

Welsh Government draft budget 2021-22

February 2021

1. Introduction

1. This report sets out the views of the Health, Social Care and Sport Committee (the Committee) on the Welsh Government's draft budget for 2021-22 in respect of the policy areas within the Committee's remit. This report is intended to inform the Senedd's debate on the draft budget, scheduled for 9 February 2021.

2. We took evidence from the following to inform our scrutiny of the draft budget:

- The Minister and Deputy Minister for Health and Social Services (HSS) (13 January 2021).
- The Minister for Mental Health, Wellbeing and Welsh Language (MHWWL) in respect of funding for mental health and wellbeing (20 January 2021).¹
- The Deputy Minister for Culture, Sport and Tourism (CST) in respect of funding for sport and physical activity (20 January 2021).

3. We also reviewed the evidence submitted to the [Finance Committee's consultation on the draft budget](#).

¹1.To avoid duplication with the work of the Children, Young People and Education Committee's scrutiny of the matters within its remit, we did not look in detail at the funding allocations relating to access to support for the emotional wellbeing and mental health of children and young people, nor the further development of perinatal mental health services.



2. Welsh Government draft budget 2021-22

4. As a result of the COVID-19 pandemic, rather than the planned multi-year Comprehensive Spending Review, the UK Government conducted a one-year Spending Review in November 2020.²

5. On 21 December 2020, the Welsh Government published its outline draft budget proposals for 2021-22, setting out the allocations for the budget's main expenditure groups (MEGs) and its revenue and capital spending plans.

6. In *Protect, Build, Change*, the narrative accompanying the draft budget, the Welsh Government described investment in the NHS and public services as central to its plans, and stated that:

“Our absolute priority must be to preserve life and protect the people of Wales. COVID-19 has been devastating for many families, not only for those who have lost loved ones, but also for the many others who are suffering from chronic illnesses and conditions because of delayed treatment as a result of the pandemic”.³

7. On 13 January 2021, the Minister for HSS updated us on the latest position in respect of the pandemic and highlighted the pressures faced by the health and social care sectors. He told us that he hoped that in 2021-22 the focus could begin to shift to financial and healthcare recovery, but emphasised the impact of the pandemic on staff, the financial cost of COVID-19-related services and the “costs in human and financial terms of delaying non-COVID care as well”.⁴

Our view

8. Our budget scrutiny has taken place against the backdrop of considerable uncertainty over both the COVID-19 pandemic and Brexit. It is inevitable that the draft budget for 2021-22, and the final budget proposals brought forward in due course, will have been shaped by the rapidly changing and evolving course of events, and the anticipated short and long term implications.

9. The magnitude of the public health emergency Wales is facing should not be underestimated, either in terms of responding to the immediate challenges of the

² UK Government, *Spending Review 2020*, 25 November 2020

³ Welsh Government, *Draft Budget 2021-22: protect, build change*, December 2020, p17

⁴ RoP [para 7], 13 January 2021

pandemic, or the need to do what can be done to maintain the vital non-COVID services on which people rely.

10. We believe that the true scale of the implications for the health, social care and sport sectors will not become fully clear for some years. In addition, the crisis has also exacerbated underlying issues, including the fragility of the social care sector, the ongoing health inequalities across Wales, and the need for a clear strategic vision to drive health and social care integration and service transformation.

11. Even under more normal circumstances, health, social care and sport are significant, complex and interrelated policy areas that, together with other areas across government, contribute to the health and wellbeing of people across Wales. It is not surprising therefore that our remit as a Committee covers matters that are the responsibility of several Ministers and Deputy Ministers, and that are funded by allocations from various MEGs, including Health and Social Services, Housing and Local Government, and Mental Health, Wellbeing and Welsh Language. However, this does present challenges not only to the effective scrutiny of a significant proportion of the Welsh Government's overall budget, but also to the clarity of lines of accountability for allocations, spending and prioritisation across MEGs.

12. The course of the pandemic over the coming months remains uncertain, and there will be difficult choices to be made about the prioritisation of limited resources. It is right that the current focus is on responding to the public health emergency, and we are grateful to the Ministers and their officials for the way in which they have engaged with us as a Committee during this period.

13. Nevertheless, in addition to addressing the significant challenges that lie ahead in terms of financial, service and healthcare recovery, there will, in due course, doubtless be lessons to be learned in terms of how governments across the UK have responded to a multifaceted crisis such as the pandemic, and the extent to which their budget processes, decision-making and governance arrangements have enabled them to move quickly, to act fairly, to demonstrate accountability and value for money, and to respond effectively and transparently to constructive scrutiny.

3. Financial impact of COVID-19

Impact in 2020-21

Health

14. During 2020-21 the Welsh Government announced additional health and social care funding initially of £485m to manage the COVID-19 response, followed later by a further £800m of stabilisation funding for the NHS. This took the total amount of COVID-19 support for NHS organisations to more than £1.3bn. Of this, £451m has been allocated to costs incurred on staffing, field hospital set-up, testing, PPE and use of the independent sector, with the balance to be deployed to support national priorities and local plans.⁵

15. The Minister for HSS explained that capital investment has also needed to be repurposed as part of the response to COVID-19, including:

“...c.£104m of the programme being directed towards schemes including the early opening of the Grange University Hospital, the additional testing laboratory and equipment for Public Health Wales and digital enabling investments across Wales. The £33m additional 400 bedded surge capacity on the University Hospital of Wales site has been fully supported from a capital perspective through Strategic Budgeting”.⁶

16. Audit Wales published an NHS Wales finances data tool in November 2020 that showed the additional spend incurred by each NHS Wales body as a result of the pandemic.⁷ At the halfway point of 2020-21, the tool showed a reported total net cost of £501m for COVID-19-related activity. Additional spending and costs, comprising £109.4m on pay expenditure; £419.2m on non-pay expenditure; and £71.7m of planned savings that were not delivered, were offset by reductions in planned operational costs of £83.3m and £16.3m slippage on planned investments.

⁵ Welsh Government, [Press release: Ministers announce £800m stabilisation package for Welsh NHS](#), 5 August 2020

⁶ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2021-22](#), December 2020, pp.4-5

⁷ Audit Wales, [NHS Wales finances data tool](#), 27 November 2020

Mental health

17. The Minister for MHWL acknowledged the impact of the pandemic on the demand and need for mental health support in Wales. In written evidence she explained that during 2020-21 additional mental health funding had been allocated to the NHS, third sector and local authorities:

“During 2020-21 we invested in improved access to low level support, to meet the increased levels of anxiety in our population. In the medium to long term, we anticipate an increase in need across all levels of mental health services, due to the wider social economic impact of the pandemic.”⁸

18. Mental health services were identified early in the pandemic as ‘essential services’, and in March 2020, the Welsh Government released the first six months of 2020-21 funding (£3.5m) from the Mental Health Service Improvement Fund for local health boards (LHBs) to enable them to respond to the pressures associated with the pandemic. LHBs were subsequently asked retrospectively to provide a high level overview of how the funding had been used. Uses included: additional staffing from agency and redeployment; extra care due to day care service closures; additional in-patient care capacity; and service model reconfiguration to enable digital provision.⁹ The Minister for MHWL told us that £400k of the second £3.5m was also spent on the COVID-19 response, with the remaining funds being allocated to other mental health priorities.¹⁰

19. Other key areas of mental health spend during the pandemic have included:

- £5m for the Whole School/Systems approach. This funding will be increased in 2021-22 to £9.4m.
- £1.3m to accelerate Tier 0/1 provision to support open access services, and £1.4m of additional COVID-19 response funding for LHBs to support voluntary sector mental health service provision on a regional basis. This funding will continue into 2021-22, funded by the additional £20m for mental health in the HSS MEG.

⁸ Welsh Government, [Scrutiny of Mental Health, Wellbeing and Welsh Language Draft Budget 2021-22](#), December 2020, p.5

⁹ Ibid, p.14

¹⁰ RoP [para 44], 20 January 2021

- £2.2m as a one off allocation in 2020-21 to provide for surge capacity in respect of in-patient provision across Wales. The Minister for MHWWL told us that the additional funding had been helpful for some LHBs, but that it was no longer needed because the national collaborative commissioning unit was ensuring that there was “consistency of approach across health boards in terms of getting access to beds, and that’s been particularly true in relation to scouting around to find out where there is excess capacity”.¹¹
- £1m to extend the mental health support scheme for doctors to 60,000 healthcare workers in Wales to provide people on the frontline with access to support. This service will be continued into 2021-22, and will also be extended to care workers.
- £50k to support the mental health of unpaid carers.

20. The Minister for MHWWL also emphasised that other investments across Welsh Government have contributed to supporting mental health and wellbeing during the pandemic, including employment support, debt advice, housing support, sports, and access to green spaces.¹²

Social care

21. The Welsh Government allocated additional funds for social care in both the first and second supplementary budgets in 2020-21:

- **First supplementary budget:** £40m to support the extra costs of adult social care services during the pandemic (included within the £188.5m Local Authority Hardship Fund); and up to £40m to enable the payment of £500 to every care home worker and domiciliary care worker providing personal care across Wales.¹³
- **Second supplementary budget:** an additional £306.6m to the Local Authority Hardship Fund, including £27.4m for the adult social care sector.¹⁴

¹¹ RoP [para 83], 20 January 2021

¹² Welsh Government, [Scrutiny of Mental Health, Wellbeing and Welsh Language Draft Budget 2021-22](#), December 2020, p.15

¹³ Welsh Government, [Supplementary budget 2020-21: explanatory note](#), May 2020, pp.10-11

¹⁴ Welsh Government, [Supplementary budget 2020-21: explanatory note](#), October 2020, p.14

22. Writing about the impact of the pandemic on local authorities in England, the Institute for Fiscal Studies noted that longer term changes in community patterns, working arrangements and shopping could affect local authority income from parking in future.¹⁵ Audit Wales reported that in the first six months of 2020-21 local authorities in Wales reported “financial costs of around £325 million due to the pandemic (£160 million loss of income and £165 million additional expenditure”).¹⁶ The Welsh Local Government Association (WLGA) similarly highlighted the effect of loss of income and fees. It noted that shortfalls in 2020-21 have been met via the Local Authority Hardship Fund, but cautioned that:

“Without on-going support for loss of income compensating service cuts will be required because there is uncertainty about when (and if) demand will return to pre COVID-19 levels”.¹⁷

23. Audit Wales further reported in October 2020 that “some councils were much better placed than others to weather a financial challenge such as the pandemic”. It explained that this was demonstrated by the varying levels of reserves held by local authorities across Wales, and the extent to which the general fund balance, together with earmarked reserves, have been increasing or decreasing over recent years.¹⁸ In addition, the WLGA has also raised concerns over council tax collection rates as a result of the pandemic’s impact on household income.¹⁹

Sport

24. In written evidence, the Deputy Minister for CST described seeking to strike a balance during the pandemic between the value of sport and exercise to people’s

¹⁵ Institute for Fiscal Studies, [‘Changing consumer behaviour has big implications for councils, not just businesses, and especially for those in major cities’](#), 21 December 2020

¹⁶ Audit Wales, [‘Can Wales cope with the financial impact of the pandemic on local government?’](#), 5 October 2020

¹⁷ Welsh Local Government Association, [Evidence to Finance Committee: Welsh Government budget 2021-22](#), 2 December 2020

¹⁸ Audit Wales, [Financial sustainability of local government as a result of the COVID-19 pandemic](#), October 2020

¹⁹ Welsh Local Government Association, [Evidence to Finance Committee: Welsh Government budget 2021-22](#), 2 December 2020

mental and physical health and wellbeing, and the need to keep people safe during the public health emergency.²⁰

25. The second supplementary budget for 2020-21 included a funding package for Wales' sport and leisure sector: the Sport and Leisure Recovery Fund (SLRF). £12.5m of the £14m SLRF was allocated directly to Sport Wales, and £1.5m for sporting events was managed within the Support for Local Culture and Sport BEL.²¹ The Deputy Minister told us that the funding was intended to provide "protection for organisations and facilities and protect jobs in the centre". He said that so far Sport Wales had invested over £6.2m, and that further payments would be made before the end of 2020-21.²² Funding to date has been used, for example, to provide support to sports clubs and organisations, independent providers and sporting events that have faced challenges as a result of the pandemic.²³

26. In addition to sport sector-specific funding, Steffan Roberts, Welsh Government Deputy Director for Culture, Sport and Tourism, noted that the sector had also received support from the Welsh Government's Local Authority Hardship Fund and the UK Government's job retention scheme.²⁴

27. On 25 January 2021, the Deputy Minister for CST announced the establishment of a £17.7m Spectator Sports Survival Fund to "provide immediate financial support for spectator sports through the remainder of the winter period to ensure that sports will be ready for the beginning of the new season in September".²⁵

Draft budget 2021-22

28. While the draft budget 2021-22 proposes an increase in Revenue Departmental Expenditure Limits (DEL) for all MEGs compared with the 2020-21 final budget (restated), the largest increases in absolute terms are for the HSS MEG (£425m) and the Housing and Local Government MEG (£268m). Nevertheless, the Trefnydd and Minister for Finance told the Finance Committee

²⁰ Welsh Government, [Memorandum on the Sport Draft Budget proposals for 2021-22](#), December 2020, p.1

²¹ Welsh Government, [Supplementary budget 2020-21: explanatory note](#), October 2020

²² RoP [para 139], 20 January 2021

²³ Welsh Government, [Supplementary budget 2020-21: explanatory note](#), October 2020

²⁴ RoP [para 150], 20 January 2021

²⁵ Welsh Government, [Written statement: Spectator Sports Survival Fund](#), 25 January 2021

on 8 January 2021 that the allocations for health and local government remained under review:

“I’ll be certainly looking as to whether further allocations will need to be made in respect of health and local government in particular, as we move forward towards the final budget, and we’ll be having some further discussions on the level of funding that we might want to allocate there between now and then, but I would certainly expect to see some additional allocations made.”²⁶

29. *Protect, Build, Change* noted that the Spending Review identified £766m in Barnett consequentials for 2021-22 as a result of COVID-19-related spending announcements in England in devolved areas. It described this funding as “welcome, but [...] significantly less than the £5bn we have received this year”.²⁷

30. Cardiff University’s Wales Fiscal Analysis suggested that “a significant portion” of COVID-19 related costs would need to be met from within the Welsh Government’s own budget in 2021-22. It estimated that matching the NHS share of COVID-19 spending for 2020-21, as well as matching the per person increase in NHS spending in England, would require £430m of COVID-19 funding and an increase of £350m in the core NHS budget.²⁸

31. *Protect, Build, Change* stated that draft budget has allocated only £77m of the anticipated £766m Barnett consequentials so far, explaining that this is in order to retain flexibility to respond to the uncertainty of the course of the pandemic during the winter. It noted that in preparing the final budget the Welsh Government will “consider what additional funding is needed to support the NHS and local government as they stand at the forefront of our response to the pandemic”.²⁹

32. We discussed with each of the Ministers whether they were seeking additional allocations to assist responding to COVID-19 in 2021-22, and if so, their priorities for such funding. The matters they identified are outlined below.

