

Welsh Government draft budget 2022-23

February 2022

1. Introduction

1. This report sets out the views of the Health and Social Care Committee on the Welsh Government's draft budget for 2022-23. It is intended to inform the Senedd's debate on the draft budget, scheduled for 8 February 2022.

2. Our scrutiny has been informed by:

- Written and oral evidence 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 the evidence gathered by the Finance Committee through its consultation and engagement activity on priorities for the draft budget.

3. 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. We therefore agreed with the CYPE Committee to share with one another the evidence received from the Welsh Government and private briefing materials prepared for us by our officials.

2. Welsh Government draft budget 2022-23

Background

4. On 20 December 2021, the Welsh Government published its draft budget for 2022-23, setting out the allocations for the budget's main expenditure groups (MEGs), its revenue and



capital spending plans for 2022-23, and planned allocations for 2023-24 and 2024-25. Following the [2021 UK autumn budget and spending review](#), this draft budget is the first multiyear Welsh Government draft budget since 2017.

5. The draft budget narrative, *Draft budget 2022-23: a budget to build a stronger, fairer and greener Wales*, states that the budget “prioritises funding for Health, Social Care and Local Authorities who continue to stand at the forefront of the pandemic”. It says that, over the three year period, this includes:

- £1.3bn additional revenue investment for the Welsh NHS.
- £100m additional targeted mental health funding.
- £0.75bn additional local government funding for schools, social care and other services.
- £60m additional funding for social care reform and sustainability.
- £1.3bn capital funding for healthcare.¹

6. Nevertheless, the Minister for Finance and Local Government said the spending review “presents significant challenges” as between 2022-23 and 2024-25 revenue funding is expected to increase in real terms by less than 0.5 per cent, and capital funding is expected to fall in cash terms each year.²

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 Department Expenditure Limit (“DEL”) in the draft budget for 2022-23 is £10,137m (43.5 per cent of the total £23.7bn allocated to Welsh Government

¹ Welsh Government, *Draft Budget 2022-23: A Budget to build a stronger, fairer and greener Wales*, 20 December 2021, pp.iii-v, and p.4

² Ibid, pp.ii

departments).³ This includes £9.8m revenue and £335m capital. Table 1 summarises the changes in DEL funding compared to the final budget for 2021-22.

Table 1 Draft budget 2022-23 Departmental Expenditure Limits: summary of changes from the final budget 2021-22⁴

	2022-23 (£m)
Revenue	
Revenue baseline as at final budget 2021-22	9,227.959
Baseline adjustments	(445.000)
MEG allocation	1,018.819
Revised DEL as at draft budget 2022-23	9,801.778
Capital	
Capital baseline as at final budget 2021-22	387.600
Baseline adjustments	(52.600)
Revised DEL as at draft budget 2022-23	335.000
Overall total HSS MEG draft budget 2022-23	10,136.778

8. The Welsh Government describes the HSS MEG allocations for 2022-23 to 2024-25 as “front loaded with a much larger increase in 2022-23 and lower relative uplifts in the second and third years”:

- **Revenue:** by 2024-25, revenue funding for the HSS MEG will have increased from a baseline of £8.597bn to £10.05bn. This includes increases in the baseline NHS Wales revenue budgets of £824m in 2022-23, £250m in 2023-24 and 200m in 2024-25.
- **Capital:** funding will initially decrease in 2022-23 compared to the revised final budget for 2021-22, but will then increase in cash terms by £40m (11.9 per cent) in 2023-24 and £20m (5.3 per cent) in 2024-25. The Welsh Government indicates that

³ The next largest allocation is to the Finance and Local Government MEG (allocated £4,609m in the 2022-23 draft budget (excluding around £1bn income from non-domestic rates). [Further information](#), including an interactive diagram exploring different allocations, has been prepared by Senedd Research.

⁴ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, p.1. Excludes Annual Managed Expenditure (AME), which is outside the DEL.

over the three year period this includes investment of over £800m of capital expenditure in digital infrastructure, NHS equipment and NHS infrastructure.⁵

Consultation and engagement

Stakeholders

9. In relation to health, the Minister for HSS explained that “the vast majority” of funding was allocated to NHS Wales, and priorities and allocations had been discussed with the health service through the “very many well-established fora for discussion and engagement”.⁶

10. In relation to social care, the Deputy Minister for SS said she had held “extensive meetings” with the voluntary sector, including groups of carers. She added that limitations in the overall funding available meant that the draft budget addressed “most of the things that they’ve asked, but perhaps it hasn’t always been as much as we would want to”.⁷

The Cooperation Agreement

11. In December 2021, the Welsh Government and Plaid Cymru entered into a Cooperation Agreement which includes a range of policy and legislative commitments and:

- A commitment from the Welsh Government to “consultation and collaboration with Plaid Cymru throughout the development and scrutiny of all stages of the annual budget process”.
- A commitment from Plaid Cymru to “facilitate the passing of Annual and Supplementary Budgets for the duration of this agreement”.⁸

12. Ministers told us that the 2022-23 draft budget includes funding for commitments in the Cooperation Agreement relating to:

- The establishment of a medical school in north Wales (£7m in 2022-23).
- Childcare and early years (around £15-20m over three years to extend support to families in education and training, plus around £10m annually for the increase in the hourly rate for childhood education and care programmes).

⁵ Welsh Government, Scrutiny of Health and Social Services Draft Budget 2022-23, December 2021, p2

⁶ RoP [para 7], 13 January 2022

⁷ RoP [paras 15 and 17], 13 January 2022

⁸ Welsh Government, The Cooperation Agreement: mechanisms, 1 December 2021 [accessed 4 January 2022]

- Extension of Flying Start to two-year-olds (funding to be announced).
- Pilot sanctuary provision for mental health for children and young people.⁹

Our view

13. Our budget scrutiny has taken place against an ongoing backdrop of uncertainty over the trajectory of the COVID-19 pandemic and its impact on our health and social care services, workforce (including volunteers and unpaid carers) and service users. We welcome the return to multiyear financial planning to provide greater certainty and enable more effective planning by public sector bodies and organisations in receipt of grant funding.

14. During the pandemic, pre-existing issues including the perilous fragility of the social care sector, the injustice of health inequalities, and the need for strategic vision and accountability to drive health and social care integration and transformation have been highlighted and exacerbated. We will return to these issues in our scrutiny of Welsh Government policy, spending and legislation throughout this Senedd.

15. We do not underestimate the challenges of responding to the pandemic, maintaining the vital non-COVID services our communities need, and working towards a post-pandemic reset that results in people living longer and healthier lives, a more effective health and social care system, and more positive experiences for people using health and social care services. However, in this context, it is more important than ever that Welsh Government ensures that its priorities, and associated funding allocations, are developed in consultation with a wide range of stakeholders. It is also vital that the outcomes that the Welsh Government hopes to deliver through its budget allocations are clearly identified, that progress is monitored, and that there is strong and effective leadership to ensure that outcomes are achieved.

Recommendation 1. When bringing forward future draft budgets, the Welsh Government should set out who has been consulted or engaged with in the development of the proposals, how this has been done, and what changes have been made as a result.

Recommendation 2. When bringing forward future draft budgets, and providing written evidence to inform Senedd committee scrutiny of the budget proposals, the Welsh Government should provide greater clarity about how each allocation within the budget aligns with Welsh Government priorities, what measurable outcomes each allocation is intended to achieve, and how progress made against such outcomes will be monitored and transparently reported.

