

Agenda – Finance Committee

Meeting Venue: Hybrid – Committee room 3, Senedd and video conference via Zoom	For further information contact: Owain Roberts Committee Clerk 0300 200 6388 SeneddFinance@senedd.wales
Meeting date: 18 January 2024	
Meeting time: 09.30	

Registration (09.00–09.15)

Private Pre-meeting (09.15–09.30)

- 1 **Introductions, apologies, substitutions and declarations of interest**
(09.30)
- 2 **Paper(s) to note**
(09.30)
 - 2.1 **PTN 1 – Letter from Minister for Finance and Local Government: Second Supplementary Budget 2023–24 – 11 January 2024**
(Pages 1 – 2)
 - 2.2 **PTN 2 – Letter from the Minister for Finance and Local Government: Finance: Interministerial Standing Committee Meeting – 12 January 2024**
(Pages 3 – 4)
 - 2.3 **PTN 3 – Letter from the Minister for Finance and Local Government: Review of the Budget Process Protocol – 15 January 2024**
(Pages 5 – 6)
- 3 **Scrutiny of the Welsh Government Draft Budget 2024–25: Evidence session 5**
(09.30–10.00) (Pages 7 – 39)
Derek Walker, Future Generations Commissioner for Wales
Jacob Ellis, Director: External Relations and Culture

Rhiannon Hardiman, Policy Lead: Nature & Climate Change, Economy, Food Policy

Supporting documents:

FIN(6)-02-24 P1 – Future Generations Commissioner for Wales – Consultation response

FIN(6)-02-24 P2 – Future Generations Commissioner for Wales – Written evidence

Research Service Brief

Break (10.00–10.10)

4 Scrutiny of the Welsh Government Draft Budget 2024–25:

Evidence session 6

(10.10–11.10)

(Pages 40 – 92)

Sally May, Executive Director of Finance Cwm Taf Morgannwg University Health Board and Chair of the Directors of Finance Peer Group

Darren Hughes, Director, Welsh NHS Confederation

Lance Carver, Vice President, Association of Directors of Social Services Cymru (ADSS Cymru) and Director of Social Services at Vale of Glamorgan Council

Carys Lord, Chief Officer Finance, Performance and Change, Bridgend County Borough Council

Supporting documents:

FIN(6)-02-24 P3 Welsh NHS Confederation

FIN(6)-02-24 P4 ADSS Cymru and Welsh Local Government Association (WGLA)

Research Service Brief

Break (11.10–11.20)

5 Scrutiny of the Welsh Government Draft Budget 2024–25:

Evidence session 7

(11.20–12.20)

(Pages 93 – 134)

Cllr Anthony Hunt, Leader, Torfaen County Borough Council

Cllr Llinos Medi, Leader, Isle of Anglesey County Council

Cllr Mary Ann Brocklesby, Leader, Monmouthshire County Council

Cllr Andrew Morgan, Leader, Rhondda Cynon Taf Borough Council

Supporting documents:

FIN(6)–02–24 P5 – Welsh Local Government Association

Research Service Brief

Break (12.20–13.15)

6 Scrutiny of the Welsh Government Draft Budget 2024–25:

Evidence session 8

(13.15–15.00)

(Pages 135 – 156)

Rebecca Evans MS, Minister for Finance and Local Government

Andrew Jeffreys, Director Treasury

Emma Watkins, Deputy Director, Budget & Government Business

Supporting documents:

Research Service Brief

7 Motion under Standing Order 17.42 (ix) to resolve to exclude the public from the remainder of this meeting and the meeting on 31 January 2024

(15.00)

8 Scrutiny of the Welsh Government Draft Budget 2024–25:

Consideration of evidence

(15.00–15.15)

9 Second Supplementary Budget 2023–24 requests from Directly Funded Bodies

(15.15–15.30)

(Pages 157 – 166)

Supporting documents:

FIN(6)–02–24 P6 – Cover paper

FIN(6)–02–24 P7 – Public Services Ombudsman for Wales’ Second Supplementary Estimate 2023–24

FIN(6)–02–24 P8 – Letter from the Public Services Ombudsman for Wales: Local Government pay award – 11 December 2023

FIN(6)–02–24 P9 – Letter from Audit Wales: Letter from Audit Wales: Second Supplementary Estimate 2023–24 – 6 December 2023

10 Audit Wales Fee Scheme 2024–25

(15.30–15.45)

(Pages 167 – 191)

Supporting documents:

FIN(6)–02–24 P10 – Fee Scheme 2024–25

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Llywodraeth Cymru
Welsh Government

Eich cyf/Your ref
Ein cyf/Our ref MA/RE/2730/23

Peredur Owen Griffiths MS,
Chair Finance Committee,
The Senedd,
Cardiff Bay,
Cardiff
CF99 1NA

11 January 2024

Dear Peredur

In line with established practice, I intend to publish a Second Supplementary Budget for 2023-24. This letter is advanced notice of my intention which will allow you to plan for the appropriate scrutiny.

The main purpose of the Second Supplementary Budget will be to formally reflect budgetary changes since the First Supplementary Budget 2023-24, which was published by the Welsh Government in June and will take account of the in-year changes I announced in my statement on 17th October. It will set out agreed allocations from our reserves, transfers between Welsh Government portfolios, transfers with UK Government Departments and will include revised Annually Managed Expenditure forecasts. It will also include revisions to forecasts of devolved taxes, the Block Grant Adjustment, funds drawn from the Wales Reserve, and proposed borrowing from the National Loan Fund.

I intend to table the Second Supplementary Budget for 2023-24 on 20th February to allow for a debate on 12th March, following a period of three weeks for scrutiny under Standing Orders.

I hope you find this update helpful.



Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government



Llywodraeth Cymru
Welsh Government

Peredur Owen Griffiths MS
Chair, Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA

12 January 2024

Dear Peredur,

I am writing to inform you that a meeting of the Finance: Interministerial Standing Committee (F:ISC) will take place on 25 January in Edinburgh, although we are awaiting final agreement of the arrangements.

The focus of the meeting will be on economic and fiscal priorities. I will be providing an update on the Welsh Government Draft budget 2024-25 and outlining the difficult decisions we have taken to ensure our spending plans support critical public services.

I will also be pressing the Chief Secretary to the Treasury (CST) for clarity on the changes we can expect to our 2023-24 budget settlement in the UK Supplementary Estimates in February, including confirmation of whether we will receive consequential funding as a result of public sector pay awards in England.

Looking ahead, it is likely this will be the last F:ISC before the UK Spring Budget. I will be making the case for investment in Welsh Government priorities, as well as continuing to press for UK Government support to protect public services. There will also be a discussion on the UK Government preparations for the next UK Spending Review. I will be seeking assurances that my officials will be engaged in this work which is due to conclude in the Autumn.

The meeting will also have a focus on tackling poverty. This is an opportunity to discuss the economic and fiscal actions being taken across nations as well as consideration for joint-working.

I will be meeting separately with the CST to discuss Wales-specific spending pressures and the economic outlook.

I will report to the Committee on the outcome of the meeting.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

Yours sincerely,

Rebecca Evans.

Rebecca Evans AS/MS

Y Gweinidog Cyllid a Llywodraeth Leol

Minister for Finance and Local Government

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Agenda Item 2.3



Llywodraeth Cymru
Welsh Government

Ein cyf/Our ref

Peredur Owen Griffiths MS
Chair of Finance Committee
Senedd Cymru
Cardiff Bay
CF99 1NA
SeneddFinance@senedd.wales

15 January 2024

Dear Peredur,

Thank you for your letter dated 11th December regarding a review of the current Budget Protocol.

I welcome the ongoing constructive engagement on the Protocol, including at official level, and have been pleased to agree several of your previous proposals for changes to the Protocol, some of which recognise changes to our practices that have been adopted informally. However, I note from your letter that there are other proposals where we have not been able to agree a way forward. Your letter also included further proposals by the Finance Committee for changes to the Protocol.

As I indicated in my letter dated 20th July 2023, I would suggest that we should seek to make the changes to the Protocol and Standing Orders on which we can agree as a single, consolidated package of changes rather than seeking Senedd approval in a more piecemeal manner. I believe it would be helpful if we were to continue to consider each other's proposals in the expectation that we can agree a unified approach to revising the Protocol before the Summer recess.

I think it would be helpful if I were to comment at this stage on your proposal that the debate on Welsh Government priorities should be scheduled to take place at a time other than before the summer recess each year. I recognise there are reasons why a later debate would be desirable, and this highlights the challenge of our budget timetable being impacted by, and linked to, the timing of UK government fiscal events. However, scheduling the debate in advance of summer recess provides the optimal opportunity for the Senedd to help shape the Government's priorities on the Budget at an early stage in our preparations, whereas leaving it until the autumn term would mean we would be further advanced in our preparations.

Canolfan Cyswllt Cyntaf / First Point of Contact Centre:
0300 0604400

Bae Caerdydd • Cardiff Bay
Caerdydd • Cardiff
CF99 1SN

Correspondence.Rebecca.Evans@gov.wales
Gohebiaeth.Rebecca.Evans@llyw.cymru

Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

I can confirm that following further consideration of the existing arrangements recognising the importance of Senedd consideration for setting income tax rates alongside consideration of the Annual Budget Motion, we are not currently proposing to put forward any further proposals in relation at this time.

Our discussions during the Summer indicated we are working towards a common goal and that any proposals made by either the Committee or the Welsh Government are made with positive intentions. I will ask my officials to contact the Committee's clerk to take these discussions forward.

Yours sincerely,

A handwritten signature in black ink that reads "Rebecca Evans." The signature is written in a cursive style.

Rebecca Evans AS/MS
Y Gweinidog Cyllid a Llywodraeth Leol
Minister for Finance and Local Government

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

WGDB_24-25 09 : Ymateb gan: Comisiynydd Cenedlaethau'r Dyfodol Cymru |
Response from: Future Generations Commissioner



By email

27th November 2023

Dear Chair,

Thank you for the opportunity to respond to your consultation on the Welsh Government Draft Budget 2024-25.

The Committee will be aware that my office and predecessor scrutinised Welsh Government budget processes closely in previous years as a necessary lever to ensure the Well-being of Future Generations Act is considered and evidenced throughout. I was grateful for the opportunity to meet with you earlier in the year to discuss the important role we jointly play in this scrutiny. I too welcomed the opportunity for my office to be represented at your stakeholder session in Wrexham.

In addition, I have met with the Minister for Finance and Local Government on three occasions, including a constructive meeting with other commissioners. I have also had an introductory meeting with Welsh Government budget officials.

I recognise the difficult financial period facing Welsh Government, public services and communities across Wales. I will be interested to know how the Well-being of Future Generations Act (in particular the five ways of working and delivery against Welsh Government's well-being objectives) has been applied in the recent savings exercise undertaken by the Minister for Finance and Local Government. It is good to see continued commitment to the roll out of new rail services for Wales. This is a good example of preventative spend with a long-term view that will also bring immediate benefits to current generations. Protecting health services is important, however, they continue to suffer budget pressures despite this funding. It is my view that we need a long-term shift to keeping people well across a wide range of public services working together as I will go on to outline below. From how we travel to what we eat and drink to the environment around us, we need to work together to keep people well in order to release pressure on our future health system and improve the well-being of current and future generations.

I have recently published [Cymru Can](#), outlining the work programme for my term as commissioner. This has been shaped by listening to people, communities and organisations across Wales about what is important to them. I set out five missions that I intend to deliver on in my time as commissioner, each with a distinct focus for our work on the scrutiny of the annual budget.

Comisiynydd Cenedlaethau'r Dyfodol Cymru
Tramshed Tech, Heol Pendyris
Caerdydd, CF11 6BH
cystylltwchani@cenedlaethaurdyfodol.cymru
cenedlaethaurdyfodol.cymru

Future Generations Commissioner for Wales
Tramshed Tech, Pendyris Street
Cardiff, CF11 6BH
contactus@futuregenerations.wales
futuregenerations.wales



In the year ahead I will be taking a closer look at how these priorities are being addressed in the Welsh Government budget to understand whether public spending is aligned with what's important to the people of Wales.

1. Implementation and Impact

My overarching mission will focus on ensuring that the Well-being of Future Generations Act is being delivered to its full potential across all public bodies in Wales. As part of this, I will advise all public bodies on how they should set their budgets, and this includes continuing to review how the process for setting the Welsh Government's budget has applied the Act.

Our scrutiny of the 2023-24 draft budget found that the Well-being of Future Generations Act is still not embedded into budget decision-making in the way we would expect to see it. This includes a lack of embedding the language of the Act in the narrative around the budget. I would like to see a clear indication of how Welsh Government have set their budget in a way that contributes to the seven Well-being Goals and the Welsh Government's own well-being objectives as set out in the Programme for Government.

It has been unclear from the information provided by the Welsh Government in previous years how the five ways of working are being used in the decision-making process. We will again be looking for evidence of this in the 2024-25 Draft Budget. For example, in applying long-term thinking, I would remind the Committee of the advice of the Auditor General for Wales last year regarding the funding of public bodies which highlighted:

- the “short-term nature of some funding flows, which hamper [public bodies'] ability to plan effectively for the longer term”;
- “a lack of flexibility in how some parts of grant funding can be spent”; and
- the fact that “public bodies are only made aware of the availability of funding very late in the day, or late in the financial year”.

Short-term funding is most often quoted by public bodies as the biggest barrier to long-term thinking in Wales. This was also strongly highlighted in the involvement exercise that led up to Cymru Can.

I will be interested to understand the extent to which the use of future trends and foresight has helped to determine where budgets need to go.

Comisiynydd Cenedlaethau'r Dyfodol Cymru
Tramshed Tech, Heol Pendyris
Caerdydd, CF11 6BH
cystylltwchani@cenedlaethaurdyfodol.cymru
cenedlaethaurdyfodol.cymru

Future Generations Commissioner for Wales
Tramshed Tech, Pendyris Street
Cardiff, CF11 6BH
contactus@futuregenerations.wales
futuregenerations.wales



The definition of prevention is still not being used in the budget process as much as we would like. We need to see a shift to a preventative model of public service delivery, as outlined further in the points below in relation to my other missions, and this will require a strategic approach to preventative budget setting that looks to the long-term. I understand that exploratory work on preventative budgeting through the lens of climate and nature is underway, but this needs to progress at pace and my team is here to help with this.

My office's Section 20 Review also highlighted prevention is one of the least understood ways of working and civil servants often struggle in applying it practically in their work. There is also a lack of awareness among civil servants of the definition of prevention agreed between my office and Welsh Government.

The definition of prevention agreed with the Welsh Government is that prevention is working in partnership to co-produce the best outcomes possible, utilising the strengths and assets people and places have to contribute. Breaking down into four levels, each level can reduce demand for the next:

- Primary prevention (PP) – Building resilience – creating the conditions in which problems do not arise in the future. A universal approach.
- Secondary prevention (SP) – Targeting action towards areas where there is a high risk of a problem occurring. A targeted approach, which cements the principles of progressive universalism*.
- Tertiary prevention (TP) – Intervening once there is a problem, to stop it getting worse and prevent it reoccurring in the future. An intervention approach.
- Acute spending (AS) – Spending, which acts to manage the impact of a strongly negative situation but does little or nothing to prevent problems occurring in the future. A remedial approach.

* Progressive universalism is a determination to provide support for all, giving everyone and everything a voice and vested interest, but recognises more support will be required by those people or areas with greater needs.

I welcome the recently published report by Demos, "[Revenue, Capital, Prevention A New Public Spending Framework For The Future](#)" (published in October 2023) which highlights the importance of governments defining what we mean by 'preventative expenditure'. I would encourage the Committee to consider the report as it monitors the Draft Budget.

Comisiynydd Cenedlaethau'r Dyfodol Cymru
Tramshed Tech, Heol Pendyris
Caerdydd, CF11 6BH
cystylltwchani@cenedlaethaurdyfodol.cymru
cenedlaethaurdyfodol.cymru

Future Generations Commissioner for Wales
Tramshed Tech, Pendyris Street
Cardiff, CF11 6BH
contactus@futuregenerations.wales
futuregenerations.wales



From previous years, we are still not seeing the assessed *impact* of budget decisions in the budget documents, like the Strategic Integrated Impact Assessment (SIIA). This is where we would like to see clearer links back to the Welsh Government's well-being objectives, the Well-being Goals and to achieving the pathway set out in the current carbon budget and, going forward, to achieving the pathway to a nature positive Wales. We will continue to advise on the evolving SIIA process to ensure, for example, that it takes account of cumulative impact and looks at the impact of decisions across the four dimensions of well-being.

2. The Climate and Nature Emergencies

My office has tracked progress on decarbonisation within the Welsh Government budget over recent years. Whilst I believe this continues to be an important priority for the budget, I now intend to take a broader view of how the budget is responding to the urgent, dual crises of climate change and nature loss. In my new work programme, I have made it my mission to support the achievement of the aspiration for a net zero public sector by 2030 and for Wales to halt biodiversity decline by 2030 linked to one of the National Wellbeing milestones and to the 30x30 commitment of the Global Biodiversity Framework agreed at COP15. Meeting these important milestones will require a Team Wales approach and all public bodies will have a part to play.

3. Culture and the Welsh Language

Cultural well-being has equal footing with environmental, social and economic well-being in the Well-being of Future Generations Act, recognising the enormous role that it plays in supporting both people and planet. My work programme will include a mission to address the perception of value of our culture to our well-being. All too often, cultural services such as leisure centres and arts facilities are the hardest hit in times of budget pressures across all levels of government. This is despite the fact that these are some of the very things that keep us well in times of need and cost of living pressures. I will be tracking how the Welsh Government is ensuring that key services such as these remain available to people of Wales, including implications of budget decisions on local authorities and national cultural bodies.

4. Well-being economy

My team and I will be working to help transition Wales to an economy that puts people and planet first with communities, business and governments at all levels helping to make this

Comisiynydd Cenedlaethau'r Dyfodol Cymru
Tramshed Tech, Heol Pendyris
Caerdydd, CF11 6BH
cystylltwchani@cenedlaethaurdyfodol.cymru
cenedlaethaurdyfodol.cymru

Future Generations Commissioner for Wales
Tramshed Tech, Pendyris Street
Cardiff, CF11 6BH
contactus@futuregenerations.wales
futuregenerations.wales



happen. The Well-being of Future Generations Act outlines a Prosperous Wales as an innovative, productive, and low carbon society which recognises the limits of the global environment and uses resources efficiently and proportionately – emphasising skills, education and fair work in generating wealth. I will be looking with interest at the extent to which the Welsh Government budget is moving in this same direction, both in terms of prioritising capital and revenue investment.

5. Health and Well-being

My budget focus under this mission will be to ensure that there is adequate investment in the things that keep us well – the wider determinants of health. We need to use every lever we have and embrace ‘health in all policies’ to help keep people well, both mentally and physically. Our scrutiny will look at more than just the health service by considering health and well-being with a greater focus on prevention and integration between service areas. In Wales we are in a position to use innovative, long-term solutions to improve lives and get ahead of health problems by focusing not just on the NHS and health boards, but on the wider public services that have an impact on the health of our nation – the ‘social model of health’.