²⁶ RoP (Finance Committee) [para 11], 8 January 2021

²⁷ Welsh Government, *Draft Budget 2021-22: protect, build change*, December 2020, p.iv

²⁸ Cardiff University Wales Fiscal Analysis, *Welsh Government draft budget proposals for 2021-22: written response to Finance Committee call for information*, December 2020, p.5

²⁹ Welsh Government, *Draft Budget 2021-22: protect, build change*, December 2020, p.iv and p.12

Testing

33. The Minister for HSS noted that there was considerable uncertainty in respect of the potential future demand for symptomatic and asymptomatic COVID-19 testing in 2021-22. He highlighted in particular policing, education and international travel as areas in which asymptomatic testing might be needed, in addition to ongoing symptomatic testing.³⁰

Test, Trace, Protect (TTP)

34. The first supplementary budget for 2020-21 included an additional £57m for the TTP programme.³¹ This was supplemented in November 2020 by a further £15.7m to increase the number of contact tracing staff from 1,800 to 3,100 to address an expected rise in demand between December 2020 and the end of March 2021.³²

35. The draft budget for 2021-22 allocates an additional £10m to sustain the contact tracing workforce in 2021-22. The Minister told us that this was to remove barriers to recruitment and avoid a position in which staff contracts ended on 31 March 2021. He explained that when it becomes possible for restrictions to begin to be eased there will need to be more focus on contact tracing. He anticipated that the contact tracing service would need to continue “into the summer, and quite probably beyond that as well”.³³

Vaccination

36. The Minister for HSS told us that there was significant uncertainty in respect of the potential costs associated with COVID-19 vaccination, in part because it is not yet clear whether the current vaccines provide long-term protection against the virus or whether further vaccination programmes will be required.³⁴

Personal Protective Equipment (PPE)

37. The Minister for HSS anticipated significant ongoing needs in respect of PPE supply, in particular within the health and social care services. He recalled that

³⁰ RoP [para 17], 13 January 2021

³¹ Welsh Government, *Supplementary budget 2020-21: explanatory note*, May 2020, pp.6-10

³² Welsh Government, *Press release: extra £15.7m to increase contact tracing workforce in Wales*, 13 November 2020

³³ RoP [para 10], 13 January 2021

³⁴ RoP [para 9], 13 January 2021

early in the pandemic international pressure on supply chains had resulted in PPE procurement across the public service being led by the NHS. He noted that should similar pressures emerge again, “people would be looking to us to procure [PPE] for other parts of the public service”.³⁵

Managing the impact on routine health services

38. In written evidence, the Minister for HSS highlighted the pressure that has built up in the delivery of routine healthcare during the pandemic:

“The significant backlog created in these eight months is likely to continue to grow to March 2021 and beyond. [...] The current inability to increase resources significantly, in particular staff, and the estate, constraints the NHS’s ability to increase capacity at pace to make any real impact on reducing the backlog”.³⁶

39. In respect of cancer services, for example, the Minister estimated that there are at least 13,500 people with suspected cancer who may be referred at some point in the future. He explained that this backlog, combined with delays for diagnostic tests, could mean that it would take up to 132 weeks for the additional volume of patients to be seen. Describing this as “unacceptable”, he said the Welsh Government would prepare a three-year plan, for which 2021-22 funding will be confirmed before the end of 2020-21.³⁷

40. The Minister for HSS told us that “in normal times, we’d have bought activity as well as looking to generate activity within the NHS”, but that within the current context it is not possible to predict whether there will be free capacity either in the NHS elsewhere in the UK or within the private sector”. He indicated that this would present challenges not only in terms of funding allocations, but also in terms of how any additional funding could be used to address the backlog.³⁸

NHS staffing and staff wellbeing

41. The Minister for HSS noted that in addition to investment in NHS staff capacity, consideration needed to be given to staff wellbeing and the impact of the pandemic on them. Highlighting the need for staff to have a break, and the

³⁵ RoP [para 18], 13 January 2021

³⁶ Welsh Government, Scrutiny of Health and Social Services Draft Budget 2021-22, December 2020, p.6

³⁷ Ibid, pp.6-7

³⁸ RoP [para 11], 13 January 2021

potential for some staff to “find their NHS careers are shortened by the pandemic”, he told us that he anticipated that staffing costs would increase during 2021-22:

“So, we face this real challenge where we know the costs are going to increase again through this year, we know the challenge will be great, and we’re doing that quite probably with a more significant need to care for our staff and to invest in the future”.³⁹

Mental health

42. The Minister for MHWL told us that the full impact of the trauma arising from the pandemic on people across Wales was not yet clear. She said that the newly-convened delivery and oversight board for mental health would be responsible for keeping under review whether there were any emerging needs and whether any additional funding allocations were required for 2021-22. She explained, however, that a cross-government approach would be central to managing the impact of the pandemic on mental health:

“I think the other thing to underline is that mental health is not something that just should be restricted to health. We've got to understand that the causes of mental health are much broader. So, we need to consider the fact that the kind of money we're putting in to supporting the economy, making sure that there's support for housing, for debt, for support within education—all of those things will add to try to head off, really, the potential for increased need for mental health support. So, that cross-Government approach, that multi-agency approach, I think, is really crucial, but, you're right, we don't know yet what the final outcome of this is going to look like in relation to mental health”.⁴⁰

Social care

43. The Deputy Minister for HSS and Albert Heaney, Welsh Government Deputy Director General, Health and Social Services Group, emphasised the importance of the additional funding that had been provided during 2020-21 in securing greater financial resilience in the sector, as well as meeting specific needs such as the leasing of pods to enable socially distanced visiting in care homes during the winter. The Deputy Minister told us that she anticipated further allocations being

³⁹ RoP [para 12], 13 January 2021

⁴⁰ RoP [paras 5-7], 20 January 2021

made in the 2021-22 budget for social care, but said that it was not possible at this stage to provide specific details.⁴¹

Sport

44. The Deputy Minister for CST stated in written evidence that sport would continue to feel the effect of the COVID-19 pandemic throughout 2021-22. He identified the provision of stability, reassurance and confidence to the sector as a key priority for Sport Wales, but noted that plans would need to be flexible in order to protect the sector and help it to prepare for the return of sport and exercise as national restrictions begin to be eased.⁴²

45. Jason Thomas, Welsh Government Director of Culture, Sport and Tourism, emphasised the ongoing uncertainty about the course of the pandemic, and the need to balance priorities across all sectors within the Culture, Sport and Tourism portfolio. He added that the Welsh Government would continue to work closely with Sport Wales and other partners to learn lessons from the experience of the pandemic in 2020-21, and to identify where action might need to be taken or where any additional funding might be required in 2021-22.⁴³ However, the Deputy Minister told us that it was not possible to make specific commitments at this stage. He indicated that further discussions were taking place within the Welsh Government in respect of the prioritisation of any additional funding allocations, but explained that his guiding principle was:

“...to maintain the level of activity to the extent that we are able to do that under the existing allocation of funds that we have within the overall budget of Welsh Government, and that’s absolutely clear to our partners—that that is our intention”.⁴⁴

Our view

46. Responding to the COVID-19 pandemic has had a significant impact on the health, social care and sport sectors in Wales. Throughout the 2020-21 financial year, the Welsh Government has rightly invested significant sums in responding to

⁴¹ RoP [paras 73 and 75], 13 January 2021

⁴² Welsh Government, Memorandum on the Sport Draft Budget proposals for 2021-22, December 2020, p.6

⁴³ RoP [paras 148 and 166], 20 January 2021

⁴⁴ RoP [paras 145 and 152], 20 January 2021

the public health emergency. As the pandemic continues, it is likely that additional funding will continue to be required into 2021-22.

47. We recognise that there is necessarily considerable uncertainty at this stage as to the specific requirements that will arise as the pandemic continues and Wales begins the process of recovery. For example, we believe that in addition to the issues outlined above, consideration will need to be given to the potential for demand for service to increase, and to the potential impact of emerging conditions such as ‘long COVID’ or post-COVID syndrome.

48. However, we expect the Welsh Government, across all portfolios, to be proactive in its planning and its engagement with relevant partners to identify where there may be additional needs, and to determine how such needs may be resolved. To this end, we would welcome further detail from each of the Ministers and Deputy Ministers on the areas within their portfolios in which they anticipate additional needs arising, the additional allocations they are seeking in the final budget, and how they would prioritise such funding to assist both the response to the pandemic and the longer term recovery of the health, social care and sport sectors.

Recommendation 1. We recommend that the Welsh Government provides further details on the areas within their portfolios that Ministers anticipate may require further funding during 2021-22, what further allocations may be made for health (including mental health), social care and sport in the final budget for 2021-22, and how such allocations will be prioritised to assist both the response to the pandemic and the longer term recovery of the health, social care and sport sectors.

4. Health and Social Services MEG

Overview

49. The 2021-22 draft budget outlined a Total Managed Expenditure for the Health and Social Services MEG (HSS MEG) of £9.2bn, a 4.2 per cent increase compared with the 2020-21 final budget (restated).⁴⁵ This comprises:

- £8.6bn revenue (a 5.2 per cent increase).

⁴⁵ The final budget 2020–21 was restated to reflect changes to Ministerial portfolios in October 2020.

- £382.5m capital (a 3.6 per cent increase).
- £148.4m Annually Managed Expenditure (AME) (a 31.8 per cent decrease).

50. Of the £8,682m for DEL revenue funding, £8,347m (96.1 per cent) is allocated for the delivery of core NHS services. This includes the funding for NHS bodies in Wales, such as LHBs, NHS trusts, Public Health Wales and Health Education Improvement Wales (HEIW). This is an increase of £360.5m (4.5 per cent) in DEL funding for core NHS services on the restated 2020-21 final budget. Revenue DEL allocations also include:

- £136.4m for targeted NHS services, which includes £133.8m for *A Healthier Wales* (an increase of £37.9m or 37.2 per cent).
- £14.9m for public health programmes (a reduction of £1.2m or 7.5 per cent).
- £27.9m to support training and education for the NHS workforce (an increase of £2.1m or 8.2 per cent).

51. Table 1 summarises the changes in DEL between the final budget 2020-21 (restated) and the draft budget for 2021-22.

Table 1 Draft budget 2021-22 Departmental Expenditure Limits – summary of changes from the final budget 2020-21 (restated)⁴⁶

Change	Health and Social Services MEG (£000)
Final budget 2020-21 (revised), excl. AME	8,625,943
Baseline adjustments	-5,184
Revised baseline	8,620,759
MEG to MEG transfers	-2,863
COVID-19 allocations from reserves	10,000
Other allocations from reserves	436,576
Total changes	443,713
2021-22 draft budget allocations excl. AME)	9,064,472
Percentage change on final budget 2020-21 (revised) in cash terms	5.1 per cent

⁴⁶ Welsh Government, *Draft budget 2021-22: budget expenditure lines*, December 2020

52. Further information about the draft budget allocations, including explanations for changes between the supplementary budget 2020-21 (October 2020) and the draft budget 2021-22, is available in the Minister and Deputy Minister for HSS's written evidence.⁴⁷ This includes:

- The 2020-21 in-year COVID-19 allocations and adjustments which were included in the supplementary budget as 'delivery of core services', but which are not included in the 2021-22 draft budget.
- New allocations for core services for 2021-22, including: £10m for contact tracing; around £230m in NHS growth; £20m for mental health within the HSS MEG to increase support across a range of areas in recognition of the impact of the pandemic on mental health and well-being; £82m of other NHS allocations including genomics and primary care; £16.3m for HEIW as part of £17.5m for workforce; and £10m for Public Health Wales to fund new health protection services.

Our view

53. We would welcome further detail from the Minister and Deputy Minister for HSS on their strategy for the investment of the £382.5m capital allocation in the 2021-22 draft budget.

Recommendation 2. We recommend that the Welsh Government provides details on its strategy for the investment of the £382.5m capital allocation in the HSS MEG in the 2021-22 draft budget.