⁹ RoP [paras 20-24], 13 January 2022

3. Capital funding

Background

16. The draft budget narrative notes that the Welsh Government's overall capital funding falls in cash terms in each year of the spending review, and will be 11 per cent lower in 2024-25 than in 2021-22.¹⁰

17. In 2022-23, the HSS MEG capital allocation is £335m. This is a £48m reduction overall from the £387.6m in the 2021-22 final budget. Within the £335m allocation, £50m has been allocated to a new social care capital fund intended to enable the Welsh Government to influence the transformation of social care infrastructure by developing local community hubs, rebalancing the social care estate and strengthening arrangements to support the integration of health and social care.¹¹ As a result, the NHS core capital allocation for 2022-23 has been reduced by £98m (26 per cent) compared to 2021-22.¹²

18. In addition, the Welsh Government's digital priorities investment fund ("DPIF") is also used to support NHS digital investment. DPIF sits alongside investment made by Digital Health and Care Wales and other NHS Wales organisations through their discretionary revenue and capital allocations.¹³

19. The Minister for HSS told us she had "big ambitions to be transformative", and that the new social care capital fund would deliver against a key Welsh Labour manifesto commitment to focus on social care. Nevertheless, she described the limited availability of capital funding for health in 2022-23 as "the most challenging part of the budget". She added that some funding was already committed to essential work, such as addressing fire hazards, further restricting funding availability for transformative projects.¹⁴

¹⁰ Welsh Government, *Draft Budget 2022-23: A Budget to build a stronger, fairer and greener Wales*, 20 December 2021, pp.ii

¹¹ Capital funding for social care has previously been provided through the local government settlement. The Deputy Minister for SS told us on 13 January 2022 that responsibility for developing investment plans for the social care capital fund would sit with regional partnership boards (see section 9 of this report).

¹² Welsh Government, *Scrutiny of Health and Social Services Draft Budget 2022-23*, December 2021, p.6

¹³ Welsh Government, *Press release: £50 million and new body to transform digital health and care services in Wales*, 30 September 2019

¹⁴ RoP [paras 11 and 156-7], 13 January 2022

20. In written evidence, the Welsh Government said the reduced capital allocation would “restrict the opportunities available to the NHS around decarbonisation but, where possible, these will be incorporated into scheme designs so we will continue to make progress against the net zero target”.¹⁵

21. In November 2021 the Welsh NHS Confederation described capital investment as “key to continue to deliver high-quality, safe health services” and “meet longer-term goals to integrate care”. It added that:

“Research shows capital constraints hamper the ability of NHS organisations to successfully deliver care, that the state of the built environment affects patient outcomes, and staff are more productive when they have the right up-to-date equipment to efficiently treat patients”.¹⁶

22. Responding to the draft budget proposals in December 2021, the Welsh NHS Confederation said its members were “disappointed in the lack of investment in capital infrastructure to improve and design NHS estates and facilities”, and noted potential lost opportunities to improve services, reduce environmental impacts and respond to the climate emergency.¹⁷

23. In evidence to the Finance Committee the Institute for Fiscal Studies noted that there is some flexibility to shift funding from resource or revenue budgets to capital (but not vice versa).¹⁸ The Minister for Finance and Local Government confirmed that this flexibility can be made available, and that it had been used by the Welsh Government during 2020-21 and 2021-22. She and her officials explained that local authorities were able to take such decisions themselves, and that health boards could request such changes be made by Welsh Government. The Minister for FLG added that such decisions had to be informed by consideration of the revenue implications of capital investment, including ongoing maintenance costs.¹⁹

¹⁵ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, p.6

¹⁶ Welsh NHS Confederation, [Response to the Finance Committee scrutiny of the Welsh Government’s 2022-23 draft budget proposals](#), 24 November 2021, p.4

¹⁷ Welsh NHS Confederation, [‘Response to Welsh Government draft budget’](#), 20 December 2021

¹⁸ Finance Committee, RoP [para 139], 14 January 2022

¹⁹ Finance Committee, RoP [paras 131-2], 21 January 2022

Our view

24. We agree with the Welsh NHS Confederation that capital investment can make a significant contribution to the management of and recovery from the pandemic, as well as the transformation and integration of our health and care services. We welcome the Minister's transformative ambitions, but have concerns about whether it will be achievable.

Recommendation 3. The Welsh Government should confirm whether it has had any discussions with health bodies or local authorities about shifting funding from resource to capital in order to fund transformative health and social care capital projects. This should include indication of whether the Welsh Government is willing to consider requests from health boards for funding to be shifted in this way.

25. We are particularly concerned that reductions in capital funding could constrain the pace and scale of innovative and transformative projects, even where such projects, for example e-prescribing, are widely welcomed and supported.

Recommendation 4. The Welsh Government should provide an update on e-prescribing. The update should include: details of what needs to be done during each phase of the project, how long each phase is anticipated to take, how the anticipated duration of each phase has been assessed and how deadlines have been set, and what steps are being taken to ensure that e-prescribing is rolled out without delay.

26. We anticipate that, as in previous years, additional capital funding may become available through Barnett consequentials. While the amount and availability of such funding may not become clear until later in 2022-23, we would welcome confirmation that the Minister for HSS has clear priorities for how any additional funding would be used.

Recommendation 5. The Welsh Government should provide further information on how any additional capital funding for health and social care that becomes available in year, for example through Barnett consequentials, will be prioritised. This should include details of what preparatory work is being done to ensure that there is a pipeline of projects that could be progressed without delay.

27. We are also concerned by the indication that decarbonisation is being incorporated into capital scheme designs only "where possible", rather than a key criteria alongside considerations such as impact on patient outcomes or value for money.

Recommendation 6. The Welsh Government should provide further information about the impact of reductions in capital funding on decarbonisation in the health and social care sectors, and any implications for the sectors' response to the climate emergency.

4. NHS Wales financial position

Health boards' financial performance

28. 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 integrated medium term plan ("an IMTP").

29. In each of the 2020-21 and 2021-22 financial years an additional £1.1bn revenue funding has been provided or allocated to the NHS to maintain or improve financial stability and support the response to the pandemic. The Welsh Government has also provided non-financial support, including planning, monitoring and reviews by the NHS Financial Delivery Unit; regular meetings between directors of finance and Welsh Government officials; identification of savings opportunities; targeted support where needed; and the establishment of a Value Finance Leadership Group.²⁰

²⁰ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, p.7

Table 2 Local health board performance: revenue allocation 2021-22 (£m)²¹

Health board	Outturn to date 2021-22 (over)/ under- spend (£m)	Forecast end of year outturn 2021-22 (over)/ under- spend (£m)	Outturn 2020-21 (over)/ under- spend (£m)	Outturn 2019-20 (over)/ under- spend (£m)	Outturn 2018-19 (over)/ under- spend (£m)
Aneurin Bevan	0.0	0.0	0.2	0.0	0.2
Betsi Cadwaladr	0.0	0.0	0.5	(38.7)	(41.3)
Cardiff and Vale	0.2	0.0	0.1	0.1	(9.9)
Cwm Taf Morgannwg ²²	0.5	0.0	0.1	0.9	0.0
Hywel Dda	(14.4)	(25.0)	(24.9)	(34.9)	(35.4)
Powys	0.1	0.0	0.1	0.1	0.1
Swansea Bay	(13.9)	(24.4)	(24.3)	(16.3)	(9.9)
Net (over)/under-spend	(27.6)	(49.4)	(48.2)	(88.8)	(96.2)

30. As shown in Table 2, only three of the seven health boards met their statutory duties to break even over the three year period from 2018-19 to 2020-21. It is notable that, following structural support, including covering deficits up to £40m a year for the financial years 2020-21, 2022-23 and 2023-24, announced by the Welsh Government in November 2020, Betsi Cadwaladr University Health Board broke even in 2020-21 for the first time in a number of years.

