

Welsh Government draft budget 2023-24

February 2023

1. Introduction

1. This report sets out the views of the Health and Social Care Committee on the Welsh Government's draft budget for 2023-24.

Background

2. On 13 December 2022, the Welsh Government published its draft budget for 2023-24, setting out the allocations for the budget's main expenditure groups ("MEGs"), its revenue and capital spending plans for 2023-24, and indicative allocations for 2024-25. The draft budget narrative, subtitled "A budget in hard times", describes the draft budget as:

"...the toughest we have ever made and reflects the perfect storm of economic and budgetary pressures Wales is facing".¹

3. The health and social care sectors continue to face significant pressures associated with the COVID-19 pandemic, waiting times backlogs, industrial action, and increased demand in winter 2022-23. The budget narrative explains that the Welsh Government's priority of protecting frontline services and its ambitions for the future includes an additional £165m allocation for NHS Wales to respond to urgent and emergency care pressures, reduce waiting times and transform the way in which care is provided. It notes, however, that:

¹ Welsh Government, [Draft budget 2023-24: A budget in hard times](#), December 2022, p.ii



"...even with this uplift in funding, however, there will be difficult choices for the NHS as it seeks to protect frontline services amidst the twin pressures of high inflation and rising energy costs".²

4. The budget narrative identifies social care as one of the key areas of local authority services affected by inflation and rising energy costs. Identifying the payment of the Real Living Wage for social care workers as a specific priority, it also adds:

"We will continue to do all we can to support local authorities through these testing times and to ensure they continue to be sustainable into the future. As a result of the decisions we are taking, we are providing an additional £227m in 2023-24 and £268m in 2024-25 to the local government settlement; this builds on the funding we outlined as part of our 2022 Spending Review, now providing £1bn up to 2024-25".³

Scrutiny approach

5. Our scrutiny of the draft budget 2023-24 has been informed by:

- Consideration of the cross-cutting themes outlined in our Sixth Senedd strategy.⁴
- Written⁵ and oral evidence⁶ from the Minister for Health and Social Services ("HSS"), the Deputy Minister for Mental Health and Wellbeing ("MHW"), the Deputy Minister for Social Services ("SS"), and their officials.
- Consideration of evidence gathered by the Finance Committee during its scrutiny, including its consultation and engagement on potential areas of priority.⁷

6. There is significant overlap between our remit and that of the Children, Young People and Education ("CYPE") Committee in respect of children and young people's physical and mental health and social care. As in previous years, we have therefore shared with the CYPE Committee the evidence we received from the Welsh Government and private briefing materials prepared for us by our officials.

² Welsh Government, [Draft budget 2023-24: A budget in hard times](#), December 2022, p.19

³ Welsh Government, [Draft budget 2023-24: A budget in hard times](#), December 2022, p.20

⁴ Health and Social Care Committee, [Sixth Senedd strategy](#), December 2021

⁵ [Letter from the Ministers with responsibility for health and social care](#), 21 December 2022

⁶ [Record of Proceedings \("RoP"\)](#), 11 January 2023

⁷ Finance Committee, [Welsh Government draft budget 2023-24](#) [accessed January 2023]

2. Overview and prioritisation

Health and Social Services MEG

7. The Health and Social Services MEG (“the HSS MEG”) contains core revenue and capital funding for NHS Wales and funding for public health, social care and supporting children. As in previous financial years, the HSS MEG has received the largest allocation within the Welsh Government’s draft budget. The Health and Social Services Departmental Expenditure Limit (“DEL”) in the draft budget for 2023-24 is £10,758m (47.0 per cent of the total £22.9bn allocated to Welsh Government departments). In cash terms, this represents an increase of £625.7m (6.2 per cent) on the 2022-23 final budget, and an increase of £306.5m (2.9 per cent) on the indicative budget allocations for 2023-24 set out in the 2022-23 budget.⁸ All of the increase, compared with the indicative budget allocations for 2023-24 published in the final budget in March 2022, relates to revenue funding; the capital allocation for 2023-24 remains unchanged at £375.0m.

Finance and Local Government MEG

8. Funding for local authority social care is provided through the Finance and Local Government MEG. The Finance and Local Government DEL has the second largest allocation within the draft budget for 2023-24: £5,113.6m (excluding around £0.9bn from non-domestic rates).⁹ This represents a cash terms increase of £461.9m (9.9 per cent) on the final budget for 2022-23, and £312.11m (6.5 per cent) on the indicative budget allocations set out in the 2022-23 budget.

9. In a written statement on the provisional local government settlement for 2023-24, the Minister for Finance and Local Government (“FLG”) said that, adjusting for transfers, core revenue funding for local government in 2023-24 would increase by 7.9 per cent compared to 2022-23, and that no authority would receive less than a 6.5 per cent increase.¹⁰

Prioritisation

10. The health and social care portfolio is broad, and has strong links with other portfolios including tackling poverty, housing, employment, education and social justice. The Minister for

⁸ Figures prepared by Senedd Research using information from the [Welsh Government draft budget for 2023-24](#).

⁹ Figures prepared by Senedd Research using information from the [Welsh Government draft budget for 2023-24](#).

¹⁰ Welsh Government, [Written statement: provisional local government settlement 2023-24](#), 14 December 2022

HSS began the session by reminding us that more than half of the Welsh Government's budget is spent on health and social services. This includes funding for health boards and trusts, children's services, and social care. She said that in an average month, around 370,000 people are treated in secondary care, and that in one week in December 2022 around 400,000 people were treated in primary care.¹¹

11. Of the HSS MEG, the majority of the revenue funding (£9.61bn) is allocated for the delivery of core NHS services, including:

- Core revenue NHS allocation: £8.6bn (£8.32bn in the 2022-23 final budget) and £251.6m non-cash (£246.6m in the 2022-23 final budget)
- Public Health Wales: £136.7m (£129.0m in the 2022-23 final budget).
- Health Education and Improvement Wales: £311.2m (£301.9m in the 2022-23 final budget) and £551k non-cash (£551k non-cash in the final budget 2022-23).
- Digital Health and Care Wales: £48.2m (£46.2m cash in the 2022-23 final budget) and £10.6m non cash (£10.6m in the 2022-23 final budget).
- NHS Executive: £13.1m (new budget line for 2023-24).

12. In its response to the draft budget, the Welsh NHS Confederation called for a clear strategy, and a rethink on how health and social care is delivered:

"If we're going to meet the needs of the population, we need a long-term investment plan and clear priorities for the health and care sector. [...] While acknowledging the restrictions Welsh Government face, it's vital the government and all politicians are open with the public regarding the pressures facing the NHS and social care and what they can expect in the future. We will need political support to radically re-think how services are delivered in the longer term".¹²

13. The Minister for HSS told us she supported this view. She said she had provided guidelines to health boards for the development of their Integrated Medium Term Plans ("IMTPs") which set out six areas on which she wanted them to focus, adding:

¹¹ RoP [paragraph 4], 11 January 2023

¹² Welsh NHS Confederation, [NHS facing its greatest ever financial challenge](#), 13 December 2022

"So, I hope that the confederation will agree that streamlining, that being much more focused in terms of priorities, is the right direction to go in. Certainly, we've had a very good response from health boards to that".¹³

14. After outlining the six priorities (delayed transfers of care and shifting more support into the community in line with the ambitions in 'A Healthier Wales'; issues relating to primary and community care, including improving access to general practice, dentistry, optometry, pharmacy and community allied health professionals as well as rehabilitation and mental health services; urgent and emergency care, including delivering on the six goals for urgent and emergency care; planned care and recovery, including achieving the waiting times targets set out in the plan published in April 2022; cancer, including delivering against the quality statement and ensuring people get the support they need; mental health services, including child and adolescent mental health services), she added:

"Now, you know, people will start screaming straight away and saying, 'What about my priority?' Making political decisions, determining priorities, is part of what you have to do as a politician, and that's a tough choice, but if we don't fix those, I think it will be difficult for us to address all of those other issues that people want us to support them with".¹⁴

15. We asked the Minister for HSS which areas she would be comfortable seeing health boards draw back from. She explained that she had identified the areas where they should focus, rather than where they should not, but that she planned to review health boards' IMTPs once submitted to:

"...look at what are the implications of those and to work out if we are genuinely convinced that the other areas that we will obviously see them drawing back from as a result of that prioritisation are areas that are going to be politically acceptable for us".¹⁵

¹³ RoP [paragraphs 8 and 186], 11 January 2023

¹⁴ RoP [paragraphs 121-122], 11 January 2023

¹⁵ RoP [paragraph 12], 11 January 2023

Our view

16. In scrutinising the draft budget, we have explored how the Welsh Government is planning to use the financial levers at its disposal to achieve its desired outcomes and ambitions for health and social care in Wales. We have sought clarity on the Minister's and Deputy Ministers' priorities and expectations, and aimed to understand where funding allocations will enable progress to be made, and where limited funds, especially capital funds, means that planned timescales will need to be revised.