5. Health boards' financial performance

54. The *NHS Finances (Wales) Act 2014* introduced two statutory financial duties for LHBs:

- 1.** To manage their resources within approved limits, or break-even, over a three-year rolling period.
- 2.** To prepare, and have approved by Ministers, a rolling three-year Integrated Medium Term Plan (IMTP).

⁴⁷ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2021-22](#), December 2020

55. In July 2020, the Minister for HSS reported that four LHBs (Betsi Cadwaladr University Health Board (UHB), Cardiff and Vale UHB, Hywel Dda UHB and Swansea Bay UHB) had accumulated a combined deficit of over £600m in the six years since the implementation of the 2014 Act.⁴⁸

56. Table 2 shows the annual reported outturn for the past three financial years, and the latest in-year reported and forecast end-of-year positions for LHBs in 2020-21. This shows that LHBs are reporting a combined in-year deficit of almost £48m and a forecast end of year deficit of over £90m for 2020-21. This represents a significant improvement on the position earlier in the financial year. For example, at the end of month 5 (August) for most LHBs and month 4 (July) for Aneurin Bevan and Betsi Cadwaladr showed a forecast aggregate end of year deficit of almost £450m for 2020-21.

Table 2 Local health boards in-year and forecast financial position 2020-21⁴⁹

Health board	Outturn to date 2020-21 (Over)/ under- spend (£m)	Forecast end-of-year outturn 2020-21 (Over)/ under- spend (£m)	Outturn 2019-20 (Over)/ under- spend (£m)	Outturn 2018-19 (Over)/ under- spend (£m)	Outturn 2017-18 (Over)/ under- spend (£m)
Aneurin Bevan	0.4	0.0	0.0	0.2	0.2
Betsi Cadwaladr	(19.8)	(40.0)	(38.7)	(41.3)	(38.8)
Cardiff and Vale	0.4	0.0	0.1	(9.9)	(26.9)
Cwm Taf Morgannwg ⁵⁰	0.6	0.0	0.9	0.0	0.0
Hywel Dda	(14.6)	(25.0)	(34.9)	(35.4)	(69.4)
Powys	0.0	0.0	0.1	0.1	0.1
Swansea Bay	(14.8)	(25.4)	(16.3)	(9.9)	(32.4)

⁴⁸ Welsh Government, [Written statement: NHS accounts 2019-20](#), 6 July 2020

⁴⁹ Finance reports to LHBs for month 7 (October 2020) with the exception of Betsi Cadwaladr which reflects the position at month 6 (September 2020).

⁵⁰ From 1 April 2019, the responsibility for providing healthcare services for people in Bridgend County Borough Council transferred from Abertawe Bro Morgannwg UHB to Cwm Taf UHB.

Net (over)/under-spend	(47.8)	(90.4)	(88.8)	(96.2)	(167.2)
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57. The three LHBs currently forecasting deficits for 2020-21—Betsi Cadwaladr, Hywel Dda and Swansea Bay—are all subject to either targeted interventions or enhanced monitoring. Cwm Taf Morgannwg is also subject to special measures in respect of its maternity services and targeted interventions for quality and governance, but is currently reporting an underspend of £0.6m and forecasting that it will break even in 2020-21.

58. In recent years, both Hywel Dda and Betsi Cadwaladr have received additional funding from the Welsh Government:

- In May 2018, in response to a review carried out on the Welsh Government’s behalf by Deloitte, the Minister for HSS announced an additional £27m of recurrent funding for Hywel Dda. The Minister stated that this funding “places the Health Board on a fair funding basis compared to other health boards [...] and provides a sound footing for the Board to develop and transform services”.⁵¹
- In November 2020, the Minister for HSS announced strategic assistance for Betsi Cadwaladr. This included cover for its deficit up to £40m a year, funding to improve unscheduled care and build a sustainable planned care programme of £30m a year, £12m to support performance improvement and implement the mental health strategy, and support to build broader capacity in the organisation. The Minister indicated that he intended to continue this support in 2021-22, 2022-23 and 2023-24.⁵²

59. Alan Brace, Welsh Government Director of Finance, outlined the approach to financial sustainability and discipline adopted within the health service before the pandemic. He described joint working—both within each LHB and with the Welsh Government’s Financial Delivery Unit—to inform the allocation and utilisation of resources, to get the most value from spending, to measure outcomes, and to manage variation. In respect of Hywel Dda and Swansea Bay LHBs—which are each forecasting to overspend in 2020-21—the Director of Finance explained that prior to the pandemic there had been a “clear plan and expectation” that the

⁵¹ Welsh Government, [Written statement: zero based review of Hywel Dda UHB healthcare services](#), 23 May 2018

⁵² Welsh Government, [Oral statement: strategic assistance for Betsi Cadwaladr University Health Board](#), 3 November 2020

resource allocations and work by the LHBs to improve their resource utilisation would have enabled them to move into a break even position.⁵³

60. Dr Andrew Goodall, Welsh Government Director General for Health and Social Services and the NHS Wales Chief Executive, told us that financial discipline, planning and judgements had to be driven by service planning, workforce planning, and patient pathways and experiences. He said that these aspects of planning had needed to be flexible during the pandemic, but that overall they had improved, facilitating increased financial discipline and resilience across the NHS. In respect of individual LHBs, particularly those forecasting overspends, he stressed the need to work with them to understand their financial pressures and improve financial performance without having a detrimental impact on quality or patient outcomes:

“Communities and, no doubt, Members would have concerns and worries if the wrong kind of judgements were being made but actually have that very visible impact on services. So, that's why we're monitoring very carefully, we're tracking things through, we're sharing experiences, because we do want it to be about sustainable choices that improve outcomes and improve services for the population”.⁵⁴

61. The Director of Finance told us he had worked closely during the pandemic with all NHS bodies to identify and track the position on COVID-19 and non-COVID-19 services, allocate funding, and develop plans to deliver a financially-stable position. He said that as a result the majority of LHBs would break even, and that Hywel Dda and Swansea Bay LHBs would:

“...overspend by their starting deficits that they had been describing before the actions that we would have put in place to drive those additional deficits down. So, that will leave us in an end-of-year position of a £49 million overspend in two organisations, and we will obviously use that then to see what progress we can make into the future”.⁵⁵

62. The Welsh NHS Confederation stated that additional funding during 2020-21 had enabled more NHS organisations to “operate within their resource limits, with the deficits reducing in a year when continued strain has been placed on NHS Wales services and their associated costs”. However, it also cautioned that further

⁵³ RoP [paras 29-30], 13 January 2021

⁵⁴ RoP [paras 37-31], 13 January 2021

⁵⁵ RoP [para 31], 13 January 2021

savings would be required in due course, but that the ongoing uncertainty of the pandemic would affect LHBs' ability to deliver efficiencies.⁵⁶

63. The Minister for HSS told us that he did not expect health bodies to deliver the target of 1 per cent efficiencies in either 2020-21 or 2021-22, but acknowledged that in the longer term the NHS would need to achieve savings while also addressing the backlog in treatment as a result of the pandemic.⁵⁷ He told us that his approach had been to “deliberately try to budget for an idea of those health boards that may overspend”, but noted that overall financial discipline had improved over recent years with the result that:

“...the NHS is in better shape to manage this, even with the extraordinary demands that have come in, and in the next year, we'll need to make some provision for potential overspends, but we've also—as the committee's aware—looked again at the allocation formula, so growth spending is now allocated on an updated basis”.⁵⁸

64. The Minister for HSS confirmed that the allocation of growth funding to LHBs would be conducted under the reformed Townsend formula, although he acknowledged that “the theory is always more straightforward than delivering that against the practical reality of how organisations receive budgets and are used to dealing with those means”.⁵⁹

Our view

65. We recognise the pressure that LHBs have been under during 2020-21, and the challenges this has presented in particular to the achievement of the proposed 1 per cent efficiency savings. While the course of the pandemic remains uncertain, we expect the pressure on the health service to continue into 2021-22 and beyond. We agree with the Minister for HSS that it will be appropriate in the longer term to maintain the NHS Wales funding model based on annual real terms growth funding and 1 per cent efficiency savings, but that it would not be reasonable to expect such savings to be delivered fully in the next financial year.

⁵⁶ Welsh NHS Confederation, [Response to the Finance's Committee's scrutiny of the Welsh Government's 2021-22 draft budget proposals](#), November 2020

⁵⁷ RoP [para 53], 13 January 2021

⁵⁸ RoP [paras 23-24], 13 January 2021

⁵⁹ RoP [para 58], 13 January 2021

66. Nevertheless, the ongoing inability of some LHBs, including those in receipt of targeted interventions from the Welsh Government, to meet their statutory financial duties continues to be a cause for concern.

67. We welcome the indication from the Minister for HSS that he will make, as a minimum, a written statement on the anticipated financial position on the basis of LHBs' annual plans for 2021-22 or their updated three-year IMTPs, and that his statement will identify which LHBs have met their financial duties, which are anticipating deficits, and what will be done to address them.

68. We note that the allocation of funding to LHBs for 2021-22 has been undertaken in line with the reformed Townsend formula, but would welcome further detail from the Minister on the operation and impact of the new formula, and how it will ensure that LHBs across Wales have the right resources to provide the services required by their populations.

Recommendation 3. We recommend that the Welsh Government provides details of the reformed Townsend formula and its impact on the resources available to each LHB. This should include information about how the reformed formula takes account of different needs across Wales, a breakdown of the implications for the financial resources available to each LHB which identifies the difference between the resources allocated to each LHB under the reformed formula compared to the previous formula, and an explanation of how any changes in the allocations for each LHB will be achieved.

6. Mental health

Overview

69. The creation of the new role of Minister for MHWL in autumn 2020 led to the transferral of some BELS from the HSS MEG to the new MHWL MEG after the second supplementary budget in October 2020. In total, almost £110m has been transferred from the HSS MEG to the MHWL MEG. However, significant funding relating to mental health services is still retained in the core NHS Allocation BEL within the HSS MEG.

70. Capital allocations of around £5m have been transferred from the HSS MEG to the MHWL MEG. This includes the capital budget for substance misuse, which supports the ongoing capital requirements to provide the infrastructure for delivery of substance misuse services.

71. The draft budget for 2021-22 includes an additional £42m to support people’s mental health and wellbeing. This brings total funding for mental health services for 2021-22 to £783m, comprising:

- HSS MEG: an additional £33m for mental health, including core NHS mental health services, taking total mental health spend within the HSS MEG to £746.8m.
- MHWWL MEG: an additional £9.4m to support children and young people’s emotional wellbeing and mental health, taking the total funding within this MEG to £36.3m.⁶⁰

72. The Minister for MHWWL described the £783m funding for mental health as “a not-insignificant amount”, but noted that she would shortly be taking a paper to Cabinet on the cross-government approach to mental health:

“...to talk about how we need to be moving this on together, understanding that this is a cross-Government approach that we need to consider, and, obviously, that everybody, then, should be marshalling the budgets within their own portfolios to try and address this issue as well”.⁶¹

HSS MEG

73. The funding for core NHS mental health services remains in the HSS MEG. The Minister for MHWWL explained that she and the Minister for HSS were jointly-accountable for decisions about spending from the HSS MEG in respect of mental health. She told us that the joint decision-making process was working well, and that while decisions were taken on the basis of the priorities identified in the *Together for mental health delivery plan 2019-22*, it was her responsibility to ensure that the priorities were delivered.⁶²

74. Within the HSS MEG, ringfenced funding is issued annually to LHBs as part of the Core NHS Allocations BEL. In written evidence, the Minister for MHWWL told us that:

⁶⁰ Welsh Government, *Scrutiny of Mental Health, Wellbeing and Welsh Language Draft Budget 2021-22*, December 2020, p.3

⁶¹ RoP [para 9], 20 January 2021

⁶² RoP [paras 11 and 19], 20 January 2021

“Whilst this funding is ring-fenced, local health boards are expected to manage in-year risks and opportunities relating to this funding alongside their discretionary allocations for other NHS services. For this reason, it is not practical to disaggregate this funding from the Core NHS Allocations BEL, and it remains within the HSS MEC”.⁶³

75. The draft budget for 2021-22 increases ringfenced funding for mental health from £711.9m in 2020-21 to £726.8m. The changes include:

- £0.5m for eating disorders.
- £1.3m for prison healthcare.
- £0.1m for gender services peer support.
- £13.0m core cost growth for 2021-22.