I look forward to sharing what I am learning with the Committee in future years on these important matters. If the Committee would find it helpful, I would be happy to arrange an information session for Committee Members with advice on how to scrutinise the budget through the lens of the Well-being of Future Generations Act.

Yours faithfully,

Derek Walker

Future Generations Commissioner for Wales

Submission to the Senedd Finance Committee

By email

10th January 2024

Dear Peredur,

Thank you for the opportunity to contribute to the Finance Committee's scrutiny of Welsh Government's 2024/25 Draft Budget, ahead of my evidence session next week. I wrote to you late last year outlining my approach to analysis of this draft budget recognising the difficult financial period facing Welsh Government, public services and communities across Wales.

In my letter, I noted that I have recently published [Cymru Can](#), outlining the work programme for my term as Commissioner. This has been shaped by listening to people, communities and organisations across Wales about what is important to them in the long-term. I set out five missions to focus my time as Commissioner. These are: Implementation and Impact; Climate and Nature; Health and Well-being; Culture and Welsh Language; and a Well-being Economy

Analysis of the Welsh Government's annual budget is one of the ways that I intend to monitor progress as I move forward with each mission. I will want to see how these priorities are being addressed to understand whether public spending is aligned with what's important to the people of Wales. However, as my team and I are only at the beginning of that journey, for this year's draft budget analysis, I am focusing my attention on my over-arching mission to ensure the effective implementation and impact of the Well-being of Future Generations Act (WFG Act).

My analysis of the 2024/25 draft budget

Key findings:

1. The information provided alongside the draft budget is not sufficient to demonstrate that the WFG Act is considered comprehensively by Welsh Government in drafting its budget.
2. Despite broad recognition of the current challenges facing communities and public services across Wales, the documents do not provide assurances of the meaningful consideration of ALL five ways of working outlined in the WFG Act as well as in Welsh Government's own statutory guidance.
3. There is increased transparency within the narrative and the Strategic Integrated Impact Assessment (SIIA) this year around the impact of decisions. However, the documents lack analysis of the long-term impacts and detailed evidence of how the involvement of public bodies and other people affected by the budget has helped with assessing the potential impact.
4. On the basis of the evidence provided, it appears this budget has failed to maximise the opportunity afforded by the WFG Act to think and act differently. The transformational change needed across the public sector to deliver on the Well-being Goals, rather than being advanced, could be made more difficult by this draft budget.

Context – the Budget and the Well-being of Future Generations Act

Our country's recent experience is of crisis budgets in the public sector year after year. A series of challenging situations, from exiting the EU to a global pandemic and geopolitical unrest, are all influencing the cost of goods and services and having a major impact on the lives of people here in

Wales and elsewhere. The WFG Act provides us with the impetus and opportunity to maintain a long-term view as we navigate through turbulent times like these.

The impacts of the dual crises of the climate and nature emergencies are already being felt here in Wales, with far worse yet to come, which means the challenges to our budget are not likely to go away any time soon. It is my view that we need a long-term shift, to keeping people and planet well, across a wide range of public services working together as part of a longer budget setting process.

We need budget decisions that fix problems now and for the long term. We need an emphasis on spending that prevents problems from occurring. It is simply not sustainable to continue trying to deal with the symptoms. I am here to both challenge and support the Welsh Government, and other public bodies in Wales. Cymru Can work together to identify root causes and long-term solutions.

During the [Section 20 review](#) that my predecessor undertook in 2022 to assess the application of the WFG Act within the Welsh Government, a single recommendation was made, and accepted, which was to develop and deliver a [Continuous Learning and Improvement Plan](#). The Review highlighted the attention that was needed on ensuring the WFG Act is considered and communicated in all decisions taken by Welsh Government, with an emphasis on the five ways of working and Welsh Government's public sector leadership role.

The Continuous Learning and Improvement Plan set out some positive changes that Welsh Government has made to the budget process in recent years including:

- Reforming the Budget Advisory Group for Equality (BAGE) and setting up the new Budget Improvement Impact Advisory Group (BIIAG) which has been reviewing the approach to assessing the impact of budget decisions and the SIIA.
- During the 2022-23 Budget process and Welsh Spending review a collaborative approach was taken to align funding with delivery of the Programme for Government which contains the Welsh Government's well-being objectives.
- Progress in various areas of the Budget Improvement Plan, as reported within the plan, including on carbon and nature impacts, gender budgeting and distributional impacts.
- Publishing the Wales Infrastructure Investment Strategy (WIIS) underpinned by a zero-based approach to capital expenditure to address the climate and nature emergency as part of the 2022-25 Welsh Spending Review.

The Section 20 Review also highlighted the importance of evaluation. The report discussed the need for further work to evaluate and monitor the impact and efficacy of the budget.

My findings

The basis of my analysis this year is to look for evidence of how the Welsh Government has applied the WFG Act in the process of budget setting. The analysis has considered all papers published as part of the [Draft Budget](#) announcement on 19th December along with feedback I have received from a range of public bodies that fall under the Act. I would note that this was not a formal exercise to gather views from public bodies, more a snapshot from a cross section of organisations.

The annual budget is arguably the biggest single annual decision undertaken in the Welsh public sector, so it is imperative that it is delivered in a way that ensures the well-being of current and future generations. I also expect the Welsh Government to demonstrate leadership in applying the WFG Act effectively. My assessment has produced four key findings:

Finding 1: The information provided alongside the draft budget is not sufficient to demonstrate that the Well-being of Future Generations Act is considered comprehensively by Welsh Government in drafting its budget.

- The suite of budget documents repeatedly states that the WFG Act has been used to underpin the budget process and that this is set out in various places, mainly in the Budget Improvement Plan (BIP). However, the evidence for this is not clear from the documents as published. This lack of information also makes it very difficult for other public bodies to follow their example, aligned with the principle of One Welsh Public Service.
- Of particular concern is that I am unable to assess **how** Welsh Government has considered:
 - a. All five ways of working
 - b. The National Indicators and Milestones
 - c. The impact of the budget on its own well-being objectives and steps
 - d. The impact of the budget on the ability of public bodies and Public Services Boards to implement their own well-being objectives and steps
 - e. The impact of the budget on long-term trends
 - f. The Well-being of Wales Report.
- I welcome the reference in the Budget Improvement Plan to a forthcoming review of how to improve existing processes across Welsh Government to identify and develop better spending proposals, to improve capabilities and help to prioritise decisions that more clearly align with the well-being goals and ways of working and explore opportunities to improve longer-term planning.

Finding 2: Despite broad recognition of the current challenges facing communities and public services across Wales, the documents do not provide assurance of the meaningful consideration of ALL five ways of working outlined in the Well-being of Future Generations Act and the expectations set out in Welsh Government's own statutory guidance.

The five ways of working

The WFG Act requires that Welsh Government acts in accordance with the sustainable development principle in making decisions to deliver on its well-being objectives. By its own definition in [Shared Purpose: Shared Future](#), statutory guidance on the Well-being of Future Generations (Wales) Act 2015 (SPSF1), in order to act in this manner, they must take account of the five ways of working. However, I am disappointed by the weak interpretation of the five ways of working evident in this year's budget narrative.

Financial Planning is specified in SPSF1 as one of the corporate areas of change. The guidance is clear that application of the five ways of working will address the tendency for short-term priorities and administrative process to overtake long-term interests. Use of the five ways of working is expected particularly in terms of delivering for the long term and facilitating preventative actions.

The Budget Improvement Plan provides a welcome indication that long-term and preventative thinking are still an evolving part of the budget development process, however, I would expect that by now, seven years in, they would be far more embedded in current budget setting. I also have concerns as to why the timeline for budget improvement includes a focus on long-term and prevention but does not do the same for the other three ways of working – involvement, collaboration and integration - which must equally be applied to the process.

Maturity Matrix for the implementation of the Well-being of Future Generations Act

I have assessed progress with the five ways of working using the process section of the [WFG Act Maturity Matrix](#). This was developed as part of the Future Generations Commissioner for Wales' [Section 20 Review](#) into how Welsh Government is implementing the WFG Act. The matrix plots whether the actions taken by a public body suggest:

- No change or no evidence of implementation
- Simple change
- More adventurous
- Owning Ambition
- Leading the way

I used the information provided in the documents published by Welsh Government alongside the draft budget. While this could not be as full and detailed as the self-assessments we encourage public bodies to do collaboratively in their own teams, it has provided me with an indication of where Welsh Government's budget process would likely to be placed in such a self- assessment exercise.

As we are now seven years in to the WFG Act, it is my expectation that Welsh Government should be aiming to lead the way and demonstrate to other public bodies how to effectively make decisions using the framework of the Act. It is my view that progress towards this is insufficient.

Long-term – our assessment is 'Simple Change'

Of particular concern is the absence of information to demonstrate meaningful long-term thinking. While Welsh Government has mentioned several long-term trends and challenges of the future, it isn't clear that they have considered the longer-term impact of their overall budget strategy to ensure that they are not stacking up problems for future budgets to deal with, when there is no guarantee that the budget context will be any easier.

Leading the way on long-term according to the Matrix would demonstrate that:

- Resource allocation responds to potential long-term risks and opportunities
- Processes prioritise long-term actions and outcomes improving the four dimensions of well-being in the long-term and ensure adequate balancing of short, medium and long-term needs.

It is my view that based on the published documents, use of long-term thinking only reflects a 'Simple Change', for example:

- Some consideration of trends
- Limited use of futures techniques but not consistent
- Addresses only current needs and pressures.

The long-term way of working is core to delivering in line with the sustainable development principle and must be a key part of the approach to budget setting. The Budget Improvement Plan (p7) says that Welsh Government has worked with the Budget Impact Improvement and Advisory Group (BIIAG) to take forward an approach where spending proposals are developed that balance long-term benefits against short-term needs. I have not seen evidence which explains how this approach is implemented.

The Welsh Government says that for long-term "...we have needed to act in the short term to protect the core services on which people rely to ensure they are sustainable into the future."

The actual definition of long term is “The importance of balancing short-term needs with the need to safeguard the long-term needs”. It is therefore our view that while long-term is a consideration at this stage, it has not been embedded as a way of working for the current budget round.

Prevention – our assessment is ‘Simple Change’

The prevalence of crisis situations in recent years means that now more than ever we need to be investing in preventative approaches so that we mitigate future problems and are better equipped to deal with them. The previous commissioner made a series of recommendations to the Welsh Government on prevention in [a paper in 2018](#). I therefore have concerns as to why the process of embedding prevention into the budget process has not yet materialised.

Leading the way on prevention according to the Matrix would demonstrate the following qualities and these are some areas where I would expect to see improvement:

- Top-slicing budgets for preventative action
- Prioritising use of resources for long-term even if it limits ability to meet some short-term needs
- All challenges considered from a system wide perspective
- Dedicated resource for future scenario planning and associated society development and prevention/disaster planning

It is my view that based on the published documents, use of preventative thinking only reflects a ‘Simple Change’, for example:

- Generic commitment to having a preventative approach
- Definition of prevention agreed but not included in internal policies and guidance
- Spending mainly on acute matters (firefighting)
- Aware of some root causes but still addressing mainly symptoms.

The national milestones are there to assist with decision-making. They are designed to help us look to the long-term so that we can act where needed now. The Welsh Language Commissioner, in their submission to Finance Committee, made it clear that any cuts coupled with the impact of inflation could impact on the ability for Wales to meet the ambitions of Cymraeg 2050, so this is an example of where we are not seeing consideration of the milestones in the Draft Budget documents.

There is evidence of progress in embedding prevention into the budget process through ongoing work with BIIAG which has been exploring using biodiversity as an area to pilot ideas. The documents say that subject to the findings from this work, *“a whole budget approach to preventative activity will be explored, testing practicalities, and identifying the conditions needed to do this effectively across the whole organisation.”*

This makes it clear that there is currently not a whole budget approach to prevention in place. There is unfortunately evidence throughout the budget documents of preventative spend being reduced and there is little evidence of analysis of the longer-term impact of this which will have the potential to increase demand on services in future years – where there is no guarantee of the budget context being any easier.

On prevention, the Welsh Government says that *“...within the extremely challenging settlement we have had to act to prevent the worst impacts to core services. While it has not been possible to avoid all negative impacts we have ensured as far as possible we mitigate direct impacts to people and places.”*

The actual definition describes how acting to prevent problems occurring or getting worse may help public bodies meet their objectives. There is a further breakdown of the definition of prevention which has been agreed with the Welsh Government, and as part of work to develop preventative thinking, the BIIAG has looked again at this definition and found it to be fit for purpose for further embedding a preventative approach to budget setting.

Collaboration – our assessment is between ‘more adventurous’ and ‘owning ambition’

There is evidence of a growing collaborative approach to budget setting. This involves engagement with the BIIAG group and with the Commissioners, for example. However, feedback we have received from public bodies would suggest that some have not been formally involved in the process.

Leading the way on collaboration according to the Matrix would demonstrate the following qualities and these are some areas where I would expect to see improvement:

- Ring-fenced budgets for collaboration
- Collective impact on tackling long-term challenges
- Processes co-designed with staff and partners

It is my view that based on the published documents, use of collaborative approaches reflects a position somewhere between ‘more adventurous’ and ‘owning ambition’, for example:

- Stakeholder mapping undertaken.
- Formal external channels for sharing practice and learning.
- Various formal and informal routes for sharing good practice.

One of the ways that WG seems to have focused on collaboration in recent years is through working with the BIIAG which it established in 2022. The group had previously existed under a different name (BAGE) to advise on the SIIA with a focus on equalities however this evolved and broadened along with the group’s name change. Welsh Government says it continues to consult BIIAG about how improvements can be made and how best to communicate the SIIA through the annual budget process.

I also welcome the fact that the Welsh Government is engaging with other governments who are seen to be leaders in impact assessment through the Well Being Governments Network (WeGo). The learning from this network is seen as essential to supporting the ‘evolving and improving’ of their approach to impact assessment.

Welsh Government says that on collaboration “...as we move beyond this Budget, we will work with our wider partners to deliver on our plans and support them in meeting the challenges posed by this fiscal context.”

The actual definition speaks to acting in collaboration with any other person (or different parts of the body itself) that could help the body to meet its well-being objectives. Collaboration must be a core part of the budget process during the decision-making period, not ‘beyond’ it. However, there is welcome emphasis in the budget narrative that one of the principles of this budget includes ‘...to work in partnership with other public sector bodies to face this financial storm together’.

Feedback we have heard from a public body in Wales is that they have not been consulted during the process on what impact the budget might have on their ability to deliver on their well-being objectives.

Integration – our assessment is ‘Simple Change’

The integration way of working is about the well-being objectives set by the Welsh Government in its Programme for Government, ensuring that the decisions it is taking to deliver on those has no detrimental effect on its other well-being objectives, the seven Well-being Goals, and the ability of other public bodies to deliver on their well-being objectives. We would expect to see a degree of collaboration with other public bodies to minimise this risk.

Leading the way on integration according to the Matrix would demonstrate the following qualities and these are some areas where I would expect to see improvement:

- Evidence of systematic integration of goals, objectives and steps
- Transparent governance process building trust between public and government
- All financial processes and decisions led by consideration of the national goals and long-term well-being objectives of the organisation
- Investment in understanding interconnections of issues, objectives and solutions internally and externally.

It is my view that based on the published documents, application of integration only reflects a ‘Simple Change’, for example:

- WFG Act is only referred to as a consideration, but no working out is evidenced
- Budget process and allocation only allows for new actions that are considered pilots or on a small scale that will not have an impact on a population level
- No consideration or integration with the Well-being Goals for Wales
- Little evidence of how well-being objectives (of Welsh Government and of others) are being considered.

On integration, Welsh Government says: “...we have maintained our approach of understanding the integrated impacts of the choices we are taking. In deploying our limited funding we have considered where funding can be allocated to achieve the best possible impact balanced against the negative impacts of needing to reduce funding in other areas.” The definition of integration in the WFG Act requires considering how the public body’s well-being objectives may impact upon each of the well-being goals, on their other objectives, or on the objectives of other public bodies.

I welcome reference in the Narrative (p.28) to further sources of evidence that have been considered including the Wellbeing of Wales Report, the five-year Future Trends report and the annual report on the Socio-Economic Duty alongside working with its own Equality, Race and Disability evidence units.

The Budget Improvement Plan (p.3) says that through the work of the 2024/25 Budget, Welsh Government has continued to explore how to improve its integrated approach to budgeting, understanding intersectionality and the unintended impacts of spending decisions. However, the Budget Improvement Plan timeline only includes explicit actions against the ‘Prevention’ and ‘Long-term’ ways of working.

Involvement- our assessment is ‘more adventurous’

Involvement must be a core part of the budget process from the outset, improving transparency and involving a wide range of voices of people who are impacted by budget decisions. Involvement should enable those people to meaningfully help shape and inform those decisions.

Leading the way on involvement according to the Matrix would demonstrate the following qualities and these are some areas where I would expect to see improvement:

- Trust and confidence in the public sector strengthened and people are more engaged in the democratic process
- Tailored involvement methods and techniques
- Systems and technology used to ensure an ongoing conversation with the diversity of people affected by the work that can help contribute to the goals and organisational objectives, in order to ensure greater involvement and transparency

It is my view that based on the published documents, use of involvement approaches reflects a position 'more adventurous', for example:

- Evidence of moving away from consultation to other methods of involvement
- Evidence of asking people how they'd like to be involved and of corresponding change
- Open to real change as a result of involvement
- Processes encourage reaching out to children and young people

On involvement the Welsh Government says: *"...throughout this Budget we have engaged with social partners including the third sector, local authorities and Statutory Commissioners to understand the impacts of the current context to shape our spending plans."* The actual definition of involvement speaks to the importance of involving people with an interest in achieving the well-being goals and ensuring that those people reflect the diversity of the area which the body serves.

One area of progress we have seen this year is the involvement of young people in the Budget process. The Budget Improvement Plan (p5) says that "Members of the Children in Wales Youth Board have presented their initial work on the young person's version of the Budget Improvement Plan to the Minister for Finance and Local Government and the Chairs of the Senedd Finance Committee and Children, Young People and Education Committee at an event in the Senedd in September 2023. The final product will be launched in early 2024."

Through the Budget Improvement Team, we have had sight of an animated version of the BIP for young people and heard that improvements made following feedback from young people included making the content more realistic so that they were more relatable for children and young people. In future, I will be interested to see how the tool is being used to involve more young people in influencing what is in the budget.

Finding 3: There is increased transparency within the narrative and the SIIA this year around the impact of decisions. However, the documents lack analysis of the long-term impacts and detailed evidence of how the involvement of public bodies and other people affected by the budget has helped with assessing the potential impact.

Impact assessment

We welcome increased transparency around the impact of decisions within the narrative and the SIIA this year. There is a visible attempt to set out negative impacts as well as positive with a welcome reflection in the narratives where decisions have been particularly difficult.

We understand that, at the ministerial portfolio level, individual funding proposals are assessed for their impact using the WFG Act as the framework. Integrated Impact Assessments look for the effect a proposal may have across the four dimensions of well-being and also take into account how the five ways of working will be used within those proposals. This is to be commended.