²¹ Prepared by Senedd Research based on finance reports to month six (September 2021) for Aneurin Bevan, Betsi Cadwaladr and Cardiff and Vale University Health Boards, and month 7 (October 2021) for other health boards.

²² From 1 April 2019, responsibility for providing healthcare services for people in Bridgend County Borough Council transferred from Abertawe Bro Morgannwg UHB to Cwm Taf Morgannwg UHB.

31. Five of the seven health boards are forecast to break even in 2021-22; Hywel Dda UHB and Swansea Bay UHB are forecast to overspend by £25.0m and £24.4m respectively.²³ This is despite Hywel Dda UHB receiving an additional £27m recurrent annual funding since 2018.

32. The Minister for HSS told us that the overspends had been foreseen, and funding had therefore been set aside in 2021-22. However, she added that “we have made it very clear to those health boards that this isn’t a sustainable system, and it isn’t fair on health boards that are doing the right thing and keeping within their budget”.²⁴ She said that Hywel Dda UHB was developing a “roadmap for sustainability”, but noted that its deficit was “largely driven by a service model where there is duplication of some services”. She explained that the Welsh Government was waiting to hear from the health board whether a new hospital for west Wales was needed to help address service duplication.²⁵

Integrated medium term plans

33. The Auditor General for Wales (“the AGW”) said in June 2021 that the financial position of the NHS in Wales remained “extremely challenging as it continues to manage the ongoing COVID-19 pandemic, shifts to recovery mode and responds to new cost and demand pressures”.²⁶ The Minister for HSS told us in September 2021 that she did not “fully agree” with the AGW’s view.²⁷ She explained that shortfalls in the delivery of savings by the NHS were being funded by non-recurrent Welsh Government funding, but said that as funding returned to recurrent baseline levels she would need to ensure that the NHS was able to maintain financial sustainability.²⁸

34. NHS bodies are due to submit their integrated medium term plans for 2022-23 to 2024-25 to the Welsh Government in February 2022. In written evidence, the Welsh Government confirmed that the 2022-23 budget should enable NHS bodies to develop “approvable financial sustainable medium term plans”.²⁹

²³ Welsh Government, *Scrutiny of Health and Social Services Draft Budget 2022-23*, December 2021, p.7

²⁴ RoP [para 47], 13 January 2022

²⁵ RoP [paras 58-9], 13 January 2022

²⁶ Audit Wales, *‘COVID-19 response drives big rise in NHS spending as four health boards breach financial duties again’*, 16 June 2021

²⁷ RoP [para 300], 23 September 2021

²⁸ Welsh Government, *Written response by the Welsh Government to the Health and Social Care Committee*, September 2021, p.1

²⁹ Welsh Government, *Scrutiny of Health and Social Services Draft Budget 2022-23*, December 2021, p.8

35. Specific allocations for individual health boards are yet to be announced, but the overall allocations also include:

- Around £50m held centrally in the HSS MEG to support “ongoing planning deficits within Hywel Dda and Swansea Bay into 2022-23”.³⁰
- Recurrent annual funding of £180m to “help the NHS manage the financial impact of the pandemic on their underlying financial position, including recognising the impact the pandemic has had on productivity and efficiency”.³¹

36. The Welsh Government also expects that the NHS will return to “pre-pandemic efficiency levels”, delivering “cash-releasing efficiency savings year on year”.³² In written evidence, the Welsh Government noted that over £100m of savings (1.5 per cent) are forecast for 2021-22.³³ The Minister for HSS emphasised her expectation for health bodies to be effective and efficient. She praised the NHS for the savings achieved in 2021-22, and said that her expectation for minimum savings of 1.5 per cent annually from 2022-23 onwards would maintain progress without putting undue pressure onto stretched workforces. She acknowledged the importance of benchmarking between health boards, and noted that work was being undertaken to ensure that data was comparable.³⁴

Our view

37. It is not acceptable that the same health boards are failing year after year to achieve financial sustainability and balance.

38. 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.

39. Addressing these issues—particularly where failure to achieve financial sustainability may be linked to slow progress in addressing known inefficiencies or deficiencies in their service

³⁰ Ibid, p.7; RoP [para 64], 13 January 2022

³¹ Ibid, p.9

³² Ibid, p.9

³³ Ibid, p.9

³⁴ RoP [paras 68 and 74], 13 January 2022

models—will require strong political and clinical leadership from the Welsh Government, the health board and medical professionals, and clear and effective communication with the workforce and the communities that health boards serve.

Recommendation 7. 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 2022-23 to 2024-25 integrated medium term planning cycle.

40. All health boards, even those that have achieved financial balance in previous planning cycles, will face upwards pressures on their fixed costs during the coming financial year and beyond. We note that the Minister for HSS expects health boards to achieve savings of 1.5 per cent in each financial year, and that work is being done to facilitate benchmarking across health boards. Such benchmarking may help health boards share approaches to reducing fixed costs, for example by upgrading lighting to improve energy efficiency, or reviewing policies in relation to building temperatures. However, driving progress in this regard will also require leadership from Welsh Government.

Recommendation 8. The Welsh Government should set out how it will work with health boards to reduce their fixed operational costs, including any plans it has to set targets or expectations for fixed cost reduction.

5. COVID-19 pandemic

Ongoing response to the COVID-19 pandemic

41. The interactive Audit Wales Finances data tool shows additional net expenditure relating to COVID-19 of £1.137bn in 2020-21 across NHS Wales, of which £886.3m was incurred by health boards.³⁵ In its submission to the Finance Committee, the Welsh NHS Confederation called for the draft budget to include provision to manage the ongoing direct and indirect costs of responding to the pandemic, including:

- New costs such as test and trace, PPE, vaccination and long COVID.
- Additional costs of providing normal NHS services and meeting performance targets within the context of the pandemic.³⁶

³⁵ Analysis undertaken by Senedd Research via the [Audit Wales NHS Wales Finances data tool](#)

³⁶ Welsh NHS Confederation, [Response to the Finance Committee scrutiny of the Welsh Government's 2022-23 draft budget proposals](#), 24 November 2021, p.3

42. Funding has been allocated for contact tracing, testing, vaccination and the provision of PPE to health and social care, but will be kept under review. The Welsh Government highlighted a number of uncertainties, including the future course of the pandemic, costs associated with meeting current PPE needs while maintaining a usable contingency stockpile, evolving guidance on infection prevention and control, and emerging advice on future pandemic preparedness.³⁷

43. We asked for assurance that there was sufficient capacity and flexibility in the budget to respond to challenges related to COVID-19 in the coming year. The Minister for HSS said it was clear needs would continue, but not how long they would remain within the context of a three-year budget. She confirmed that there was some flexibility within the budget, and noted that any additional waves of the pandemic could potentially result in additional funding from the UK Government.³⁸

Managing the impact of the COVID-19 pandemic

44. According to data released on 20 January 2022, as at November 2021, over 682,000 patient pathways in Wales were waiting to start treatment, of which over 241,000 had been waiting over 36 weeks.³⁹ It is likely that others will not yet have come forward for diagnosis or treatment, and will therefore not be included within these figures. Speaking at the Planned Care Summit in November 2021, the Minister for HSS acknowledged the significance of the impact of the pandemic on planned care, and the resulting “massive backlog of patients waiting for planned treatments”.⁴⁰

45. During 2021-22, £200m of revenue and £48m of capital funding were allocated to the NHS recovery programme. The draft budget for 2022-23 includes £170m per year to strengthen planned care services and support NHS recovery. This comprises £150m from the additional £824m baseline uplift and £20m from existing baseline budgets. That allocation will be supplemented by a further allocation of £20m per year to:

“...support the implementation of a value-based approach to recovery in the medium term, with a focus on improving outcomes that matter to patients [...] and