76. The Minister for MHWWL stated in written evidence that an additional £20m has been set aside within the HSS MEC to support further improvements in mental health services, and that “the NHS element of this funding will be added to the local health board ring-fenced allocation during 2021-22”.⁶⁴ She told us that she expected the £20m to be used as follows:

- £4m on Tier 0 mental health support.
- £7m for priority areas in the Together for Mental Health plan (including eating disorders, perinatal mental health, psychological therapies and CAMHS support).
- £6m for crisis support.
- £3m for memory clinics.⁶⁵

77. The mental health ringfence represents the minimum amount LHBs should spend on meeting the mental health needs of their populations. It covers a wide range of services, including specialist, hospital-based, community mental health services, primary care activity, and prescribed drugs. The Minister for MHWWL told us that LHBs spend “significantly in excess of the ringfenced allocation” on mental

⁶³ Welsh Government, [Scrutiny of Mental Health, Wellbeing and Welsh Language Draft Budget 2021-22](#), December 2020, p.3

⁶⁴ Ibid, p.4

⁶⁵ RoP [para 53], 20 January 2021

health, with mental health spending representing around 11 per cent of total NHS spend. She said that a key focus for her was ensuring that the funds allocated to mental health (across both the HSS and MHWWL MEGs) was achieving the desired outcomes and delivering positive patient experiences.⁶⁶

78. The Director of Finance told us that a new approach was being developed to the allocation and monitoring of spend on mental health that would deliver greater transparency and enable the ringfence approach to come to an end. He noted that the new approach would enable greater understanding of resource allocation at GP cluster, local authority and LHB level, which would facilitate partnership working as well as providing “a clearer line of sight about how health boards are allocating resources within their area”. He also outlined work to improve understanding of how resources were being used to deliver patient outcomes in respect of mental health and wellbeing across the full range of mental health services. He told us:

“So, there's still a lot of work to be done, but I think there is an intention now to put mental health properly into our resource allocation formula, and we'll achieve that quite quickly now, I think, subject to the Minister agreeing that, and then we really need to focus on utilisation and outcomes a lot more and strengthen a lot of our measurement and a lot of our data capture in that area”.⁶⁷

MHWWL MEG

79. The existing £26.86m BEL funding for mental health within the MHWWL MEG comprises:

- £3.0m Mental Health Programme Funding.
- £7.1m for *A Healthier Wales – mental health*.
- £16.7m for the Older People and Mental Health budgets.

80. The 2021-22 draft budget includes an additional £9.4m within the MHWWL MEG, taking total funding for mental health within the MEG to £36.3m. This includes £5.4m for CAMHS and £4m for the Whole Systems Approach.

⁶⁶ RoP [paras 25-26], 20 January 2021

⁶⁷ RoP [paras 28-31], 20 January 2021

Spending priorities

81. In written evidence, the Minister for MHWWL noted that her priorities for spend in 2021-22 are set out in the *Together for mental health delivery plan 2019-22* as updated in October 2020 to reflect the impact of COVID-19 on the mental health and wellbeing of people in Wales and the increasing demand for mental health services.⁶⁸ The delivery plan sets out the following priorities:

- COVID-19 mental health and wellbeing recovery support, including a significant expansion of low level Tier 0 population-wide mental health support.
- Targeted work on prevention and cross-government action on the wider determinants of mental health and wellbeing.
- Improving access to support for the emotional and mental health and wellbeing of children and young people.
- Improving crisis and out of hours provision.
- Improving the access, quality and range of psychological therapies.
- Improving the access and quality of perinatal mental health services.
- Improving quality and service transformation.⁶⁹

82. During our scrutiny of the Minister for MHWWL, we discussed a number of specific policy areas and spending priorities, including those explored below.

Tier 0 mental health services

83. In written evidence the Minister for MHWWL noted that during 2020-21, additional funding was provided to the voluntary sector and other key partners to provide Tier 0/1 mental health services. This included £1.3m to accelerate provision and support open access services, and £1.4m of COVID-19 response funding to support voluntary sector services.⁷⁰

⁶⁸ Welsh Government, *Scrutiny of Mental Health, Wellbeing and Welsh Language Draft Budget 2021-22*, December 2020, pp.4-5

⁶⁹ Welsh Government, *Together for mental health delivery plan 2019-22*, October 2020

⁷⁰ Welsh Government, *Scrutiny of Mental Health, Wellbeing and Welsh Language Draft Budget 2021-22*, December 2020, p.14

84. The Minister for MHWWL confirmed that in 2021-22 up to £4m of the £20m additional funding in the HSS MEG to support further improvements in mental health services would be used to invest in Tier 0 support services.⁷¹ She noted that in order to ensure that the allocation of grants to third sector organisations for such services reflected the additional funding, the additional expected pressures and updated assessments of what was required, the existing third sector provider contracts had been extended to September 2021 to enable a further bidding round to take place in April 2021.⁷²

85. Highlighting examples including the CALL helpline for directing people to appropriate sources of support and the SilverCloud system that provides online therapeutic and psycho-education programmes, the Minister described such services as “fundamental”:

“...so that anybody who needs that early intervention can access support very quickly. Because the danger at the moment is that it’s directed into the medical service, and it’s not necessarily the appropriate direction”.⁷³

86. In addition, the Minister for MHWWL emphasised the need for services to be visible, and for people to know how they can access the support they need. The Minister noted that she had required LHBs to make information clearly available, and had written to all Members of the Senedd to highlight the services available in each LHB area.⁷⁴ She also told us that the Welsh Government had been working with Diverse Cymru to promote the availability of Tier 0 services within BAME communities, whose take up of mental health support services is generally low. The Minister for MHWWL acknowledged that it would be important to monitor the effectiveness of such services, and advised that an evaluation report on SilverCloud would be published during 2021. She said that this would include consideration of the accessibility of the service to socioeconomically and culturally-disadvantaged groups.⁷⁵

87. In its response to the Finance Committee’s consultation on the draft budget for 2021-22, Hafal raised concerns about funding being diverted towards lower

⁷¹ RoP [paras 47 and 53], 20 January 2021

⁷² RoP [paras 47, 53 and 62], 20 January 2021

⁷³ RoP [para 49], 20 January 2021

⁷⁴ RoP [para 81], 20 January 2021

⁷⁵ RoP [para 77], 20 January 2021

level mental health care rather than secondary care services.⁷⁶ The Minister for MHWL recognised the need to ensure that services were in place to support people with more serious mental health issues, but stressed that the funding for Tier 0 services was additional funding and not at the expense of higher level services:

“...I know that Hafal is very keen to make sure that we focus our attention and retain our attention on those more vulnerable groups, perhaps—on prisoner mental health, on BAME community mental health, on those areas where we know that there’s an issue. But we’re not stepping away from; we’re just making sure we provide additional funding through that tier 0 support”.⁷⁷

Crisis care

88. The Minister for MHWL told us that the 2021-22 draft budget increased the funding for crisis care from “about £3.4 million over the past three years [...] probably to about £6 million”. She emphasised that improving crisis care, for example through the development of clearer crisis pathways and parity with physical health crises, would require both partnership working, including with the police, local authorities and LHBs, and cross-government work, including in respect of social and welfare issues.⁷⁸

Mental Health Service Improvement Fund (MHSI)

89. In 2020-21 the MHSI totalled £7m. At the start of the pandemic, half of this funding was released to LHBs to assist in the response to COVID-19. However, the majority of the second £3.5m was allocated to priority areas as had been intended, including: CAMHS; eating disorder services, perinatal mental health; psychological therapies; crisis and out of hours care; and early intervention in psychosis. The funding has now been baselined in the mental health ringfence within the main NHS allocation for 2021-22.⁷⁹ The Minister and her officials told us that LHBs have been required to evidence to the Welsh Government how their spend in respect of the second £3.5m is aligned with delivery plan priorities.⁸⁰

⁷⁶ Hafal, [Welsh Government’s draft budget proposals for 2021-22](#), December 2020

⁷⁷ RoP, [para 85], 20 January 2021

⁷⁸ RoP [paras 67-68 and 70], 20 January 2021

⁷⁹ Welsh Government, [Scrutiny of Mental Health, Wellbeing and Welsh Language Draft Budget 2021-22](#), December 2020, p.14

⁸⁰ RoP [paras 38-39], 20 January 2021

90. The draft budget for 2021-22 indicates that the MHSI will be doubled to £14m. The Minister for MHWWL told us that this funding should all be used for the delivery of key priorities rather than the COVID-19 response, and that “if we need additional funding in terms of the COVID response, then we’ll go back to the Finance Minister and ask for that”.⁸¹

Dementia

91. During our evidence session, the Minister for MHWWL acknowledged the impact of the pandemic on dementia services and people with dementia. She told us that “there will be a need to do some catch-up work in relation to memory assessment services, and that’s why, in that service improvement funding, we will be earmarking maybe £2 million or so specifically for that, to make up the lost ground”.⁸²

92. The Dementia Action Plan 2018-2022 published in February 2018 outlined key actions to improve support for this group. In written evidence, the Minister for MHWWL indicated that £10m of recurring funding per annum from the Older Persons and Mental Health budget would continue to be allocated to support the implementation of the plan. The majority of the funding (over £9m) will be allocated to Regional Partnership Boards (RPBs) on the basis of a funding formula to help RPBs address the priorities outlined in the Dementia Action Plan.⁸³ The Minister acknowledged that there was variation in the way that RPBs operated, and told us:

“I think that is something that we need to keep an eye on. Some are far more mature in terms of their working relationships than others, so we’ll keep an eye on that, but I guess, in terms of the memory assessment services, then a lot of that we will be able to manage within the NHS and perhaps keep slightly more control over it”.⁸⁴

⁸¹ RoP [para 43], 20 January 2021

⁸² RoP [para 94], 20 January 2021

⁸³ Welsh Government, [Scrutiny of Mental Health, Wellbeing and Welsh Language Draft Budget 2021-22](#), December 2020, p.5

⁸⁴ RoP [para 96], 20 January 2021

Autism

93. In written evidence, the Minister for MHWWL described improving services for autistic people, parents and carers as a priority for the Welsh Government.⁸⁵ She told us that there was currently funding within the 2021-22 draft budget for the Welsh Government’s autism team, the integrated autism service, and two projects to be delivered in partnership with the National Autistic Society and Autism Spectrum Connections Cymru.⁸⁶

94. The final Statutory Code of Practice on the Delivery of Autism Services and accompanying guidance is expected to be published in early 2021, before the Code is implemented from September 2021.⁸⁷ The Minister explained that she would assess whether any additional funding was required for the implementation of the Code following the outcome of a review into demand and capacity.⁸⁸

Loneliness and isolation

95. The Welsh Government published its strategy on loneliness and social isolation in February 2020. The Minister for MHWWL told us in written evidence that £0.75m would be available to support the delivery of the strategy in 2021-22, and, in addition, a Loneliness and Social Isolation Fund would be established to “test out innovative approaches to tackling loneliness and social isolation and/or scale up promising approaches to reaching out to those who are already lonely and/or socially isolated”.⁸⁹ She said that the fund had originally been envisaged as a £1.4m fund over three years, but that:

“...because of the issues, the difficulties of rolling that out, £400,000 of that funding for this year was repurposed, and that was used for the Friend in Need initiative [...] delivered by Age Cymru on our behalf [...] it’s been transformative for many people within Wales, in particular those people who are on their own; I know that some people have been provided with iPads and it has transformed their lives—really

⁸⁵ Welsh Government, [Scrutiny of Mental Health, Wellbeing and Welsh Language Draft Budget 2021-22](#), December 2020, p.6

⁸⁶ RoP [para 102], 20 January 2021

⁸⁷ Welsh Government, [Scrutiny of Mental Health, Wellbeing and Welsh Language Draft Budget 2021-22](#), December 2020, p.6

⁸⁸ RoP [para 102], 20 January 2021

⁸⁹ Welsh Government, [Scrutiny of Mental Health, Wellbeing and Welsh Language Draft Budget 2021-22](#), December 2020, pp.18-19

connecting for the first time. Obviously, now, we'll, hopefully, get back on track with Connected Communities and the broader strategy that we set out initially".⁹⁰

Our view

96. In our report on the Welsh Government's draft budget for 2020-21, we highlighted our concerns about the level of information available to enable us to effectively scrutinise spend on mental health. Our concerns centred on "the lack of a detailed breakdown of the ringfenced allocation and the inconsistency in the way health boards collect and provide information".⁹¹ We welcome, therefore, the indication from the Minister for MHWWL and her officials that improvements are being made in the approach to monitoring spend on mental health, and linking spend to outcomes. We look forward to the additional transparency that will result once this information is available.

Recommendation 4. We recommend that the Welsh Government confirms the timescales within which it expects to have in place the revised arrangements for tracking and monitoring mental health spend by LHBs.

Recommendation 5. We recommend that the Welsh Government commits to publishing detailed information about LHBs' spending on mental health, and the impact of such spending on outcomes and patient experience. This should include a breakdown of the levels of spend on services for adults and those for children and young people.

97. In December 2020 we published a report on the impact of the COVID-19 pandemic on mental health and wellbeing. Our report, which drew on evidence from a wide range of stakeholders, made a number of recommendations that we believe would contribute to improving the mental health and wellbeing of people in Wales.⁹² We look forward to receiving the Welsh Government's response in due course.

98. We welcome the additional £42m for mental health allocated in the draft budget, including the £20m for mental health service improvement, but note that

⁹⁰ RoP [paras 62-62], 20 January 2021

⁹¹ Health, Social Care and Sport Committee, *Welsh Government draft budget 2020-21*, January 2020, p.24

⁹² Health, Social Care and Sport Committee, *Inquiry into the impact of the COVID-10 outbreak, and its management, on health and social care in Wales: report 2 - impact on mental health and wellbeing*, December 2020

most of this has already been allocated to the delivery of key priorities within the *Together for Mental Health Delivery Plan*.

99. During our work on the impact of the pandemic on mental health, we heard evidence about a “disconnect between health boards’ assurance about the provision of mental health services during the pandemic, and the significant problems accessing services reported by patients and frontline services”.⁹³ We recommended that the Welsh Government should provide us with evidence of the action it was taking to ensure there were robust reporting and accountability arrangements in place, and that there was consistent access to age-appropriate crisis care across Wales. In this context, we remain concerned about whether the 2021-22 draft budget includes sufficient resources to ensure that mental health services in Wales are able to respond flexibly and effectively to increases in demand as a result of the pandemic.