17. The financial context is undoubtedly very challenging. Financial flexibility is constrained by high inflation and high energy costs, the impact of the COVID-19 pandemic and rising costs of living continue to affect staff and services, and the health and social care sectors are grappling with increased demand while also tackling the waiting times backlog and dealing with longstanding workforce issues. This has consequences for the range of activities that can be delivered, and potentially the timescales within which activity can be undertaken and outcomes can be achieved. It will be important for the Welsh Government to be open and transparent about what it is focusing on, when it anticipates actions will be taken, and whether previously identified timescales need to be revised.

18. We welcome the provision to health boards by the Minister for HSS of her six priorities for the IMTP planning process. If progress can be made in these key areas, it will help to unlock capacity and free up resources to enable progress to be made in other areas in the longer term. However, this will require open and honest conversations to take place with services, stakeholders and the public. We also welcome the Minister's agreement during the session to share her letter to health boards with us. However, it would be preferable in future if such information were to be shared and published proactively so that there is transparency for us, stakeholders and the public about the strategic vision guiding health boards' plans. It would also help us focus our scrutiny of future draft budgets more effectively if information about the Ministers' priorities was provided in advance.

19. We do have some concerns that health boards have not been given clear guidance about which areas the Minister for HSS considers would be "politically acceptable" for them to draw back from as they focus on her six priorities. We understand that she will review health boards' IMTPs once submitted to assess whether she is comfortable with the decisions they have taken. However, while they may be necessary, some decisions to reduce funding or focus may also be challenging or unpopular, and some potential opportunities for drawing back from some areas may not be identifiable without consideration of regional or national options. In addition, there

is no consistent template or central publication of health boards' IMTPs, making it difficult for the public or stakeholders to get a clear picture of what is happening across Wales.

20. During the general scrutiny session we held with the Ministers on 6 October 2022, the Minister for HSS told us that one of the reasons she is establishing a hybrid NHS Executive rather than one independent of Welsh Government is because she is accountable for the health service in Wales.¹⁶ On this basis, we would expect her to play a more active role in these potentially tough decisions.

Recommendation 1. In its response to our report, the Welsh Government should provide an update on discussions with health boards about the Minister for Health and Social Services' six priorities for their Integrated Medium Term Plans for 2023-24. The update should include any concerns health boards have raised with Ministers, as well as details of any further guidance the Ministers have given health boards on how the Welsh Government expects them to mitigate any resultant impact on other areas.

Recommendation 2. On the basis that Ministerial decisions on the IMTPs are currently expected to be made in May or June 2023, by the end of July 2023 the Minister for Health and Social Services should write to us to provide a summary of how her six priorities have shaped health boards' IMTPs, and any associated budgetary implications in terms of releasing funding or delivering efficiencies.

3. Putting people at the heart of health and social care

Pressures on the health and social care system

21. The COVID-19 pandemic, unprecedented staff shortages and increased demand for services have put the social care sector in Wales under extreme pressure, leading to long waits for assessments, services and care reviews. Homecare packages may not be available when people need them, and many hospital patients who are medically fit to leave are unable to be safely discharged home, with some needing to be placed in residential care because no other

¹⁶ RoP [paragraph 204], 6 October 2022

options are available.¹⁷ In addition, social care services are also affected by rising costs of living, inflation and energy costs.¹⁸

22. Care Inspectorate Wales (“CIW”) said in November 2022:

“...the combination of the huge increase in demand, the recruitment and retention issues, some of the fragilities that the pandemic has exposed—what we see is essentially a health and care system that is gridlocked. Many social care leaders are describing it in terms of crisis, and we don't use that word lightly, and many local authorities are also experiencing an increase in the volume of safeguarding referrals”.¹⁹

23. It was reported in early January 2023 that there were nearly 1,800 patients who were medically fit to leave hospital, but who could not be discharged because appropriate support was not in place.²⁰ As an additional temporary measure to respond to the acute pressures facing NHS services, the Chief Nursing Officer for Wales and the Deputy Chief Medical Officer for Wales reportedly wrote to health boards to say that consideration should be given to discharging patients who are medically fit to be discharged even if an appropriate care package has not yet been put in place.²¹ The Welsh Government’s Director of Finance, Steve Elliot, noted that this measure aimed to improve patient flow through hospitals.²² Speaking in Plenary on 10 January 2023, the First Minister explained that:

“...the advice deals directly with ensuring that people are not discharged in circumstances that would lead to their rapid readmission. It talks about people who are, for example, waiting for an assessment, and suggests that it is better that someone might wait for an assessment at home, rather than waiting in a hospital bed—a hospital bed that is then not available for someone who is not in a medically stable condition waiting for assessment, but is waiting to get in through the hospital door to receive the treatment that they need. The balance of risk is something that the health service deals with day in and day out, and always has”.²³

¹⁷ Senedd Research, [Social care: a workforce in crisis?](#), 8 March 2022

¹⁸ RoP [paragraph 42], 11 January 2023

¹⁹ RoP [paragraph 9], 30 November 2022

²⁰ BBC Wales, [NHS and social care: can Wales fix its issues?](#), 8 January 2023

²¹ See, for example, BBC News, [NHS Wales: patients can be sent home without care package](#), 4 January 2023

²² RoP [paragraph 89], 11 January 2023

²³ Plenary RoP [paragraph 26], 10 January 2023

24. We asked the Ministers about the potential impact of the revised discharge guidance on unpaid carers, who may feel obligated, or even pressured, to take on more caring responsibilities. The Chief Social Care Officer for Wales, Albert Heaney, acknowledged the dilemmas that could arise as a result of the pressures in the system. He emphasised that the revised guidance aimed to consider the balance of risk and “to do the right thing at the right time to support people in their communities”.²⁴ Recognising the additional pressures that carers could face when the people they care for are admitted to or discharged from hospital, the Deputy Minister for SS said that in 2023-24 £1m had been allocated to support carers in this regard.²⁵ She added that carers are generally keen for their loved one to return home from hospital, but that it was important that discharge occurs in a way that both the person receiving care, and the unpaid carer, are supported. A key element of this is the communication between hospitals and unpaid carers, which she said she was eager to see improve.²⁶

25. The Minister for HSS told us that addressing delayed transfers of care, including working with local government, was the “No. 1 priority” in the guidelines she had set for health boards as they prepare their IMTPs for 2023-24. Describing a need to “supercharge” work to achieve the ambition set out in ‘A Healthier Wales’, she acknowledged that achieving this would require health boards to shift resources and to move care from hospitals to the community. She added that the Health and Care Regional Integration Fund (“HCRIF”) had been allocated £144m per year for five years to assist health boards to work with local government and the third sector through Regional Partnership Boards to deliver against six identified priorities, of which she said “about three of those are relevant to the delayed transfer of care and trying to stop people from going into hospital”.²⁷

26. In addition, as a temporary measure in response to the acute situation during winter 2022-23, the Minister for HSS said that the Welsh Government had funded 508 community beds, including buying beds in care homes. Funding for these beds in 2022-23 has been drawn from the HCRIF as well as health board and local authority budgets. She confirmed that, should the need for the provision of these beds continue into 2023-24, “there will be some capacity and some money within the RIF programme that we can use”. However, she emphasised the need to resolve the underlying issues, including structural changes and approaches such as ‘hospital at home’ to move access to key professionals and services from hospitals to the community.²⁸

²⁴ RoP [paragraph 106], 11 January 2023

²⁵ RoP [paragraph 92], 11 January 2023

²⁶ RoP [paragraph 96], 11 January 2023

²⁷ RoP [paragraphs 25-30], 11 January 2023

²⁸ RoP [paragraphs 32-34, 266 and 268], 11 January 2023

Prevention

27. We discussed with Ministers how the preventative agenda was embedded throughout the draft budget. The Minister for HSS explained that this would be further strengthened by the introduction later this year of a legal requirement to conduct health impact assessments for Welsh Government policies.²⁹

28. The Deputy Minister for MHW emphasised that prevention was at the core of the health and social care portfolio. She noted that the majority of the HSS MEG is allocated to health boards, who are under a legal duty to consider prevention in their spending, as well as to consider the Wellbeing of Future Generations (Wales) Act 2015. She said:

"So just because you can't point to a pot of money that is entitled 'prevention' doesn't mean that prevention isn't happening [...]. So, absolutely, prevention is a core part of what we're doing, and we can demonstrate that both with targeted resources, but as well with the directions that we're giving to the NHS in how they spend the money".³⁰

29. The Ministers and their officials provided examples of allocations within the health and social care budget and from across government to illustrate this, including: Healthy Weight, Healthy Wales (including the associated breastfeeding action plan); the tobacco control plan; mental health actions such as tier 0, open access without referrals and the whole school approach for children and young people; work to tackle inequalities; active travel; childcare and Flying Start; and free school meals.³¹

30. The Minister for HSS said that she would be concerned if health boards deprioritised preventative work in their IMTPs, and suggested that there were opportunities to deliver prevention within her six priorities. For example, she told us that health boards could work with people who are on waiting lists to provide prehabilitation, give advice on healthy eating, and offer mental health support. She said she had asked health boards to ringfence funding for this purpose.³²