However, when it come to the SIIA, we do not see the same assessment. We also importantly do not see the cumulative impact of those assessments. For example, how the impact of the decisions made plays out across the four dimensions of well-being to ensure that each is supported by this budget. I am particularly concerned that cultural well-being is disproportionately affected.

Finding 4: On the basis of the evidence provided, it appears this budget has failed to maximise on the opportunity afforded by the WFG Act to think and act differently. The transformational change needed within Welsh public bodies to deliver on the Well-being Goals, rather than being advanced, could be made more difficult by this draft budget.

During the Section 20 Review, one of the key aspects identified as needed for deepening the implementation of the Well-being of Future Generations Act was clear leadership by Welsh Government. Welsh Government also has an important role to play as a national organisation bound by the WFG Act, with influence over the budgets of public bodies, private sector, voluntary sector and general public – all of whom contribute to this journey.

Therefore, it is essential that Welsh Government creates the right conditions for new ways of working and leads the way for other public bodies in demonstrating how the five ways of working can be best applied in practice.

The budget process is a key avenue through which Welsh Government can be seen to encourage process and enable innovation, signalling clear commitment to long-term thinking and the delivery of the WFG Act. However, I am concerned this draft budget could be seen as discouraging for many and as a message that the duties in the WFG Act come second to other statutory requirements. Public bodies and Public Services Boards have committed to their well-being objectives and steps and must now consider how they can respond to this budget creatively using all five ways of working. There are some bodies that face a considerable reduction in budget that have not had the time to develop more creative solutions in response.

Welsh public bodies are now quickly having to confirm their own budgets for the year ahead. Despite the pressure they are under, I am seeing good examples of involving the citizens that they serve in this decision-making process.

While the work on implementing the WFG Act will continue, and there is still a lot of enthusiasm for it, this budget will have far-reaching consequences for both the progress of the cultural change being driven by the legislation, and for the goals the legislation sets out for Wales.

Suggested areas of further exploration by the Finance Committee:

- How the five ways of working are to be applied to the review of the SIIA due to take place in the coming year
- What the Minister expects will be different as a result of the review of SIIA. For example whether, in future, it will include an analysis of the longer-term impact of decisions, particularly those which reduce resource for preventative measures.
- How the young person's version of the Budget Improvement Plan will be used to involve young people in influencing budget decisions

- Whether the Minister would agree to a more transparent presentation of how the WFG Act has been applied in future budget rounds, including **how** Welsh Government has considered:
 - All five ways of working
 - The National Indicators and Milestones
 - The impact of the budget on its own well-being objectives and steps
 - The impact of the budget on the ability of public bodies and Public Services Boards to implement their own well-being objectives and steps
 - The impact of the budget on long-term trends
 - The Well-being of Wales Report.
- Whether the Minister shares my concern that this budget could reduce the type of innovative and bold initiatives and decisions we have applauded in the past.
- What steps are in place to evaluate the impact and efficacy of the Budget.

Yours sincerely

A handwritten signature in black ink that reads "D. Walker". The signature is written in a cursive, slightly slanted style.

Derek Walker

Future Generations Commissioner for Wales

Document is Restricted

Agenda Item 4


Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

WGDB_24-25 42: Ymateb gan: **Confederasiwn GIG Cymru (Saesneg yn unig) |**
Response from: Welsh NHS Confederation (English Only)





	The Welsh NHS Confederation response to the Finance Committee scrutiny of the Welsh Government's 2024-2025 Draft Budget proposals.
Contact	Nesta Lloyd-Jones (Assistant Director): 
Date	1 December 2023

Introduction

1. The Welsh NHS Confederation welcomes the opportunity to respond to the Finance Committee's scrutiny of the Welsh Government's Draft Budget 2024-25 proposals.
2. The Welsh NHS Confederation represents the seven Local Health Boards, three NHS Trusts (Velindre University NHS Trust, Welsh Ambulance Services NHS Trust and Public Health Wales NHS Trust), and two Special Health Authorities (Digital Health and Care Wales and Health Education and Improvement Wales). The twelve organisations make up our membership. We also host NHS Wales Employers.
3. NHS leaders recognise that public finances across the UK are extremely challenging. Similar to healthcare systems across the UK, and the world, the NHS in Wales has reached a perfect storm: the cost of providing healthcare continues to rise at the same time as demand on, and expectations of, the service continue to increase. The pandemic has led to a more complex picture for the health and care system. The NHS is experiencing very large increases in its day-to-day costs as a result of inflation, the elective care backlog, recruitment and retention of the health and care workforce, implementation of the pay award and the costs of providing continuing healthcare, increase in delayed pathways of care, increased demand and acuity of patients, increased spending on primary care and hospital prescriptions, alongside public expectations. However, we can recover from this perfect storm through the NHS working closely with partners from all sectors, including social care.
4. NHS leaders know they need to maximise the way they use the resources available, focusing on achieving the best outcomes for patients. Financial certainty has a big impact on the NHS's ability to plan and deliver quality services and the best outcomes for patient. The decisions made now by Welsh Government and NHS leaders will have a long-term impact on the health and wellbeing of the population. It is vital that all sectors work together to support the health and wellbeing of the population, to tackle inequalities and respond to the cost-of-living crisis to prevent further harm to the most vulnerable in our society. There needs to be an open and honest conversation with the public about what the future health and care service looks like to ensure future sustainability. It is vital that the whole public service ensure that any policy and spending decisions are planned to make the biggest impact on the lives of the communities they serve.

Key priorities for NHS leaders

5. As the membership body representing NHS leaders in Wales, we ask that the Welsh Government Budget for 2024-25 supports the following areas:
- **Capital:** Develop a ten-year investment plan for service change to reshape NHS estates and infrastructure, including digital. This would make NHS estates more sustainable, boost productivity and support the NHS to get through its care backlog, reduce carbon emissions, maximise public assets, attract additional funding through research and development opportunities, regenerate the local economy and improve patient care outcomes.
 - **Revenue:** Provide funding to cover inflationary pressures, to address the backlog in elective care and the increase acuity of patients post pandemic and support the maintenance of NHS estates and infrastructure, including digital.
 - **Workforce:** Support the development of flexible and innovative workforce plans and increase investment in NHS workforce so we continue to see an increase in the number of students and trainees across a range of professional groups.
 - **Social care:** Provide local authorities with ring-fenced allocations for social care, to meet the needs of their population and to support system-wide sustainability. The variation in investment in social care across Wales, for example, needs to be addressed through a renewed collaboration between Welsh Government and local government. The funding allocated to social care needs to have clearly defined target outcomes imposed by Welsh Government to ensure that the total amount spent on social care drives the change we need to see.
 - **Prevention and early intervention:** Recognise that the NHS needs to focus more on addressing the drivers of demand on our health services by working on prevention and population health measures which will support the long-term sustainability of the service. The variation in underlying need for preventative activities should be taken into account in the allocation formula.
 - **Digital investment:** Invest in digital infrastructure and functionality and see the opportunities that digital can bring to the economy and the NHS. Building digital functionality across patient pathways that capture and enables data to inform decision making and tools that supports its delivery. Opportunities include enhanced self-care; connecting parts of our health, care and wider public sector to enable people to keep safe and healthy at home for longer; allowing organisations to work in partnership to support the highest risk citizens first and deploying scarce staffing resources in an efficient way.
 - **Inequalities:** The NHS often has to address the health impact of inequalities in addressing the social determinants of health. Support a cross-government approach that creates the conditions for everyone to enjoy the best possible health, publishing a delivery plan that outlines actions being taken across all government departments to tackle inequalities.
 - **NHS and the economy:** Recognise that health is an investment in growing the Welsh economy, both locally and nationally. [Analysis](#) we published in October 2022 shows that every £1 invested in the NHS, returns £4 in Gross Value Added (GVA) for the economy. We should stop seeing the NHS as a drain on public resources but instead as a key driver of economic activity and employment. As large employers, purchasers, and capital asset holders, NHS organisations are well positioned to use their spending power and resources to address the adverse social, economic, and environmental factors that widen inequalities and contribute to poor health outcomes.

- **Long-term planning:** We would encourage a long-term planning framework for financial recovery.
6. Finally, the response from NHS Wales organisations to the challenges of the pandemic demonstrate that the health and care system can respond quickly and effectively when working in partnership with other public sector bodies, the third sector and communities. NHS leaders will do whatever they can to get the best value and outcomes for patients and improve efficiencies. That is why innovation, embracing digital and thinking differently about how services are provided are vital.

What, in your opinion, has been the impact of the Welsh Government’s 2023-2024 Budget, including funding related to the recovery of the pandemic? Have Welsh Government business support policies been effective, given the economic outlook for 2024-25?

7. The Welsh Government 2023-24 Budget recognised the need to stabilise the health system following the pandemic. It provided additional financial support to NHS organisations, especially health boards, as they continued to respond to system-wide challenges, including inflationary and post COVID cost pressures. However, the resources provided in the opening Welsh Government 2023-24 Budget were insufficient given the legacy COVID costs, the cost of recovery, including waiting time reduction, and exceptional inflationary pressures. The additional allocations notified in October 2023 have supported the in-year position but significant challenges remain, both in year and into 2024-25, and the delay between the original budget and the revised budget delayed collective action which could have improved the current financial position.
8. The NHS Wales Budget settlement for 2023-24 ceased a number of funding streams that the health boards had relied upon during the multi financial year pandemic period. This was based on the perception that the COVID driven cost pressures could be removed as the NHS became less exposed to COVID restricted operations. Consequently, the funding settlement caused health boards to lodge forecasted plans that projected a significant financial deficit that could not be accepted by Welsh Ministers. The Welsh Government mid-year financial review has helped re-provide support in a number of these areas which will allow the health boards to make best efforts towards a much reduced revised financial control total.
9. While the additional funding provided by the Welsh Government has been welcomed, like other public services across the UK, the NHS in Wales has been significantly impacted by a range of external drivers, leading to increased financial uncertainty and deficits. With a significant gap between the growth in healthcare demand and the inability to respond fully in the short to medium term, within certain fiscal constraints, all health boards are in deficit this financial year (2023-24) and are acutely aware of the financial difficulties for 2024-25.
10. Factors contributing to the increased deficits in 2022-23 and 2023-24 include:
 - **Underlying deficits from 2022-23:** All health boards’ deficits from 2022-23 were carried forward to 2023-24, acting as the starting point for 2023-24 finances. As highlighted in the [Audit Wales](#) report, the overall deficit for 2022-23 was £150m: *“Against a backdrop of significant pressure, the total in-year deficit for 2022-23 has increased to £150 million (£47 million in 2021-22) and the three-year cumulative*

over-spend across the NHS increased from £184 million in 2021-22 to £247 million in 2022-23". The underlying deficit is likely to again be carried forward into 2024-25.

- **Workforce:** A sustainable workforce is essential for a sustainable NHS. Workforce costs have increased in both the NHS and social care. Pay costs accounted for 45 per cent of health board revenue spend in 2022-23, around £5.4 billion. Workforce pay pressures have increased due to industrial action, high levels of vacancies and sickness, resulting in high variable pay expenditure and outsourcing of services from private providers, such as agency. The increase in agency nursing staff is largely down to pressures from delayed transfers of care. As highlighted by [Audit Wales](#), expenditure on agency staff has grown steadily over the last five years, with a further increase of 20 per cent in cash terms in 2022-23, putting overall agency spend at £325 million across NHS Wales. The majority of the spend is to cover workforce vacancies, with some supporting additional activity. In many health boards, this is the highest level they have ever seen.
- **Inflation:** There has been significant in-year variation driven by inflationary pressures, namely from energy price fluctuations but also for goods and services, including digital.
- **Social care:** Social care services play a crucial role in care pathways by keeping people well for longer outside of hospital and enabling faster, safer discharges home. There continues to be a significant number of patients, on average 1,500, waiting to be discharged from hospital due to capacity challenges in the social care sector, costing the NHS hundreds of millions of pounds every year. The average rate of a hospital bed is between £250 - £350 per night, therefore if there are 1,500 people medically fit for discharge in hospitals across Wales it costs an average £375,000 – £525,000 per night to the NHS in Wales. This is a significant driver of financial pressure. In addition, there has been increased expenditure on Continuing Health Care due to increases in local authority care home rates, the increase in the Real Living Wage and the Funded Nursing Care rate driven by the NHS pay award.
- **Medicines and prescriptions:** There has been increased spending on primary care and hospital prescriptions due to patient demand and the increased costs of drugs. After changes in clinical guidelines and increased activity following the pandemic, there has been an increase in oncology and scheduled care medicine. There has also been a higher-than-average increase in unscheduled care drugs expenditure as emergency departments continue to experience unprecedented demand.
- **Maintenance of outdated estates and infrastructure:** The cost of running NHS estates and infrastructure continues to increase. The NHS is faced with an ageing estate, including digital infrastructure, which was not designed for current demands and therefore fails to meet modern standards. Many hospitals in Wales were built in the 1960s or earlier, with [12 per cent](#) of the estate built pre-1948 and only 6 per cent post-2015. For many NHS organisations, there are significant ongoing costs to repair estates and undertake essential maintenance, with one health board estimating the maintenance costs in the region of £150m, and many must replace key expensive service items that are well past their effective working lives. In addition, in Wyllybush Hospital in Hywel Dda University Health Board and Nevill Hall Hospital in Aneurin Bevan University Health Board, remediation work is being undertaken following the discovery of RAAC. This is not only expensive but prevents NHS organisations from using the limited funds available to create new services. It is also key to invest in digital infrastructure, which is becoming increasingly important to mitigate cyber security risks.

- **COVID legacy:** It is clear the ongoing effects of the pandemic continue to have a significant impact on healthcare systems and the workforce. A number of costs continue to be unavoidable due to the different operating models that became embedded during COVID. This includes the ability to achieve the level of service delivery needed to eradicate clinical treatment delays, with rising demand on services, more patients presenting with higher acuity, and the ability to recruit and retain the workforce needed across health and care services. Alongside this, service changes made during COVID have been embedded in health board expenditure as well as the continuation of higher cleaning standards, PPE provision and testing.

How should/could the Welsh Government support the economy and business following the pandemic, Brexit and inflationary and other economic pressures?

- **How financially prepared is your organisation for the 2024-25 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?**
11. Inflationary pressures will continue to impact adversely into 2024-25. Whilst NHS Wales organisations welcome the additional funding from the Welsh Government, increasing costs as a result of inflation are having a significant impact on NHS delivery against government priorities. All health boards have an underlying deficit position which will only be partly mitigated by the conditionally recurrent allocations announced in October 2023. Whilst NHS organisations are yet to receive planning guidance for 2024-25, the approach by the NHS to date is to assume continuity of the 2023-24 trajectories in relation to ministerial measures. The assessment is that on the basis of a repeat inflationary uplift and continued allocations as per 2022-23 it will give the NHS clarity on financial parameters for planning.
 12. The NHS is able to make some forward planning assumptions into future years. Many of the cost saving initiatives delivered in 2023-24 have been of a non-recurrent nature and the bounce-back of this into positions will be certain. The slight ease in inflation is welcome albeit health inflation, heavily impacted by drugs inflation, is often subject to different pressures than general Retail Price Index (RPI) type drivers. World markets alongside drug innovation and new drug implementation contributes to volatility in the prescribing arena. This is an area that is very difficult to accurately project even on a 12-to-18-month timescale.
 13. The tight financial settlements over a period of years necessitates the need for ever growing cost reduction programmes which will be increasingly challenging to deliver due to the scale required. This will require a fundamental rethink of the sustainability in some service areas in their present service model configurations. Where NHS organisations have concerns is that the achievement of financial requirements could drive short-term decision making, shelving efficiency investment such as digital and service reconfiguration, and in some cases false economies, such as curtailing overseas nurse recruitment. The severe constraints on capital will also hold up the delivery of cost-efficient service reconfigurations. However, it is the NHS priority to meet their control total and demonstrate a balanced budget over the next three years.
 14. It will be challenging to focus attention on the transformation of services when capacity is largely focused on meeting the challenges brought about by the COVID-19 pandemic, particularly the impact on the NHS Wales workforce. Delivering against efficiency targets

will be a challenge for health boards. This makes the need for national conversation about individual responsibilities to improve lifestyles even more important. Taking pressure of frontline services should be a key tenet of improving population health across a range of factors but especially in the field of diet, exercise and appropriate consumption of alcohol.

15. Finally, while it is well documented that the NHS accounts for around 50 per cent of the Welsh Government's budget, there must be recognition of the significant [contribution](#) the NHS makes to local and national economies. The NHS directly employs over 100,000 people across Wales to quality and stable jobs. The NHS is also a purchaser of local goods and a commissioner of local services, which are used for social benefits, its buildings and spaces supporting communities.
16. Furthermore, the size, scale and reach of the NHS means it has significant influence over the health and wellbeing of local populations. It plays a vital role in improving wellbeing and addressing regional inequalities throughout Wales. Health, wellbeing and the economy are bound tightly together; a healthy (physically, psychologically and socially) population results in a more economically active population. The well-worn saying 'health is wealth' is evidenced by the record 2.5m people out of work due to ill health costing the UK economy an [estimated](#) £43 billion a year. Interventions designed to improve health, inclusive growth and wellbeing in Wales should be a shared priority in the interests of all local, regional and national partners, businesses and communities.

What action should the Welsh Government take to help households cope with inflation and cost of living issues?

- How should the Budget address the needs of people living in urban, post-industrial and rural communities and in supporting economies within those communities?

17. Supporting our population is critical. The additional ways the Welsh Government could help householders cope with inflation includes:
 - Take action to improve the level of take-up of grants, allowances and benefit support already available to households.
 - Maximise Discretionary Housing Payments.
 - Provide more help with Council Tax through the Council Tax Reduction Scheme.
 - Maximise take up of home energy efficiency schemes, such as Eco4 and LA Flex.
 - Fund integrated wellbeing and keep warm initiatives.
 - Urge utility companies to engage in more proactive promotion and awareness-raising campaigns for social tariffs and demonstrate improved take-up of these tariffs.
 - Convene partner organisations and engage in constructive challenge on progress being made on Cost of Living-related policies to accelerate co-ordinated action.
 - Fund and extend the reach of the 'Food and Fun' programme so that it prioritises low-income families.
 - Support and encourage local activity-based programmes for adults that provide help with costs and have health and wellbeing benefits.
 - Implement, at pace, the proposed warm homes programme.
 - Implement the recommendations of the [Wales Expert Group on the Cost of Living Crisis](#).
18. As in the Public Health Wales report, [Cost of living crisis: a public health lens](#), the cost-of-living crisis is having, and will continue to have, a significant and wide-ranging negative impact on people's mental and physical health. It is likely that those making the

difficult decision to eat or heat their homes will require the support of the NHS, and so preventative action is required to alleviate any potential demand and to ensure inequalities are not exacerbated. To build on the report, Public Health Wales ran an all-Wales cost of living [summit](#) in March 2023, convening stakeholders from different sectors to discuss the key challenges, risks, enablers and solutions in the short, medium and long-term .