100. The steps taken by the Minister for MHWWL to increase the visibility and accessibility of Tier 0 services are positive. However, we would welcome further details of how the Welsh Government will monitor the quality and consistency of such services and ensure that GPs have confidence them. We would also welcome clarification about the level of funding that will be available to third sector providers of Tier 0 mental health services in 2021-22.

Recommendation 6. We recommend that the Welsh Government provides details of how it will monitor the quality and consistency of Tier 0 mental health services, and how it will ensure that GPs have confidence in them.

Recommendation 7. We recommend that the Welsh Government clarifies whether the full £4m identified for Tier 0 mental health services within the £20m funding in the HSS MEG to support further improvements in mental health services will be allocated to third sector providers in the April 2021 bidding round.

101. We welcome the continuing £10m per year funding in the 2021-22 draft budget to support the implementation of the Dementia Action Plan 2018-22. However, we note that the majority of this funding, over £9m, is allocated via a funding formula to RPBs. We would welcome clarification from the Minister for MHWWL on how RPBs’ spending will be monitored and evaluated to ensure it delivers the Welsh Government’s priorities.

⁹³ Ibid, p.26

Recommendation 8. We recommend the Welsh Government provides further information about how RPB spending of the £9m allocated for the implementation of the Dementia Action Plan 2018-22 will be monitored and evaluated to ensure it delivers the Welsh Government's priorities. This information should be published by each RPB on an ongoing basis.

102. We note that there will be a new delivery plan for the Statutory Code of Practice on the Delivery of Autism Services, but that no additional funding has been allocated in the draft budget for this purpose. We would welcome further assurance from the Minister for MHWWL that additional resources will be available if required to ensure that the Code can be implemented without a detrimental impact on existing services.

Recommendation 9. We recommend that the Welsh Government provides further information about how the delivery of the Statutory Code of Practice on the Delivery of Autism Services will be resourced, including assurance that additional resources will be available if required.

103. We heard from many stakeholders during our work on the impact of the pandemic on mental health about the harms associated with loneliness and isolation. We welcome the establishment of the Loneliness and Isolation Fund to support the delivery of the Welsh Government's Loneliness and Isolation Strategy, but would welcome further information about how the fund will operate and how its effectiveness will be assessed.

Recommendation 10. We recommend that the Welsh Government provides further information about the operation of the Loneliness and Isolation Fund, and how the effectiveness of the Fund will be assessed.

7. Social care

Local government core funding

104. The Welsh Government published its *Provisional local government revenue and capital settlement* (the provisional local government settlement) on 22 December 2020. After adjusting for 'transfers in', the settlement increases overall core funding for local government by £172m or 3.8 per cent compared with 2020-21.⁹⁴ Local authorities will also receive general capital funding of £198m, including

⁹⁴ Welsh Government, *Local government revenue and capital settlement: provisional 2021-22*, 22 December 2020

£20m for the continuation of the public highways refurbishment grant and support for active travel, £54m of historic baseline general capital grant, and an additional £35m of general capital grant.

105. The Minister for Housing and Local Government has told local authorities that all funding has been allocated upfront, and that the 2021-22 settlement does not include a ‘funding floor’.⁹⁵ The WLGA has welcomed the provisional local government settlement, although the WLGA independent group leader called for a funding floor to protect local authorities that will receive lower than average funding increases.⁹⁶

Financial pressures

106. In its submission to the Finance Committee’s consultation, the WLGA set out the potential pressures on local government spending over the next three financial years. It identified £279m underlying pressures for 2021-22, comprising:

- £174m (63 per cent) attributable to workforce costs, including social care commissioning costs.
- £72m attributable to demand costs, “mostly down to social care”.
- £33m attributable to other inflationary pressures.⁹⁷

107. The cumulative pressures rise to £822m by 2023-24, with an additional pressure of £140m for social care in 2021-22 becoming £420m by 2023-24.⁹⁸

Provision for social care in the draft budget for 2021-22

108. The provisional local government settlement is largely unhypothecated, although it does include an increase of £10m in the Social Care Workforce Grant in 2021-22, taking the Grant to £50m overall.⁹⁹ The Deputy Minister for HSS told us that the grant would be distributed using the notional personal social services

⁹⁵ [Letter from the Minister for Housing and Local Government to leaders of county and county borough councils in Wales](#), 22 December 2020

⁹⁶ Welsh Local Government Association, [Press release: councils welcome 3.8% cash boost for 2021-22](#), 22 December 2020

⁹⁷ Welsh Local Government Association, [Evidence to Finance Committee: Welsh Government budget 2021-22](#), 2 December 2020

⁹⁸ Ibid

⁹⁹ Welsh Government, [Local government revenue and capital settlement: provisional 2021-22](#), 22 December 2020

sector shares from the local government settlement funding formula, and would “enable local authorities to deliver the core social services—that is for children and adults—and it will address [...] the current workforce pressures, support the sustainability of the social care workforce, and support sustainable social services”.¹⁰⁰

109. In written evidence, the Welsh Government also highlighted the following increased allocations for 2021-22:

- An increase in the grant-in-aid core funding to Social Care Wales (SCW) of £2m, taking the funding to £22.4m overall. The stated purpose is to expand its regulatory function, support delivery of the workforce strategy, and implement research and data strategies.
- An additional £1.5m for third sector organisations operating in social care.
- An allocation of £1.2m for carers, including £1m for LHB carer partnerships and an additional £0.2m for the National Young Carers’ ID card project.

Stability of social care services

110. In evidence to our inquiry into the impact of the COVID-19 pandemic on social care and unpaid carers, the Association of Directors of Social Services Cymru (ADSS Cymru) highlighted concerns about the fragility of social care providers (both before and during the pandemic), and the risks associated with further peaks of COVID-19. It called for close working with the Welsh Government to develop support packages for social care providers and for additional flexible funding to be made available to local authorities to enable them to respond to local circumstances.¹⁰¹ Similar concerns have emerged from the WLGA’s recent Local Services Spending Round Survey of local authorities in Wales, which found particular issues in respect of the impact on demand-led social care services and the potential fragility of smaller council-commissioned private care providers.¹⁰²

111. The Deputy Minister for HSS acknowledged the pressure the social care system had been under during the pandemic. She told us that the support

¹⁰⁰ RoP [para 65], 13 January 2021

¹⁰¹ [C87 Association of Directors of Social Services Cymru](#)

¹⁰² Welsh Local Government Association, [Evidence to Finance Committee: Welsh Government budget 2021-22](#), 2 December 2020

provided by the Welsh Government through the Local Authority Hardship Fund had avoided any care home closures, but described the situation as “difficult” and “precarious”.¹⁰³

112. The WLGA has welcomed the additional investment in social care during 2020-21, and the temporary stability it has provided to enable local authorities to respond to the pandemic. However, it called for longer term reform of social care funding, which it argued was needed to address ongoing concerns around the future sustainability of the health and social care system, including “vulnerabilities in funding and market stability, the increased demand on the sector, growing unmet need, staff vacancy issues, contingency planning and the need for consistent standards and quality measures between health and social care”.¹⁰⁴

113. The Minister for HSS told us that the pandemic had disrupted the Welsh Government’s plans for a “national conversation around the future of social care funding”. He said that he anticipated the publication before the 2021 Senedd election of research undertaken by the Welsh Government in order to inform public debate and consideration of these matters, but that there would not be a decision before the 2021 Senedd election on the way ahead.¹⁰⁵

Our view

114. The fragility of the social care services continues to be a matter of significant concern. Social care services are vital to those who receive them, and are also an essential complement and partner to health services in Wales. The consequences of significant disruption to social care services would be severe.

115. We welcome the increases in the provisional local government settlement and the Social Care Workforce Grant, but it remains to be seen how far this will go towards improving the overall sustainability of the social care sector. During the 2020-21 financial year, significant additional funding was required to stabilise and support the social care sector during the pandemic, and it is not yet clear whether any additional allocations will be made in the final budget.

116. As we stated in our first report on the impact of the COVID-19 pandemic on health and social care:

¹⁰³ RoP [para 14], 13 January 2021

¹⁰⁴ Welsh Local Government Association, [Evidence to Finance Committee: Welsh Government budget 2021-22](#), 2 December 2020

¹⁰⁵ RoP [paras 89-91], 13 January 2021

“...there is a pressing need for system reform and a long-term, sustainable funding arrangement for social care that fully recognises the importance of the service and the staff working within it”.¹⁰⁶

117. We recognise the challenges of reaching consensus on the future of social care funding, but this matter has been debated for decades at a Welsh and a UK level, and until it is resolved, it is difficult to see how the sector can be placed on a sustainable and stable footing.

Support for carers

118. During the course of our work on the impact of the pandemic, we heard from Carers Wales and Carers Trust Wales about the significant pressures that carers have faced. Carers Wales told us that the number of unpaid carers had increased from around 400,000 to around 680,000. Carers Wales attributed this to “restrictions on movement and reductions in services, and in some cases, complete closure of services”.¹⁰⁷ The Carers Outreach Service highlighted the need for carers to be supported, but noted that it can be challenging to plan support services and secure the confidence of carers when contracts for such services are on a short term, year-to-year basis.¹⁰⁸

119. The Deputy Minister for HSS told us that she was also concerned about the pressures on unpaid carers, and that she was exploring the possibility of providing additional funding for respite care.¹⁰⁹ She noted that in addition to the general increase in the provisional local government settlement, which could be used in part for local authority services for carers,¹¹⁰ the draft budget also included:

- £2.6m in spending over three years to Carers Wales, the All Wales Forum of Parents and Carers via the Third Sector Sustainable Social Services Grant (of which 2021-22 is the second year).
- £1m carers support fund, administered locally by the Carers Trust to provide up to £300 each for individual carers who needed help to pay for “things that didn’t necessarily cost a huge amount of money; they

¹⁰⁶ Health, Social Care and Sport Committee, *Inquiry into the impact of the COVID-19 outbreak and its management, on health and social care in Wales: report 1*, July 2020, p.81

¹⁰⁷ RoP [para 4], 9 December 2020

¹⁰⁸ RoP [para 117], 9 December 2020

¹⁰⁹ RoP [para 81], 13 January 2021

¹¹⁰ RoP [paras 78-79], 13 January 2021

needed, perhaps, help with electronic goods, white goods, fuel, paying for the heating, and even food, in some cases”.

- £1m annual carers funding for LHBs to support them in working with their local carers partnerships.¹¹¹

120. The Deputy Minister for HSS announced on 21 January 2021 that the Carers Support Fund would be increased by £250k, to a total of £1.25m in 2020-21.¹¹²

121. In relation to young carers, the Deputy Minister for HSS emphasised that they should be able to continue to access support through their local authorities or third sector providers. In addition, she noted that the rollout of the Young Carers’ ID card had begun: one local authority had already launched the card, with 14 more having plans to do so by the end of March 2021.¹¹³

Our view

122. There are hundreds of thousands of unpaid carers across Wales providing necessary care and support to their family and friends. They have played, and continue to play, a crucial role in the response to the pandemic. Unpaid carers have faced significant challenges throughout the pandemic, and we believe it is vital that they should be able to access the support services they need.

123. In our November 2019 report on the impact of the *Social Services and Wellbeing (Wales) Act 2014* in relation to carers, we highlighted the ongoing dependency on the third sector for the delivery of carers’ services, and made a series of recommendations including calling for: adequate funding provision; longer-term, more sustainable funding arrangements on a minimum of a three-year basis; more meaningful involvement of the third sector in planning and decision-making; and a single funding stream for carers’ services to replace the current system of individual grants.¹¹⁴ The Welsh Government accepted many of our recommendations, at least in principle,¹¹⁵ but we nevertheless remain

¹¹¹ RoP [paras 80-81], 13 January 2021

¹¹² Welsh Government, [Press release: Carers Support Fund increased by a quarter of a million pounds](#), 21 January 2021

¹¹³ RoP [paras 83-84], 13 January 2021

¹¹⁴ Health, Social Care and Sport Committee, [Caring for our future: an inquiry into the impact of the Social Services and Wellbeing \(Wales\) Act 2014 in relation to carers](#), November 2019, recommendations 25-28

¹¹⁵ Welsh Government, [Written response by the Welsh Government to the report of the Health Social Care and Sport Committee’s Inquiry into the Social Services and Well-being \(Wales\) Act 2014 and its impact on carers](#), January 2020

concerned by the extent to which the Deputy Minister for HSS described the Welsh Government as being:

“...very dependent on [the third sector] in terms of reaching out to the carers, being closely in touch with the carers, and indicating to us what are those issues that matter so much to carers”.¹¹⁶

124. We value the support provided to carers by third sector organisations, but believe that in addition to receiving support from third sector organisations, carers must be adequately supported via sustainable core local authority services and funding.

Recommendation 11. We recommend that the Welsh Government provides information about the proportion of spend on services for unpaid carers that are (1) provided directly by local authorities and (2) commissioned by local authorities for delivery by the third sector, and that the Welsh Government evaluates whether the funds allocated are sufficient to meet the support needs of carers effectively.