²⁹ RoP [paragraph 146], 11 January 2023

³⁰ RoP [paragraph 144], 11 January 2023

³¹ RoP [paragraphs 138-139, 141 and 154], 11 January 2023

³² RoP [paragraph 135], 11 January 2023

Mental health

31. The Deputy Minister for MHW told us that within the budget allocation to health boards, £773.6m had been ringfenced for mental health services, plus an additional budget allocation for mental health of £75m. She described the implementation of the mental health workforce plan as her key priority, on the basis that:

"...you can keep pouring money into the NHS, but unless you've got the workforce to actually deliver then it's not going to deliver what you want it to. So, the workforce plan is an absolutely key priority for me".³³

32. The Deputy Minister for MHW explained that her other priorities for mental health included:

- Recovering waiting times (including CAMHS waiting times).
- A delivery unit review of CAMHS.
- Rolling out a '111 press 2 for mental health' service to provide a 24 hour service for people needing urgent mental health support.
- Eating disorder services, including the Welsh Health Specialised Services Committee's scoping of an in-patient unit for eating disorders in Wales.
- Work to improve transitions between child and adult mental health services.³⁴

Our view

33. We are concerned about the pressure facing the health and social care system this winter. We agree with the Ministers that addressing issues relating to patient flow and delayed transfers of care is vital to unlocking the current gridlock within the system. Delayed transfers of care can be detrimental to patients, and place a strain on health and care services. However, being discharged without the right care and support measures being in place can place unreasonable demands on families and unpaid carers, present risks to the individual, or increase the likelihood of readmission. As we said in our report on hospital discharge, "without robust data it is difficult

³³ RoP [paragraph 234], 11 January 2023

³⁴ RoP [paragraphs 234-237], 11 January 2023

to know the true scale of the problem".³⁵ We note that in its response to our report the Welsh Government indicated that a new monthly reporting framework would be rolled out to all health boards and social care partners in late September 2022, before a six month review is undertaken in February 2023³⁶. To date, no data is available publicly.

34. We note the assurances offered by the First Minister in Plenary on 10 January 2023 that the guidance given to health boards on 30 December 2022 makes no suggestion that anyone should be discharged unsafely, or in circumstances that could be expected to lead to their readmission.³⁷ We would welcome, however, further information about how long the revised guidance is expected to be in place, and how the Welsh Government will monitor the impact of the guidance on patient safety.

Recommendation 3. In its response to our report, the Welsh Government should confirm how long the revised guidance issued on 30 December 2022 that patients may be discharged while waiting for a social care assessment or without a care package being in place is expected to remain in effect. This should include information about how and when the guidance will be kept under review to ensure that its impact on patient safety can be monitored.

35. We welcome the provision for 508 community beds in 2022-23, and the confirmation from the Minister for HSS that there is capacity for the provision to be extended into 2023-24 should it be needed. We note that in response to a debate on NHS pressures in Plenary on 25 January 2023, she indicated that the provision had increased to 595 beds.³⁸ However, we also agree with her that this can only be a short term measure, and that the underlying issues need to be addressed as a matter of urgency. Our report on hospital discharge and its impact on patient flow in June 2022 made a series of recommendations to assist with this.³⁹

36. We share the concerns raised with us by CIW about people being discharged from hospital to live in care homes on a temporary basis because there is insufficient availability of domiciliary care when their preference would be to return home. In its evidence to our recent inquiry into hospital discharge, CIW said that where there is no alternative to people being discharged to a care home, it is important they receive the right support to maximise their

³⁵ Health and Social Care Committee, [Hospital discharge and its impact on patient flow through hospitals](#), June 2022

³⁶ Welsh Government, [Response to the Health and Social Care Committee's report on Hospital discharge and its impact on patient flow through hospitals](#), July 2022

³⁷ Plenary RoP [paragraph 27], 10 January 2023

³⁸ Plenary RoP [paragraph 520], 25 January 2023

³⁹ Health and Social Care Committee, [Hospital discharge and its impact on patient flow through hospitals](#), June 2022

independence whilst living at the care home. This means ‘in reach’ reablement services should be provided or care staff in care homes be supported to develop additional reablement skills.⁴⁰ However, we agree with CIW that this is the “least worst option”,⁴¹ as it fails to give full account to people’s rights or what matters to them.

37. When services are under such intense pressure, we understand it can be challenging to make time for quality conversations with people about what matters to them. However, the importance of these ‘what matters’ conversations as a way to ensure that the care and support that people receive reflect their needs and prioritise what is most important to them is enshrined in the Social Services and Wellbeing (Wales) Act 2014. The final report on the evaluation of the implementation of the 2014 Act is due for publication early in 2023, and we plan to hold evidence sessions with the lead academics to explore their findings.

38. We agree with the Minister for HSS that people who are waiting for diagnosis or treatment should receive the right support and advice for their mental and physical health and wellbeing while they are waiting—these are issues we explored in detail in our April 2022 report on the impact of the waiting times backlog.⁴² However, the focus on prevention needs to be broader than those who are already on waiting lists. We were pleased to hear the extent to which prevention is embedded across Welsh Government policy areas. We acknowledge the challenges in presenting broad, cross-cutting issues of this nature within the budget, and welcome the Minister’s commitment to provide us with an indicative list of the ways in which the budget supports the preventative agenda. It may also be helpful if further consideration is given to the prominence of prevention in Welsh Government messaging around the budget.

39. On mental health, we support the Deputy Minister for MHW’s prioritisation of work to recover mental health waiting times for adults’ and children’s mental health services, and are pleased to see priority placed on improving the transition between services. We agree with the Children, Young People and Education Committee that the significant reduction in the number of children waiting for a specialist CAMHS appointment is positive, and hope to see further improvements in this regard. We also agree that the first appointment is only the start of a young people’s journey with CAMHS, and are pleased to make a joint recommendation with the CYPE Committee.

⁴⁰ HD10 Care Inspectorate Wales

⁴¹ RoP [paragraph 71], 30 November 2022

⁴² Health and Social Care Committee, [Waiting well? The impact of the waiting times backlog on people in Wales](#), April 2022

Recommendation 4. The Children, Young People and Education Committee and the Health and Social Care Committee jointly recommend that in its responses to our reports, and at six-monthly intervals thereafter, the Welsh Government must provide both Committees with data, broken down by local health board, setting out:

- Waiting times for the first appointment with CAMHS.
- The proportion of young people who are offered second appointments.
- The waiting times for second appointments.

40. The development of the ‘111 press 2 for mental health’ service and the focus on eating disorders, including the scoping for an in-patient unit, are also positive, but we would welcome further clarity on the timescales for these important projects.

Recommendation 5. In its response to our report, the Welsh Government should set out the milestones and timescales for the development of the ‘111 press 2 for mental health’ service and the next steps towards the establishment of an in-patient unit for eating disorders in Wales.

41. We noted in our recent report on tackling mental health inequalities that the Deputy Minister for MHW was not then in a position to confirm whether the mental health workforce plan would be fully funded. We recommended that once the budget had been published, the Welsh Government should confirm which actions had been allocated full funding, which had been allocated partial funding, and which had not been allocated funding. We also asked for details of which partially funded or unfunded actions would be prioritised should additional funding become available.⁴³ We look forward to receiving that information when the Deputy Minister for MHW responds to our report in early February.

4. Innovating for improvement

Transformation funding

42. We asked the Welsh Government to provide information about how the draft budget would support the development of a ‘whole system’ approach, with greater integration of health and social care and sustained progress in service transformation. In its written evidence, the Welsh Government highlighted the five-year HCRIF (£144.6m focused on six national models of

⁴³ Health and Social Care Committee, [Connecting the dots: tackling mental health inequalities in Wales](#), December 2022, recommendation 18

integrated care) and the £50m Integration and Rebalancing Capital Fund (supporting the intention to establish 50 integrated health and care hubs across Wales).⁴⁴

43. We, like our predecessor Committee, have consistently highlighted the concerns we hear from stakeholders, and that are set out in the published evaluations,⁴⁵ that transformation funding does not always lead to transformative outcomes or sustained change. This may be because funding is used either to maintain existing services which are under pressure, to establish a large number of small pilot schemes rather than larger-scale or more focused projects, or because good practice identified through successful pilots is not routinely shared, scaled up or rolled out. We put this question to the Welsh Government. Alex Slade, the Director of Primary Care and Mental Health, told us that the IMTP planning process included cluster planning through which primary care clusters could identify local needs. He said that through this planning process, health boards could identify how funding is being used, what it is achieving, and where innovative approaches could be mainstreamed across health board areas. Highlighting examples including the expansion of frailty teams in Hywel Dda University Health Board and direct access to physiotherapy, he noted that the budget had included recurrent funding for local activities of £20m per year since 2018.⁴⁶

44. The Minister for HSS told us that primary care transformation was focused on general medical services, dentistry, community pharmacy and optometry, with the principal aim being to get the maximum value from the contracts that are in place.⁴⁷ Alex Slade explained that in addition to focusing on the specific issues within each area, the Welsh Government was working with stakeholders and patient groups, and looking for opportunities to ensure that all health professionals were able to work to the highest end of their abilities within teams with appropriate skills mixes.⁴⁸ He also said that investment in primary care had enabled local services such as direct access to physiotherapy or pharmacy services to be orientated to meet the demand of local population groups. He said that the programme around integrated hubs and wellbeing facilities was “developing in earnest”. The first scheme, in Newport East, was approved in 2022 and had brought together a range of primary care services to provide a platform for joined up and integrated services.⁴⁹