³⁷ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, pp.3 and 10

³⁸ RoP [para 30], 13 January 2022

³⁹ Analysis by Senedd Research in January 2022 via [StatsWales. Patient pathways waiting to start treatment by month, grouped weeks and treatment function](#)

⁴⁰ Welsh Government, [Press release: Health Minister pledges £179m extra a year for ‘transformation’ of how planned care services are delivered](#), 4 November 2021

complement the implementation of plans currently being developed to tackle the immediate backlog of patients waiting for treatment".⁴¹

46. The Minister for HSS confirmed that £1bn would be spent on recovery during this Senedd term.⁴² The funding is intended to stabilise increasing backlogs, and treat patients waiting for review, assessment and treatment by:

- Transforming services, including developing regional hubs.
- Increasing NHS activity levels first to, and then above, pre-pandemic levels.
- Developing treatment and diagnostic capacity at local and regional levels.
- Working across providers to enable more rapid access.
- Integrated workforce planning and development.
- Increased commissioning and capital.⁴³

47. The Minister for HSS emphasised that funding allocations were recurrent to provide certainty and enable health boards to take decisions about staffing and local and regional delivery models.⁴⁴ The Chief Executive of NHS Wales similarly said that improving efficiency and patient outcomes was crucial, and that recovery was:

"...very much about how we just don't go back to doing what we did pre-COVID, and actually take the opportunity to do things differently, moving forward".⁴⁵

Our view

48. In our Sixth Senedd strategy we identified the need for a post-pandemic reset, and for our health and social care systems to work more effectively than before.⁴⁶ However, the pandemic is not over, and our health and social care services face a dual challenge: responding to the pandemic, and maintaining the non-COVID services on which people and communities across

⁴¹ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, p.3

⁴² RoP [para 78], 13 January 2022

⁴³ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, p.11

⁴⁴ RoP [para 79], 13 January 2022

⁴⁵ RoP [para 87], 13 January 2022

⁴⁶ Health and Social Care Committee, [Sixth Senedd strategy](#), December 2021

Wales rely. We welcome, therefore, the inclusion in the budget of flexibility to meet the ongoing costs of vaccination, PPE, testing, and contact tracing.

49. We recognise that addressing the waiting times backlog is challenging and will take time, although we are deeply concerned that the equivalent of 1 in 5 people in Wales are currently waiting for diagnosis or treatment. Many people may be waiting for long and uncertain periods while in pain, discomfort, distress or facing financial hardship. For this reason, we are currently undertaking an inquiry into the impact of the waiting times backlog on people who are waiting for treatment and diagnosis.⁴⁷ We will be holding an evidence session with the Minister for HSS and the Chief Executive of NHS Wales on 10 February 2022, during which we will explore these issues further.

50. In the meantime, we welcome the investment in the recovery of NHS services, and the indication that the Welsh Government's recovery plan, expected to be published in April, will also include a focus on service transformation and redesign. We also note the proposed emphasis on value-based health care to ensure that what matters to patients is embedded in service design and improvements.

Recommendation 9. The Welsh Government should provide clarity about how the impact of value-based health care, and the focus on service transformation and redesign in the recovery plan, will be assessed to ensure that they are driving new ways of working and new models of service delivery, and achieving better outcomes and experiences for people who are using health care services.

6. Health and social care workforce

Healthcare workforce: recruitment, retention, education and training

51. The draft budget for 2022-23 includes £260m for investment in the education and training of the healthcare workforce; a 15 per cent increase on 2021-22, which the Welsh Government suggests will "further boost the NHS workforce and help reduce the need for agency staff".⁴⁸ Specific provision includes £7m towards the establishment of a new medical school in north Wales, an increase of £31m to support the Education and Training commissioning plan, £2.3m for 2020-23 for the Healthy Working Wales programme to provide support (including mental

⁴⁷ Health and Social Care Committee, [Impact of the waiting times backlog on people in Wales who are waiting for diagnosis or treatment](#) [accessed January 2022]

⁴⁸ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, p.12

health and wellbeing) across the public and private sector, and £302.5m in 2022-23 (and the subsequent two financial years) for Health Education and Improvement Wales (HEIW).

52. The Minister for HSS confirmed that she was “very keen to get people working directly for the NHS, rather than in agencies”. She noted that there had been significant increases in the number of people working directly for the NHS, as well as an increase in temporary staff, volunteers and returning retirees.⁴⁹ The Minister said that further mechanisms were being developed to improve the availability of data about the use of locums and agency staff, but acknowledged that for some people, working as locums or agency staff provides greater flexibility than may currently be available to directly-employed staff.⁵⁰

Social care workforce: terms and conditions

53. Staff shortages are placing significant pressures on social care services, and are expected to worsen in the months ahead.⁵¹ There have long been disparities in the pay, and terms and conditions for social care staff compared to healthcare staff, even when the roles undertaken are similar.

54. The Welsh Government describes the inclusion in the local government settlement and HSS MEG of funding to enable local authorities and health board commissioners to implement a real living wage uplift for social care workers as an important step towards addressing the recruitment and retention challenges. The scope of the uplift will include registered social care workers in adult’s and children’s services, including domiciliary care workers, people working in care homes, and personal assistants funded via direct payments. The funding will be available from April 2022, with “workers beginning to feel the benefit in the following months”. The Welsh Government notes that in early 2022 it will be “working closely with partners including local authority commissioners, complex care leads and others to work through all of those details about how the commitment will be implemented”.⁵²

55. However, the real living wage was the most modest option considered by the Inter-Ministerial Group on Paying for Social Care, and analysis commissioned by the Welsh

⁴⁹ RoP [paras 106-7], 13 January 2022

⁵⁰ RoP [para 122], 13 January 2022

⁵¹ National Care Forum, [Workforce pressures](#) [accessed January 2022]

⁵² Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, pp.4-5

Government in 2020 estimated that more far-reaching proposals to align social care pay with the NHS Agenda for Change pay scale would cost an estimated £54m.⁵³

56. Members of the Social Care Fair Work Forum have advised the Welsh Government that, while it is a positive step, delivering the real living wage will not be sufficient to support, retain and attract workers to social care. For example, the Wales TUC has said that the real living wage is set too low, and “ignores the range of other factors which make up ‘fair reward’, including other terms and conditions, the role of experience and responsibilities”.⁵⁴ In addition, the TUC said in June 2021 that around 1 in 20 care workers were not eligible for Statutory Sick Pay.⁵⁵ While the Welsh Government introduced a temporary sick pay enhancement scheme for social care workers who are self-isolating or taking sick leave as a result of COVID-19, and who would otherwise receive only Statutory Sick Pay or no income at all, this scheme is due to end in March 2022.⁵⁶

57. The Deputy Minister for SS acknowledged that the real living wage alone would not be sufficient to address the social care workforce crisis, saying “we must give urgent attention to terms and conditions beyond this”. She explained that the Social Care Fair Work Forum had been asked to make recommendations on terms and conditions, including career progression. She added that she had also asked officials to consider whether the temporary sick pay enhancement scheme for social care workers could be extended beyond March 2022.⁵⁷

Our view

58. We welcome the implementation of the real living wage for the social care workforce as a step in the right direction. However, it is clear that there is further to go before social care workers have parity of pay and terms and conditions with their healthcare colleagues, and before the social care workforce pressures across local authority and private social care provision in Wales are alleviated.