8. Health and social care service transformation

125. The Minister for HSS acknowledged the significant human costs of the pandemic and the pressures it had placed on the health and social care sector. However, he also recognised that some of the reforms introduced or accelerated by the response to the pandemic could help to deliver the Welsh Government’s *A Healthier Wales* policy agenda:

“So, the pandemic has had a huge human cost, and yet it's driven by necessity a range of systems change that we probably would have wanted to see happen. So, the broad reform package in 'A Healthier Wales' is still—I think it's being 'revalidated' is the phrase that keeps on being used, and I think that's a fair expression, and within that, we've got investment priorities we may or may not come to later on, so we may actually be able to use money to advance reform for a purpose, and not just reform for necessity. So, not every single aspect of the pandemic means that the health and care service will be in a worse shape, but actually, the demand and the pressure we're under is more

¹¹⁶ RoP [para 80], 13 January 2021

significant, so the challenges and the impetus of the reform will be even greater”.¹¹⁷

Integration of health and social care

126. The Integrated Care Fund (ICF) was established in 2014-15. Its focus is on driving and enabling integrated working between social services, health, housing, the third sector and independent providers. The draft budget for 2020-21 allocated £129m for the ICF. In February 2018, the ICF was supplemented by the Transformation Fund (TF), established as part of the A Healthier Wales response to the Parliamentary Review of Health and Social Care. The Transformation Fund comprised £100m to support “new seamless models of local health and social care delivered through Regional Partnership Boards”.¹¹⁸ The time-limited funding was originally intended to be provided over two years.

127. The Director General for Health and Social Services and NHS Wales Chief Executive told us that the purpose of the funding was to “demonstrate the alternative service example, the alternative pathway, to make sure that this is about transformation”.¹¹⁹ However, evaluations of both the ICF and the TF have set out concerns about the extent to which successful projects were being mainstreamed in order to drive wider service transformation.¹²⁰

128. The lead responsibility for receiving and deploying ICF and TF funding lies with RPBs. The Deputy Minister for HSS described RPBs as “key delivery vehicles” for the closer integration of health and social care. She recognised that further work was required to realise RPB potential, but suggested that channelling increased resources through RPBs would facilitate closer integration.¹²¹ The Minister for HSS acknowledged that there had been some challenges for integrated working, particularly during the initial stages of the pandemic. However, he said that his view was that practical partnership working between health and local government organisations had:

¹¹⁷ RoP [para 19]. 13 January 2021

¹¹⁸ Welsh Government, *Transformation Fund 2018-21 – Guidance*

¹¹⁹ RoP [para 113], 13 January 2021

¹²⁰ Wales Audit Office, *Integrated Care Fund*, 17 July 2019; Welsh Government, *Health and social services transformation fund 2018 to 2021: mid point evaluation*, 2 September 2020; Welsh Government, *Regional Partnership Boards’ use of pooled budgets for care home accommodation*, 24 November 2020

¹²¹ RoP [para 86]. 13 January 2021

“...made a significant move forward in every part of the country, because of the requirements of the pandemic and the way it's forced people to change the way they work”.¹²²

129. In August 2020, the ICF and TF were both extended by an additional 12 months (until April 2022). The Welsh Government stated that the additional £89m ICF revenue, £40m ICF capital and £50m TF revenue would “provide stability for the RPBs and the continuity for key health and care services that will support us through the challenging winter ahead and set firm foundations for our stabilisation and reconstruction phases”.¹²³

130. In written evidence to us, the Minister for HSS indicated that the focus of the next phase of ICF and TF projects will be on “moving successful integrated approaches from projects towards core business and core health and social care funding”.¹²⁴ He told us that approximately £9m would be allocated to developing communities of practice “to make sure that we’re not just identifying, but then moving across and scaling up what works”.¹²⁵ In addition, describing 2021-22 as “a transitional year for projects and programmes supported by the transformation fund”, the Deputy Minister for HSS said that the Welsh Government was consulting on White Paper proposals for the future of social care, including proposals to strengthen RPBs and “give them many more tools to drive the integration process forward”.¹²⁶

Technology-enabled care

131. In written evidence, the Minister for HSS described digital and technology-enabled working as an essential part of the new ways of working that will be required to address backlogs and shift services out of hospitals. He highlighted increased use of digital technology during the pandemic, including: video consultations on the Attend Anywhere platform; pilot schemes to consider the use of the platform for pharmacy, dentistry and optometry; and supply of electronic tablets for use in care homes.¹²⁷ During our evidence session, the

¹²² RoP [para 87], 13 January 2021

¹²³ Welsh Government, [Written statement: extension of Integrated Care Fund and Transformation Fund](#), 24 August 2020

¹²⁴ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2021-22](#), December 2020, p.8

¹²⁵ RoP [para 110], 13 January 2021

¹²⁶ RoP [para 86], 13 January 2021

¹²⁷ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2021-22](#), December 2020, p.9

Minister for HSS reiterated that the pandemic had accelerated adoption of digital technology, and said that in the longer term this would complement face to face primary care services.¹²⁸

132. *Protect, Build, Change* stated that £25m will be allocated to preventative programmes and digital programmes, including national data, digital wards, prescribing, and eye care. It noted also that:

“During the pandemic, the use of technology has been accelerated across Wales, not only by embedding new ways of working but by improving access to healthcare advice from homes. These new ways of working are providing services out of the hospital setting and show how digital technology can empower patient care”.¹²⁹

133. The draft budget also included an additional £10m to support the establishment of the new NHS Wales Special Health Authority (SHA) for Digital, £2.8m for Public Sector Broadband Aggregation and £4.9m for the Centre for Digital Public Services Wales.

134. The Minister for HSS acknowledged that this investment would not resolve all of the challenges within the system, and highlighted choices that would need to be made about the pace of digital investment, and the role of digital transformation and improvement in transforming service. He said that the investment in the new SHA for Digital represented a significant change, but that the new organisation would build on the work done to date by the NHS Wales Informatics Service.¹³⁰

Primary care

135. Audit Wales concluded in October 2019 that while there had been some evidence of a shift in resource towards primary care, “change has not been at pace and scale”.¹³¹ It also found difficulties in measuring exactly how much is spent on primary care in NHS Wales. It recommended that Welsh Government should work with LHBs to evaluate and improve (if necessary) the effectiveness of the financial framework in supporting a shift in resources towards primary and community care, and that LHBs should report annually on their progress in shifting resources.

¹²⁸ RoP [para 108], 13 January 2021

¹²⁹ Welsh Government, *Draft Budget 2021-22: protect, build change*, December 2020, p.18

¹³⁰ RoP [paras 107 and 147-148], 13 January 2021

¹³¹ Wales Audit Office, *Primary care services in Wales*, October 2019

136. In written evidence the Minister for HSS indicated that LHB accounts for primary care reported the following spend for the last three years (excluding GP prescribing and net of dental patient charges recovered):

- 2019-20 £947.3m.
- 2018-19 £911.7m.
- 2017-18 £876.3m.¹³²

137. However, he stated that the majority of funding it allocated to LHBs was unhypothecated, and did not therefore represent a robust measure for tracking the rebalancing of the system in line with the vision in *A Healthier Wales* of more preventative care taking place closer to home. He outlined the development of increased digital consultation, community rehabilitation and urgent primary care centres as evidence of shifts towards primary care, and stated:

“We continue to invest in primary care through the delivery of the Primary Care Model for Wales, and in 2021-22 will build on the agreed investment provided in 2020-21 for the primary care contract.”¹³³

138. The Minister for HSS told us that primary care would be among the priorities for the £360m uplift for core NHS services, and that he anticipated a focus on innovation and service delivery through wider primary care clusters, including learning from the experience of responding to the pandemic. He highlighted in particular the role of primary care in scaling up the COVID-19 vaccination programme, the potential involvement of both general practice and community pharmacy, and flexible use of the primary care estate and other venues. He indicated that priority would also be afforded to capital investment in primary care, including improvement of premises and the range of services that can be provided.¹³⁴

139. The Minister for HSS indicated that the six LHBs that have district general hospitals were all likely to adopt the Contact First model during the 2020-21 financial year, although specific allocations were not included in the draft budget for 2021-22 as the approach had yet to be evaluated. He advised that initial evaluation work indicated no quality or safety concerns arising from the model,

¹³² Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2021-22](#), December 2020, p.15

¹³³ Ibid, p.14

¹³⁴ RoP [paras 49 and 143-144], 13 January 2021

and that patient feedback on their experience had been positive. He noted also that further consideration needed to be given to the statistical reporting, in particular the extent to which data would be comparable over time.¹³⁵

Prevention

140. The Chief Medical Officer’s annual report for 2018-19 said that nearly half of adults in Wales report having a longstanding illness, and one in five report two or more illnesses.¹³⁶ The report goes on to note that physical inactivity, diet and obesity levels are also significant burdens of disease risk factors within Wales. The draft budget for 2021-22 includes an allocation of £116.3m for Public Health Wales (a £10m increase) and £9.07m for health promotion (a reduction of £626,000).¹³⁷

141. While the Minister for HSS’s written evidence did not identify any specific investment in respect of prevention, it stated:

“The NHS Planning Framework sets an expectation of a broad approach to prevention to be applied in all aspects of planning. [...] Our aim is to take significant steps to shift our approach from treatment to prevention. The vision we have established in *A Healthier Wales* is to place a greater focus on prevention and early intervention”.¹³⁸

142. *Protect, Build, Change* noted that investment in supporting better mental health and wellbeing includes a significant role for the third sector in prevention:

“The varied work of the 30,000-strong third sector in Wales contributes to prevention, from delivering a range of early interventions such as social prescribing and early years support, through to supporting individuals in crisis”.¹³⁹

143. The Minister for HSS acknowledged that there are healthcare inequalities across Wales, and noted the close correlation between such inequalities and economic inequalities:

¹³⁵ RoP [paras 139-141], 13 January 2021

¹³⁶ Welsh Government, *Chief Medical Officer: annual report 2018 to 2019*, 7 May 2019

¹³⁷ Welsh Government, *Draft budget 2021-22: budget expenditure lines*, December 2020

¹³⁸ Welsh Government, *Scrutiny of Health and Social Services Draft Budget 2021-22*, December 2020, p.8

¹³⁹ Welsh Government, *Draft Budget 2021-22: protect, build change*, December 2020, p.23

“So, it's still about the challenges and the inequalities that exist within our country and how they drive inequalities in outcomes in healthcare terms, but also if you look at education and other things as well. All of those things matter together, so it's in our interest, in healthcare terms, for us to have good outcomes and effective outcomes in education. It's in our interest to have an important sense of well-being and emotional well-being for children and young people as well as adults. It's hugely important that we actually do something about levelling up the agenda on the economic success of our communities as well, because that's when we'll start to see a significant shift in healthcare inequalities as well”.¹⁴⁰

144. The Minister for MHWWL similarly highlighted the interconnectivity of health inequalities and broader inequalities:

“...we know that it's much broader than just a medical problem. This is a poverty problem, this is an inequality problem, and so the key thing for me is that we need to keep this focus on a cross-government approach to inequality and to address those issues where possible”.¹⁴¹

145. Acknowledging that people on low incomes were more at risk of being obese and more likely to experience financial harm as a result of the pandemic, the Minister for MHWWL told us that she anticipated the publication of a new programme of work in March 2021 to enable the Health Weight Healthy Wales strategy to respond to the pandemic. She noted that discussions were taking place on the priorities for this work, but that they would include “ensuring we see a decrease in those inequalities in our society, and an investment of £6.5 million is available for that”.¹⁴²

146. The Minister for HSS told us that the shift towards prevention required not only choices for the Welsh Government in how it allocated funds, but also choices for LHBs in how they responded to the direction set by Welsh Government in the planning framework.¹⁴³ The Welsh Government Director of Finance explained that there was not a universally-agreed methodology for defining preventative spend. However, he said that work with the OECD suggested that spend in Wales of approximately 5.2 per cent compares favourably to spending in the majority of

¹⁴⁰ RoP [para 165], 13 January 2021

¹⁴¹ RoP [para 124], 20 January 2021

¹⁴² RoP [para 112], 20 January 2021

¹⁴³ RoP [para 153], 13 January 2021

other OECD countries. He indicated that spend in the majority of countries is under 3 per cent, and that the highest other than the UK and Canada is around 4 per cent.¹⁴⁴ He noted, however that there was scope to shift the focus in Wales from secondary prevention to primary prevention, as well as to take into account mental health and primary care services in addition to hospital and community services.¹⁴⁵

Our view

147. In our scrutiny of previous years' draft budgets we have raised concerns about the ability of health and social care organisations to mainstream their service transformation activity, particularly given the demand and cost pressures on them and the continuing failure of some LHBs to break even.¹⁴⁶ We believe that the evaluations undertaken of transformation work bear out these concerns around mainstreaming and the focus to date on more localised, small-scale change. We also remain concerned about the capacity within the system to drive transformation at the pace and scale required, particularly within the context of the pandemic.

148. We recognise that the *White Paper on rebalancing care and support* includes proposals for strengthening the powers available to RPBs in respect of integration and service transformation.¹⁴⁷ However, taking forward any proposals after the consultation will be a matter for the next Welsh Government, and such arrangements may be unlikely to be in place during the 2021-22 financial year.

149. In the meantime, we believe that there needs to be a clear strategic focus to drive, guide and mainstream service transformation and learning from funded schemes. This also includes learning from innovation and developments in primary care networks.

150. There also needs to be sufficient priority afforded to both the shift towards primary care and prevention during the process of recovery from the pandemic. In particular, there is limited information in both the draft budget and Welsh Government written evidence on how the significant challenges of unhealthy

¹⁴⁴ RoP [para 157], 13 January 2021

¹⁴⁵ RoP [paras 158-160], 13 January 2021

¹⁴⁶ Health, Social Care and Sport Committee, *Welsh Government draft budget 2020-21*, January 2020, p.9

¹⁴⁷ Welsh Government, *White Paper: rebalancing care and support*, 12 January 2021

lifestyles, chronic conditions and health inequalities are to be targeted and tackled.