19. Key areas discussed in the summit included food, energy and housing; mental health; income and debt; and health and care. The post-summit report proposed the following next steps:
- In the short term, make support more easily accessible and better inform service delivery at the local/regional level. More supportive funding, such as funding with greater security and time length, and a national vision and framework.
 - In the medium term, involve communities in service planning and design, and improve partnership working and coordination at the local/regional level. At the national level, improve the offer of national prevention programmes, such as screening, and improve provision and use of data and evidence.
 - In the long term, adopt the Future Generations Ways of Working (prevention, integration, collaboration, involvement, long term) into working at the local/ regional level as well as a greater focus on health equity, and 'Health in All Policies'. At the national level, strategies and policies to build a healthier Wales (such as social security consolidation and building sustainable, healthy food systems) and a more equal Wales were proposed.
20. The NHS alone does not have the levers to help people cope with pressures from the rising cost of living, to reduce the impact on their health and on inequalities. We therefore must shift the focus from public health initiatives delivered through the NHS and local authorities to addressing factors that cause ill-health in the first place, such as education, poor housing, transport and food quality. As highlighted in the Welsh NHS Confederation Health and Wellbeing Alliance report, '[Mind the gap: what's stopping change?](#)', addressing the factors that cause ill-health in the first place should be a central focus for the Welsh Government and a cross-government approach to inequalities is needed.

Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?

21. Alleviating climate change must be a priority in supporting economic and social recovery. However, further investment, including capital funding, is required to support public bodies to reach the Net Zero target by 2030 set by Welsh Government in the [NHS Wales Decarbonisation Strategic Delivery Plan](#).
22. NHS organisations have a substantial impact on the environment and is a significant consumer of energy and water resources within Wales. Delivering high-quality health and care places numerous demands on natural resources and the environment, such as: the use of energy, water and consumables, including single-use plastics; waste production and waste management; and travel, which requires fossil fuels and contributes to air pollution.
23. NHS Wales organisations are looking at establishing local supply chains using their buying powers, which will also help shorten the supply chain and reduce emissions. In

addition, making better use of digital technology across our services and communities, such as video consultations, will reduce the environmental impact of healthcare delivery.

24. NHS organisations have previously acknowledged the need for better support and clarity of the green agenda within NHS Wales to better align Welsh Government green strategies with the capital renewal of NHS Wales estate. Where there are timescale gaps to the required green technology being available to replace older technologies and carbon heavy energy solutions there needs to be better understanding of the interim investment solutions required as a bridge to the greener economy. There have been examples whereby one arm of Welsh Government might influence the rejection of funding for a traditional technology without there presently being a holistic green solution. This can contribute to business continuity risk and medium-term carbon inefficiencies as older technologies are eked out and patched up to maintain services. A better understanding of the options and support available would better align the health sector with Welsh Government strategy.
25. Furthermore, while the NHS is looking at a range of innovative ways to reach the Net Zero target, without sustained capital investment in estates, facilities and infrastructure it will be difficult to achieve. As highlighted above, NHS estates and infrastructure need to be brought up to modern standards and become more energy efficient, which is extremely challenging due to the current age profile of hospitals and other buildings across Wales, with only [14 per cent](#) of the estate built since 2015. While all options are being considered by NHS leaders to bring down energy inefficiencies, without sustained investment and new infrastructure the target is unlikely to be met.

The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?

- **Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?**
26. We know that people working in the NHS are struggling with the rising cost of living and for many, they are now living in relative income poverty, as evidence by the number of NHS staff accessing Food Bank vouchers in the workplace (not just the lowest pay banded staff) and the financial wellbeing services that all NHS organisations provide. NHS leaders do however know that due to the stigma of income poverty there will be a greater number of staff who will feel too embarrassed or ashamed to ask their employer or other agencies for help. These are clear indicators that not enough is being done to tackle the rising cost of living and supporting those people who are in employment, living in income poverty.
- **How could the budget further address gender inequality in areas such as healthcare, skills and employment?**
27. There continues to be gender inequality in the workplace as evidenced by NHS organisations Gender Pay Gap Reports for 2022-23 e.g. one health board report highlighted that in a workforce where 80.8% of their employees are female, they continue to earn less than their male counterparts.

28. There are many factors which contribute to gender pay inequality which require budgets to address them, for example unaffordable childcare provisions increases the necessity for women to work part-time or exit the labour market. Part-time working reduces the opportunities to undertake training and development to assist female staff to move into higher paid roles.
29. The provision of skill and employment-related development opportunities need to be fully inclusive and accessible to all. Access to Welsh Government budgets can facilitate this activity, enabling employers to provide programmes and interventions explicitly aimed at reducing gender inequalities. In particular, budgets could provide the means to build on existing leadership development offers, providing increased access and exposure to all areas of our communities. Further work could be facilitated with both Women's and LGBTQ+ Staff Networks to ensure bespoke development opportunities are provided to increase visibility and access to further skills and employment.
30. Budgets could also be allocated to gaining a better understanding of the barriers to realising gender equalities, particularly in relation to employment and gender disparities within senior positions. This approach would drive an intelligence-lead, evidence-based approach to providing career development opportunities to under-represented groups.
- **Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).**
31. NHS leaders recognise that partners across the public sector who play a key role in prevention and supporting the health and wellbeing of the population are facing acute financial challenges. NHS leaders therefore support an approach to further protect funding for preventative measures that recognise the importance of improving population health outcomes and the sustainability of services in the longer term. However, the funding allocated for preventative services, including for social care, needs to have clear levers imposed by Welsh Government to ensure the desired outcomes are achieved.
32. The whole public sector needs to be appropriately resourced, including social care, housing and education. This will allow it to respond to the significant demand facing the NHS and enable health and wellbeing systems to operate effectively. Resources must be allocated to provide the best outcomes for the population, and it is important that the Welsh Government state that a nominal proportion of health and social care funds should be spent on preventative and early intervention activities and spending bodies are held to account for the use of these monies.
33. The Welsh Government should address, regulate and properly resource contributors to ill-health, such as poor housing, transport and food quality. Shifting the focus from public health initiatives delivered through the NHS and local authorities to addressing the wider determinants of health would reduce demand on the health system, creating capacity. There must also be a shift towards increased preventative spending, supporting early intervention. This must be supported by clear evidence and data to demonstrate a cause-and-effect relationship between these competing factors, along with a clear impact timeframe. This will give confidence to the public that the state of future health is worth investing in now over short-term investment in treatment.

34. Funding for social care services should also be prioritised as they help keep people well for longer outside of hospital and enable faster, safer discharge. It is not possible to consider the long-term future of the NHS in Wales without considering the issue of how, and to what level, the social care system should be funded in the future. We need to work towards achieving a consensus that NHS and social care services are interdependent. As highlighted in our briefing, ["It's not just a crisis, it's a national emergency": Addressing the challenges in social care](#), the last few years have exposed deep cracks in the social care system and have exacerbated structural vulnerabilities, with devastating consequences for social care residents and their families. It is vital to ensure adequate state funding to improve access and quality of care for those who need it. We need a stable provider market and sustainable workforce that is properly valued, paid and respected for this important work. We believe that parity of pay and conditions across health and care and the creation of a national care service will provide a framework for these changes, which need to be aligned to wider market forces in the social care sector. We need to provide local authorities with ring-fenced allocations for social care, to meet the needs of their population and to support system-wide sustainability. The variation in investment in social care across Wales, for example, needs to be addressed through a renewed collaboration between Welsh Government and local government and have an independent assessment on local authorities social care spending. The funding allocated to social care needs to have clearly defined target outcomes imposed by Welsh Government to ensure that the total amount spent on social care drives the change we need to see.
- **How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?**
35. It is vital that the Welsh Government, and all politicians, explain the financial uncertainty and challenges faced and the impact this could have on NHS and wider public services.
36. As highlighted in our recent briefing, [The NHS at 75: How do we meet the needs of future generations?](#), the scale of the challenge must be communicated to the public and an honest conversation is needed about what the NHS can be expected to provide in the future. Without transparency from the Government on how funding decisions are made, it is challenging for NHS and wider public sector leaders to explain to their local populations why difficult decisions around service changes have to be made. There is a need to engage with the public on service change, as long-term service transformation will take time to implement, so short-term measures must be established to deliver higher priority services.
37. Individuals must feel personally invested in their wellbeing and our health and care service to help ensure its long-term sustainability, which will only be possible through public involvement and co-production of services. This will allow people to feel supported, empowered and informed to take more responsibility for their health and wellbeing, manage their conditions and use services responsibly. Now is the time to galvanise the Welsh public to engage in how the health and care system can innovate and transform to meet the needs of future generations and make patients more involved and navigators of their care, enabling the NHS to provide care in the future.
- **How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?**
38. Given the uncertainties of budgeting at a national level, it might be appropriate to scrutinise the application of consequentialia received after the main annual budget motion

has been completed. Changes to the budget should be minimised to ensure clarity. However, changes could be made in exceptional circumstances, such as the significant financial uncertainty that took place following the mini-budget in October 2022.

39. Furthermore, there needs to be increased transparency regarding the level of funding held in reserve at the centre and for all-Wales projects. This will help ensure a clear picture of what is required and the funding available to enable the NHS to plan for services, programmes and the workforce and skills required.
- **How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?**
40. It is clear the ongoing effect of the pandemic is having a significant impact on healthcare systems. This includes reducing the ability to achieve the level of service delivery needed to eradicate clinical treatment delays, with rising demand on services and more patients presenting with higher acuity, and the ability to recruit and retain the workforce needed across health and care services. If the NHS in Wales is facing sustained years of tight funding settlements then pan regional dedicated planned care services will be required to make significant inroads into waiting times and lists rather than assistance with waiting list initiative at a micro level with health board providers.
41. Reducing the elective backlog will take sustained investment over many years and accountability from the Welsh Government. The provision of recovery funding in October 2023 to address waiting list backlogs was welcomed. However, with all UK health commissioners seeking similar improvements in waiting list totals and profiles it has been difficult to secure good value for money when sourcing solutions because of the limited additional capacity available in the UK health markets. Consequently, some of the deployment has been on short term expensive cost per case initiatives through both out-sourced and in-sourced solutions. This is likely to be the health economic outlook for some years and therefore it would be better to look at collaborative regional initiatives to maximise delivery of additional dedicated planned activity in key waiting time areas. This must be over a sustained period rather than consistently fund micro initiatives at health board levels which contribute to an improved position but not at scale and not at best value.
42. Plans to reduce the elective backlog must consider all parts of the health and social care system, not just acute hospital settings. Mental health services, allied health professionals, primary and community care form an eco-system that helps patients wait well before elective treatment, sometimes resulting in the patient no longer needing the planned treatment. Ambulance services, for instance, play a critical role in supporting communities. They have a unique role in connecting with all parts of the NHS and other emergency services and can play a big role in helping transform the way that patients interact with the health service. There is a need for recurrent funding to support the pump priming of 'upstream/out of hospital' transformation and long-term service development.

- **Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.**

43. A sustainable workforce is essential for a sustainable NHS. Investment in student education and staff training across a range of professional groups should continue to be a priority if the healthcare system is to respond to future demands and deliver improved outcomes for patients. In addition to traditional routes, investment in alternative training and education pathways, including apprentices, is important. Investment in educating and training existing staff to acquire new skills and expertise is essential to support the NHS' drive to deliver new ways of working and adopt innovative technology and digital advancements.
44. Strategic workforce solutions should be developed to actively encourage recruitment from local communities, to study, train and work in the NHS across Wales. This should include developing new roles and skills which align with the use of innovative technologies to provide greater resilience.
45. Robust long-term workforce planning must be in place to maintain a sustainable workforce and enable the best use of resources. Long-term workforce planning is only effective if properly integrated with service and digital redesign and transformation. Given the lead times, this would need a 10–15-year approach to change the shape of care, the shape of work and the shape of education. This would provide the opportunity for a radical rethink of how we work.
46. The wellbeing of the workforce is key, particularly in the context of an ageing population, ageing workforce and increasing healthcare demands. Actions to improve retention of staff are increasingly important.
47. One important route to better NHS productivity lies with digitisation, but there is a severe digital and data skills shortage in the NHS workforce. This is impacting the NHS's ability to fully develop, deliver, and scale the digital transformation required to realise real productivity gains.
48. Focusing on each of these elements should result in a more sustainable workforce, contribute to addressing inequalities and increase social and economic benefits to local communities across Wales.

- **Has there been adequate investment from the Welsh Government in basic public sector infrastructure.**

49. As highlighted previously, the lack of capital funding and investment is a major barrier to service delivery now and in the future. We need a funding solution from the Welsh Government for major capital infrastructure work required to keep services running in their current configuration. We have called on the Welsh Government to develop a ten-year investment plan for service change to reshape NHS estates and infrastructure, including digital infrastructure, making it more sustainable, reducing carbon emissions and maximising public assets.
50. The recent RAAC issue across the public sector highlights the parlous state of much of the UK's public capital infrastructure. It is no surprise given the lack of investment and it

is a problem that stretches across multiple governments. The NHS is a case in point: the UK has consistently spent less on capital investment than its OECD peers for more than a decade and a half.

51. For many NHS organisations, there is a significant maintenance backlog with high costs even just for essential maintenance. One health board estimates its maintenance costs to be in the region of £150m, with many organisations needing to replace expensive equipment which is well past its effective working life. This is not only expensive but prevents NHS organisations from using the funds towards new services. It is also vital to invest in digital infrastructure, which is becoming increasingly important to mitigate cyber security risks.
 52. Capital investment is key to continuing to deliver high-quality, safe healthcare, as well as reaching longer-term goals to deliver innovation and integrate care. Having a multi-year capital funding settlement for the entire NHS would help reduce the backlog, ensure the safety of the NHS estate, improve patient outcomes and the working environment for NHS staff, and truly make inroads to reducing inequalities by transforming models of care and improving access to health and care services.
 53. Capital and associated revenue funding is needed to embed more digital innovations accelerated by the pandemic. COVID-19 has highlighted the opportunities afforded by digital technology across the health and care system. Its availability, dependency, access, resilience and security are now essential to ensure the continuity of services and NHS organisations are committed to building on the progress made. The Track Trace Protect system has demonstrated the art of delivering a product on a national scale safely, quickly and efficiently. There are future opportunities to accelerate the shift to data driven, value-based and locally delivered models of care. It is important that the Welsh Government's investment priorities in 2024-25 include a significant digital aspect. This means safeguarding and developing existing local and national NHS infrastructure, but also ensuring transformations in patient pathways and the transition more generally to a healthier Wales.
- **Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost-of-living crisis and the pandemic, sufficient?**
54. NHS leaders recognise the significant financial challenges many third sector organisations in Wales currently face, at a time of increased demand on their services. NHS leaders have always valued the significant contribution the third sector makes to supporting the health and wellbeing of the population. NHS leaders recognise that third sector organisations are mutual partners who work hand in hand with them and have the skills and expertise to improve patient and service user experience and outcomes. All NHS organisations in Wales work in partnership with the third sector by commissioning organisations to deliver services, in effect bolstering capacity and reducing demand on the NHS.
 55. The influence and reach of third sector organisations is not limited to supporting the delivery of health and care services. The sector also plays a vital role in the prevention and wellbeing agenda by providing health and care information; patient and service user advocacy; enabling people to maintain their independence, health and wellbeing in their

own home and in their community outside of NHS settings; and improving people's quality of life and community cohesion by supporting volunteers and volunteering opportunities.

56. The third sector also plays a significant role in engaging with health and social care services when the NHS and other public sector bodies consult on new services or service change. Within A Healthier Wales, there is a clear emphasis on shifting towards community-based models of health and social care that cut across traditional organisational boundaries. A Healthier Wales has enabled third sector bodies to take on a more enhanced role in supporting people and communities, including through engaging with Regional Partnership Boards (RPBs) and Public Service Boards (PSBs). There will also be an increased emphasis on third sector support when the Welsh Government Social Prescribing Framework is published, in addition to the new Mental Health Strategy expected in 2024.

- **What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations Act?**

57. NHS organisations are committed to delivering on the vision set out in the Well-being of Future Generations (Wales) Act 2015. This supports new ways of working across the health and social care system and acts as a framework for considering how the decisions made in the here and now could impact the health and wellbeing of future generations.

58. While health boards make small financial contributions to Public Service Boards (PSBs) from their own budgets, health boards do not receive financial support or resources from the Welsh Government to support the implementation of the Act. Therefore, Welsh Government funding would support public bodies to make further progress. The expectation is that implementing the Act falls within an NHS organisation's core business responsibilities and so it is therefore absorbed by the budgets of those who lead on the Act within each organisation. In recent years, many of these roles have had to be broadened to encompass significant reporting responsibilities to comply with the Act.

59. NHS leaders recognise that implementing the Act should be a key part of core business, both at an organisational and departmental level. However, developing the level of knowledge and robust partnerships needed to implement the Act takes time and workforce capacity, despite no allocated financial resource. In addition, some health boards are members of multiple PSBs that sit within their health board footprint. The strategic priorities of each PSB vary, which can lead to competing priorities for the health board. While RPBs align with health board footprints, PSBs align with local authority footprints, causing challenges with the governance arrangements for RPBs and PSBs. Further clarity is required on the relationship between RPBs and PSBs so they can work in a complementary way.

Conclusion

60. Healthcare, reducing inequalities and maintaining people's mental health and wellbeing, should be at the heart of the Welsh Government's draft budget. NHS leaders understand the current budget limitations on the Welsh Government and believe we need to work

together with the Government, all political parties and public sector leaders to create innovative solutions across a streamlined set of priorities, which effectively balance short-term need with long-term vision. However, the scale of the challenge must be clearly communicated to the public.

61. NHS organisations across Wales are committed to doing the very best they can to deliver high-quality, timely and safe care to the people of Wales. Our members recognise the importance of improving population health and wellbeing by creating an environment that enables people to maintain good physical and mental health for as long as possible.
62. Creating a sustainable system requires a cross-sector effort to build healthier and more prosperous communities, reducing demand well into the future. To this end, population health must be a consideration across government department budgets. We need to emphasise the importance of working with partners across the public sector so we may collectively rise to the challenges faced. We cannot lose sight of the fact that this is not just about budgets, targets and deficits – it is about people’s lives. They will bear the brunt of the impact, as will the staff who do their very best to care for them every day.
63. Our briefing, [‘Investing in the NHS: Priorities for future government budgets’](#), further details the budgetary pressures within the health and care system, outlining priorities for future government budgets.

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

WGDB_24-25 51: Ymateb gan: Cymdeithas Cyfarwyddwyr Gwasanaethau Cymdeithasol (CCGC) a Cymdeithas Llywodraeth Leol Cymru (CLLC) (Saesneg yn unig) | Response from: Association of Directors of Social Services (ADSS) and Welsh Local Government Association (WGLA) (English link)



Senedd Cymru Finance Committee: Welsh Government Draft Budget 2024-25

Contribution by ADSS Cymru

Authority	Alwyn Jones - President
Completed by	Paul Pavia, Policy and Research Lead
Date	December 2023

General Comment

The Association of Directors of Social Services (ADSS) Cymru is the professional and strategic leadership organisation for social services in Wales and is composed of statutory directors of social services, the All-Wales Heads of Children's Service (AWHOCs), the All-Wales Adult Service Heads (AWASH) and tier three managers who support them in delivering statutory responsibilities: a group which consists of over 300 social services leaders across the 22 local authorities in Wales.