59. We welcome the Deputy Minister’s acknowledgement that urgent attention must be given to improving terms and conditions for social care workers. This work must be given the highest

⁵³ LE Wales, *Use of additional funding for social care: final report for Welsh Government*, December 2020

⁵⁴ Wales TUC, *‘Living wage for care workers in Wales: a start but not enough’*, 29 June 2021

⁵⁵ TUC, *‘One in 12 key workers do not qualify for statutory sick pay’*, 24 June 2021

⁵⁶ Welsh Government, *COVID-19 statutory sick pay enhancement scheme* [accessed January 2022]

⁵⁷ RoP [para 179], 13 January 2022

priority and progressed as a matter of utmost urgency in order to alleviate the significant pressures the workforce crisis is causing across health and social care.

60. We strongly support the extension beyond March 2022 of the COVID-19 statutory sick pay enhancement scheme, although we believe that further consideration also needs to be given to eligibility for sick pay more broadly both to provide fair conditions for workers and to ensure that vulnerable people who are receiving social care are properly protected.

Recommendation 10. The Welsh Government should:

- Confirm as a matter of urgency whether the COVID-19 statutory sick pay enhancement scheme will be extended beyond March 2022, and whether there is funding available in the 2022-23 draft budget for this purpose.
- Consider consolidating the principles of the scheme into the terms and conditions of the social care workforce i.e. an ongoing eligibility for enhanced sick pay for social care workers who are self-isolating or taking sick leave as a result of COVID-19, and who would otherwise receive only Statutory Sick Pay or no income at all.

Recommendation 11. The Welsh Government should set out the timescales within which it expects the Social Care Fair Work Forum to make urgent recommendations for improving the terms and conditions for social care workers in Wales. This should include recommendations on career progression and broadening eligibility for sick pay for reasons unrelated to COVID-19. It should also confirm whether provision has been included within the draft budget to fund the costs associated with any proposals (including implementation costs).

Health and social care workforce: health and wellbeing

61. The draft budget narrative recognises the pressure on the NHS workforce, and notes that as at June 2021 the 12 month rolling average staff sickness rate for the year had increased to 5.7 per cent.⁵⁸ On 13 January 2022, the Chief Executive of NHS Wales told us that the staff sickness rate was 8.3 per cent (2.3 per cent COVID sickness, 1.4 per cent self-isolation and 4.6 per cent other sickness absence), but that there was variation across NHS bodies.⁵⁹

62. In April 2020, the Health for Health Professionals Wales Service was expanded from providing mental health support primarily for NHS doctors to include the whole NHS workforce.

⁵⁸ Welsh Government, *Draft Budget 2022-23: A Budget to build a stronger, fairer and greener Wales*, 20 December 2021, p.17

⁵⁹ RoP [para 217], 13 January 2022

For 2022-25, the service will receive an additional £4.5m funding to extend it to the social care sector. The draft budget also includes continuing funding for the Healthy Working Wales programme, which provides mental health and wellbeing resources for use across the public and private sector.⁶⁰

Our view

63. We thank all health and social care workers, volunteers and unpaid carers for their tireless, dedicated and vital work throughout the pandemic, providing care and support to people in need across our communities.

64. However, we share the concerns raised by the Welsh NHS Confederation about levels of staff exhaustion, and the risks of burnout or people choosing to leave the workforce.⁶¹ We do not underestimate the pressure and the trauma that people working across our health and social care sectors have experienced throughout the pandemic. The extension of the Health for Health Professionals Wales Service to all health and social care workers until 2025 is very welcome, and we would encourage anyone who feels they may need help or support to make use of the service.

Support for unpaid carers

65. The number of unpaid carers in Wales has increased during the pandemic, with Carers Wales estimating in December 2021 that there could be as many as 683,000. It has reported that five of the seven health boards and their respective local authorities have said that they have been unable to fulfil community care packages as a result of workforce shortages, and have therefore asked unpaid carers to take on additional tasks. This followed research undertaken earlier in the year by Carers Wales which found that 72 per cent of unpaid carers had been “unable to take any breaks at all from their caring role since the start of the pandemic”.⁶²

66. ADSS Cymru reported in December 2021 that the pandemic had demonstrated the impact of respite services as an essential service, but that such services had been severely disrupted. The detrimental impacts of the disruption had included: the wellbeing, physical and mental

⁶⁰ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, p.10

⁶¹ Welsh NHS Confederation, [Response to the Finance Committee scrutiny of the Welsh Government's 2022-23 draft budget proposals](#), 24 November 2021, p.4

⁶² Carers Wales, [‘Struggling unpaid carers face bleak Christmas as health boards and local authorities ask the to provide more care’](#), 16 December 2021

health of service users, carers and staff; the degree of choice; a broadening of pre-existing inequalities; and risks to the sustainability of some services.⁶³

67. The Deputy Minister for SS told us that the draft budget included an additional £10m for support for unpaid carers.⁶⁴ In addition to other allocations, in 2022-23 this includes £3m to “increase opportunities for unpaid carers to access respite and take a break”. The Welsh Government intends the funding to “encourage innovation and support more unpaid carers to focus on their own health and wellbeing”.⁶⁵ The Deputy Minister said that a mid-year report on the use of similar funding in 2021-22 “shows that a range of new and innovative options are being developed, such as a rapid response respite at home service, day trips, vouchers for young carers, gym membership and the purchase of exercise equipment and outdoor furniture or tablets”.⁶⁶ She added that the use of the 2022-23 funding would be informed by her ministerial advisory group, as well as a report commissioned from Carers Trust Wales to set out a “new vision for respite and short breaks in Wales”.⁶⁷

Our view

68. We all owe a huge debt of gratitude to the increasing number of unpaid carers across Wales. Providing care in normal times can be challenging, but during the pandemic, against a backdrop of significant reduction and disruption in support services, the pressures have been, and continue to be, immense.

69. Without our carers, health and social care systems would be overwhelmed and unable to function. It is vital that carers’ contribution is properly recognised, and that they are supported to enable them to continue caring for as long as they wish to do so.

70. We welcome the inclusion in the draft budget of funding to support unpaid carers, including respite care. However, given the increase in the number of carers during the pandemic (and the potential for that number to continue to increase as a result of COVID-19, long COVID, and the ongoing instability and workforce shortages affecting social care), we would welcome assurance from the Welsh Government that the additional allocations provided

⁶³ ADSS Cymru, *The impact of the coronavirus pandemic on day services, respite care and short stay placements*, 7 December 2021

⁶⁴ RoP [para 187], 13 January 2022

⁶⁵ Welsh Government, *Scrutiny of Health and Social Services Draft Budget 2022-23*, December 2021, p.10

⁶⁶ RoP [para 187], 13 January 2022

⁶⁷ RoP [para 188], 13 January 2022

to complement the funding provided via the local government settlement are adequate to properly meet the needs of unpaid carers.

Recommendation 12. The Welsh Government should provide assurance that the funding available for respite care for unpaid carers in Wales is sufficient, including details of any specific financial assessments that have been conducted on the cost of delivering sufficient respite and breaks to the increasing number of unpaid carers in Wales.