⁴⁴ [Letter from the Ministers with responsibility for health and social care](#), 21 December 2022

⁴⁵ For example Audit Wales, [Integrated Care Fund](#), 17 July 2019 and Welsh Government, [Health and social services transformation fund 2018 to 2021: evaluation](#), July 2021

⁴⁶ RoP [paragraph 246], 11 January 2023

⁴⁷ RoP [paragraph 241], 11 January 2023

⁴⁸ RoP [paragraphs 242-244], 11 January 2023

⁴⁹ RoP [paragraphs 125-127] 11 January 2023

45. We asked about the potential for virtual integration and digital approaches within primary care. Alex Slade emphasised the potential for digital approaches such as virtual wards to bring services together and ensure that patients can see the right professional at the right time in the appropriate setting. He said that this approach had been rolled out across the Swansea Bay UHB primary care clusters, and that it offered opportunities to improve patient flow by finding ways for people to access services and support, including third sector and community support services, while remaining at home. He added that monitoring the volume of demand and usage of virtual wards would help in assessing the impact of the model, and that scoping work was underway to explore how digital service provision, including remote provision, could enable the expansion of virtual wards.⁵⁰

Capital funding

46. Reflecting on the limited capital allocations available in the 2023-24 draft budget, the Minister for HSS told us that she would like to see capital investment in a number of areas including regional working; digital; and health infrastructure including hospitals. She agreed with the Welsh NHS Confederation that a lack of capital funding was a significant barrier to progressing transformation, saying that:

"...we wouldn't even scratch the surface with the kind of money that we have available".⁵¹

47. She added that the first priority within the available capital funding was compliance with fire regulations and maintenance, but said that she had asked health boards to draw up 10-year proposals for capital investment. She told us this would help move away from the allocation of funding on a first-come-first-served basis, and help build a longer term vision for health care in Wales:

"...what does the health service in west Wales look like in future? What does tertiary care in Wales look like in future? It's those kinds of big, long-term plans that you can't switch on overnight. You saw how long it took to build the Grange, for example. That was a very, very long process. So, you think about the next generation, what's

⁵⁰ RoP [paragraphs 125-127 and 131] 11 January 2023

⁵¹ RoP [paragraphs 248 and 250], 11 January 2023

coming next—we need to start preparing for that now, and you've seen some of our hospitals are already creaking".⁵²

Our view

48. Health and social care is a broad portfolio, with responsibility for meeting complex and personal needs. It is, perhaps, not surprising that there is a complex network of services, structures and strategies, and a large number of pilots exploring potential improvements to practice or policy. There also needs to be a clear, transparent, and timely process for evaluation of projects, to ensure successful schemes are maintained and mainstreamed, and unsuccessful projects ended. However, the complexity of the picture can make it difficult to get a clear sense of the overall guiding vision, or where responsibility sits to ensure that work is aligned to the overarching strategic aims and that successful pilots are scaled up and rolled out so that good practice and innovation are embedded and result in genuine transformation in service operation or delivery. It is always important to get this right, but arguably even more so within the current financial context as transformation offers opportunities to find efficiencies and help limited available resources go further.

49. We welcome the Minister for HSS's acknowledgement of the need to develop a longer term vision and plans for the transformation of health services and capital investment. Clearly, health boards are key stakeholders in this process. However, if regional working and thinking is to be fully embedded in the development and delivery of longer term transformation and capital investment, the right mechanisms and leadership need to be in place to bring together individual health boards' plans, as well as the work of other health bodies including Digital Health and Care Wales,⁵³ and ensure they are aligned to and work towards a shared guiding vision.

Recommendation 6. In its response to our report, the Welsh Government should explain what role Ministers, the NHS Executive and health boards have in the development, delivery and leadership of a longer term vision for the transformation of health services and capital investment. It should also explain how it will ensure that health boards' IMTPs are aligned to the longer term vision, and have regional working embedded within them.

50. We recognise that delivering transformation within a political environment is challenging, and that it can at times be difficult even to have discussions about the vision for such

⁵² RoP [paragraph 254], 11 January 2023

⁵³ For example, unless all health boards are investing sufficiently in ICT equipment and staff skills, the scope for transformation and delivery of Ministers' wider priorities may be constrained.

transformation within a context of local and party politics. Our strategy for the Sixth Senedd highlights our ambition to act with a common cross-party purpose as we carry out our role of holding the Welsh Government to account.⁵⁴ Finding common ground is essential if we are to see necessary transformation in our health and social care systems, structures and culture, for example to deliver a shift towards prevention and early intervention, and a move away from secondary care and towards primary and community care.

51. The limited availability of capital funding is undoubtedly a significant barrier to the pace of transformational change that can be achieved. However, the cultural change that is necessary to achieving genuine transformation is not necessarily constrained in the same way. Just as new buildings or new equipment do not guarantee new ways of thinking or cooperating, their absence as a result of limited capital funding should not prevent progress being made on the cultural changes. Indeed, such cultural changes, for example increased regional thinking and working, are essential to ensure that the most effective use is made of the limited funds that are available.

Recommendation 7. In its response to our report, the Welsh Government should provide information about how the plans for capital allocations in the 2023-24 draft budget align to the six priorities outlined by the Minister for Health and Social Services in her guidelines for the 2023-24 Integrated Medium Term Plans. In doing so, she should identify what changes, if any, have been made to previous capital allocations or spending plans to reflect the introduction of the six priorities as well as the need to address the maintenance backlog.

5. Health and social care workforce

Strategic workforce planning

52. In October 2020, Health Education and Improvement Wales (“HEIW”) and Social Care Wales (“SCW”) published a joint workforce strategy for health and social care.⁵⁵ During summer and autumn 2022, they ran engagement events to help develop the supporting actions for the second phase of the joint workforce strategy.⁵⁶

⁵⁴ Health and Social Care Committee, [Sixth Senedd strategy](#), December 2021

⁵⁵ Health Education and Improvement Wales and Social Care Wales, [A Healthier Wales: our workforce strategy for health and social care](#), October 2020. As part of our [work on the health and social care workforce](#), we held an oral evidence session with HEIW and SCW on 4 November 2021 on the joint strategy, informed by a targeted call for written evidence.

⁵⁶ Health Education and Improvement Wales and Social Care Wales, [Workforce Strategy for Health and Social Care Survey](#) [accessed January 2023]

53. During our general scrutiny session with the Ministers on 6 October 2022, we asked the Minister for HSS for an update. She said:

"I'm a little bit frustrated, as you are, in terms of the workforce plan. I did receive a copy that wasn't where I needed it to be, so there's a lot of work being done, and once again, I'd rather get something right than get it done fast. So, there's a huge amount of work being done on that. I'm expecting to see a new iteration of that report by the end of October, and I will seek to get that published as soon as we can, working with Health Education and Improvement Wales, who really are the people who should be leading in this space."⁵⁷

54. We asked her on 11 January 2023 for a further update. She said that she expected to publish a revised workforce strategy by the end of January 2023, and that she also expected HEIW's action plan for the year to be published "very shortly".⁵⁸ The HEIW action plan was subsequently published on 18 January 2023. The accompanying Welsh Government press release described the plan as "ambitious" and said that it would be "backed by a record £281m investment package".⁵⁹

Agency staff

55. The Welsh Government's written evidence notes concerns about the level of agency and locum expenditure within the health service, and states that it plans to work with organisations and trade unions to manage this:

"It is our aim for work to be carried out quickly to clearly understand the current position, reducing expenditure and reliance on agency and locum staff as soon as possible, and to ensure we are in a better position going forward. Through a national framework we will consider limits and targets for agency and locum deployment and expenditure, underpinned by standard operating systems".⁶⁰

56. During the oral evidence session, the Minister for HSS highlighted the complexity of addressing this issue while also making sure that safe staffing levels are achieved, but

⁵⁷ RoP [paragraph 193], 6 October 2022

⁵⁸ RoP [paragraph 219], 11 January 2023

⁵⁹ Welsh Government, [Press release: Extra training places for nurses and paramedics in Wales thanks to 8% increase in training budget](#), 18 January 2023

⁶⁰ [Letter from the Ministers with responsibility for health and social care](#), 21 December 2022

acknowledged that progress could be made more quickly in some areas. She told us that around 65 per cent of the NHS budget was spent on staffing, of which 6 per cent is spent on agency staff. She said that national actions had been successful before the pandemic in reducing agency and locum spend, and that upcoming discussions with trade unions and the development of the workforce action plan should help drive progress.⁶¹

Social care

57. The fragility of the social care workforce continues to be a very significant risk to the sustainability of the sector.