The role of ADSS Cymru is to represent the collective, authoritative voice of senior social care leaders who support vulnerable adults and children, their families, and communities, on a range of national and regional issues in relation to social care policy, practice, and resourcing. It is the only national body that articulates the view of those professionals who lead our social care services.

As a member-led organisation, ADSS Cymru is committed to using the wealth of its members' experience and expertise. We work in partnership with a wide range of partners and stakeholders to influence the important strategic decisions around the development of health, social care, and public service delivery. Ultimately, our aim is to benefit the people our services support and the people who work within those services.

ADSS Cymru welcomes the opportunity to contribute to this consultation on the Welsh Government's Draft Budget 2024-25. We have produced a report in partnership with the WLGA, summarising the financial pressures on social services. The report presents the pressures for 2024/25, as well as describing the current in-year pressures that are being experienced for 2023-24. It also examines predicted forecasts beyond the next financial year. We have attached the report to this covering document for the Committee's consideration.

The report sets out that the social care sector in Wales is experiencing unprecedented and acute challenges. The number of people needing care and support has and continues to increase, which in turn is creating unsustainable financial and demand pressures on social care services in both adult and children's services.

The report identifies several key factors including:

- **Future Financial Sustainability:** Welsh local authorities face significant financial challenges, with estimated pressures of £809 million in 2024-25, followed by £604 million in 2025-26 and £612 million in 2026-27. These pressures may severely impact local services.
- **In-Year Budgetary Pressures:** In addition to future challenges, some authorities are dealing with in-year pressures totalling £219 million. To address these projected overspends, various recovery measures are being implemented to balance budgets.
- **Workforce Impact:** Recruitment and retention of social care workers, including qualified Social Workers, are major challenges. A recent Social Care Wales survey shows that many social care workers feel undervalued and underpaid, potentially leading to workforce shortages.ⁱ
- **Complex Cases:** Increased demand and complex cases, including high-cost placements, are driving up costs for social services. Particularly expensive components include children's residential placements, adult residential placements, and domiciliary care. Additionally, local authorities are often forced to establish bespoke placement arrangements for children and young people outside the Regulation and Inspection of Social Care (Wales) Act 2016 (RISCA) registration regime due to placement shortages.
- **Other Contributing Factors:** Additional pressures in the social care sector stem from issues like access to Children and Young People's Continuing Care and Continuing Healthcare in adult services, the financial impacts of Social Care 'Tourism,' and the cost-of-living crisis, which result in increased family pressures and more children entering care.
- **Policy Implications:** Certain policies in Wales, such as the commitment to eliminate private profit from the care of children looked-after and the implementation of the Real Living Wage for social care workers, also contribute to financial pressures in the sector.

Our members would also like to highlight the point that up until the creation of this consultation response (end of November 2023), local government social services have received no further in-year budget support from Welsh Government. This contrasts with health, as was set out by the Minister for Finance in her announcement on 17 October 2023.ⁱⁱ

Whilst we acknowledge this funding is to support the NHS, over what will be an extremely challenging winter period, it does not ameliorate the immensely challenging position that our members find themselves in within their respective local authorities. Councils are facing a very difficult in-year financial position and the outlook for coming financial years is stark.

ADSS Cymru and its members will, nevertheless, continue to work closely with our health colleagues across the regions and do everything we can to plan for and meet demand over the winter period and beyond. However, due to capacity demands and budget constraints, the ability to consistently support citizens will be impacted, for example, the quick and timely discharge from hospital in all areas will not always be achievable. Nevertheless, we will continue to ensure that resources and capacity can be used as effectively and efficiently as possible, which includes examining what can be done differently.

The local government family have an ambitious vision for social care in Wales that we published in the early autumn.ⁱⁱⁱ That vision is predicated on securing a sustainable, long-term funding solution to allow the sector to attract, develop and retain its best workforce, to invest in more preventative and early intervention service provision and to explore new integrated care opportunities using digital and emerging technologies. However, unless the Welsh Government resolves the funding position, the sector is only going to remain in a position of perpetual crisis escalation, which will mean a demoralised and depleted workforce and persistent unmet and under-met need.

Alwyn Jones
President
ADSS Cymru (2023-24)

ⁱ Social Care Wales, [Pilot Workforce Survey – Overall report of findings, August 2023](#), (as accessed on 28 November 2023).

ⁱⁱ Welsh Government Announcement: [Welsh Government protect health, transport and public services](#), 17 October 2023, (as accessed on 28 November 2023).

ⁱⁱⁱ ADSS Cymru, SOLACE, Social Care Wales & WLGA, [A Vision for Social Care in Wales](#), September 2023, (as accessed on 28 November 2023).

SUMMARY OF SOCIAL SERVICES FINANCIAL PRESSURES: 2024/5 AND ONWARDS

November 2023

Purpose

1. This paper provides an assessment of Social Services spending pressures.
2. It includes information covering the current financial year (2023-24) and also provides estimates of the pressures in 2024-25, 2025-26 and 2026-27 based on local authorities' medium-term financial plans and information supplied in a survey of all 22 councils carried out during August/September 2023 with the help of the Society of Welsh Treasurers (SWT) as well as additional detail from members of the Association of Directors of Social Services (ADSS) Cymru.
3. It should be noted that the pressures calculated within this paper are based upon maintaining working practices and core structures as they are at present – these are the financial pressures services are facing to just 'standstill'. The paper allows for inflationary pressures in line with increasing salaries and fees within normal parameters, however, this does not allow for increasing salaries and fees at a higher aspirational rate to address the current workforce and system challenges. Without additional funding these challenges are likely to continue and exacerbate.

Overall Local Government Pressures

4. In 2024-25 local authorities will face an estimated pressure of £809m. In 2025-26 it will be £604m and £612m in 2026-27. Cumulatively, the pressures building up in the system across local government, and the resulting budget gap, means that the outlook is extremely bleak and the options for many local services will be unpalatable.
5. While the pressures in the current financial year were offset by a better-than-expected settlement in 2023/4, it is becoming clear that there are additional in-year pressures amounting to £219m. In some authorities, these projected overspends have become particularly acute with a range of measures being implemented to balance budgets.
6. The planned increases in Aggregate External Finance (AEF) for 2024-25 is £169m, or 3.1%, which will cover just over a fifth of the pressure in the financial year. The latest estimates from Wales Fiscal Analysis for subsequent years shows the outlook on funding to be particularly stark, with councils relying mostly on council tax for any additional funding.

7. Without additional funding, the risk to council services including education and social care cannot be overstated. The aggregate annual budget gap in each of the next 3 years is £432m, £429m and £433m in the run up to 2026-27. In total, the cumulative funding gap could potentially be £1.294bn. Some of the gap will be met through efficiencies and other measures but given the scale of the challenge, many councils will have to consider large scale service cuts and a significant loss in council posts.

Summary of Social Services Pressure in Current Year (2023-24)

8. Social care makes up 50% of the estimated overall additional in-year pressures, or £109m. This is around 4.7% of budgeted net revenue expenditure¹ and builds on a £93m overspend on social services in the previous financial year (2022-23).
9. The table below provides a breakdown of the make-up of the social services overspend:

Current year pressures	2023-24
	£000s
Pay Inflation pressures	5,281
Non pay inflation pressures	3,866
Commissioning cost pressures	13,201
Demand related pressures - Adults	45,683
Demand related pressures – Children’s	40,730
Overall Total	£108,761

Source: WLGA/SWT Survey September 2023

10. The increasing demand and complexity of need across both adults and children’s services, including the need for high-cost placements, accounts for much of these additional costs. The returns indicate that children’s residential placements account for over £26m of the total, adults residential placements £20.5m and adults domiciliary care £15m.

Summary of Social Services Pressures 2024-25, 2025-26 and 2026-27

11. The considerable financial challenges continue into 2024-25 and beyond. Next financial year there is a £261m pressure which represents an 11.3% increase in current budgets and accounts for 36% of the total financial pressures councils will face. Commissioning costs, as well as pay and non-pay inflation account for £180m of the pressure. The remainder is down to demand which accounts for £81m. There is an additional pressure of £187m in 25-26, and £198m in 26-27 respectively giving a cumulative total of £646m.
12. The table below provides a summary of how these financial pressures for social services are broken down:

	2024-25	2025-26	2026-27	Total
	£000s	£000s	£000s	£000s
Pay inflation pressures	41,944	34,156	34,546	110,646
Non pay inflation pressures	27,377	19,991	20,265	67,633

¹ Social care net revenue expenditure is budgeted at £2,302bn in 2023-24 (Source: Welsh Government RA Returns)

Commissioning cost pressures - Adults	83,894	(b) (6) - 08/24/2024 69,689	77,665	231,248
Commissioning cost pressures - Children's	20,308	16,854	18,244	55,406
Demand related pressures - Adults	47,235	26,121	28,211	101,567
Demand related pressures – Children's	34,210	12,353	12,237	58,801
Reduction in specific grants	3,047	6,383	4,753	14,183
Local priorities	500	127	218	845
Other	2,621	1,405	1,649	5,675
Overall Total	£261,136	£187,079	£197,788	£646,004

Source: WLGA/SWT Survey September 2023

What is Behind these Pressures?

13. Councils continue to be extremely concerned about the current pressures facing social care. The survey demonstrates the continuing impact of growing demographic, cost of living, workforce and inflationary pressures facing all parts of the social care system. The impact is that budgets are not stretching as far, families and unpaid carers are facing further strains, and recruitment and retention of the workforce remain huge challenges.
14. Increasing demand for services, as well as increasing complexity add to these pressures and concerns. Appendix 1 presents case studies from both adults and children's services which demonstrate examples of the levels of complexity presenting to social services, the challenges faced in meeting these needs, but also the amount of time and effort councils and their social care workers make in order to find and put appropriate care and support in place. It also presents some of the most recent available data to try to demonstrate the levels of demands that continue to be met by councils.
15. Commissioned services from independent providers, which are essential to the provision of social care, are also affected by similar issues to local authority social care services with increased running costs for staffing and energy, as well as increases in relation to insurance and fuel which are further exacerbating the significant financial pressures.
16. The combination of increasing demand, complexity of need and workforce shortages has resulted in higher costs and, as a consequence, increased expenditure for councils to meet the escalating costs of placements across both adults and children's services. Local authorities have flagged this as a significant risk. One local authority identifies that residential and nursing homes are seeking a rise in fees of around 20% and another has experienced roughly a 10% increase in fees in each of the last two years. While uplifts are being factored into medium term financial planning concerns remain about the likelihood of demands for higher increases and therefore further costs to local authorities.
17. On top of increasing costs some councils also identified increasing need and demand for care home placements, particularly in relation to Step Closer to Home. One council reported an 8.5% increase in externally commissioned care home placements in the last 6 months (April-October), with this continuing to rise.

18. The survey indicates that the social care market remains fragile, and this has impacts for the long-term sustainability of the sector. It also reveals councils' concerns about growing demand for both adults and children's services, their capacity and resources available to meet these demands, along with reductions in quality and choice available. This is a significant concern.
19. The difficulty of recruiting and retaining social care workers continues to be a major issue highlighted by councils along with recruitment challenges for qualified, high quality Social Workers, particularly in children's services. In order to mitigate some of the recruitment and retention challenges some councils continue to have to rely on the use of agency staff and these costs further add to financial pressures in future years. As one council identifies, despite efforts to redesign service delivery to minimise the requirement of Social Workers recruited through agency there is still an associated overspend of £1.2m due to agency backfill of vacant posts.
20. Social Care Wales' recent [social care workforce survey](#) underlines some of these workforce challenges. Whilst social care workers feel valued by the people and families they support, they also feel undervalued by the public and underpaid for the work they do. More than a quarter of workers claim they are likely to leave the sector in the next 12 months (26%) and 44% feel at least 'quite likely' to leave the sector in the next five years. The most common reason given for expecting to leave in the next 12 months is low pay (66%), while feeling overworked (54%) and poor employment or working conditions (40%) are also significant factors.
21. The financial survey highlights concerns that continue to be raised in relation to the provision of packages of care. Increased demand, along with a lack of suitable providers has previously been identified as an issue in the provision of domiciliary care. Local authorities identified an increase in the complexity of the care home packages needed to be put in place, alongside increasing costs. The result is that councils can struggle to have enough capacity to be able to meet the assessed need and ensure the sustainable provision of care.
22. Issues in relation to access to Continuing Healthcare were also flagged meaning that local authorities were persistently having to fund the majority, if not all, of these care packages rather than health.
23. In addition, some authorities have referred to the financial impacts of Social Care 'Tourism' with clients moving over from England to benefit from the more generous capital threshold limits in Wales when moving into a care home setting. It was also reported that there are examples in non-residential services where family members have moved in with relatives in Wales from across the border to apply for a direct payment to look after their relative which is allowed in Wales but not in England. Councils also identify seeing individuals who have had delays in accessing healthcare and are now presenting to social services with higher dependency needs that require more costly care provision.
24. Increased demand and complexity of cases in particular client groups was also reported. For example, pressures and costs in packages of care and support across mental health and learning disability services are identified in the survey responses. One local authority pointed to the increasing numbers of under 65-year-olds with a learning disability requiring support which will need to continue to be met in future years.
25. The impacts of the cost of living crisis were highlighted as leading to rising pressures on families which has meant that some councils are experiencing increased numbers of children entering care. A number of councils also reported an increase in safeguarding referrals, with one council reporting a doubling of referrals in the past year. The number of child protection investigations being undertaken were also reported as increasing in a

number of councils. One council identified a nearly 700% increase between 2018-19 and 2022-23, with others identifying a doubling of investigations.

26. Concerns continue to be highlighted over challenges finding appropriate and quality placements for children and young people. In particular, there remains a lack of provision for children with complex needs where there is a lack of both fostering and residential placements available. Unprecedented levels of emergency placements for residential placements, increased use of independent placements and increased pressures to find foster placements were all pointed towards with the cost of out of county placements continuing to rise, as well as demand for specialised placements exceeding supply. Weekly costs in excess of £20,000 per week for placements were identified and one local authority reported that their children's services budget has increased by £11m (56%) over the last 3 years, with specialist placement costs increasing by £6.6m (44%) over the same period. Another highlights that despite a £9.5m budget build into their placements budget for 23/24 (17% equivalent), in month 6 the council was still recording an £8.5m budget overspend, primarily due to the cost of residential placements. Here placements made during the year are proving more costly than historic placements. Factoring in fee uplifts and price differentials in new placements, residential placements price inflation from 1 April 2023 to 31 September 2023 was 9%, at a cost of £2m to this particular council.
27. These significant placement and system pressures are leading to situations where placements cannot be sourced despite: i) extensive national searches; ii) issuing specific tenders; and iii) seeking to enter into spot purchasing arrangements. In one case 143 individual placement searches were made for a child to no avail.
28. Increasingly local authorities are being placed in the position of needing to establish bespoke placement arrangements for children and young people that operate outside of the Regulation and Inspection of Social Care (Wales) Act 2016 (RISCA) registration regime. A review of a selection of these arrangements across Wales shows that there are particular pressures points in sourcing placements for young people stepping down from secure accommodation, hospital, as well as providing instant responses where providers have served immediate notice on a placement, which often follows high levels of dysregulated behaviour. In the cases reviewed common features were significant childhood trauma, multiple Adverse Childhood Experiences (ACEs), Neuro Diversity, emotional and behavioural difficulties with involvement of multiple agencies.
29. Managing these arrangements take significant workforce and financial resources as well as leadership capacity in overseeing risk and organisational management and Care Inspectorate Wales (CIW) governance compliance. In response councils are seeking to create their own in-house provision, but this takes time and resource to establish.
30. The survey responses also pointed towards some of the policy direction in Wales leading to increased financial pressures. The commitment to eliminate private profit from the care of looked after children was highlighted as having a detrimental impact on the availability of placements. Local government has previously outlined its support towards Welsh Government's commitment to eliminate private profit from the care of children looked after. However, there remain concerns about the resources and capacity available and the timescales being worked towards. Councils also highlighted risks around the adequacy of the grant funding to fully cover transitional costs and the risk if the period of transition does not extend beyond the current funding period of 2024/25.
31. Survey responses also recognised that the need to place children via the National Transfer Scheme has increased cost pressures and has resulted in Unaccompanied Asylum Seeking Children (UASC) often being placed out of county/country to meet their identified needs which come with significant cost implications. As a result of recent court judgements it was highlighted that this could mean there will be an increase in UASC's who will need to be placed in ever reducing numbers of placements.

32. Similarly, concerns over the tapering of the Regional Integration Fund were raised with a reflection that any reductions in grant funding levels across social services will require reviews of service provision to be undertaken and the risk that service reduction proposals would need to be considered as part of this. The implementation of the Real Living Wage for social care workers was also highlighted. Although the Welsh Government has provided funding to support this pay uplift, which has been welcomed, there is a need to further consider the effect of the price differential of senior staff/managers amid concerns that funding is not keeping pace with the extra costs associated with implementing this policy. This is particularly pertinent given the recent announcement that the Real Living Wage should increase by 10% to £12 per hour in 2024.
33. One suggestion put forward by councils in response to some of the challenges being seen is the need to review the current maximum charge for non-residential care. As one council identifies, at the current average hourly cost of care, the maximum weekly care charge could be reached by as few as 4 care hours per week. Whilst there is recognition of Welsh Government's ambition to move towards establishing a National Care and Support Service, with social care delivered free at the point of need, in the current financial context this aspiration remains some way off from being realised. In the meantime, there remains a need to examine all levers available that can help to ease the financial pressures being experienced by services.

Conclusion

34. Earlier this year the WLGA published [research](#) examining the challenges facing the social care sector and local government's priorities for social care. The research identified a system under enormous pressure due to: rapid demographic changes across Wales; the on-going impact of the COVID-19 pandemic; workforce challenges; funding difficulties; and the increase in the costs of living.
35. Workforce issues topped the list of key concerns, alongside a lack of sustainable funding, and challenges associated with meeting more complex needs. The financial estimates of the 22 Welsh authorities adds further support to these conclusions. Moreover, they also raise the very real concern that with the scale of the financial challenges being experienced, the level of protection that has been afforded to social services to date will not be possible for much longer. This puts councils ability to successfully deliver good quality social care services when needed at risk in future years.
36. Councils have long recognised and lobbied for an increased focus and investment in prevention and early intervention services. This was a vision set out by local government in the recent '[Vision for Social Care in Wales](#)' and is an ambition shared by Welsh Government. However there continues to be a struggle to make this shift a reality. There is a clear awareness of the need for interventions at an earlier stage to prevent escalation of issues, for example there is evidence that interventions such as reablement have the potential to prolong people's ability to live at home and reduce or even remove the need for care². Such an approach will lead to better outcomes for citizens and their families, better care experiences and less pressure on social services as a whole. Delivering this requires significant investment into new and existing preventative services and means a shift in both focus and resources across the health and social care system as a whole; from health systems centred around hospitals, to health and social care systems focused on communities and community services.

² The value of investing in social care: What are the benefits of further funding for reform to adult social care in England?. The Health Foundation; 2021.