Recommendation 12. We recommend that the Welsh Government provides further detail on its strategic vision for, and practical delivery of, the service transformation agenda, and on how it will ensure that the focus on a shift towards primary care and prevention is achieved and maintained during the 2021-22 financial year.

151. We welcome the Minister for HSS's commitment to rolling out the 'Contact First' model, and to engaging with the Senedd on the approach to statistical reporting. We look forward to receiving more information in due course.

9. Health and social care workforce

Workforce

Health

152. Staff shortages and absence levels have been a particular issue during the winter months in 2020-21. In a written statement on 31 December 2020, the Minister for HSS stated:

“The last year has taken its toll on many front line workers and we have seen high levels of sickness that inevitably impacts on services for patients. The situation has become particularly acute with the surge in the transmission of the virus. At present there are more than 2,000 fewer staff available to work in late December than there were in September before the current surge. This has been exacerbated over the holiday period with increasing numbers of our workforce returning to shielding”.¹⁴⁸

153. In written evidence, the Minister for HSS also highlighted concerns over the costs of locum staff:

“Despite some 6% increase in workforce numbers between June 2019 and June 2020, COVID has had a significant impact on the need for workforce and experienced staff [...]. Forecast spend on locum and

¹⁴⁸ Welsh Government, [Written statement: COVID-19: update on health and care system pressures](#), 31 December 2020

agency staff in 2020-21 is £195m, compared to an outturn of £177m in 2019-20, and increase of 10% in year. However, it should be noted that this expenditure remains highly volatile, and the outturn for 2020-21 may be significantly different from current forecasts”.¹⁴⁹

154. The Royal College of Physicians acknowledged that targeted funding has supported “clinicians to get by in the next 12 months”. It called for longer-term funding commitments to support the implementation of the health and social care workforce strategy, arguing that “the most effective way to reduce NHS backlogs and ease pressure is to increase the workforce that is available to treat patients”.¹⁵⁰

155. The Minister for HSS noted in his evidence to us that a workforce strategy for health and social care developed by HEIW and SCW was launched in October 2020, and that the Welsh Government had agreed an NHS Wales education commissioning and training plan for 2021-22. The plan is supported by total investment of £227.9m, an increase of £17.5m from 2020-21.¹⁵¹ The Minister told us that the training package was focused on ensuring that people could access the training (and retraining) they might need throughout their health service career, as well as supporting, retaining and replenishing the workforce.¹⁵²

156. The Minister for MHWL highlighted the role of the mental health workforce in the development and delivery of psychological therapy services. She acknowledged that developing the workforce required for specialised services took time, but told us that the HEIW- and SCW-led workforce strategy would provide “a very clear pathway for how we can address that”.¹⁵³

Social care

157. In evidence to our work on the impact of the COVID-19 pandemic on social care and unpaid carers, ADSS Cymru highlighted what it described as the

¹⁴⁹ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2021-22](#), December 2020, p.10

¹⁵⁰ Royal College of Physicians, [Response to the Finance’s Committee’s scrutiny of the Welsh Government’s 2021-22 draft budget proposals](#), November 2020, p.2

¹⁵¹ Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2021-22](#), December 2020, p.9

¹⁵² RoP [paras 96-98], 13 January 2021

¹⁵³ RoP [paras 74-75], 20 January 2020

“devastating” impact on people working in social care, in particular those working in residential care:

“The intense pressure on these workers and the impact on their current and future mental health and wellbeing continues to be a source of concern for ADSS Cymru’s members”.¹⁵⁴

158. The Deputy Minister for HSS acknowledged the impact of the pandemic on staff within the social care workforce, including the emotional strain they had faced.¹⁵⁵ She told us that during the pandemic social care workers had become much more visible, and that this would provide opportunities to improve and professionalise the sector. She stated:

“We have been trying also to professionalise the workforce through Social Care Wales's WeCare Wales recruitment and retention campaign, and we're having a newly established jobs portal. So, some of the extra money that's going to Social Care Wales will be able to be used to further support the workforce. And, again, we've got the social care forum, which is going to be working there to try to improve positions”.¹⁵⁶

Pay

Health

159. Responding to the Finance Committee’s consultation on the draft budget 2021-22, the Welsh NHS Confederation welcomed the additional support that had been provided in the 2020-21 budget to cover the ‘Agenda for Change’ pay deal. It described the pay deal as having been “particularly important in terms of supporting the recruitment and retention of NHS staff at a time when the demand on the NHS Wales workforce has increased”.¹⁵⁷

160. In *Protect, Build, Change*, the Welsh Government stated that the draft budget allocations for 2021-22 will cover “pay increases for our hardworking and dedicated NHS staff”.¹⁵⁸ The Minister for HSS confirmed that some of the £360m

¹⁵⁴ [C87 Association of Directors of Social Services Cymru](#)

¹⁵⁵ RoP [para 14], 13 January 2021

¹⁵⁶ RoP [para 71], 13 January 2021

¹⁵⁷ Welsh NHS Confederation, [Response to the Finance’s Committee’s scrutiny of the Welsh Government’s 2021-22 draft budget proposals](#), November 2020, p.2

¹⁵⁸ Welsh Government, [Draft Budget 2021-22: protect, build change](#), December 2020, p.17

uplift in the core NHS services budget was intended to meet the costs of the independent pay review process.¹⁵⁹ However, he told us that he was not in a position to commit to meeting any upcoming recommendations from the pay review process, as the affordability of this would depend in part on decisions yet to be taken by HM Treasury in respect of public sector pay policy.¹⁶⁰

Social care

161. ADSS Cymru welcomed the introduction of the social care worker card and the £500 bonus payment for social care staff. However, it argued that social care workers, including those working in care homes, should be offered the same opportunities and conditions as NHS workers.¹⁶¹

162. In respect of the £50m allocation for the Social Care Workforce Grant, the Deputy Minister for HSS told us that she would look again at how it was used to support the workforce:

“So, one of the important things is that we have now developed the social care forum, which is looking to deliver on terms and conditions for the social care workforce, and, in view of that, I think that we will be discussing the criteria for the use of that additional money with the local authorities for the next year”.¹⁶²

163. She noted in particular that local authorities were able to use the Grant to support private social care providers to pay their staff the real living wage, in addition to managing other workforce pressures.¹⁶³

Our view

164. Staff across the health and social care sectors have faced considerable challenges during the pandemic, and we are grateful to them all for their dedication and hard work. It is important that staff who have been working on the frontline of the response to the pandemic are supported, and we welcome both the continuation in 2021-22 of the extension of the mental health support scheme

¹⁵⁹ RoP [para 48], 13 January 2021

¹⁶⁰ RoP [para 105], 13 January 2021

¹⁶¹ [C87 Association of Directors of Social Services Cymru](#)

¹⁶² RoP [para 67], 13 January 2021

¹⁶³ RoP [para 70], 13 January 2021

to 60,000 healthcare workers in Wales, and the planned further extension of the service to include social care staff.

165. Workforce planning in the health service must reflect the pressure that staff continue to face, the trauma they have experienced, and increasing risks of burnout as the pandemic continues. In addition, the implications of the pandemic for the workforce—both at individual and service levels—will need to be taken into account as Wales moves towards recovery, including the need in due course to address the impact of the pandemic on non-COVID-19 services. Achieving this will require sufficient resources to be available for delivery of the workforce strategy and the NHS Wales education commissioning and training plan, both in the 2021-22 financial year and beyond.

166. In our first report on the impact of the pandemic on health and social care services in Wales, we recognised the implications of a lack of parity between the health and social care workforce:

“For many, the financial strain of the last few months may lead to pressure to ignore symptoms and advice, and attend work. There are significant risks here in terms of the social care workforce who, despite performing a crucial service, do not enjoy parity of terms and conditions with their health service colleagues”.¹⁶⁴

167. We welcome the bonus payment that social care workers received in 2020-21, and the potential for local authorities to make use of the £50m Social Care Workforce Grant allocation in the draft budget for 2021-22 to facilitate the payment of the real living wage to social care staff. However, we believe that a longer term solution to the funding and organisation of social care is urgently required in order to put in place sustainable solutions to the ongoing social care recruitment and retention issues.

10. Sport and physical activity

Background and priority setting

168. In October 2020, the First Minister created the new role of Minister for Mental Health, Wellbeing and Welsh Language. The Deputy Minister for Culture, Sport and Tourism sits within this portfolio, with responsibility for elite sports,

¹⁶⁴ Health, Social Care and Sport Committee, *Inquiry into the impact of the COVID-19 outbreak, and its management, on health and social care in Wales: report 1*, July 2020, p.74

community sport, physical activity and active recreation in Wales, including sponsorship of Sport Wales.

169. Welsh Government funding for sport is largely channelled through Sport Wales, which is the national organisation responsible for developing and promoting sport and physical activity in Wales. Sport Wales is the main adviser on sporting matters to the Welsh Government and is responsible for distributing National Lottery funds to both elite and grassroots sport in Wales. Priorities for sport and physical activity are set out in Sport Wales' remit letter, and through actions and outcomes in its business plan.

170. In his written evidence, the Deputy Minister for CST noted that monitoring of the effectiveness of Sport Wales funding is undertaken in a number of ways, including regular discussions with Sport Wales on its strategic priorities and quarterly monitoring meetings to discuss progress and outcomes.¹⁶⁵ He told us that this included weekly meetings between Sport Wales and Welsh Government officials to ensure that Sport Wales' use of the funding allocations met the Welsh Government's priorities.¹⁶⁶ In addition, the Deputy Minister stated that he meets with the chair and chief executive of Sport Wales to discuss policy priorities and progress against delivery of the remit letter and business plan.¹⁶⁷

Ongoing funds and programmes

171. Through Sport Wales, the Welsh Government supports a number of ongoing programmes and funds. These include:

- **Welsh Physical Activity Partnership.** Joint working between Public Health Wales, Sport Wales and National Resources Wales aiming to support and drive forward partnership working across physical activity, including active recreation. In written evidence the Deputy Minister for CST noted that COVID-19 had interrupted the momentum gained by the WPAP in recent years, and that he intended it to be revitalised in 2021-22. The work would also be complemented by the Welsh Institute of Physical Activity, a consortium of eight Welsh universities established

¹⁶⁵ Welsh Government, [Memorandum on the Sport Draft Budget proposals for 2021-22](#), December 2020, p.6

¹⁶⁶ RoP [paras 141 and 143], 20 January 2021

¹⁶⁷ Welsh Government, [Memorandum on the Sport Draft Budget proposals for 2021-22](#), December 2020, p.6

by Sport Wales to provide a collaborative research resource to support evidence-based physical activity interventions and progress evaluations.

- **Healthy and Active Fund.** Delivered jointly by Welsh Government, Sport Wales and Public Health Wales, the Fund (£5m over three years) is entering its third year in 2021-22. The Fund supports organisations who actively promote and enable health activity for population groups who undertake little or no levels of physical activity. The Deputy Minister for CST noted that the Fund's projects have been curtailed or paused during 2020-21, but that he hopes to see them resumed as restrictions are eased.
- **Healthy Weight Healthy Wales.** Sport Wales continues to invest funding and resource in the delivery of the Healthy Weight Healthy Wales Delivery Plan. The Deputy Minister for CST highlighted a range of areas of focus, including continued investment in the free swimming initiative and a new 60+ Active Leisure scheme to be launched in January 2021.
- **Community Sport and Activity Programme.** The Deputy Minister for CST described the CSAP as the most significant strategic investment Sport Wales will make in 2020-21, and noted that it aims to transform the way local sport and physical opportunities are managed and delivered. The CSAP will establish five regional sport partnerships across Wales by 2022-23 to represent the interests of, and be represented by, a wide range of organisations. CSAP will devolved responsibility for sport investment based on local circumstances and the needs of communities.
- **Free swimming.** From September 2019, young people and older people over the age of 60 from deprived areas were prioritised under the revised free swimming initiative. The Deputy Minister for CST noted in written evidence that the pandemic had prevented local authorities from delivering the initiative as intended. As a result, the participation data collection tool has been reevaluated and will be reissued to local authorities. It will be used to collect data and case studies backdated to October 2019. The data and an independent evaluation of the approach is expected to be published in autumn 2021. From April 2020, funding for the initiative was reduced to £1.5m per year. The Deputy Minister explained that the intention had been to repurpose the funding released by the reduction to support the actions in the Healthy Weight Healthy Wales Delivery Plan. However, as a result of the pandemic the

2020-21 Sport Wales budget was repurposed to support the sector and safeguard the bodies and organisations that deliver initiatives such as free swimming.¹⁶⁸

Funding allocations for sport

Resource funding

172. The funding allocations for sport sit within the MHWL MEG. The total resource allocation for the Sports and Physical Activity Action is £22.417m, a reduction of £307,000 on the Welsh Government's 2020-21 final budget. The Sports and Physical Activity Action comprises:

- £22.417m allocated to the Sport Wales BEL, representing a reduction of £150,000 on the 2020-21 final budget. This reflects the repayment of £150,000 for Invest to Save funding for 2021-22. In 2019-20, £450,000 was provided for the Voluntary Early Release Scheme repayable over three years commencing 2020-21. The first repayment will be shown in the Third Supplementary Budget for 2020-21. The allocation also includes non-cash provision of £779,000 for depreciation.
- The Support for Sport BEL has no funding allocated to it in the 2021-22 draft budget, representing a reduction of £157,000 on 2020-21. The Deputy Minister for CST noted in written evidence that this funding has been moved to the Support for Local Culture and Sport BEL in order to align the budgets delivering across the portfolio while maintaining separate BELs for the sponsored bodies and partner organisations. The Support for Local Culture and Sport BEL comprises £2.817m in 2021-22. This includes provision for existing commitments such as the Armed Forces Free Swimming Scheme and the Urban Games (which was due to be delivered in 2020 by the Urdd but had to be postponed as a result of COVID-19).¹⁶⁹