7. Health services

Prevention and health inequalities

71. Levels of chronic disease in Wales are high, and there are significant concerns about unhealthy lifestyles. The pandemic has both highlighted and exacerbated health inequalities.⁶⁸ The Chief Medical Officer for Wales said in January 2021 that the pandemic had “further highlighted the importance of public health prevention work to reduce unhealthy lifestyles and behaviours which can increase health inequities through chronic conditions”.⁶⁹ Research published in December 2021 by Public Health Wales looking at different hospital services suggested that preventative action targeted at improving health equity between advantaged and disadvantaged communities and their timely access to health services could help to reduce a £322m healthcare gap, in particular relating to emergency admissions and A&E attendance.⁷⁰

72. The Welsh NHS Confederation has called for cross-government working to improve health and wellbeing and tackle health inequalities, and has welcomed the investment in the draft budget to help improve the wider determinants of health.⁷¹

73. In written evidence, the Welsh Government explained that while the NHS Planning Framework specifies that a broad approach to prevention should be applied across all aspects of planning, actions to address health inequalities were:

⁶⁸ See, for example, Welsh Government Technical Advisory Cell, *Coronavirus (COVID-19) and health inequalities*, 19 October 2020; or the Future Generations Commissioner and Public Health Wales, *Inequality in a future Wales: areas for action in work, climate and demographic change*, November 2021

⁶⁹ Chief Medical Officer for Wales, *Protecting our health: our response in Wales to the first phase of COVID-19*, 30 January 2021, p.64

⁷⁰ Public Health Wales, *Tackling inequality could save hospitals in Wales £322 million every year*, 16 December 2021

⁷¹ Welsh NHS Confederation, *Response to Welsh Government draft budget*, 20 December 2021

"...embedded across all activity owing to the strategic planning required by the Well-being of Future Generations (Wales) Act 2015 and through our health in all policies approach (supported by the Health Impact Assessment ('HIA') process). Consequently, it is often not possible to disaggregate budget which is specifically allocated to tackling health inequalities from the totality of government spending."⁷²

74. The Minister for HSS reiterated that tackling health inequalities requires a broader focus than direct health issues, including housing, poverty and access to food. She noted that in addition to improving individual outcomes, tackling health inequalities could reduce the demand on health services and help to drive financial savings for the NHS in the longer term. She added that she planned to identify specific measures, for example in respect of tobacco use or healthy weight, and put in place monitoring and accountability mechanisms to assess health boards' performance.⁷³ The Deputy Minister for MHW highlighted specific budget allocations for addressing obesity, smoking cessation and targeting interventions at particular at-risk groups. In addition, she explained that one of the six pillars within the new health and social care regional integration fund against which funded activities will need to be aligned would be community-based prevention and community coordination.⁷⁴

75. The draft budget also includes a commitment to extend free school meal provision. In line with the cross-government approach to prevention, we were told that the proposal would be supported by a health impact assessment to help deliver improved nutritional standards, and that consideration was being given to maximising the benefits for local communities by ensuring that food was locally-sourced in order to support the local economy and jobs.⁷⁵

Our view

76. The pandemic has shone a light on the significant health inequalities across Wales, and the need for action to improve health across all our communities. We agree with the Ministers that cross-government action is needed to address the multifaceted causes and implications of health inequalities. To this end, we have identified tackling health inequalities as one of the cross-cutting themes for our work during the Sixth Senedd.⁷⁶

⁷² Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, pp.5 and 20

⁷³ RoP [paras 70 and 130], 13 January 2022

⁷⁴ RoP [para 131], 13 January 2022

⁷⁵ RoP [paras 135-6], 13 January 2022

⁷⁶ Health and Social Care Committee, [Sixth Senedd strategy](#), December 2021

Recommendation 13. The Welsh Government should provide further detail on its strategic priorities for prevention and tackling health inequalities, and how allocations in the draft budget for 2022-23 have been targeted and will be monitored to ensure that spending by health boards and other public bodies delivers the required outcomes.

Primary care

77. The 2022-23 draft budget includes funding to support the delivery of the Primary Care Model for Wales, which includes services contracted from GPs, dentists, community pharmacists and optometrists, as well as services, care and support for health and wellbeing in the wider community.

78. In oral evidence, the Minister told us that she had “made it clear to health boards that I am expecting to see a shift from secondary to primary care”. She highlighted in particular:

- Her expectation that the general medical services contract announced in December 2021 with an associated additional £5.2m would improve access to GP practices, including ending the “8 a.m. bottleneck”.
- The new dentistry contract starting in April 2022, with an additional £2m recurrent funding. In addition to new approaches to measuring activity, the new contract will include new measures in respect of “the application of fluoride varnish, taking new patients on and appropriate recall intervals”.
- A focus on optometry, with a view to encouraging “far more optometry work being done within our communities rather than people going directly to secondary care”.⁷⁷

Our view

79. In our strategy for the Sixth Senedd we have identified primary care, including widening understanding of the range of services, signposting, unconscious bias and health literacy, as an issue for consideration during years 2 to 5 of the Senedd.⁷⁸

80. We welcome the indication from the Minister that the new contractual arrangements will improve access to GP practices and dentists. However, achieving a significant and lasting shift towards primary care will require a clear strategic focus, particularly within the context of the ongoing response to, and recovery from, the pandemic.

⁷⁷ RoP [paras 127-8], 13 January 2022

⁷⁸ Health and Social Care Committee, *Sixth Senedd strategy*, December 2021

Recommendation 14. The Welsh Government should provide further detail on how specific allocations within the draft budget will contribute to a shift in resources towards primary and community care, and how progress on that shift will be monitored throughout the financial year.

Mental health services

81. In 2022-23, the total ringfenced mental health budget provided to health boards will be over £760m, the highest single area of spending by the NHS in Wales. In addition, the 2022-23 budget includes an additional £50m allocation for mental health services, rising to £90m by 2024-25. In the 2022-23 financial year, funding from the £50m allocation will “primarily support front line mental health services and also make a contribution towards the prevention of mental ill health in areas of primary public health prevention, substance misuse and employability related support”.⁷⁹ Some of this funding will be used to reduce waiting times, but the Deputy Minister for MHW emphasised that funding will also be used to deliver against the ‘Together for Mental Health’ delivery plan and the commitments made by the Welsh Government in response to recommendations made by Fifth Senedd committees in respect of mental health.⁸⁰ She told the CYPE Committee that, when seeking funding from the mental health allocation for service developments, health boards would be required to provide plans which would be scrutinised and monitored by the Welsh Government.⁸¹

82. The Deputy Minister acknowledged that workforce pressures within mental health services had been exacerbated by the pandemic, and that such pressures during the current financial year had constrained the extent to which planned investments could be realised. She explained that before funding was released for 2022-23, she would work with health boards to identify posts or grades presenting particular recruitment challenges so that there was a clearer picture of where funding could have the greatest impact.⁸²

Our view

83. Mental health is a key priority for us,⁸³ and we are currently holding an inquiry into mental health inequalities.⁸⁴ As part of this inquiry, we intend later this year to seek an update from the Deputy Minister on progress made against recommendations relating to mental health made by

⁷⁹ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, p.4

⁸⁰ RoP [para 145], 13 January 2022

⁸¹ Children, Young People and Education Committee, RoP [para 157], 13 January 2022

⁸² RoP [para 148], 13 January 2022

⁸³ Health and Social Care Committee, [Sixth Senedd strategy](#), December 2021

⁸⁴ Health and Social Care Committee, [Mental health inequalities](#) [accessed January 2022]

the Fifth Senedd Health, Social Care and Sport and Children, Young People and Education Committees.

Recommendation 15. The Welsh Government should outline its priorities for the £50m additional allocation for mental health, and provide details of how funding will be allocated to health boards and how spending and outcomes will be monitored and reported.

Women's health

84. The Minister for HSS told us that, while there was no ring-fenced money in the budget for women's health and work had been delayed by the omicron wave of the pandemic, the Welsh Government was developing "a women's health proposal" and that she hoped to provide further details shortly.⁸⁵

Our view

85. Women's health is one of the priority areas we have identified in our strategy for the Sixth Senedd.⁸⁶ While we acknowledge the complexities of ring-fencing funding for women's health, we welcome the commitment from the Minister for HSS to develop a "proposal" for women's health, and look forward to receiving further information about this, including how the Welsh Government plans to ensure that the proposals are effectively communicated.