58. In its response to the Finance Committee's consultation on the draft budget for 2023-24, the Association of Directors of Social Services Cymru said:

"While we of course welcome the increases earmarked by the Welsh Government in the Draft Budget for 2022-23 [sic], we are conscious that this is not going to put social care on a path to stability and sustainability. Sector transformation requires strong, collective, compassionate leadership, a resilient and respected workforce and these need to be backed up by a long-term and sustainable funding settlement for the health and social care system, which we have long been calling for".⁶²

59. During our scrutiny of the Welsh Government's draft budget for 2022-23 last year, the Deputy Minister acknowledged that the Real Living Wage alone would not be sufficient to address the social care workforce crisis. She said then that urgent attention needed to be given to terms and conditions beyond pay, and explained that the Social Care Fair Work Forum had been asked to make recommendations on terms and conditions, including career progression.⁶³ We welcomed this in our February 2022 report on the 2022-23 draft budget, and called for the work to be "given the highest priority and progressed as a matter of utmost urgency". We also asked the Welsh Government to set out the timescales within which it expected the Social Care Fair Work Forum to make its recommendations for improving terms and conditions for social care workers in Wales.⁶⁴ The Welsh Government accepted our recommendation in principle, and provided background information about the Forum. It said, however, that the Forum itself would be considering what the expectations would be in terms of timescales for progressing its

⁶¹ RoP [paragraphs 221, 225 and 228], 11 January 2023

⁶² Association of Directors of Social Services Cymru, [Response to the Finance Committee's consultation on the Welsh Government's draft budget 2023-24](#), January 2023

⁶³ RoP [paragraph 179], 13 January 2022

⁶⁴ Health and Social Care Committee, [Welsh Government draft budget 2022-23](#), February 2022

work.⁶⁵ We raised this issue again in our June 2022 report on the impact of hospital discharge on patient flow through hospitals, and called for the Welsh Government to:

- Provide an update by the end of 2022 on work undertaken to improve the pay, terms and conditions and career progression opportunities for the social care workforce, address inequities with NHS counterparts, and work towards a national pay structure for care.
- Provide an update by the end of 2022 on work undertaken to address the issue of sickness pay for social care workers, and an outline of the Social Care Fair Work Forum's planned work, including timescales.⁶⁶

60. These recommendations were accepted by the Welsh Government, which said that the Forum would publish an update on progress made across its key priorities by the end of 2022.⁶⁷ The Forum has not yet published an update, although the Deputy Minister for SS told us on 11 January 2023 that she expected it to do so early this year. She added that as part of the Welsh Government's long term commitment to developing a national care system, the Forum was working towards setting up a system for voluntary collective bargaining by the start of the 2023-24 financial year.⁶⁸

61. The commitment to the Real Living Wage for social care workers continues to be a key priority in the Welsh Government's draft budget for 2023-24. £70m has been allocated to local authorities for this purpose, and the Deputy Minister for SS told us that the Welsh Government would be tracking that money to ensure it was spent as intended. While saying the Real Living Wage was "an important step", she acknowledged that the uplift to £10.90 per hour would not necessarily resolve the shortage of care workers.⁶⁹

62. We asked the Deputy Minister for SS whether the particular issues in attracting people to work in domiciliary care related only to pay, or whether working conditions were also a factor. She said that wages were a significant part of the issue as pay was still not competitive despite the £1 per hour increase. Other factors include disparity with the pay and conditions available to equivalent NHS workers, and issues such as travel rates. The Welsh Government has provided

⁶⁵ Welsh Government, [Response to the Health and Social Care Committee's report on the 2022-23 draft budget](#), March 2022

⁶⁶ Health and Social Care Committee, [Hospital discharge and its impact on patient flow through hospitals](#), June 2022, recommendations 12 and 13

⁶⁷ Welsh Government, [Response to the Health and Social Care Committee's report on Hospital discharge and its impact on patient flow through hospitals](#), July 2022

⁶⁸ RoP [paragraph 111], 11 January 2023

⁶⁹ RoP [paragraphs 39-40 and 46], 11 January 2023

£10.1m to local authorities to procure electric cars for domiciliary care workers, but the Deputy Minister for SS said that the pressures facing domiciliary care meant that some of that funding was being used to increase the travel rates paid to domiciliary care workers instead. She said that work was also at an early stage to develop multidisciplinary teams within communities to help prevent hospital admission while also improving working arrangements for domiciliary care workers, but that:

"...it's at a very early stage really, so we can't talk about them in too great a detail. We are meeting and discussing it now, but we intend to use some of the existing budget to create ways of working in the community, which we hope will tackle all these issues".⁷⁰

63. Albert Heaney told us that the Welsh Government was working with SCW to look at modelling on social worker numbers, as well as with local authorities to look at "growing their own social workers", in order to address issues in terms of capacity for assessments. He said that £10m over three years (an increase of £4m) was being provided for bursaries for student social workers in addition to continuation of the £45m social care workforce grant.⁷¹

64. The Deputy Minister for SS told us that she and the Minister for HSS had "agonised" over the decision to end the enhanced COVID-19 sick pay scheme for social care workers in August 2022, but that it had not been possible to identify funding for the scheme to be continued once UK Government funding had ended. She said that while social care workers were "no worse off now than they were before we actually had the COVID period", the Forum was looking at issues relating to sick pay for social care workers.⁷²

65. The Deputy Minister for SS also acknowledged the impact of discrepancies in pay for professionals such as allied health professionals working within social care and health services. She described this gap as "very damaging", and said:

"So, in the longer term, when we have a system that is probably integrated, yes, we will, obviously—that is something that I'm sure we will be able to address".⁷³

⁷⁰ RoP [paragraph 71, 75-76], 11 January 2023

⁷¹ RoP [paragraph 49], 11 January 2023

⁷² RoP [paragraph 113], 11 January 2023

⁷³ RoP [paragraph 116], 11 January 2023

Unpaid carers

66. Carers Trust Wales has described the draft budget as a missed opportunity to support carers in a more sustainable way by introducing an ongoing supplement for carers in receipt of carers' allowance.⁷⁴ The Deputy Minister for SS said that since January 2022 £42m had been announced to support unpaid carers over the next three years, in addition to local authorities' responsibilities for assessing carers' needs. She highlighted in particular:

- The £4.5m carers support fund, which provides small grants to individual carers.
- The one-off payment of an additional £500 to all carers in receipt of the carers' allowance to reflect the additional pressures they face when providing vital care to their loved ones.
- The £9m short breaks fund to be administered by Carers Trust Wales, which the Deputy Minister for SS said would "come up with innovative ways of giving the carer what they want and need in order to manage to keep on caring".⁷⁵

67. Albert Heaney told us that the Welsh Government has also commissioned research to help improve understanding of support for unpaid carers.⁷⁶

68. During our work on hospital discharge, Carers Wales told us it was concerned that legal obligations under the Social Services and Wellbeing (Wales) Act 2014 were being undermined as a result of the pressures being placed on unpaid carers to provide care beyond what they were willing or able to provide.⁷⁷ In its response to our report, the Welsh Government said that the Chief Social Care Officer for Wales had identified unpaid carers as a priority area within his forward workplan. It also said that he would commission a review of the quality and effectiveness of carers' needs assessments during the 2022-23 financial year.⁷⁸ In January 2023, the Public Services Ombudsman for Wales similarly announced proposals for an investigation into the use of needs assessments and complaints processes by unpaid carers.⁷⁹

⁷⁴ Carers Trust Wales, [Carers Trust responds to the Welsh Government Draft Budget 2023-24](#), 13 December 2022

⁷⁵ RoP [paragraphs 94, 97 and 101], 11 January 2023

⁷⁶ RoP [paragraph 105], 11 January 2023

⁷⁷ [HD39 Carers Wales](#)

⁷⁸ Welsh Government, [Response to the Health and Social Care Committee's report on Hospital discharge and its impact on patient flow through hospitals](#), July 2022

⁷⁹ Public Services Ombudsman for Wales, [We invite views on proposed investigation into the use of needs assessments and complaints processes by unpaid carers](#), 9 January 2023

Our view

69. We agree with stakeholders that investment in the NHS workforce is required, including a strategic workforce plan. While we agree with the Minister for HSS that it is important to get the strategy and associated action plans right, it is regrettable that the timescales slipped and these important documents were delayed. We note the Minister's view that the workforce action plan has a role to play in bringing down the level of spend on agency staff, and will expect to see improvements in this area, including the outcomes of discussions on reducing the spend on agency staff.

Recommendation 8. In its response to our report, the Welsh Government should outline the analysis it has undertaken of why staff are choosing to work for agencies rather than the NHS, explain what actions it is taking to reduce agency staff spend, and commit to providing us with quarterly updates on progress in reducing spend. The first quarterly update should be provided by the end of June 2023.

70. We support the Welsh Government's commitment to the Real Living Wage for social care workers, and we accept the Minister for HSS's point that this is a big commitment⁸⁰ with some associated risk as the level of the Real Living Wage is recommended independently by the Living Wage Foundation on an annual basis. We also agree with the Deputy Minister for SS that the Real Living Wage alone is not sufficient to address the longstanding and increasingly acute shortages in the social care workforce. It is positive that the Deputy Minister for SS has been able to confirm that the Social Care Fair Work Forum will consider issues relating to sick pay. We welcome the indication from the Deputy Minister for SS that work is being progressed to include domiciliary care workers within community integrated teams, although it is not clear how and when this work will be taken forward.