173. In addition, there is a £2m increase in the Sport Wales Pension Provision AME.

¹⁶⁸ Welsh Government, Memorandum on the Sport Draft Budget proposals for 2021-22, December 2020

¹⁶⁹ Ibid, p.3

Capital funding

174. The total capital allocation for the Sports and Physical Activity Action is £6.402m, representing an increase of £3.284m on the 2020-21 final budget. This reflects additional allocations of £3.3m offset by the repayment of £16,000 Invest to Save funding used for the purchase of a yacht at Plas Menai.¹⁷⁰

175. £6.629m of the capital allocation is allocated to Sport Wales, including £5m for the Strategic Sports Facilities Fund, which aims to enable increased participation in sport and outdoor activity. In written evidence, the Deputy Minister for CST noted that this is also important in ensuring that Wales is well-positioned to compete internationally and to help host international events.¹⁷¹ The Deputy Minister told us that the funds would be invested in accordance with a strategy agreed between the Welsh Government, Sport Wales and the national sports governing bodies.¹⁷² The Director of Culture, Sport and Tourism explained that Sport Wales had worked with sports governing bodies to bring forward project proposals for consideration by Welsh Government. He noted that the increase in the Fund for 2021-22 reflected its success in 2020-21.¹⁷³

176. £1.3m of capital funding is allocated to addressing business critical maintenance, particularly the heating system and pool plant at the National Outdoor Centre for Wales at Plas Menai. The Deputy Minister's written evidence noted that this investment, working with the Carbon Trust, aims to deliver long-term energy efficiency savings and significantly reduce the carbon footprint.¹⁷⁴

177. The draft budget also accounts for a reduction in the value of the repayment of the Sports Capital Loans Scheme (from £254k to £227k). The Sports Capital Loans Scheme is funded with financial transactions capital, which is repayable to HM Treasury. The three loans made to local authorities total £1.8m and are fully repayable over a period of seven years. Repayment began in 2018-19, and a total of £910k remains outstanding.

¹⁷⁰ Welsh Government, [Memorandum on the Sport Draft Budget proposals for 2021-22](#), December 2020, p.5

¹⁷¹ Ibid, p.4

¹⁷² RoP [para 162], 20 January 2021

¹⁷³ RoP [para 167], 20 January 2021

¹⁷⁴ Welsh Government, [Memorandum on the Sport Draft Budget proposals for 2021-22](#), December 2020, p.5

Sport Wales income

178. Sport Wales also generates and receives income from other sources in addition to the grant-in-aid funding it receives from the Welsh Government.¹⁷⁵ Sport Wales reported in its 2019-20 annual report and accounts income of just under £3m. Of this, £2.9m related to the National Sports Centres, of which just over £1m resulted from course bookings.¹⁷⁶

179. Sports centres and outdoor sports facilities have been affected by the restrictions put in place as a result of the pandemic. The Sport Wales annual report and accounts for 2019-20 highlight the severity of the impact, and the implications for its method of working, income generation and plans for future sector support and delivery.¹⁷⁷ The Deputy Minister for CST noted that the UK Government's job retention scheme had provided some support for Sport Wales, but described the impact of the pandemic as "an impossible situation, really, in terms of commercial income because, clearly, many of the major facilities are closed". He acknowledged that further funding might be required to address the income shortfall, but that account would also need to be taken of any decisions taken by the UK Government.¹⁷⁸

Physical activity levels and inequality

180. *Protect, Build, Change* highlighted the impact of the pandemic on existing inequalities, noting that some communities have been affected more than others and some of the most vulnerable people have been the hardest hit.¹⁷⁹ A study by ComRes, commissioned by Sport Wales in May 2020, showed that during the initial lockdown period people from lower socioeconomic backgrounds were much more likely to have reported a drop in their physical activity levels. 9 per cent of respondents reported that their children were not doing any physical activity on a typical day, but this rose to 14 per cent for children from lower socioeconomic backgrounds.¹⁸⁰ Written evidence from the Deputy Minister for CST noted that research by Sport Wales has found that overall levels of physical activity

¹⁷⁵ In addition, Sport Wales also receives funding from the National Lottery Distribution Fund for which a separate Annual Report and Accounts is prepared.

¹⁷⁶ Sport Wales, *Annual report and accounts 2019-20*, October 2020, p.93

¹⁷⁷ Ibid, p.5

¹⁷⁸ RoP [paras 170-171], 20 January 2021

¹⁷⁹ Welsh Government, *Draft Budget 2021-22: protect, build change*, December 2020, p.ii

¹⁸⁰ Sport Wales, '*Inequalities gap has grown during lockdown*', 27 May 2020

during the pandemic are broadly similar to those before COVID-19 restrictions were first introduced in March 2020, but that:

“...the pandemic appears to have widened inequalities in participation across gender, socio-economic status, long standing illness or conditions, and age. While there was evidence to suggest a polarisation of activity during the national lockdown (with increases in the number of people doing ‘no physical activity’ and physical activity ‘every day’), the current survey suggests a reversal of this trend with more adults now doing ‘some’ activity. The feedback suggests that children in Wales are now doing more sport/physical activity outside of school than before COVID-19 restrictions were first introduced. The exception here is for adults from lower socioeconomic backgrounds who are more likely to say that their child/children are now doing less activity on a typical weekend day”.¹⁸¹

181. The Deputy Minister stated that he was “very concerned that, really, I have not really been able to carry out the responsibility that I have across government for promoting physical activity”. He said that he was particularly concerned about decreasing levels of physical activity among young people, which he attributed in part to the closure of schools during the pandemic, and the ongoing uncertainty about when schools would be able to reopen. He told us that:

“...there is no simplistic way of tackling this; it’s just continuing to encourage people to take advantage of the opportunities mainly to exercise in the outdoors in a situation where, obviously, gyms and sports centres are not available for use, and unlikely to be for some time”.¹⁸²

182. In written evidence, the Deputy Minister for CST indicated that the Sport Wales funding allocation for 2021-22 reflects the Welsh Government’s commitment to increasing physical activity levels, and stated that Sport Wales has revised its investment strategy and put in place criteria to specifically target the reach and impact partners can have on different equality objectives. For example, the Be Active Wales Fund and Sport and Leisure Resilience Fund schemes have

¹⁸¹ Welsh Government, [Memorandum on the Sport Draft Budget proposals for 2021-22](#), December 2020, pp.7-8

¹⁸² RoP [para 172], 20 January 2021

prioritised applications for investment that would ensure sport is available to everyone.¹⁸³

183. The Deputy Director for Culture, Sport and Tourism explained that the approach in the draft budget proposals to maintain revenue funding and increase capital investment would allow Sport Wales to invest in key programmes and partnerships to encourage physical activity. He highlighted in particular the Healthy and Active Fund, which he said would play a role in recovery from the pandemic.¹⁸⁴

184. The Deputy Director for Culture, Sport and Tourism recognised the barrier that a lack of suitable facilities could present to participation in sport, particularly for young people. He told us that the increased capital investment in the 2021-22 draft budget would support participation by increasing access to sports facilities.¹⁸⁵ He suggested that through effective evaluation and prioritisation of funding applications, capital investment in facilities could also help to tackle inequalities, particularly for more deprived communities.¹⁸⁶

Our view

185. In our report on the 2020-21 draft budget, we recognised the role of Sport Wales in helping to develop and promote sport and activity in Wales, but asked for further assurances from the Welsh Government on whether there was appropriate political oversight of Sport Wales and its operation.¹⁸⁷ We acknowledge the regular meetings between the Deputy Minister, his officials and Sport Wales, but we are not yet persuaded that the Welsh Government has demonstrated that there are sufficiently robust arrangements in place to monitor how the funding allocated to Sport Wales is spent, how the outcomes it achieves are evaluated, or the extent to which the funding is delivering the Welsh Government's priorities or its vision for sport and activity.

Recommendation 13. We recommend that the Welsh Government provides further details of the arrangements that are in place to monitor how the funding allocated to Sport Wales is spent, how outcomes are evaluated, and how Sport

¹⁸³ Welsh Government, [Memorandum on the Sport Draft Budget proposals for 2021-22](#), December 2020, p.10

¹⁸⁴ RoP [para 180], 20 January 2021

¹⁸⁵ RoP [para 182], 20 January 2021

¹⁸⁶ RoP [para 185], 20 January 2021

¹⁸⁷ Health, Social Care and Sport Committee, [Welsh Government draft budget 2020-21](#), January 2020, p.34

Wales provides it with assurance that the funding is delivering the Welsh Government's priorities.

186. We also highlighted in our previous report the positive impact of physical activity on people's physical and mental health and wellbeing, and the role of physical activity in the prevention agenda. However, our view was that the Welsh Government had missed the opportunity to use its 2020-21 budget to convey that message.¹⁸⁸

187. We remain firmly of the view that physical activity is a key strand of the prevention agenda, and a vital factor in the physical and mental health and wellbeing of people in Wales.

188. We recognise the challenges the pandemic has presented to participation in sport and physical activity during 2020. Nevertheless, we are concerned about the impact in both the short and longer term of the drop in activity levels during the pandemic, especially the exacerbation of already existing inequalities on the basis of gender, socioeconomic status, longstanding illnesses and conditions, and age.

189. We believe that it is vital to encourage people across Wales to be physically active as much as is safe and possible during the pandemic. We recognise that this may require people to be active in different ways than they might have been previously in order to keep themselves, and others safe. It may also require a creative approach by the Welsh Government to help to identify ways in which people can be physically active while also complying with the public health restrictions and ways of designing the restrictions that keep people safe without unnecessarily restricting opportunities to keep active.

Recommendation 14. We recommend that the Welsh Government's public health messaging during the pandemic emphasises the importance for people of all ages to be physically active, and helps people across Wales to identify ways for them to remain physically active within the constraints of the COVID-19 restrictions.

Recommendation 15. We recommend that, when taking decisions on COVID-19 restrictions, and the associated regulations and guidance, the Welsh Government takes account of the importance of physical activity, and seeks to

¹⁸⁸ Health, Social Care and Sport Committee, *Welsh Government draft budget 2020-21*, January 2020, p.34

ensure that where it is possible and safe to do so, opportunities for physical activity are not unnecessarily curtailed.

Recommendation 16. We recommend that the Welsh Government provides details of the funding that will be available, either from existing allocations or further funding allocations, to ensure that as the COVID-19 restrictions begin to be eased, people of all ages, and particularly those from socioeconomically-disadvantaged communities, are encouraged and supported to safely increase their physical activity.

Recommendation 17. We recommend that the Welsh Government’s budget for 2022-23 more clearly demonstrates the significant role that increasing participation in physical activity can play in delivering the prevention agenda.

11. EU transition

190. Issues raised by stakeholders in respect of the impact on the health sector of the end of the EU transition period include cost pressures across the public sector¹⁸⁹ and implications for medical recruitment.¹⁹⁰ Responding to the trade deal on 24 December 2020, the NHS Confederation stated that it should offer “a measure of much-needed certainty and security for the NHS, our partners and our patients”, but noted that “there is still a risk of significant disruption to the NHS’s ability to care for its patients”.¹⁹¹

191. In written evidence, the Minister for HSS noted that in 2020-21 £0.26m had been allocated to activities with partners to ensure a smooth transition for the health and social care system. He indicated that should specific needs emerge in 2021-22, further funding might be required. In addition, he noted:

- The contribution of £0.237m towards ensuring continued supplies of critical goods (including medical devices and clinical consumables).

¹⁸⁹ Welsh NHS Confederation, [Response to the Finance’s Committee’s scrutiny of the Welsh Government’s 2021-22 draft budget proposals](#), November 2020

¹⁹⁰ Royal College of Physicians, [Response to the Finance’s Committee’s scrutiny of the Welsh Government’s 2021-22 draft budget proposals](#), November 2020

¹⁹¹ NHS Confederation, [‘NHS Confederation welcomes ‘certainty and security’ of Brexit trade deal but warns of disruption risk’](#), 24 December 2020

- The budget has needed to take account of direct costs of additional functions coming to the Food Standards Agency Wales as a result of leaving the EU.¹⁹²

192. The Minister for HSS also highlighted the planning that had taken place to prepare the health and social care sectors for the UK's future relationship with the EU. He indicated that there continued to be risks associated with the potential for interruptions in trade as the new relationship bedded in. He confirmed that there were contingency plans for alternative approaches for delivering critical health and social care supplies—such as the Pfizer COVID-19 vaccine—should supply be interrupted, although noted that such alternatives would give rise to increased costs.¹⁹³ In addition, he told us that the UK's new immigration system would present some challenges and additional costs for recruitment in health and social care, particularly as a result of the salary caps.¹⁹⁴

Our view

193. We welcome the assurance from the Minister for HSS that contingency plans are in place should there be any disruption to the supply of critical health and social care supplies, in particular the Pfizer COVID-19 vaccine. We will continue to take an interest in this matter throughout the rest of this Senedd.

¹⁹² Welsh Government, [Scrutiny of Health and Social Services Draft Budget 2021-22](#), December 2020, pp.23-24

¹⁹³ RoP [para 169], 13 January 2021

¹⁹⁴ RoP [paras 98-99], 13 January 2021