Recommendation 16. The Welsh Government should clarify when it plans to publish its "proposals" for women's health. When the proposals are brought forward, the Welsh Government should ensure that they include:

- Details about how the proposals reflect women's multi-layered and intersectional identities and characteristics, and how services, interventions and funding will be targeted to take existing health inequalities into account.
- Clear and measurable objectives, and details of how progress will be assessed and reported.
- Confirmation of the resources available to deliver against the proposals.
- Details of the Welsh Government's plans to engage and communicate with women and girls about the proposals.

⁸⁵ RoP [paras 42-3], 13 January 2022

⁸⁶ Health and Social Care Committee, *Sixth Senedd strategy*, December 2021

Dementia

86. The Alzheimer’s Society reports that people affected by dementia are among the hardest hit by the pandemic.⁸⁷ In evidence to our inquiry on the impact of the waiting times backlog, it told us that anecdotal evidence suggested that towards the end of 2021 there were around 4,000 people waiting for memory assessment service appointments in Wales and that:

“With Wales diagnosis rate for dementia dropping to around 50% in the midst of pandemic, it is clear from the anecdotal evidence mentioned above that Wales is likely to add around 2000 people to the estimated number of 50,000 people living with a diagnosis in Wales currently”.⁸⁸

87. The Welsh Government acknowledged that there are pressures on access to diagnostic support services for dementia, and said it plans to “ earmark support to provide increased capacity in areas of demand”.⁸⁹

Our view

88. Access to dementia diagnosis and care have been significantly disrupted by the pandemic. We would welcome further information from the Welsh Government about how the draft budget will ensure that sufficient funding is available for these vital services.

Recommendation 17. The Welsh Government should provide further information on how it plans to earmark financial support for dementia diagnosis and care.

8. Social care

Revenue funding

89. The draft budget for 2022-23 includes a continuing allocation of £45m for the social care workforce grant, and the establishment of a new £45m social care reform fund (rising to £60m in 2024-25). The stated aim of the fund is to “promote reform and improvement in social care”, complement the uplift provided via the local government settlement, and fund the reforms set

⁸⁷ Alzheimer’s Society, *Worst hit: dementia during coronavirus*, September 2020

⁸⁸ Alzheimer’s Society, Response to Health and Social Care Committee inquiry into the impact of the waiting times backlog on people in Wales who are waiting for diagnosis or treatment, January 2022

⁸⁹ Welsh Government, *Scrutiny of Health and Social Services Draft Budget 2022-23*, December 2021, p.17

out in the Rebalancing Care and Support White Paper. Purposes to which the fund will be put in 2022-23 will include:

- £10m for preparatory work towards the Welsh Government's commitment to "eliminate private profit from the care of looked after children during the next Senedd term".
- £3m additional funding for Social Care Wales for the expansion of social care workers' professional registration and delivery of the Health and Social Care Joint Workforce Strategy.
- Establishment of health and social care community hubs to contribute to prevention and early intervention.
- Action to complement the Race Equality Action Plan.
- Support for groups such as unpaid carers.⁹⁰

90. When asked to set out in written evidence how the allocations in the draft budget would ensure the ongoing viability and stability of social care services, including residential and domiciliary care, the Welsh Government stated:

"Funding will support greater understanding and policy direction with regard to models of delivery and commissioning with respect to domiciliary care; connecting with equipment and assistive technology and the interface with reablement and allied health professionals."⁹¹

91. Funding via the local government settlement, which includes funding for social care, is unhypothecated. However, the Welsh Government has said that provision has been included within the settlement that is "equal to the sum of the pressures outlined by the WLGA and the assessment of the additional costs to local authorities of introducing the Real Living Wage for care workers", and that the funding for 2022-23 is therefore "adequate to meet local authorities' funding pressures for the forthcoming financial year". As the funding is not hypothecated, the Welsh Government does not intend to "specifically monitor any element of local authority spend in relation to the funding included within this settlement".⁹² The Deputy Minister for SS explained

⁹⁰ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2022-23](#), December 2021, p.14

⁹¹ Ibid, p.15

⁹² Ibid, p.16

that this was because local authorities are democratically accountable for identifying and delivering against local priorities, although she acknowledged that the Welsh Government does collect and publish extensive data on local authority budgets and expenditure.⁹³

92. However, the Welsh NHS Confederation has called on the Welsh Government to provide ring-fenced local authority allocations for social care funding, which it suggests would support system-wide health and wellbeing sustainability.⁹⁴ This reflects calls made by Care Forum Wales in respect of the first tranche of COVID-19 hardship funding for greater guidance and direction on the use of social care funding given to local authorities.⁹⁵

Our view

93. The social care sector has been too fragile for too long, even before the situation was exacerbated by the pandemic. The stability of the sector is vital to ensuring that the most vulnerable people in Wales can be confident that they will receive the care and support that they need in our communities. Moreover, without an effective, robust and responsive social care sector, our health services simply cannot operate effectively. As the evidence to our inquiry on patient flow demonstrates, the pressures on the social care sector are resulting in too many people either experiencing delayed discharges or being discharged without adequate care packages being in place. The detrimental impact on individuals is significant, leading in some cases to people needing further healthcare or increased levels of social care or support (including from unpaid carers).⁹⁶

94. Unless the right balance between health and social care funding is achieved—one which properly reflects the parity of esteem that should be afforded to both sectors—the funding allocated to health services may continue to increase year on year without delivering more integrated services or improved outcomes for both social care users and patients.

95. To this end, we welcome the increase in funding for social care in the draft budget, and the indication that it reflects the assessments made by local authorities. We also welcome the confirmation that the costs of funding the real living wage have been incorporated into the local government settlement.

⁹³ RoP [paras 164-5], 13 January 2022

⁹⁴ Welsh NHS Confederation, [Response to the Finance Committee scrutiny of the Welsh Government's 2022-23 draft budget proposals](#), 24 November 2021, p.10

⁹⁵ The Leader, ['Mario Kreft on giving £40m social care cash to councils'](#), 14 September 2021

⁹⁶ Health and Social Care Committee, [Hospital discharge and its impact on patient flow through hospitals](#) [accessed January 2022]

96. However, we are not yet assured that the funding allocations within the draft budget will sufficiently address the immediate pressures, stabilise the sector in the longer term or ensure that social care services have the funding that they need to play their part in delivering an integrated and effective health and social care service for Wales.

Recommendation 18. The Welsh Government should provide assurances that the draft budget will address both the immediate crisis facing social care in Wales and the longer term challenges. This should include identifying and explaining:

- Actions that will be taken in the immediate term to address the workforce and other pressures faced by social care providers, and details of any contingency plans that are in place to ensure that people continue to receive the care and support that they need should the pressures faced by the sector worsen.
- Actions that will be taken within the duration of this multiyear budget to stabilise the sector, prepare for reforms, and achieve a fair and sustainable balance between funding for health and social care.

Recommendation 19. The Welsh Government should provide an update on any progress or developments regarding paying for care in Wales, and any assessments of the associated financing implications.