71. We note the views of the Welsh Government's National Care Service Expert Group on the urgency of progress being made towards parity for social care and NHS staff:

"Although the alignment of pay presents significant cost implications, it is the view of the Expert Group that unless we move rapidly in this direction, there is a danger that

⁸⁰ RoP [paragraph 67], 11 January 2023

there will be no care service in Wales, whether it is provided free at the point of delivery or not".⁸¹

72. On this basis, we welcome the indication from the Deputy Minister for SS that issues regarding the discrepancy of pay and conditions for social care and health service workers will be addressed as we move towards the longer term vision of a national care service.

73. We know the Ministers understand the urgency of these issues, and we do appreciate the challenges in progressing these matters, particularly in a fragmented sector that is dealing with considerable pressures. However, we are not yet persuaded that the Social Care Fair Work Forum's work is being progressed at the pace needed; that voluntary measures for collective bargaining or pay structures are adequate; or that there is sufficient clarity about how the recommendations of the National Care Service Expert Group will be progressed to deliver the Welsh Government's longer term ambitions for social care in Wales.

Recommendation 9. In its response to our report, the Welsh Government should commit to providing us with six-monthly updates on (1) the work of the Social Care Fair Work Forum, and (2) actions taken to progress the recommendations made by the Expert Group on the development of a national care service for Wales. The first updates should be provided by the end of June 2023.

74. As we have consistently recognised throughout our work, without unpaid carers our health and social care services would not be able to operate. The care that unpaid carers provide to friends and family members is essential, and it is vital that carers themselves receive the support they need to enable them to continue to provide care. We welcome the continuation of the carers support fund, and the establishment of the short breaks scheme. However, it is concerning that some day centres are still yet to reopen following the pandemic and we urge the Welsh Government and local authorities to address this as a matter of urgency. In addition, we, like Carers Trust Wales, would like to see more sustainable, longer term financial support provided to unpaid carers.

⁸¹ Welsh Government's National Care Service Expert Group, [Towards a national care and support service for Wales: report of the Expert Group](#), September 2022

6. Health inequalities and inequities

Tackling inequalities

75. The Welsh Government’s written evidence⁸² notes that the wellbeing goals set out in the Wellbeing of Future Generations (Wales) Act 2015—including A Healthier Wales and A More Equal Wales—drive its policy decisions. It says that this approach means that action to address health inequalities is “mainstreamed across the breadth of Welsh Government activity and budget allocations”. It adds that its ‘health in all policies’ approach, informed by health impact assessments, and its integrated budget allocation process mean that “it is not possible to quantify exact figures from the totality of budget allocations which are solely related to reducing health inequalities”. Key areas of activity highlighted in the evidence include Flying Start and work to address obesity and smoking.⁸³

76. In respect of core allocations to health boards, the written evidence notes that while it is not possible to identify specific allocations directed solely at tackling inequalities, the NHS Planning Framework set by Ministers “confirms that action on health inequalities should be a golden thread throughout Integrated Medium Term Plans”.

77. In relation to mental health, the written evidence indicates that the Welsh Government aims to improve mental health and wellbeing across Wales by strengthening protective factors, and improving access to financial inclusion and advice services and services to support people who have mental health conditions into employment (or to remain in employment).

Impact of the budget on particular groups and communities

78. We asked the Welsh Government to provide us with information about the impact of the draft budget 2023-24 on particular groups and communities, including how it had taken gender budgeting into account when preparing its expenditure plans and what assessments had been made on the impact of the draft budget allocations on groups including women and girls, black and ethnic minority communities, children and young people, and older people.

79. In written evidence, the Welsh Government noted that:

⁸² [Letter from the Ministers with responsibility for health and social care](#), 21 December 2022

⁸³ The evidence notes that smoking and obesity rates are generally higher among certain groups, including people living in the most deprived areas and people from some ethnic minority backgrounds.

- Modelling work in respect of mental health has taken account of the disproportionate impact of the pandemic on groups including “people from Black, Asian and Minority Ethnic communities and for children and young people”. This modelling had subsequently informed budget allocations and policy responses such as the establishment of a task and finish group to identify ways to improve access to and the quality of mental health services for Black and Asian and Minority Ethnic communities.
- The development of the Real Living Wage commitment for social care workers was informed by “a full integrated impact assessment [...] including equality and children’s rights”, as well as consideration by the Social Care Fair Work Forum of the impact on different groups and communities. Noting that the majority of social care workers are “women aged over 40 who are not financially independent despite being in full time work”, it adds that the policy has:

“...already had a positive impact on equalities as the uplift also applied to all groups working within social care including part time workers and ethnic minority groups. People with enduring health issues who are on sick leave, pregnant women (who may also have taken time off) and parents or guardians on maternity, paternity or adoption leave have also received the uplift if in eligible posts”.

- In addition, the evidence outlines specific pilot projects within the wider Transformation Programme which focus on supporting or improving outcomes for specific groups or communities.⁸⁴

Our view

80. We welcome the inclusion in the NHS Planning Framework of the requirement for action on health inequalities to be a “golden thread” in IMTPs. However, we would not want to see this integrated approach be a barrier to identifying specific and tangible outcomes against which progress on tackling health inequalities can be assessed, or which can be used to target spending effectively.

81. It is important that any differential impacts of funding allocations on different groups and communities is assessed and considered as the Welsh Government develops and determines funding and policy proposals. We welcome the evidence that the modelling underpinning

⁸⁴ Letter from the Ministers with responsibility for health and social care, 21 December 2022

mental health funding and policy approaches take account of the disproportionate impact of the pandemic on children and young people, and people from minority ethnic communities. We are also pleased that the development of the Real Living Wage commitment, a key priority within the Welsh Government's draft budget for 2023-24 has been informed by impact assessments.

82. More broadly, we are aware that the Minister for FLG told the Finance Committee on 14 December 2022 that work was ongoing to embed gender budgeting into the Welsh Government's processes, and to continue to learn from countries who had led the way in this regard. She added that in respect of the impact of the budget on people from different income brackets, the distributional impact assessment of the Welsh Government's budget for 2022-23 remained valid.⁸⁵ We support the Welsh Government's ongoing commitment in this regard, and look forward to seeing how these emerging approaches are reflected in future draft budgets.

7. Post-pandemic reset

COVID-19: ongoing response

83. Audit Wales has published details of COVID-related expenditure in NHS Wales for 2021-22. It shows NHS bodies in Wales spent a net additional £0.85 billion due to COVID-19. This compares to £1.14bn in 2020-21, a reduction of £0.29bn.⁸⁶ Audit Wales says:

"It is not possible to say how much specifically dealing with COVID-19 has cost as funding for curtailed NHS activity continued to be provided and was re-purposed, with many staff undertaking new activities in new ways".⁸⁷

84. The Welsh Government's written evidence⁸⁸ indicates that the draft budget allocations for 2023-24 are based on a COVID stable scenario in which we may experience subsequent waves of COVID infection and new variants but without seeing unsustainable pressures on the health and social care system. Surveillance will continue to inform policy and planning, including for any future pandemics. In addition, the available funding will provide the basis for planning and stepping up to a COVID urgent scenario, but not the implementation or scale up of activity that would be required under those circumstances. It also provides some capacity within the health

⁸⁵ Finance Committee, RoP [paragraph 113], 14 December 2022

⁸⁶ Analysis by Senedd Research using the Audit Wales [NHS Wales Finances Data Tool](#)

⁸⁷ Audit Wales, [NHS Wales Finances Data Tool](#) [accessed January 2023]

⁸⁸ [Letter from the Ministers with responsibility for health and social care](#), 21 December 2022

protection system to provide screening for asylum seekers, communicable disease outbreaks and winter planning. Other elements provided for in the 2023-24 draft budget include: the Long COVID Adferiad (Recovery) Programme, continuation of the online STI testing begun during the pandemic, the research and development COVID evidence centre, the COVID vaccination programme (as part of the integrated vaccination programme), and access for health and social care staff to the Canopi mental health and wellbeing support programme.

85. The evidence notes that capacity to “flex and respond” within the HSS MEG should there be a resurgence in COVID response costs is limited, meaning that any move to a higher response level would require a cross-government response.

Tackling the waiting times backlog

86. Waiting lists for diagnostic and therapy appointments and surgical treatment in Wales significantly increased during the pandemic. The Welsh Government’s written evidence notes that “the Minister has been clear that it will take the whole Senedd term for the NHS to recover from the pandemic”.⁸⁹

87. In April 2022, the Welsh Government published a plan for transforming and modernising planned care and reducing waiting lists.⁹⁰ The plan includes five key ambitions for reducing waiting lists.⁹¹ We asked the Welsh Government what assessment had been made of the impact and outcomes of the resources allocated to tackling waiting times in 2022-23. In written evidence, the Welsh Government notes that targeted funding for tackling waiting lists in 2022-23 was released before the planned recovery programme was launched in April 2022 with the result that:

“...organisations made individual choices as opposed to being led by the strategic direction we now follow. This has meant opportunities such as regional working were being missed, however some regional opportunities are now being developed, such as regional diagnostics”.⁹²

88. During 2022-23, £3.4m of the £15m planned care transformation fund was allocated in quarter 1 and 2, with further funding expected to be released during quarters 3 and 4 in line

⁸⁹ Letter from the Ministers with responsibility for health and social care, 21 December 2022

⁹⁰ Welsh Government, [Plan for transforming and modernising planned care and reducing waiting lists](#), April 2022

⁹¹ Termly monitoring reports tracking the Welsh Government’s progress against the five key ambitions will be published on [our website](#).

