a preventative approach.

The Welsh Government will continue to invest directly into national preventative healthcare programmes and approaches where they are supported by robust evidence (such as population level screening and vaccination programmes) and provide evidence to support investment by local and national partners. However, there must be acceptance that in doing so, existing services may be challenged and changed to focus more on population outcomes.

Financial Implications – This work has been planned and provision made within existing programmes and Directorate Running Costs (DRC) budgets.

Recommendation 4

The Committee recommends that the Welsh Government should review the current methodology for setting health board budgets and publish its findings. Health boards must be working towards financial viability from a position of confidence that their current funding levels are appropriate.

Response : Reject

Health Boards allocations are primarily determined by the recurrent allocations from the previous years adjusted for any allocation adjustments either for specific initiatives or additional discretionary allocations distributed by the resource allocation formula. The allocations, including detailed tables both for discretionary and ring faced allocations, are published through the Annual Allocation issued to all Health Boards. In addition to additional

discretionary allocations there will still be specific allocations issued each year in line with priorities.

Work on the resource allocation review will focus on determining a new formula which would be applied as a distributive formula for additional discretionary allocations. This work will incorporate evidence and learning from other reports and reviews, such as demographic impact, of both age sex profiles and also population changes over time, from the Health Foundation report “The path to sustainability : Funding projections for the NHS in Wales” and also the recent Zero Based Review in Hywel Dda University Health Board. In line with extant policy it is not intended that the formula, or new formula, will be applied to baseline allocations. Any change in policy, to apply formula to existing baseline allocations, could lead to significant financial and service implications if financial resources were removed from the currently financially challenged local health boards.

Financial Implications – None.

Recommendation 5

The Committee recommends that the Welsh Government should develop an all-Wales efficiencies programme in order to ensure that local good practice is translated in to all Wales service-wide change.

Response : Accept

The Welsh Government has already developed an approach to efficiency through the NHS Wales Efficiency, Healthcare Value and Improvement Group. This approach and initiatives, focused good practice, and also specific initiatives such as on the Efficiency Framework, Medicines Management, Clinical Variation, complements and supports local efficiency programmes.

Financial Implications – None.

Recommendation 6

The Committee recommends that the Welsh Government’s all-Wales efficiencies programme (our Recommendation 5) should include a clear focus on how capital investment will deliver efficiency savings and support transformational change.

Response : Accept

The NHS capital investments are prioritised against the criteria of

- Health gain
- Affordability
- Clinical and skills sustainability
- Equity
- Value for money

These criteria would cover efficiencies and change. Individual capital investment business cases are evaluated against these criteria before any recommendation made by the Infrastructure Investment Board.

Financial Implications – None.

Recommendation 7

The Committee recommends that the Welsh Government should support and hold health boards to account to prioritise capital funding for primary care and ensure it improves the physical capacity for multi-disciplinary working and promotes new models of care.

Response : Accept in principle

The NHS capital investments are prioritised against the criteria of

- Health gain
- Affordability
- Clinical and skills sustainability
- Equity
- Value for money

These criteria also cover proposed investments in primary care and new models of care. Individual capital investment business cases are evaluated against these criteria before any recommendation made by the Infrastructure Investment Board. The Health Boards and Trusts capital programmes are reviewed and challenged through the Integrated Medium Term Planning process and also through the regular Capital Review meetings.

Financial Implications – None.

Recommendation 8

The Committee recommends that the Welsh Government should undertake a further review of the mental health ring-fence to assess whether it has led to effective and appropriate expenditure on mental health and ensuring improved outcomes for patients.

Response : Reject

We reject the recommendation for a further review of the mental health ring fence on the basis that it was subject to a previous independent review published in 2016. The report concluded that the purpose of the ring fence – to protect spending on mental health services in Wales – had largely been achieved. The report also made a number of recommendations as to how investment in mental health services might be better linked to outcomes. In response, the ring fence arrangements were embedded in the core planning arrangements for the NHS and the guidance supporting the 2017-20 cycle of the Integrated Medium Term Plans were refreshed to include requirements for health boards to:

- Demonstrate an understanding of the mental health and mental well-being needs of the population across the life course;
- Include a capacity and demand analysis which also demonstrates how the health board is actioning the areas for improvement; and,
- Set out clear actions, measureable milestones for implementation, analysis of risks to delivery and measures of success.

This guidance has also been updated and included within the 2018 – 21 IMTP cycle.

These actions aim to ensure that mental health needs assessments are fully incorporated in the planning process allowing the needs that are identified to inform any required service and workforce developments. Additionally mental health funding has seen significant increases over the last five years with a plan to further increase the mental health ring-fence by £20million in 2018-19. We are also targeting substantial additional resource for mental health, which sits outside of the ring-fence to reflect the increase in demand.