37. Social care provides essential care and support services that link to a wide range of other services that can support people's health and wellbeing such as work, housing, social interaction and a good environment, services which local government plays an essential role in delivering. Evidence from the World Health Organisation's Equity Status report identifies that only 10 per cent of health gain comes from health services³. **Ultimately, the biggest impact on health and wellbeing is in addressing the wider determinants of health and ensuring that local government has the power, flexibility and resources to fulfil their core purpose of ensuring that all their residents have the opportunities to have the best start in life, to live well and age well.**

³ Healthy, prosperous lives for all: WHO European Health Equity Status Report (2019)

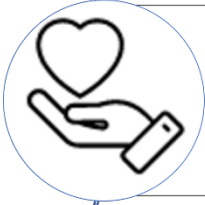
Appendix 1 - Demand and Complexity



Social Services Contacts

367,312 contacts received by statutory social services for adults, carers and children.

This equates to **1,006 contacts every day** and 42 every hour.



Assessments

126,046 new assessments were undertaken across both adults and children's services.

This equates to **345 new assessments undertaken every day**



Care and Support

On 31 March, **75,156** people (adults, children and carers) had a care and support plan in place.

21,463

reports of an adult suspected of being at risk were received

7,080

children were looked after

3,670

children placed on the child protection register during the year

Source: StatsWales⁴

Case Studies

Adult Services

Case A - A is a 67-year-old individual who suffered a severe stroke in 2018, resulting in limited mobility. They spend most of their time in bed, despite being able to transfer from bed to a wheelchair. A lives alone on the first floor of their property and depends on others for all daily activities. They lack familial support and engage in high-risk relationships with individuals invited into their home. A's challenging behaviour has caused multiple external providers to withdraw their services due to emotional demands and environmental risks. A was admitted to the hospital in April 2021, and discharge was delayed due to the lack of available providers. After multiple unsuccessful attempts, A received some support from a Complex Case team for three months, marking the longest period of consistent care.

Professionals involved in A's case include a GP, District Nurses, Acute medical staff, Social Worker, Social Team Manager, Occupational Therapist, Physiotherapist, Psychologist, Care Manager, and Environmental Health Officers.

Case B - B is a 63-year-old individual with bariatric needs and complex health issues, including a palliative diagnosis. They lived on the second floor of an apartment with their partner, who served as their full-time caregiver. Following a medical emergency and advice from the fire service, B was evacuated from their apartment and unable to return due to safety concerns. B spent time in the hospital, and discharge was delayed because of the lack of a suitable property. Eventually, B was admitted to residential care, which is unsuitable due to wheelchair inaccessibility and low mood. B's partner commutes a considerable distance daily to provide personal care as B refuses care from the care home staff.

Professionals involved in B's case include the Fire Service, GP, District Nurses, Acute Medical staff, Homelessness Team, Housing Team, Social Worker, Care Home Manager, Occupational Therapist, and Community Equipment Stores.

Children's Services

Following placement breakdown a young person was placed in a local authority Home that was registered for respite. The complexity of the young person's needs and their emotional dysregulation led to significant risks. Additional support was commissioned through three private care agencies who accepted contracts to provide care and supervision but left the contract as they felt staff were at risk. A nursing agency then accepted the contract to provide care and supervision on a 5-1 staffing ratio. The local authority tendered the provision and awarded the contract to a 3rd sector organisation to provide therapeutic care and bring the care home to registration standard. However, in attempting to retro-fit the property to registration standard, the increased number of contractors on site created an environment which increased the young person's dysregulation increasing the need for restraint, raising risk for the child and staff. The local authority therefore had to purchase a bespoke property. Whilst this service was established the local authority continued to with a staffing ratio of 5-1 as the nursing agency would not remain on the contract with less than 5-1. The process took almost 2 years with associated costs.

A young person was living in a solo placement when the provider served immediate notice due to their behaviours. Emergency arrangements were put in place with accommodation and care provided by local authority residential staff and commissioned nursing agency staff. The local authority commenced active placement searches and established a bespoke move for the young person from the emergency provision. The only viable arrangement was a privately rented house. Unfortunately no registered provision could be sourced but the focussed support provided were effective with the young person's behaviours stabilising. Unfortunately, this was not sustained and their risk behaviours in the community escalated along with behaviours in the home with high levels of assault on staff and damage to the property. Given the associated risks a Secure Accommodation Order was granted. However, there were no available Secure beds anywhere in the UK and the local authority had to maintain the local arrangement and the associated significant risk of harm for the young person, staff and anti-social behaviour in the community, for 4 weeks before a secure bed was sourced. There are active plans for the young person's step down from secure provision. The local authority has purchased a property, with funding from Housing with Care Fund HCF, to develop into a solo placement for the young person. The property is a 4-bed detached house.

It is of note that in both cases grant funding and local authority investment is supporting solo placements as the young people cannot be appropriately matched and supported with other children. The costs of establishing and running these provision has significant financial implications for local authorities. Pack Page 68

By virtue of paragraph(s) vi of Standing Order 17.42

Document is Restricted

Agenda Item 5

Cyflwynwyd yr ymateb i ymgynghoriad y [Pwyllgor Cyllid](#) ar [Cyllideb Ddrafft Llywodraeth Cymru 2024-25](#).

This response was submitted to the [Finance Committee](#) consultation on the [Welsh Government Draft Budget 2024-25](#).

WGDB_24-25 50 : Ymateb gan: Cymdeithas Llywodraeth Leol Cymru (CLLC) | Response from: Welsh Local Government Association (WGLA)



Finance Committee and Local Government & Housing Committee: Scrutiny of Welsh Government's Draft Budget Proposals 24-25

Jon Rae, Director of Resources

Welsh Local Government Association - The Voice of Welsh Councils

The Welsh Local Government Association (WLGA) is a politically led cross party organisation that seeks to give local government a strong voice at a national level.

We represent the interests of local government and promote local democracy in Wales.

The 22 councils in Wales are our members and the 3 fire and rescue authorities and 3 national park authorities are associate members.

We believe that the ideas that change people's lives, happen locally.

Communities are at their best when they feel connected to their council through local democracy. By championing, facilitating, and achieving these connections, we can build a vibrant local democracy that allows communities to thrive.

Our ultimate goal is to promote, protect, support and develop democratic local government and the interests of councils in Wales.

We'll achieve our vision by

- Promoting the role and prominence of councillors and council leaders
- Ensuring maximum local discretion in legislation or statutory guidance
- Championing and securing long-term and sustainable funding for councils
- Promoting sector-led improvement
- Encouraging a vibrant local democracy, promoting greater diversity
- Supporting councils to effectively manage their workforce



30th November 2023

Overview

1. This evidence paper addresses the questions posed by the committee in annex 2 of the commissioning letter. It is largely based on the paper that we presented to Welsh Government in a meeting of the Finance Sub Group on 25th October.
2. Most of it comprised our assessment of local government spending pressures that have remained persistently high over the current financial year. We have updated our estimates of the pressures in 23-24 and 24-25 based on local authorities' medium-term financial plans. These are based on the results of a full survey of councils and fire services carried out during August/September with the help of the Society of Welsh Treasurers (SWT).
3. Since the Finance Sub Group paper was presented to the group, we have become aware of two further developments. Firstly, the publication of the Autumn Statement by the UK Government signaled an increase in employer contributions for the teachers' pension scheme of 5%, from 23.6% to 28.6% from 1st April 2024 which will cost £64.3m. These costs have been based on no increase to pay for 2024/25 academic year. A similar revaluation of the fire and rescue services pension scheme will lead to an overall increase in employer contributions for FRAs from 1st April 2024 of £2.8m. However most local authorities are assuming that this is fully funded, as it was at the last revaluation.
4. Secondly, at the end of October, we became aware that part of the teachers pay award for 2023-24 would not be funded on a recurrent basis from 2024-25. This puts an additional unfunded pressure of £21.3m on next year's budget despite an assurance that it was fully funded in the Minister's letter of 9th March 2023.

Conclusion

5. This means we can reprofile the estimates contained in the original report. In 2024-25 local authorities will face an estimated pressure of £809m rather than £720m. In 2025-26 it will be £604m and £613m in 2026-27.
6. If the pensions contributions are funded but the pay pressure is not, the aggregate annual budget gap in each of the next 3 years is £432m, £429m and £433m in the run up to 2026-27. In total, the cumulative funding gap could potentially be £1.294bn. The measures that councils will take to address this gap will have to be drastic.



ANNEX A

Finance Sub Group 25th October 2023

FINANCIAL OUTLOOK

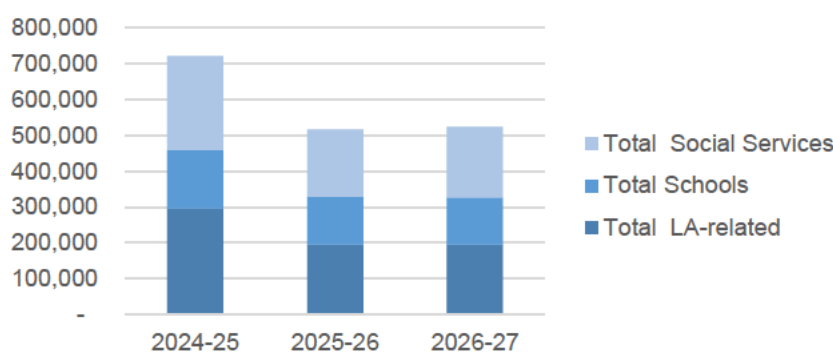
Purpose

1. This paper presents the latest assessment of councils' spending pressures over the next three years based on local authorities' medium-term financial plans. This is based on the results of a full survey of councils and fire and rescue services carried out during August/September with the help of the Society of Welsh Treasurers (SWT). The results are summarised in Annex I. The paper includes information on the in-year position for 2023-24 which is summarised in Annex II. This will require a combination of cuts, efficiencies, and use of reserves to balance budgets.

Summary

2. Throughout the year, we have consistently reported on the pressures building up across local government being as high as they were last year as we planned for 2022-23. Since the March Finance Sub Group we have estimated a pressure of between £600 to £750m in 2024-25 and the survey confirms this is £720m. This would require a spending increase of nearly 10% in net revenue expenditure¹. This falls to £516m and £524m in 2025-26 and 2026-27, respectively. Cumulatively, the pressures building up in the system, and the resulting budget gap, means that the outlook is extremely bleak and the options for many local services will be unpalatable.

Figure 1: Budget pressures by service, 2024-25 to 2026-27, £000s



Source: SWT Survey 2023

¹ Total net revenue expenditure is budgeted at £7.373bn in 2023-24 (Source: Welsh Government RA Returns)



30th November 2023

3. The pressure next year is around 2.5 times the pressures that we would ordinarily expect to see and figure 1 above shows how these are spread over the broad service areas. Social care accounts for 36% (£261m) of pressure in 24-25, schools account for 23% (£164m) of the pressure and other the local authority services account for the remaining 41% (£295m). The full break down is set out in Annex I.
4. While the pressures in the current financial year were offset by a better-than-expected settlement, it is becoming clear that there are additional in-year pressures amounting to £219m. This is set out in more detail in Annex II. In some authorities, these projected overspends have become particularly acute with a range of measures being implemented to balance budgets. In terms of a service breakdown, social care makes up 50% of the overspend, or £109m, with high-cost children's care and soaring demand for adults' social care accounting for most of the runaway costs. Education and schools accounts for around 22%, or £47m of the total overspend. Other council services account for the £63m which is just under 30% of the overall overspend.
5. Viewed another way, just over a third of projected overspend, around £72m, is due to inflation (including pay inflation), which is much higher than originally anticipated when budgets were set in early 2023. However much of the in-year pressures arise from unanticipated demand, especially in social care, and accounts for 50% or £109m (which is, coincidentally, the same as the total social care pressure).
6. On the funding side, the planned increases in Aggregate External Finance (AEF) for 2024-25 is £169m, or 3.1%, which will cover just over a quarter of the pressure in the financial year. The latest estimates from Wales Fiscal Analysis for subsequent years shows the outlook on funding to be particularly bleak, with councils relying mostly on council tax for any additional funding.
7. Without additional funding, the risk to council services including education and social care cannot be overstated. The aggregate annual budget gap in each of the next 3 years is £411m, £408m and £412m in the run up to 2026-27. In total, the cumulative funding gap could potentially be £1.232bn. Some of the gap will be met through efficiencies and other measures but given the scale of the challenge, many councils are bracing for large scale service cuts and a loss of posts that will run into thousands.

Analysis

8. The Welsh Government has described its budgetary position as “the most difficult financial situation since the dawn of devolution”. Over the summer, cabinet ministers were asked to look at the in-year position in 2023-24 in preparation for the 2024-25 budget round. While the picture for next year is bleak, Wales Fiscal



30th November 2023

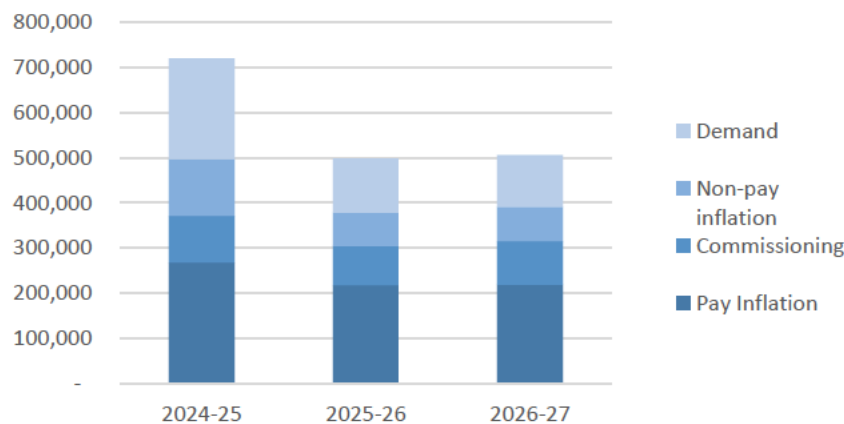
Analysis are reporting that tight public spending plans over coming years also paint a ‘worrying picture for the medium-term’.

- The medium-term position is confirmed by the Institute for Fiscal Studies’ Green Budget. With the UK economy stuck between weak growth on the one hand and the risk of persistently high inflation on the other, they state: “We are in a horrible fiscal bind as low growth and high debt interest payments mean no room for maneuver.”

Fiscal and monetary policy must strike a delicate balance so an unfunded package of pre-election tax cuts could prove unsustainable.

- In Figure 2 budget pressures from 2024 to 2027 are categorised under 4 main headings. Pay and non-pay inflation as well as commissioning costs in social care are unavoidable costs that must be met just to stand still. These account for nearly £500m in the next financial year falling to around £400m in the two subsequent years. With pay deals, councils have been building in expectation that have fallen well below the reality.

Figure 2: Budget Pressures by type, 2024-25 and 2026-27, £000s



Source: SWT Survey 2023

Pay and non-pay inflation

- Overall, the survey returns are telling us that the unplanned increase in the wage bill in 23-24 comes to £31m: £9m for schools, £5m in social care and £17m in other council services. This is better than the low assumptions made last year. As responsible employers, committed to social partnership, we will be fully engaged in discussions with the unions over the coming period. As stated above, councils are making assumptions for £267m of pay pressure next financial year (nearly 40% of the total pressure), and £218m and £219m in the two subsequent years to 26-27.



30th November 2023

12. The three National Joint Council for Local Government Services (NJC LGS) unions (UNISON, GMB and Unite) tabled their pay claim for local government services ('Green Book') employees for 2023-24 on 30 January 2023. The claim states that council workers have '...endured a decade of below average pay awards and pay freezes...[and]...have lost on average 25% from the value of their pay spine since 2010. The pay claim is set in the context of the cost-of-living crisis, inflationary pressures, recruitment and retention challenges.
13. In February 2023, the national employers responded to the unions pay claim with a full and final offer of £1,925 for all points on the NJC pay spine and 3.88% for all pay points above the top of the NJC pay spine. For the lowest paid (currently earning £20,441 per annum), the offer equates to an increase of 9.42 per cent this year; meaning their pay will have increased by £4,033 (22.0 per cent) over the two years since April 2021.
14. The three NJC LGS trade unions declined the offer and balloted members for industrial action. Local Government Employers have maintained the offer is full and final.
15. All three NJC LGS trade unions undertook disaggregated ballots at the local level, on an individual council or service basis, rather than a national ballot. Members from Unison the largest trade union did not return a vote for industrial action and are understood to be keen to see a swift resolution so that the pay award is applied as soon as possible. Unite returned a positive vote for industrial action in three councils, overall membership numbers are low but are concentrated in services, such as waste and street scene, with strike action causing some disruption as a consequence in two of the three councils. The ballot for GMB, the second largest trade union, is due to close on 24 October 2023 and Local Government Employers are due to meet on 2 November 2023 to discuss next steps. If GMB fails to secure a vote for industrial action then it is hoped that the pay award will be accepted and the current dispute brought to a close.
16. Industrial action by Teachers in February 2023 led to the Welsh Government opening negotiations on pay and workload. The School Teachers Pay and Conditions (Wales) Document for 2022/23 was updated in April 2023 to increase the pay award from the previously agreed 5% to 6.5% and provide for an additional 1.5% non - consolidated lump sum for 2022/23 only, backdated to 01 September 2022. The *School Teachers Pay and Conditions (Wales)* document for 2023/24 was laid on 05 October 2023 and is anticipated to come into force at the end of October, this will also include a revised pay award, increased from the proposed 3.5% to 5% for 2023/24, backdated to 01 September 2023.
17. The JNC for Youth and Community Workers pay award agreed an increase of £1925 from 01 September 2022 and the Employers Side has received a pay and



30th November 2023

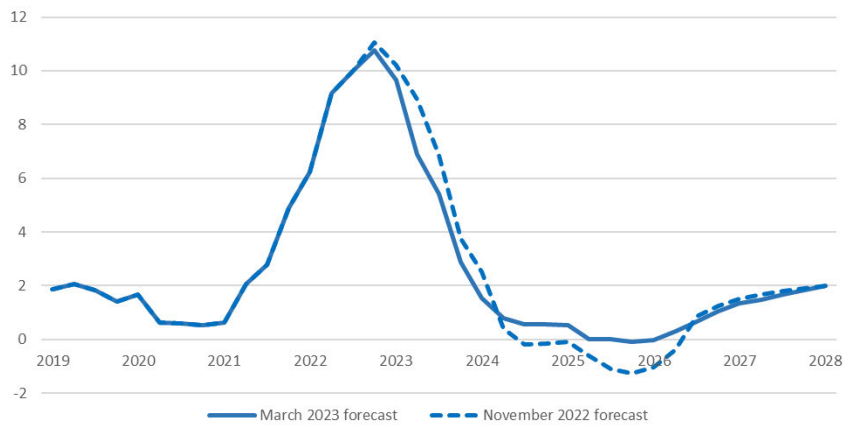
conditions claim from the Staff Side Trade Unions for 2023. The headline element of the claim is for a pay increase of RPI + 2%. Discussions are ongoing.