⁹² Letter from the Ministers with responsibility for health and social care, 21 December 2022

with project milestones. The Welsh Government's evidence paper provides some examples of impacts identified in some areas during the first six months,⁹³ but notes that other projects are longer term with benefits not expected to be realised during the initial period.⁹⁴

89. The Welsh NHS Confederation, in its response to the Finance Committee's consultation on the Welsh Government's draft budget 2023-24, said:

"In relation to the Welsh Government's planned care recovery plan, there continues to be concern over the system's capacity to achieve the ambitious targets that it sets out. Whilst staff are working tirelessly to help patients, there are limiting factors which prevent the effective address of the backlog. This includes capital funding, with the current state of the estate having major implications on the physical capacity of the NHS to make inroads in planned care backlogs, and further support and investment in the workforce".⁹⁵

90. During our general scrutiny session with the Ministers on 6 October 2022, the Minister for HSS told us that the target on reducing two-year waits to zero by March 2023 was "still doable", and that she was "trying to put pressure on the health boards to make sure that they don't give up".⁹⁶ However, as at October 2022, there were still 15,187 patient pathways waiting over two years. There were also 95,074 patient pathways waiting over 53 weeks for a first out-patient appointment (the Welsh Government's ambition was zero by the end of 2022).⁹⁷

91. In oral evidence on 11 January 2023, the Minister for HSS said that progress was being made towards the targets, and that for the first time waiting lists were starting to come down. She acknowledged that the targets were "a little ambitious", but said that this served to "galvanise the system to get them to understand what's out there". She also acknowledged that the need for emergency cases to be seen urgently, combined with pressures on services, could affect the delivery of planned care and mean that some people continue to wait a long time to

⁹³ Including reduced outpatient referrals resulting from outpatient transformation projects, higher discharge rates among patients accessing the teledermoscopy service compared to traditional in person services, and waiting list validation.

⁹⁴ Including the introduction of see on symptom and patient initiated follow up pathways.

⁹⁵ Welsh NHS Confederation, [Response to the Finance Committee's consultation on the Welsh Government's draft budget 2023-24](#), November 2022

⁹⁶ RoP [paragraph 154], 6 October 2022

⁹⁷ Senedd Research, [Reducing the waiting times backlog](#), 22 December 2022

be seen, but said that she and her team continued to encourage services to refocus and make sure that progress was made.⁹⁸

Our view

92. We note the assumptions for a COVID stable scenario underpinning the 2023-24 draft budget, and the indication that any shift to a COVID urgent scenario would require a whole government response. We welcome the continued access to the Canopi mental health and wellbeing support service for health and social care staff, and would encourage staff to make use of the available support if they need to do so.

93. In respect of the waiting times backlog, it is regrettable that the timing of the 2022-23 funding and the publication of the Welsh Government's strategy were not aligned, and that opportunities to develop regional working at an earlier stage were therefore missed. It is welcome, however, that these opportunities are now being pursued although the timescales within which progress is expected are not yet clear. We will continue to monitor progress against the ambitions set out in the Welsh Government's plan and the recommendations we made in our April 2022 report on the impact of the waiting times backlog on people who are waiting for diagnosis or treatment.⁹⁹

8. Local health boards' financial performance

Background

94. Under the NHS Finances (Wales) Act 2014, health boards have two statutory financial duties: to manage their resources within approved limits (i.e. break even) over a three year rolling period; and to prepare, and have approved by Ministers, a rolling three-year IMTP. Table 1 shows the annual reported outturn for each of the three years to 31 March 2022 as well as the latest in-year reported and forecast end of year position for the health boards for 2022-23. It shows that, in aggregate, health boards are reporting an in-year deficit to date of £98.6m and a forecast end of year deficit of £159.9m for 2022-23.

⁹⁸ RoP [paragraph 212], 11 January 2023

⁹⁹ Health and Social Care Committee, [Waiting well? The impact of the waiting times backlog on people in Wales](#), April 2022

Table 1 Health board financial performance 2019-20 to 2022-23¹⁰⁰

| Health board | (Over)/under-spend (£m) | | | | |
|-------------------------------|-------------------------|--------------------------------------|-----------------|-----------------|-----------------|
| | Outturn to date 2022-23 | Forecast end of year outturn 2022-23 | Outturn 2021-22 | Outturn 2020-21 | Outturn 2019-20 |
| Aneurin Bevan | (25.7) | (37.0) | 0.2 | 0.2 | 0.0 |
| Betsi Cadwaladr | (3.2) | (10.0) | 0.3 | 0.5 | (38.7) |
| Cardiff and Vale | (12.8) | (19.9) | 0.2 | 0.1 | 0.1 |
| Cwm Taf Morgannwg | (14.6) | (26.5) | 0.2 | 0.1 | 0.9 |
| Hywel Dda | (34.9) | (59.0) | (25.0) | (24.9) | (34.9) |
| Powys | (3.7) | (7.5) | 0.1 | 0.1 | 0.1 |
| Swansea Bay | (3.7) | 0.0 | (24.4) | (24.3) | (16.3) |
| Net (over)/under-spend | (98.6) | (159.9) | (48.4) | (48.2) | (88.8) |

95. The Minister for HSS told us that health boards had received significant additional funding in 2022-23, including £900m to cover the costs of increased demand, pay increases, energy costs and the ongoing response to COVID-19. She said that high levels of demand, inflationary pressures, continuing health care packages, and staffing costs, including agency staff, had contributed to the deterioration of financial balance across health boards.¹⁰¹ She noted that support for energy costs in 2022-23 had been provided in part from funding provided by the UK Government, but that there was no commitment in the 2023-24 budget in respect of energy costs. She said that this would mean that:

¹⁰⁰ Prepared by Senedd Research from NHS summarised accounts and papers to health board Board and Committee meetings.. Reported outturn to month 7 (October 2021) for Aneurin Bevan, Hywel Dda, and Swansea Bay UHBs and month 6 (September) for the other health boards. Some health boards have presented figures which are rounded up. On 14 July 2022, the Minister for Health and Social Services agreed to provide a recurrent additional £24.4m to Swansea Bay UHB. The [Welsh Government's written evidence](#) states that this was "in recognition that they were significantly underfunded against the resource allocation formula compared to other boards".

¹⁰¹ RoP [paragraphs 169-172], 11 January 2023

"[Health boards are] going to have to find that money from within their budget, which means, effectively, cuts to NHS budgets, which means that there will have to be a deprioritisation. Unfortunately, there will be areas where I think they'll probably just have to draw back a little bit, maybe on prevention, which is the last thing we want to see, but I'm afraid that's probably the reality of what's likely to happen, and maybe some of the decarbonisation agenda, as well".¹⁰²

96. The Minister for HSS told us that she expected all health boards to ensure that money was being spent as efficiently as possible. She said that the Chief Executive of NHS Wales had established a utilisation of resources group to drive progress in this area.¹⁰³ Nick Wood, the Deputy Chief Executive of NHS Wales, said the group was exploring opportunities for savings in medicines, including switching patients to generic medications when drugs come off patent, providing guidance across health boards, and reviewing people's prescriptions. He said that while no national target for savings on medicines had yet been set, experience suggested that the saving could be between 4 and 10 per cent.¹⁰⁴ The Minister for HSS agreed, adding that digital medicines transformation for primary and secondary care would soon be in place which would improve information and monitoring.¹⁰⁵

97. Steve Elliot told us that health boards had identified around £140m in savings in 2022-23, an increase on the £115m identified in 2021-22, but that they anticipated a shortfall of around £30m compared to the levels required. Summarising the position, he said:

"As the Minister said, we've put quite significant amounts of funding into the service this year to support, in terms of core uplifts, obviously, pay increases. We've supported the exceptional costs of energy, as well as, obviously, the ongoing response to COVID. So, the ask of the service was then to balance their core financial positions, and, for the reasons the Minister just outlined, to a degree, it's not surprising that health boards are in this position. We're not unique in Wales. I think, in England, the integrated care boards are forecasting something like £800 million, £900 million overspend in England as well. So, it's a reflection, I think, of the fact that over the last two years we've been able to support the significant costs in terms of responding to COVID, but this is very much a transitional year of coming away from

¹⁰² RoP [paragraph 10], 11 January 2023

¹⁰³ RoP [paragraph 190], 11 January 2023

¹⁰⁴ RoP [paragraphs 191-192 and 196 and 200], 11 January 2023

¹⁰⁵ RoP [paragraph 206], 11 January 2023

that non-recurrent funding and trying to embed back the core financial management approach that we need to get back on top of".¹⁰⁶