Financial Implications –None.

Recommendation 9

The Committee recommends that the Welsh Government to make the strongest possible case to the UK Government / National Offender Management Service for increasing what is a relatively modest financial allocation for prisoner health in order to ensure that individuals in the secure estate in Wales, who often have above average needs, particularly in mental health, are able to receive a quality level of healthcare.

Response : - Accept

The responsibility for health services in public sector prisons in Wales was devolved to the Welsh Government in 2003. We will write to the Secretary of State for Justice to raise our concerns on the basis of the increasing prison population in Wales.

The Committee may wish to note that the arrangements for the funding of health services in HMP Berwyn sit outside of the scope of the original transfer of funding following the transfer of responsibility in 2003. The Welsh Government made it clear that it would require additional funding from the UK Government if the LHB was to provide the healthcare to the prison. Officials therefore worked closely with colleagues at HM Prison and Probation Service through the planning stages to design the health care facilities and to facilitate a direct funding relationship between them and Betsi Cadwaladr University Health Board. A Memorandum of Understanding is in place between the Welsh Government, HM Prison and Probation Services and Betsi Cadwaladr University Health Board which includes regular reviews of spend against the funding provided for health services, and in particular, should there be any changes to the prisoner profile, population or remand intake.

Financial Implications –None.

Recommendation 10

The Committee recommends that, given the significant amount of NHS Wales's expenditure on agency staff, the Welsh Government should commission a review of the anomalies and perverse incentives across agency / bank arrangements with a view to making changes which significantly reduce spend.

Response : Accept

Significant actions have already been taken forward. A Welsh Health Circular (WHC 2017-42) was issued on 23 October 2017 which sets out a series of coordinated national actions which aim to reduce agency and locum deployment across Wales. The first phase comprises of a series of constraints on the deployment of agency and locum staff with Board level scrutiny of any deployment which falls outside these arrangements. All Health Boards and Trusts were required to submit plans for reducing deployment and implementation started in November. Regular monthly reporting will take place from the end of December to track progress.

Alongside these constraints, we will be establishing a Workforce Delivery Unit (WDU) to scrutinise progress, share effective practice and conduct 'deep dive' reviews of any issues that are hampering progress on the reduction of agency and locum deployment. We will ask the WDU to review anomalies and perverse incentives as part of their early work programme.

Financial Implications – None. This work has been planned and provision made within existing programme and DRC budgets.

Recommendation 11

The Committee recommends that the Welsh Government should invest in a whole-system approach to health and social care. It must ensure there is planned year-on-year additional funding available for social care and that it is sufficient to reflect increasing demands.

Response: Accept in principle

Taking a whole-system approach is already central to the Welsh Government's vision for health and social care. It is only through taking an integrated approach that a focus on prevention and community based delivery can be achieved. These are at the heart of the Welsh Government's programme to transform social services, embed a system of prudent health care and to move care closer to home. An integrated approach is already being invested in through the Integrated Care Fund (ICF) and the Primary Care Fund both of which support the development of new models of improved access and integrated delivery.

Further development of a whole system approach will be informed by the outcome of the Parliamentary Review which will be published in the New Year.

As part of the budget preparations and process each year, priorities are reviewed alongside *Prosperity for All*. This includes assessing needs across

Government where services are demand led. The iterative process of setting the budget includes bilateral meetings with the Cabinet Secretary for Finance and whole Cabinet discussions to balance a decreasing real terms budget to deliver positive outcomes for the people of Wales.

The Welsh Government is already investing significantly in additional funding for social care. In the Draft Budget, funding for social care has increased by a further £42 million in 2018-19, rising to an additional £73 million by 2019-20. Wales spends 8% more on health and social care than England, an additional £206 per person.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets

Recommendation 12

The Committee recommends that the Welsh Government should ensure that recent portfolio changes do not have an adverse impact on the alignment between policies in respect of physical activity and sport and those that aim to improve health and well-being outcomes.

Response: Accept

The Welsh Government will ensure that policy development across public health and sport will be closely aligned to increase levels of physical activity across Wales. We have tasked Sport Wales and Public Health Wales to work together to develop an approach to increase levels of physical activity across Wales. This will include close alignment with Natural Resources Wales and will include the establishment of a new outcomes framework for physical activity, some shared performance measures, actions and methods for evaluating impact and value for money. Initial progress will be reported back to Ministers in early 2018. Furthermore, the Public Health Wales Act places a requirement on Welsh Ministers to publish a national strategy on preventing and reducing obesity, where engaging in physical activity and tackling sedentary lifestyles will play an important role. This work is being led by the Chief Medical Officer and both the sport sector and health sectors are fully engaged in the development work.

Financial Implications – None. Any additional costs will be drawn from existing programme budgets.

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