9. Health and social care transformation and integration

Funding

97. Around £8bn within the HSS MEG is allocated to core NHS services. The Welsh Government sets priorities for health boards through the NHS Planning Framework. The Minister for HSS confirmed that she expected the IMTPs submitted by health boards in February 2022 to include plans for service transformation as well as for addressing waiting lists. While these plans are owned by the health boards, the Minister cautioned that if she did not see the Welsh Government's transformation priorities reflected in them, she would work with the health boards to adjust their plans accordingly.⁹⁷

⁹⁷ RoP [para 66], 13 January 2022

98. In recent years, the £89m integrated care fund (“ICF”) and the £50m transformation fund (“TF”), both administered through regional partnership boards, have been key elements of the Welsh Government’s transformation and integration agenda. However, the effectiveness of the funds has been the subject of some criticism, with Audit Wales finding in 2019 that there was “little evidence of successful projects being mainstreamed and funded as part of public bodies’ core service delivery”.⁹⁸ The Minister for HSS acknowledged in September 2021 that the funds were popular with organisations, but that:

“...what they’re not doing brilliantly yet is integrating it into the mainstream, and that’s the next nut that we absolutely need to crack”.⁹⁹

99. With effect from 1 April 2022, the integrated care fund, transformation fund, dementia action plan fund, and the emotional health and wellbeing fund will be replaced with a new five-year £144.6m health and social care regional integration fund (“RIF”), also to be administered through regional partnership boards.¹⁰⁰

100. The stated aim of the RIF is to: “build on the successes of the ICF and TF, learn from experiences to date, and continue to drive the integration and transformation of health and social care”.¹⁰¹ The Minister for HSS explained that the focus would be “embedding six national models of care”. Recognising issues with the previous funds, she said:

“...this time, we are saying that you have to match fund here in order to mainstream services that we know work well. There’s also going to be dedicated support for the regional partnership board infrastructure costs, but also, a clear exit strategy, because what we find is that they’ll say, ‘This is fantastic, we love this. It’s really working well; just keep on spending, just keep on giving us this new money.’ What we’re trying to do is to change the way they do things at the moment, so they need to be shifting their ways of working, but we just need to give them a leg up on that journey.

And just in terms of the governance and scrutiny and things, we are very keen to make sure that we’ve introduced a work programme. It’s got some key work streams,

⁹⁸ Auditor General for Wales, *Integrated Care Fund*, July 2019, p.4

⁹⁹ Health and Social Care Committee, *Record of Proceedings*, 23 September 2021, para 265

¹⁰⁰ RoP [para 196], 13 January 2022

¹⁰¹ Welsh Government, *Scrutiny of Health and Social Services Draft Budget 2022-23*, December 2021, p.20

*including governance, including scrutiny, including planning and performance, including citizen engagement. So, all of those things are there and in place."*¹⁰²

Regional partnership boards

101. Responsibility for developing investment plans for both the RIF and the new £50m social care capital fund will sit with regional partnership boards. The Deputy Minister for SS explained that this was to ensure that "the capital and the revenue will be aligned and integrated models of care and delivery can be developed and operationalised".¹⁰³ She added that regional partnership boards would be expected to invest at least 5 per cent of the RIF over the three years (a total of around £4m) in services for unpaid carers.¹⁰⁴

102. However, respondents to the Welsh Government's consultation on its Rebalancing Care and Support White Paper (especially those from the third and independent sectors and members of the public) raised some concerns about regional partnership boards. The consultation summary states that "Many of these responses cited challenges in RPBs implementing current functions effectively (in relation to transparency, accountability, co-production and measuring outcomes and impact)".¹⁰⁵

103. Setting out the next steps following the White Paper, the Deputy Minister for SS said that the Welsh Government did not intend to proceed with the proposal to establish regional partnership boards as legal corporate entities at this time, on the basis that there was more to be done to strengthen regional partnership arrangements to ensure that joint working delivered for local populations. She said that this work would include improvements in governance and scrutiny; planning and performance; engagement and voice; integrated service delivery; and rebalancing the social care market.¹⁰⁶

104. In December 2021, Audit Wales described regional partnership boards' governance and operation as "maturing", but recommended that the Welsh Government should take measures

¹⁰² RoP [paras 197-8], 13 January 2022

¹⁰³ RoP [para 168], 13 January 2022

¹⁰⁴ RoP [para 190], 13 January 2022

¹⁰⁵ Welsh Government, *Rebalancing care and support: a consultation on improving social care arrangements and strengthening partnership working to better support people's wellbeing (consultation – summary of response)*, 29 June 2021, p.36

¹⁰⁶ Welsh Government, *Written statement: rebalancing care and support White Paper – next steps*, 29 October 2021

to require strengthened scrutiny arrangements and accountability for regional partnership boards, and should develop a framework for outcome-based performance reporting.¹⁰⁷

Our view

105. While the NHS and social care must have the funding needed to provide the vital services on which people and communities in Wales rely, it is not sustainable for the costs of ‘business as usual’ services to continue to increase year on year. The Welsh Government must therefore continue to use its budgets and the other tools at its disposal to drive transformation and increase resilience, while also ensuring that the sector is able to deal with the challenges of the pandemic and recovery.

106. Overcoming the inertia of ‘business as usual’ structures, services and delivery will require strategic leadership, direction and drive from the Welsh Government, regional partnership boards, and health boards—particularly those who are yet to achieve financial sustainability. We recognise that delivering change is never easy, and that it may require difficult and unpopular decisions to be made and implemented. But, without genuine transformation we risk continually putting more and more money into delivering more of the same, and failing to seize the opportunity to work differently and more effectively to deliver the post-pandemic reset that Wales needs and deserves.

Recommendation 20. The Welsh Government should explain how the replacement of the integrated care fund and the transformation fund with the health and social care regional integration fund will provide the drive for the rollout of innovation and transformation across health and social care. This should include clarity about how the Welsh Government will ensure that its priorities are reflected in the plans developed by regional partnership boards, how good practice will be rolled out and mainstreamed, and how such plans will be transparently scrutinised and monitored by the Welsh Government.

107. There is still insufficient clarity about the role and operation of regional partnership boards, and whether they have the capacity and capability to deliver the Welsh Government’s transformation agenda with pace, transparency, focus and consistency.

Recommendation 21. The Welsh Government should set out the next steps and associated timescales for the development of the role and operation of regional partnership boards, including how their governance and accountability arrangements will be strengthened and how

¹⁰⁷ Audit Wales, ‘[Current arrangements for commissioning older people’s care-home placements are failing to address some long-standing issues](#)’, 16 December 2021

the Welsh Government will ensure that all regional partnership boards are operating at the level of the most successful ones.

10. Impact of rising energy costs

Background

108. In its response to the Finance Committee’s consultation on the draft budget, ADSS Cymru sounded a note of caution in its welcome for the increased funding for social care via the local government settlement. It explained that the independent commissioned social care sector in particular was likely to face “hidden inflationary costs” as a result of COVID, increasing wages and energy costs. It suggested that such costs would “feed through into fee levels and significantly erode the uplift gains provided”.¹⁰⁸

109. The Welsh Government’s director of finance for health and social services acknowledged that increasing energy costs were “a risk going forward into this financial year that we will need to manage in line with the service, as well as, obviously the ongoing impact of the pandemic”.¹⁰⁹

Our view

110. As we noted in section 4 of this report, health boards will face upward pressures on their fixed costs during this budget period. Local authorities and social care providers are likely to face similar pressures, in particular in respect of energy costs and usage.

111. As energy costs rise, the fixed costs for health and social care bodies will increase. This is both an urgent issue, and one that is likely to be exacerbated by increased demand for heating and cooling within the context of the climate emergency. Health and social care providers will therefore need to plan effectively for their energy needs, including how they will meet any increases in their fixed costs and what the impact might be on service delivery and outcomes.

Recommendation 22. The Welsh Government should provide a breakdown of the current and anticipated energy costs for health boards in Wales, and what, in practice, it will mean for health boards and the services they deliver if energy costs and the demand for heating and cooling continue to rise significantly. It should also provide details of any guidance provided to health and social care bodies in respect of energy costs or planning for energy needs.

¹⁰⁸ ADSS Cymru, [Evidence to the Finance Committee’s inquiry into the Welsh Government’s draft budget 2022-23](#), January 2022, p.3

¹⁰⁹ RoP [para 13], 13 January 2022

Recommendation 23. The Welsh Government should explain how the impact of rising energy costs and increased demands for heating and cooling have been taken into account when setting health and social care allocations in the 2022-23 draft budget (and the indicative allocations for 2023-24 and 2024-25).