18. The National Employers remains in dispute with the Soulbury Officers' Side on pay for 2022. The National Employers made an offer of £1925 in November 2022 and have been unable to reach a pay agreement. The Association of Educational Psychologists (AEP) undertook a ballot and have voted for industrial action. Employers have made a final offer on pay which includes an increase of £1,925 on all pay points with effect from 1 September 2022 and an increase of 3.5% on all pay points with effect from 1 September 2023.
19. The NJC for Local Authority Fire and Rescue Services (LAFRS) reached agreement on pay awards for 2022 and 2023 in March 2023. These represent an increase of 7% effective from 01 July 2022 and 5% effective from 01 July 2023.
20. The NJC for Brigade Managers of LAFRS reached agreement on pay awards for 2022 and 2023 on 31 May 2023. These represent a 4% increase from 01 January 2022 and a 3.5% increase from 01 January 2023.
21. The JNC for Coroners agreed a pay award of 1.56% for 2022/23, effective 01 April 2022.
22. In terms of non-pay inflation, the estimated costs faced by councils in 2024-25 remains stubbornly high at around £125m, whereas previous surveys have shown the historic position is around half of that. The Office for Budget Responsibility (OBR) stated in March 2023 that it expected Consumer Price Index (CPI) inflation to have peaked in the fourth quarter of 2022 - at its highest rate in around 40 years. The increase was driven mostly by higher gas prices feeding into sharp rises in domestic energy bills, alongside higher fuel prices and global goods inflation.
23. Inflation is still expected to fall rapidly to around 0 per cent from mid-2024 to mid-2026. Energy bills will fall back and some global supply pressures reverse. The OBR expects inflation to then return to the 2 per cent target by the end of the forecast as the large swings in energy prices fall out of the annual CPI calculation and output is broadly in line with the economy's productive potential.



30th November 2023

Figure 3: Office for Budget Responsibility's March 2023 CPI Forecast, %



Source: ONS, [OBR](#)

24. However, the published September CPI is not behaving in the way forecast. While food prices saw their first monthly fall in two years, fuel prices rose sharply. The consequence is that the overall rate of inflation held steady at 6.7%, ending a run of three consecutive monthly falls. Furthermore, the Bank of England's latest forecast (August 2023) expects inflation to keep on falling in 2024 and reach their 2% target in the first half of 2025."

Education and Schools

25. Councils have reported £41m of in-year pressures for 2023-24 that have been added to school budgets, with a quarter of this due to pay. The future pressure that schools are facing is £164m in 2024-25 which represents a 5.6% increase on budgeted net revenue expenditure² for 2023-24. Annual pressure builds in subsequent years with a further £134m and £131m in 25-26 and 26-27 respectively. Pay accounts for over 70% of total inflation in each of the years.

26. Many authorities have rightly assumed that the additional grants for the teachers pay deal in 22-23 and in 23-24 will be funded on a recurrent basis with the grants transferred into the funding baseline. A similar assumption is being made for anticipated changes in the employer rate for teachers' pensions. In the past, funding has come from the Treasury when the rate has increased.

27. Even the councils that have protected schools in recent years say that they cannot be given the same support in the future given the scale of funding gap. Some have identified additional financial pressures on specific schools which are linked to deprivation and significant Additional Learning Needs (ALN) demands. Some

² Schools and education net revenue expenditure is budgeted at £2.941bn in 2023-24 (Source: Welsh Government RA Returns)



30th November 2023

returns reflect on how head teachers are starting to report of the devastating effect of cuts on educational standards - in particular the pastoral/wrap around work that schools undertake.

28. The aftermath of the pandemic and high energy costs continues to place additional pressures on schools, and some report that they are reviewing the impact the pandemic is still having on ALN, attendance and behaviour. However in broad terms schools are beginning to burn through reserves at such a rate that they are seeking loans to cover shortfalls as one response put it: “.....school balances are expected to reduce by 50% in year. It is anticipated therefore that there will be many more schools seeking a loan arrangement in 24-25.”
29. Most councils operate a system of *Licensed Deficit Agreements* and make assumptions around future funding levels. The prospect of some making it back into surplus are starting to look hopeless. One authority reports that along with this, the majority, if not all of their other schools will fall into deficit. Some of their small schools will become unsustainable because pupil/teacher ratios would fall to unacceptable levels. Many councils are now reporting a significant risk of redundancy for support staff and teachers. It concluded by saying that this cycle would escalate under current circumstances with more teachers being made redundant and some schools being unable to meet recommended pupil /teacher ratios.
30. There were many comments about how the sustainability of numerous small schools will need to be reviewed as financial pressures persist. However, the increased cost of transport to neighbouring schools could negate savings made especially in rural areas. One authority reported how a review of 6th form provision is also in the pipeline. The financial sustainability of the current provision will be considered as part of this review.
31. Significant additional risks and pressures in schools remain in respect of Additional Learning Needs (ALN) provision, increased number of pupils in special education, resource bases and facilities to support pupils with social and emotional difficulties. Part of this is thought to be linked to the after-effects of the pandemic. The increased needs and complexity of pupils is not reflected in the funding.

Social care

32. Councils continue to be extremely concerned about the current pressures facing social care. The survey responses demonstrate the continuing impact of growing demographic, cost of living, workforce and inflationary pressures facing all parts of the social care system. Increasing demand for services, and the increasing complexity add to these pressures and concerns. The impact is that budgets are not stretching as far, families and unpaid carers are facing further strains, and recruitment and retention remain huge challenges.



30th November 2023

33. The SWT survey shows the significant in-year pressures being experienced across both adults and children's services. The survey identified £109m worth of in-year pressures in social care which is around 4.7% of budgeted net revenue expenditure³. This builds on a £93m overspend on social services in the previous financial year.
34. The considerable financial challenges continue into 2024-25 and beyond. Next financial year there is a £261m pressure which represents an 11.3% increase in current budgets. Commissioning costs and pay and non-pay inflation account for £180m of the pressure, and the remainder is down to demand which accounts for £81m. There is an additional £187m in 25-26, and £198m in 26-27 respectively giving a cumulative total of £646m.
35. Commissioned services, which are essential to the provision of social care, from independent providers are also affected by similar issues to local authority social care services with increased running costs for staffing and energy, as well as increases in relation to insurance and fuel which are further adding to significant financial pressure. Combined with increasing demand, complexity of need and workforce shortages this has resulted in higher costs and therefore increased expenditure for councils to meet the increasing costs of placements across both adults and children's services. Local authorities have flagged this as a significant risk. One local authority identifies that residential and nursing homes are seeking a rise in fees of around 20% and another has experienced roughly a 10% increase in fees in each of the last two years. While uplifts are being factored into medium term financial planning, concerns remain about the likelihood of demands for higher increases and therefore further costs to local authorities.
36. The survey indicates that the social care market remains fragile, and this has impacts for the long-term sustainability of the sector. It also reveals councils' concerns about growing demand for both adults and children's services, their capacity and resources available to meet these demands, along with reductions in quality and choice available. The difficulty of recruiting and retaining care workers continues to be a major concern highlighted by councils. In order to mitigate some of the recruitment and retention challenges some councils continue to have to rely on the use of agency staff and these costs further add to financial pressures in future years.
37. The survey highlights concerns that continue to be raised in relation to the provision of packages of care. Increased demand, along with a lack of suitable providers has previously been identified as an issue in the provision of domiciliary care. Local authorities identified an increase in the complexity of the care home packages needed to be put in place, alongside increasing costs meaning that councils can

³ Social care net revenue expenditure is budgeted at £2.302bn in 2023-24 (Source: Welsh Government RA Returns)



30th November 2023

struggle to have enough capacity to be able to meet the assessed need and ensure the sustainable provision of care. Issues in relation to access to Continuing Healthcare were also flagged meaning that local authorities were continuing to have to fund the majority, if not all, of these care packages rather than health. In addition, some authorities have referred to the financial impacts of Social Care 'Tourism' with clients moving over from England to benefit from the more generous capital threshold limits in Wales when moving into a care home setting and councils seeing individuals who have had delayed accessing healthcare and so now on presentation to social services have higher dependency requiring more costly care provision.

38. Councils also report seeing increased demand and complexity of cases in particular client groups. For example, pressures and costs in packages of care and support across mental health and learning disability services are identified in the survey responses. One local authority pointed to the increasing numbers of under 65-year-olds with a learning disability requiring support which will continue to need to be met in future years.
39. The impacts of the cost-of-living crisis were highlighted as leading to rising pressures on families which has meant that some councils are experiencing increased numbers of children entering care. Concerns continue to be highlighted over challenges finding appropriate and quality placements for children and young people. In particular, insufficient provision for children with complex needs with a lack of both fostering and residential placements available. Unprecedented levels of emergency placements for residential placements, increased use of independent placements and increased pressures to find foster placements were all highlighted with the cost of out of county placements continuing to rise and demand for specialised placements exceeding supply. Weekly costs of up to £20k per week for placements were identified and one local authority reported that their children's services budget has increased by £11m (56%) over the last 3 years, with specialist placement costs increasing by £6.6m (44%) over the same period.
40. The result of these existing placement and system pressures has meant the need for local authorities in some circumstances to have to consider the establishment of bespoke placement arrangements for children and young people that operate without registration under the Regulation and Inspection of Social Care (Wales) Act 2016. These types of placements place further pressures on local authorities, are expensive and direct funding away from prevention work into managing placements. In response councils are seeking to create their own in-house provision, but this takes time and resource to establish.
41. The survey responses also pointed towards some of the policy direction in Wales leading to increased financial pressures. The commitment to eliminate private profit from the care of looked after children was highlighted as having a detrimental impact on the availability of placements with risks around the adequacy of the grant funding to fully cover transitional costs and the risk if the period of transition does



30th November 2023

not extend beyond the current funding period of 2024-25 identified. Survey responses also recognised that the need to place children via the National Transfer Scheme (NTS) has increased cost pressures and has resulted in Unaccompanied Asylum Seeking Children (UASC) often being placed out of county/country to meet their identified needs which comes with significant cost pressures. As a result of recent court judgements it was highlighted that this could mean there will be an increase in UASC's who will need to be placed in ever reducing numbers of placements.

42. Similarly concerns over the tapering of the Regional Integration Fund were raised with a reflection that any reductions in grant funding levels across social services will require reviews of service provision to be undertaken and the risk that service reduction proposals would need to be considered as part of this. The implementation of the Real Living Wage for social care workers was also highlighted and that although funding is providing by Welsh Government to support this there is a need to further consider the effect of the price differential of senior staff/managers and concerns that funding is not keeping pace with the extra costs associated with implementing this policy with councils having to continue to support providers in being able to deliver this commitment. One suggestion put forward by councils in response to some of the challenges being seen is the need to review the current maximum charge for non-residential care.
43. Earlier this year WLGA published [research](#) examining the challenges facing the social care sector and local government's priorities for social care. The research identified a system under enormous pressure due to: rapid demographic changes across Wales; the on-going impact of the COVID-19 pandemic; workforce challenges; funding difficulties; and the increase in the costs of living. Workforce issues topped the list of key concerns, alongside a lack of sustainable funding, and challenges associated with meeting more complex needs. The financial estimates of the 22 Welsh councils further supports these conclusions but also raises the very real concern that with the scale of the financial challenges being faced the level of protection that has been afforded to social services to date will not be possible for much longer putting councils' ability to successfully deliver social care services at risk in future years.

Ukraine and wider migration

44. Wales is proud of its record in supporting people who have arrived seeking asylum and in welcoming refugees. Local government works closely with the Welsh Government in achieving the ambition of Wales as a Nation of Sanctuary and in developing a place-based approach that best reflects contributions different areas can make. However, this work is not without its costs to councils and other public bodies and while asylum and migration are reserved matters, there is limited funding provided by the UK Government to cover costs incurred by councils.



30th November 2023

45. As highlighted in the section above, the National Transfer Scheme for unaccompanied children is a significant cost pressure on councils and while the Home Office provide some funding, this does not cover the full costs of care, particularly in relation to any complex cases and as the number of UASC cared for by Welsh councils increases, councils are losing out financially. The funding for care leavers is also minimal and as this group increase this funding gap will increase as well.
46. However, the biggest cost is from the full dispersal of asylum seekers across all Welsh councils but is more keenly seen in the long-standing asylum dispersal areas. The funding provided by the Home Office, recently introduced, is minimal, despite many impacts at the local level and services, for example, access to housing, schools, social services, advice and information.
47. The recently introduced Streamlined Asylum Process as the Home Office aim to clear the backlog of asylum cases awaiting decisions, will significantly impact on Cardiff, Swansea, Newport and Wrexham in terms of homelessness presentations and support services, which are already under immense strain at this time. It is clear that councils are under funded by the UK Government for planning and responding to the impacts of asylum seekers being accommodated at the local level and it is likely this pressure will increase as full dispersal continues.

Housing and homelessness

48. Wales has continued with the approach of “no-one left out” in relation to homelessness, following the end of the public health emergency. This approach is supported by councils, however, the numbers of households approaching Councils for assistance has continued to increase. This sustained increase in homelessness presentations to Councils in the period since the pandemic means that core homelessness services are overwhelmingly now dealing only with crisis and unable to work to prevent homelessness. The recently published White Paper on homelessness will also add additional financial pressures on councils and it is important that a robust and thorough assessment on the financial implications of any legislative proposals are undertaken, in partnership, so that appropriate levels of funding are provided in terms of implementation.
49. The latest data reflects that there are currently more than 11,000 people in temporary accommodation. This comes at a significant cost to council budgets and the level of funding provided by the Welsh Government is not keeping pace with such increased demand and the feedback from the survey undertaken reflects overspend on homelessness budgets and is an increasing financial pressure on councils. One authority cited homelessness pressure contributing to a £660k



30th November 2023

overspend in the current year as demand outstripped the available budget. The Supporting People budget is also critical in supporting homeless people and those at risk, including funding for third sector bodies, and the WLGA stresses the need to maintain the current level of funding if additional funding is not available.

50. Building more homes is essential to ensure that we have enough for everyone who needs them, when they are needed. Those Councils with housing stock are implementing ambitious new-build programmes, and seeking to acquire existing homes (often former Right to Buy properties) to increase the numbers of homes available for social rent, others are working with the RSL partners to ensure identified housing need is addressed. All councils are also working with RSL partners to build new low carbon social rented homes. It is therefore important to ensure that capital funding is available to support the building of social housing at the pace and scale needed to reduce reliance on temporary accommodation and ensure the housing needs of citizens in housing need can be met.
51. Councils support the achievement of Welsh Government's key housing objectives, set out in the Programme for Government, however, adequate funding is required to enable successful delivery. In addition to the above issues, other financial pressure in housing come from reform of the building safety regime, the revised Wales Housing Quality Standard, workforce pressures and meeting any gaps (for example the recent Audit Wales report on Building Control) and the ambitions in relation to decarbonisation of more homes.

Highways, Transport, Economic and Environmental Services

52. Essential maintenance of the highway and Active Travel networks and associated structures is vital both on safety and on economic grounds (and to reduce insurance claims), especially in the face of more extreme weather events. Over recent years additional revenue support has been provided by Welsh Government via the Local Government Borrowing Initiative (c£170m 2012-13 to 2015-16) and then a succession of revenue grants at c£20m p.a.. In 2021-22 there was an option for highways expenditure as part of a general capital fund allocation of £70m that could be carried forward into 2022-23 by displacement. However, no grant was awarded for 2023-24.
53. Support for bus services remains a major concern. With the Bus Transition Fund (BTF) due to end in March 2024, bus services will need to revert to a combination of commercial and subsidised services from 1st April. During 2022-23, underspend on the Concessionary Fares (CF) budget was redirected into to the BTF to support services. However, with CF trips gradually rising post-Covid, the underspend is anticipated to be less in 2023-24. Whilst the increasing income from CF



30th November 2023

reimbursement will help operators, uncertainty over income on routes, combined with the need to give statutory notice of service cancellations, creates the risk further of service cuts. An early indication of funding from Welsh Government for next year has been called for. It is likely that regional allocations will be made in the first instance to facilitate network planning, followed by tendering of subsidised routes by individual councils. It is widely anticipated that tendered costs will be high due to increases in fuel and labour costs in particular. This will also impact on home to school transport costs where significant increases are expected.

54. Shortages of technical staff and HGV drivers and difficulties recruiting are impacting across all services in these areas, with staff being attracted away by higher salaries in other sectors. This also impacts on efforts to run apprenticeship schemes to draw in new people, as they can be tempted away once trained.
55. As the work of, and expectations on, Corporate Joint Committees picks up, this is another source of financial pressure on councils. Work is commencing on Strategic Development Plans and Regional Transport Plans. This needs to be co-ordinated with use of the of economic well-being power (a power which is concurrent with councils). Welsh Government is planning to provide £125,000 to each region upon the production of RTP implementation plans but all regions have identified that further funding will be needed to take these plans forward in a meaningful way.
56. New workplace regulations coming in from April 2024, which require the separate presentation of waste streams for collection, will increase costs for schools and council buildings. They could also see councils required to provide separated collections from commercial premises in cases where no private sector service is available.
57. Increased energy costs have impacted in these service areas, in particular on the costs of waste collection, fleet, energy for buildings and streetlighting.
58. Ash die-back remains a major risk, especially where trees are adjacent to the highway and need to be removed. Total costs were estimated at nearly £15bn for Great Britain as a whole. Other than use of a short-term Green Recovery Grant scheme, no additional funding has been made available to councils for this essential work.

Capital

59. The survey also gathered evidence on capital programmes and pressures. The responses indicate that a tightened revenue settlement will impact capital programmes. Across capital programmes we are seeing an increase in costs from



30th November 2023

when the programme was approved at feasibility stage, to the design and development stage of capital projects, due to the current inflation rates and volatility of the construction market. With little or no additional funding available, there has been a lot of reprioritising between schemes and scaling back schemes where possible.

60. In relation to Twentieth Century Schools Band B Programme, many authorities are reporting a reduction in the number of schemes that are now affordable against what was anticipated when the programme was first set in line with the funding envelope. Following the completion of the Band A and the majority of Band B projects, councils are considering how sustainable it will be to continue to use borrowing, to support its percentage of the intervention rate going forward to the next iteration of the programme, given the impact of borrowing pressures on the Councils Medium Term Financial Strategy (MTFS). Similar rationing will take place for the next WG Sustainable Communities programme.
61. Where grants are withdrawn they carry specific service risks. For example, the removal of the Public Highways Refurbishment Grant continues to put a significant pressure on the resources councils can allocate to Highway Asset Management Plans. With the increase in costs and reduced budget, it's difficult to carry out the amount of work to maintain a steady state of investment required relating to resurfacing, structures, streetlighting and traffic signals.
62. The impact of market volatility will continue to be monitored closely during this financial year. The re-profiling of schemes from prior years may have affected the delivery works in year, resulting in a high level of carry forward requests to re-phase budgets into the 2024-25 programme.
63. Additional grant funding from WG is always welcomed and appreciated, however volume of late notification of funding makes it more difficult to displace in year spend with grant. More flexibility around when/how the grant needs to be spent would be beneficial. This would enable services with planning schemes to deliver value for money, and support with the pressing needs the Council are facing. Any capital funding available for schemes that will help reduce revenue pressure around homelessness and out of county costs would also be welcomed.
64. The main source of funding is the Public Works Loan Board and long-term rates are currently around 5% although there is a lot of volatility in the markets. This is significantly above rates when capital programmes were set in March 2022. This carries significant risk to affordability and sustainability, particularly in respect of housing schemes and extensive core asset infrastructure assumed to be paid for by borrowing.