98. In written evidence, the Ministers said that the deterioration in the NHS' financial position was "not a position that Welsh Government is prepared to support or underwrite".¹⁰⁷ The evidence explained:

"The three health boards that presented deficits in their financial plans have been placed in a higher level of escalation, and officials and the Finance Delivery Unit are now working closely with these organisations to develop a clear understanding of the reasons for their deterioration, and to develop a pipeline of opportunities to enable them to work towards recovering financial stability. Whilst no formal action has yet been taken with the three health boards who have reported in-year deficits, officials and the Finance Delivery Unit are working closely with these organisations as well as they develop and implement financial recovery plans".¹⁰⁸

99. The Minister for HSS told us in oral evidence that there was a structured intervention process for health boards projecting overspends which required them to set out the reasons and identify how efficiencies could result in savings.¹⁰⁹ Steve Elliot clarified that while the Welsh Government had provided cash to health boards to enable them to meet their financial obligations to suppliers, this did not amount to "bail[ing] out organisations that are not managing their core financial position" as health boards would not have their overspends written off or receive money to cover the deficits. He added that in addition to the intervention process outlined by the Minister, he and the Welsh Government's Financial Delivery Unit meet regularly with health board finance directors as part of a "collective, supportive approach". He said that finance directors "recognised the need for a programme of work to respond to the financial challenges that they're experiencing".¹¹⁰

100. We asked the Minister for HSS whether achieving financial balance would require tough decisions on health services. Nick Wood emphasised that health boards needed to consider how resources were being used. He explained that the six goals programme included a focus on shifting away from the high cost elements of services, and taking instead an integrated

¹⁰⁶ RoP [paragraphs 173-174], 11 January 2023

¹⁰⁷ [Letter from the Ministers with responsibility for health and social care](#), 21 December 2022

¹⁰⁸ [Letter from the Ministers with responsibility for health and social care](#), 21 December 2022

¹⁰⁹ RoP [paragraph 176], 11 January 2023

¹¹⁰ RoP [paragraph 177 and 184], 11 January 2023

approach spanning primary care, urgent and emergency care, discharge, and prevention on the basis that “Delivering all parts of the pathway ultimately delivers an efficiency in the system”. He added that the optimum hospital pathway work launched in December 2022 and the work being undertaken on reducing delayed transfers of care would reduce the length of hospital stays, with corresponding financial savings:

“The more we can focus on that within those six priorities, then the more effective the use of resources that we've got is, and then the more investment can go into the recovery of the waiting list, the mental health service et cetera. So, I think, what we've got to get the health boards to look at is how best to deliver each of the different pathways so that we're putting the most effective and the most efficient part of that pathway to the most effective use”.¹¹¹

101. He acknowledged that health boards had not yet delivered this in 2022-23. He described 2022-23 as “a bit of a transition year from dealing with the pandemic and the challenge that that’s had both financially and operationally”, and said that health boards now needed to refocus on financial and operational delivery discipline. He told us that progress had already been made, albeit slower than he would have liked, but that the priorities set out in the IMTP planning guidance would help drive progress in 2023-24.¹¹²

102. In evidence to the Finance Committee on 12 January 2023, David Phillips of the Institute for Fiscal Studies said that he thought there were opportunities for efficiencies within the health service that could “go some way to address the budget pressures”. He highlighted potential areas in which health services could be delivered more efficiently, including reducing the length of hospital stays—which he noted were longer on average than hospital stays in England—and increasing the focus on prevention, early intervention, public health and access to primary care (including out of hours primary care).¹¹³

Our view

103. It is unacceptable that only one health board is projected to meet its statutory financial duties in 2022-23, and that so many of the other health boards are subject to escalation and

¹¹¹ RoP [paragraphs 202-204], 11 January 2023

¹¹² RoP [paragraph 208], 11 January 2023

¹¹³ Finance Committee RoP [paras 86-91], 12 January 2023

intervention measures. We agree with the Minister for HSS that this position cannot be supported, and that we must see a return to financial balance.

104. We recognise the significant pressures facing the health service this year, but we also recognise that this is not a new issue. As we stated in our February 2022 report on the Welsh Government's draft budget for 2022-23:

"The Minister and her officials outlined various plans to challenge and support health boards that are consistently failing to operate within their budgets. However, these health boards have been receiving challenge and support, including very substantial additional financial support, for a considerable period. We are not confident, therefore, that the actions described to us will deliver the necessary step-changes to bring those health boards to a sustainable and balanced financial position".¹¹⁴

105. We agree that the guidance provided by the Minister for HSS to inform health boards' IMTPs will help to provide focus. We welcome the establishment of the utilisation of resources group to help ensure that the health service works together to consistently identify and deliver efficiencies. However, it is outcomes that are important, and it remains to be seen whether these measures will be sufficient to challenge established practices which may not be efficient practices, and deliver the required step change in health board financial performance. We also have concerns about whether the Welsh Government has the capacity needed to work closely with so many health boards to turn their positions around.

Recommendation 10. In its response to our report, the Welsh Government should provide further assurances about how it will ensure that all health boards in Wales achieve financial sustainability and balance within the 2023-24 to 2025-26 integrated medium term planning cycle. This should include clear timescales within which the Welsh Government anticipates each health board will achieve financial balance, and how progress will be monitored.

106. In February 2022, responding to a recommendation we made during our scrutiny of the Health and Care Bill LCM asking the Minister to outline what analysis had been undertaken of the risks and benefits associated with regulating, or not regulating, senior health leaders and managers in Wales, she said she had no plans for such regulation.¹¹⁵ If she is not minded to pursue regulation, she may nevertheless need to consider what other mechanisms may be

¹¹⁴ Health and Social Care Committee, [Welsh Government draft budget 2022-23](#), February 2022

¹¹⁵ [Letter from the Minister for Health and Social Services](#), 2 February 2022

needed to ensure that senior health board leaders are held to account for ongoing failure to deliver financial balance and sustainability in line with health boards' statutory duties.

Annex: list of recommendations

Recommendation 1. In its response to our report, the Welsh Government should provide an update on discussions with health boards about the Minister for Health and Social Services' six priorities for their Integrated Medium Term Plans for 2023-24. The update should include any concerns health boards have raised with Ministers, as well as details of any further guidance the Ministers have given health boards on how the Welsh Government expects them to mitigate any resultant impact on other areas.....Page 7

Recommendation 2. On the basis that Ministerial decisions on the IMTPs are currently expected to be made in May or June 2023, by the end of July 2023 the Minister for Health and Social Services should write to us to provide a summary of how her six priorities have shaped health boards' IMTPs, and any associated budgetary implications in terms of releasing funding or delivering efficiencies.....Page 7

Recommendation 3. In its response to our report, the Welsh Government should confirm how long the revised guidance issued on 30 December 2022 that patients may be discharged while waiting for a social care assessment or without a care package being in place is expected to remain in effect. This should include information about how and when the guidance will be kept under review to ensure that its impact on patient safety can be monitored..... Page 12

Recommendation 4. The Children, Young People and Education Committee and the Health and Social Care Committee jointly recommend that in its responses to our reports, and at six-monthly intervals thereafter, the Welsh Government must provide both Committees with data, broken down by local health board, setting out:

- Waiting times for the first appointment with CAMHS.
- The proportion of young people who are offered second appointments.
- The waiting times for second appointments..... Page 14

Recommendation 5. In its response to our report, the Welsh Government should set out the milestones and timescales for the development of the '111 press 2 for mental health' service and the next steps towards the establishment of an in-patient unit for eating disorders in Wales. Page 14

Recommendation 6. In its response to our report, the Welsh Government should explain what role Ministers, the NHS Executive and health boards have in the development, delivery and leadership of a longer term vision for the transformation of health services and capital investment. It should also explain how it will ensure that health boards' IMTPs are aligned to the longer term vision, and have regional working embedded within them. Page 17

Recommendation 7. In its response to our report, the Welsh Government should provide information about how the plans for capital allocations in the 2023-24 draft budget align to the six priorities outlined by the Minister for Health and Social Services in her guidelines for the 2023-24 Integrated Medium Term Plans. In doing so, she should identify what changes, if any, have been made to previous capital allocations or spending plans to reflect the introduction of the six priorities as well as the need to address the maintenance backlog. Page 18

Recommendation 8. In its response to our report, the Welsh Government should outline the analysis it has undertaken of why staff are choosing to work for agencies rather than the NHS, explain what actions it is taking to reduce agency staff spend, and commit to providing us with quarterly updates on progress in reducing spend. The first quarterly update should be provided by the end of June 2023. Page 24

Recommendation 9. In its response to our report, the Welsh Government should commit to providing us with six-monthly updates on (1) the work of the Social Care Fair Work Forum, and (2) actions taken to progress the recommendations made by the Expert Group on the development of a national care service for Wales. The first updates should be provided by the end of June 2023..... Page 25

Recommendation 10. In its response to our report, the Welsh Government should provide further assurances about how it will ensure that all health boards in Wales achieve financial sustainability and balance within the 2023-24 to 2025-26 integrated medium term planning cycle. This should include clear timescales within which the Welsh Government anticipates each health board will achieve financial balance, and how progress will be monitored..... Page 36