30th November 2023

Climate change

65. Councils have made a number of commitments to contribute towards the target of net zero emissions in the public sector by 2030. Many of the steps required involve capital investment (e.g. in relation to property and energy, fleet transition, land-based decarbonisation). A wide range of funding streams will be required to make the sort of changes needed at the pace required. That could include borrowing to meet upfront costs that will then have to be repaid from revenue budgets over a number of years. It could also involve leasing or hire (e.g. for vehicles) rather than a capital outlay. There are workforce implications that will need to be addressed, working with unions in a social partnership approach, including retraining and recruitment in many cases (e.g. vehicle maintenance; energy and environmental management; financial accounting methods). Current labour shortages in many 'green' jobs in councils have highlighted not only the shortage of staff with the required skills but also wage differentials with the private sector, with retention of trained staff a growing issue.
66. Other important measures relate to procurement, where councils need to reduce 'Scope 3' emissions, which relate (amongst other things) to their purchased goods and services. Where suppliers have developed carbon plans to reduce emissions associated with their goods and services, the direct costs will tend to be higher (although there are compensating environmental, and often social and wider economic benefits – e.g. arising from local purchasing). At a time of significant financial pressure, it will be a challenge for councils to 'do the right thing' as opposed to choosing the most affordable option.
67. There will be a payback from climate change actions (in terms of adaptation as well as mitigation). However, the issues are, first, the timescales for that payback and, second, that many of the benefits do not accrue to the council in a direct or financial sense. Rather, they will often contribute to well-being goals for the wider community – for example more local jobs, healthier food, better quality environment, biodiversity gains, greater resilience against future extreme weather events. The risk is that the necessary measures will be a casualty of current financial pressures causing them to be deferred, whereas ideally, they should be prioritised to ensure timeliness and maximum potential impact.
68. The Climate Strategy Panel (CSP) has set up four task and finish groups, chaired by Chief Executives, to oversee and drive progress in relation to local government's commitments towards net zero. These cover key areas of procurement, transport, land use and buildings. The CSP is also establishing a group to focus on adaptation. The UK Climate Change Committee has recently produced two important reports on progress in Wales, on mitigation and on adaptation that have financial implications for local government.
69. On **mitigation/reducing emissions** it made the following points of relevance to councils (requiring a mix of capital and revenue measures):



- Action on decarbonisation overall must accelerate
- Progress on waste and recycling, whilst historically good in Wales, has stalled and needs to pick up
- Greater effort is needed to transition to use of electric vehicles
- There is a need for long term plans to decarbonise public buildings, social housing and fuel-poor homes
- Tree planting and peatland restoration rates are too low, requiring capacity building and skills development

70. On **adaptation/improving resilience** to climate change it highlighted:

- The changing climate has risks for infrastructure, ecosystems, communities and the economy
- Around half of the 61 risks and opportunities it has identified for Wales require urgent action before Welsh Government's next adaption plan is produced in 2024
- There is insufficient progress with implementation of measures and monitoring is poor, making it difficult to evaluate progress
- There is a lack of clarity in responsibilities for responding to climate risks across the public sector
- Unless climate risks are addressed, other societal goals will not be achieved.

71. The work of the task and finish groups is being informed by the UKCCC work. Much of what needs to be done requires upfront capital and supportive revenue funding. However, in several cases there will be a financial return on investment as well as the carbon savings. There are also more intangible 'downstream' financial savings in terms of preventing future spend having to respond to climate change impacts (e.g. flooding, damage to infrastructure, road closures, storm damage, health problems etc). Maintenance budgets are often a casualty at a time of financial constraint, but it will be vital to protect these to provide the resilience that is required.

Conclusion

72. In conclusion, our current estimates of pressures remain exceedingly high. Without further funding, local authorities face impossible decisions. Any return to austerity would be disastrous for the preventative services that local government provides and the people who rely on them. It would be catastrophic for the NHS which relies on a well-funded care system and utterly demoralising for our workforce.

73. Over the past couple of months there has been renewed interest in the financial resilience of local authorities, especially with some high-profile examples of failure in England. According CIPFA, the causes of failure can be complex with a single



30th November 2023

event tipping some to issue s114 notices. However, it is clear to us that austerity and the ongoing funding reductions are a consistent underlying casual factor. There is growing awareness and interest among our own membership in the issue and what can be done to prevent financial failure.

74. Last week the Welsh Government announced a series of budget measures to address the in-year problem that has built up. While we remain concerned about how this could spill over into 2024-25, we are grateful that the Minister has protected local services and we continue to welcome the partnership approach that we have forged with Welsh Government, and the close working relationship that has developed in recent years between ministers and leaders. We are committed to continuing with that approach to protect our shared priorities from the worst effects of the economic headwinds to come.

Cleared by: Councillor Anthony Hunt, WLGA Finance Spokesperson

Authors: Jon Rae, Director of Resources
Nathan Gardner, Finance Manager

Tel: [REDACTED]
E-mail: [REDACTED]



ANNEX I

In-year (2023-24) projected financial pressures (in excess of budget)

	2023-24 £000s
<u>A. Local Authority Related (excluding schools and social services)</u>	
Pay inflation pressures	17,078
Non pay inflation pressure	12,901
Inflation (Stand Still) pressures	29,979
Financial pressures	
a. Demand related pressures	28,543
b. Capital financing pressures	- 2,218
c. Reduction in specific grants	2,013
d. Local priorities	1,002
e. Other	3,664
LA Budget Pressures	33,004
Total LA Related	62,983
<u>B. Schools</u>	
Pay inflation pressures	10,064
Non pay inflation pressure	10,875
Fees/Charges inflation (positive)	
Inflation (Stand Still) pressures	20,939
Financial pressures	
a. Demand related pressures	22,269
b. Capital financing pressures	-
c. Reduction in specific grants	484
d. Local priorities	100
e. Other	3,588
Total Schoos Pressures	26,441
Total Schools	47,380



In-year (2023-24) projected financial pressures (cont.)

	£000s
<u>C. Social Services</u>	
Pay inflation pressures	5,281
Commissioning Cost Pressures - Adults'	7,887
Commissioning Cost Pressures - Children's	5,314
Non pay inflation pressure	3,866
Inflation (Stand Still) pressures	22,348
Financial pressures	
a. Demand related pressures	
<u>Adults Services</u>	
Domiciliary Care (incl supported living)	15,209
Residential Placements	20,578
Other	9,896
<u>Childrens Services</u>	
Domiciliary Care	4,052
Residential Placements	26,427
Foster Care	2,132
Other	8,119
Total Social Services Budget Pressures	86,412
Total SC Pressures	108,761
<u>Total projected financial pressures (A+B+C)</u>	219,123



ANNEX II

Projected financial pressures, 2024-25 to 2026-27

	2024-25	2025-26	2026-27
<u>A. Local Authority Related (excluding schools and social services)</u>			
Pay inflation pressures	109,550	82,457	83,391
Non pay inflation pressure	68,231	53,844	55,921
Fees/Charges inflation (positive)			
LA Inflation (Stand Still) pressures	177,780	136,301	139,313
Budget pressures			
a. Demand related pressures	49,074	28,308	30,858
b. Capital financing pressures	29,199	18,402	13,314
c. Reduction in specific grants	2,418	4,536	2,870
d. Local priorities	1,857	899	1,538
e. Other	34,896	6,530	7,670
LA budget pressures	117,443	58,675	56,250
Total LA-related	295,223	194,976	195,563
<u>B. Schools</u>			
Pay inflation pressures	115,656	101,097	100,866
Non pay inflation pressure	29,400	17,862	18,268
Inflation (Stand Still) pressures	145,055	118,959	119,134
Budget pressures			
a. Demand related pressures	8,479	10,917	9,232
b. Capital financing pressures	633	2,243	1,351
c. Reduction in specific grants	1,528	282	20
d. Local priorities	1,357	546	387
e. Other	6,853	942	673
Total Schools Budget Pressures	18,849	14,930	11,663
Total Schools	163,905	133,890	130,797



30th November 2023

Projected financial pressures, 2024-25 to 2026-27 (cont.)

	2024-25	2025-26	2026-27
<u>C. Social Services</u>			
Pay inflation pressures	41,944	34,156	34,546
Commissioning Cost Pressures - Adults'	83,894	69,689	77,665
Commissioning Cost Pressures - Children's	20,308	16,854	18,244
Non pay inflation pressure	27,377	19,991	20,265
Fees/Charges inflation (positive)			
Inflation (Stand Still) pressures	173,523	140,690	150,720
Budget pressures			
a. Demand related pressures			
<u>Adults Services</u>			
Domiciliary Care (incl supported living)	21,008	13,568	13,335
Residential Placements	15,869	10,049	12,121
Other	10,358	2,504	2,755
<u>Childrens Services</u>			
Domiciliary Care	976	-	-
Residential Placements	26,171	10,189	9,666
Foster Care	862	699	942
Other	6,202	1,465	1,629
b. Capital financing pressures	-	-	-
c. Reduction in specific grants	3,047	6,383	4,753
d. Local priorities	500	127	218
e. Other	2,621	1,405	1,649
Total SC Budget Pressures	87,613	46,389	47,068
Total Social Services	261,136	187,079	197,788
Total Pressures	720,264	515,945	524,147

Document is Restricted

Document is Restricted

Document is Restricted

Public Services Ombudsman for Wales

2nd Supplementary Budget - 2023/24

**Explanatory Memorandum to the Chair of the Finance
Committee**

This Supplementary Budget submission has been prepared in accordance with Welsh Parliament Standing Orders 18A.2 and 20.36 (dated September 2023).

Summary

The following variations to the annual budget motion are proposed:

- A **reduction of £108k** resulting from the pay award being settled at less than the amount included in our first Supplementary Budget;
- The inclusion of additional income and corresponding expenditure (£4k) to reflect an updated secondment agreement with the Ombudsman Association involving one member of staff; and
- The inclusion of additional income and corresponding expenditure (£15k) to reflect a new secondment of a member of PSOW staff to the Senedd Commission, from January 2024. The expenditure is to meet the cost of backfilling the post.

Update on 2023/24 Pay Award

When we submitted our first Supplementary Budget, the pay award was uncertain, but it was clear that it would exceed the amount included in our initial budget. We sought funding for our estimate of the cost of the pay award, on the understanding that if the actual pay award was lower, the corresponding amount will not be drawn down or would be returned unspent.

The pay award has now been settled, with increases varying from 8.6% for more junior staff to 3.88% for more senior staff. The average increase is just over 5.4%. That means that we will not need the full amount identified in our previous supplementary budget and the balance of £108,000 (as shown below) is being returned in this supplementary budget.

Cost of pay award:	Approved Supplementary budget - estimated 7.9% pay award	Actual pay award 5.4%	Difference
Included in original PSOW budget (3%)	£130,000 (3%)	£130,000 (3%)	£0
Additional budget	£213,000 (+4.9%)	£105,000 (+2.4%)	-£108,000
Total cost	£343,000	£235,000	-£108,000 (to be returned)

Staff secondments

We have a member of staff working part-time for the Ombudsman Association on a secondment basis, and the contract for this was renewed in September 2023. This has resulted in a small increase in income, to reflect a corresponding increase in costs (£4k income and £4k expenditure). The net effect of this is nil.

Another member of staff will be seconded to the Senedd Commission for 12 months from January 2024. This will lead to additional income of £15k for 2023/24. This Supplementary Budget includes an increase to our income to reflect this change. However, we will also incur additional staff costs of £15k to backfill the vacant post this creates. The net effect of this new secondment is therefore nil.

The combined impact of these two changes arising from staff secondments is to increase both expenditure and income by £19k.

2nd Supplementary Budget 2023/24	£000s		
	Estimate 2023/24 after 1 st Supp	Changes	Revised Estimate
Staff salaries and related costs	4,725 *	(89)	4,636
Premises and facilities	171		171
Professional fees	244		244
IT costs	250		250
Office costs	108		108
Travel, training and recruitment	40		40
Communications	65		65
Committed investment in service improvement	47		47
Total Revenue Expenditure	5,650	(89)	5,561
Total Income	(19)	(19)	(38)
Net Revenue Expenditure	5,631	(108)	5,523
Investment in service improvement - Capital Expenditure	5		5
Total Resources Required	5,636	(108)	5,528
Depreciation and amortisation	70		70
Depreciation – leased assets	222		222
Interest charge – leased assets	7		7
Capital AME – dilapidations	28		28
Total Resource Expenditure	5,963	(108)	5,855
Depreciation and amortisation	(70)		(70)
Depreciation – leased assets	(222)		(222)
Interest charge – leased assets	(7)		(7)
Capital AME – dilapidations	(28)		(28)
Change in working capital	198		198
Other non-cash movements	20		20
Cash Requirement from WCF	5,854	(108)	5,746

* Note: This includes the full provision for the estimated pay award, agreed as part of the previous supplementary budget.



Ombwdsmon Ombudsman

Cymru • Wales

Your ref:

Ask for: Michelle Morris

Our ref: MAM/mm



Date: 11 December 2023



Peredur Owen Griffiths
Chair, Finance Committee
Welsh Parliament
Cardiff Bay
Cardiff
CF99 1SN

By email only
seneddfinance@senedd.wales

Dear Peredur

I refer to the Finance Committee's recent report following your consideration of our Annual Report & Accounts and our Estimate for 2024/25. I welcome the positive comments in the report and the Committee's support for the Estimate for 2024/25, and I confirm that I will respond formally to each of the Committee's recommendations in the New Year.

In the meantime, I wanted to provide a brief update on the Wales and England local government pay award. Although one of the Trade Unions did not agree the award, the other Trade unions did, and the local government pay award was settled in November. It has now been paid to our staff. The pay award provided a variable increase, depending on grade. At our lowest grade the award was 8.6%, whilst for more senior staff the increase was 3.9%. When applying the agreed pay award to all staff, the overall increase in pay cost is around 5.4%.

As you will recall, our Supplementary Budget submission earlier in the year anticipated that the cost increase could be 7.9% and we sought resources to meet that cost. Our submission undertook to treat part of this as a contingency. We will no longer need the full amount previously agreed and we will not therefore drawdown the full amount. We will also be submitting supplementary budgets for the current year, and for next financial year, to reduce our budgets accordingly. We will include an explanation in our Supplementary Budget submissions.

ombwdsmon.cymru
holwch@ombwdsmon.cymru
0300 790 0203
1 Ffordd yr Hen Gae, CF 35 5LJ
Rydym yn hapus i dderbyn ac
ymateb i ohebiaeth yn y Gymraeg.

ombudsman.wales
ask@ombudsman.wales
0300 790 0203
1 Ffordd yr Hen Gae, CF 35 5LJ
We can also accept and respond
to correspondence in Welsh.

As indicated above, I will respond fully to all the Committee's recommendations, but I wanted to keep you updated on the settlement of the April 2023 pay award.

Your sincerely

MM Morris

Michelle Morris
Public Services Ombudsman

1 Capital Quarter / 1 Cwr y Ddinas
Cardiff / Caerdydd
CF10 4BZ

Tel / Ffôn: 029 2032 0500

Fax / Ffacs: 029 2032 0600

Textphone / Ffôn testun: 029 2032 0660
info@audit.wales / post@archwilio.cymru
www.audit.wales / www.archwilio.cymru

Peredur Owen Griffiths MS
Chair of the Finance Committee
Senedd Cymru

Via email

Reference: KC23009/AC399/caf

Date issued: 6 December 2023

Dear Peredur

In line with accounting requirements, our Estimate each year includes resource funding to establish a provision for the expected costs of dilapidation when our property leases come to an end – dilapidation referring to the cost of putting right alterations and wear and tear to a building at the end of a tenancy. At the end of 2022-23, the total provision for our 3 offices stood at some £864,000.

Following the move from our Cathedral Road office in March 2023, our 2023-24 Estimate included additional cash funding to allow us to utilise part of this provision during 2023-24 to settle the dilapidations claim made by the landlord in respect of our occupancy. The initial claim received from the landlord was in line with the provision that we had set aside for the Cathedral Road office. We have, however, been negotiating hard with the landlord since receiving the claim and have managed to agree a significant reduction. This means that we are in a position to release some £400,000 of this provision in 2023-24– a reduction in both our resource and cash requirement for the year.

On 20 September 2023 the Committee considered our request for additional funding of £442,000 in 2023-24 in order to make a cost-of-living payment of £1,500 to our staff in line with the payment made by the Welsh Government and its associated bodies. Following the meeting, you indicated that you were sympathetic to our decision to seek this supplementary budget given the difficulties we would face in absorbing this cost within our normal budget, as we do not hold reserves and the option of holding vacancies to fund the payment is not practical given our unique funding arrangements.

You also outlined the position of the Welsh Government that bodies should seek to absorb this payment from within existing budgets and confirmed that our additional funding would be subject to a decision by the whole Senedd when it considers the Welsh Government Supplementary Budget Motion in February 2024.

At the time of our engagement with the Committee, we did not anticipate negotiating such a prudent dilapidations settlement. Having done so, however, and when coupled with some smaller savings identified in other budgets, we now have sufficient financial headroom to make the cost of living payment to our staff. This will allow us to withdraw our request for the £442,000 cash and resource set out in our Supplementary Estimate.

As would be the case for any organisation, the provision made for dilapidations is not hypothecated i.e., there is no requirement for it to be used solely for that purpose. To ensure complete transparency, we would point out that our 2023-24 Estimate said that any reduction in the amount of cash required for the dilapidation's settlement would be returned to the WCF at year end. However, given the Committee's subsequent consideration of the Supplementary Estimate, we hope it will agree that a sensible approach would be to use our available resource and cash as described above. Any unspent cash at year end will be returned to WCF via an administrative adjustment in 2024-25 – in line with our normal practice.

You will remember that this Supplementary Estimate also included the non-cash IFRS16 impact associated with our North Wales office move, reflected in our first Supplementary Estimate which the Committee supported at its meeting on 6th July 2023. As this is a specific accounting requirement with a ringfenced budget, we wish to retain that original request.

This will enable us to make the payment to our staff sooner, with consequent benefits in terms of industrial relations, and will not require that element to be put before the Senedd in the Supplementary Budget Motion in February.

Yours sincerely



KATE CHAMBERLAIN
Chair, Wales Audit Office



ADRIAN CROMPTON
Auditor General for Wales

Fee Scheme 2024-25

January 2024

This is a fee scheme prepared by the Wales Audit Office under section 24 of the Public Audit (Wales) Act 2013.

This fee scheme is laid before the Senedd under section 24(4)(c) of the Public Audit (Wales) Act 2013.

Mae'r ddogfen hon hefyd ar gael yn Gymraeg.

This document is also available in Welsh.

© Wales Audit Office 2024



Adrian Crompton

Auditor General for
Wales



Kate Chamberlain

Chair, Wales Audit
Office

Contents

Overview	4
Introduction	4
Fee rates and fee scales	7
Charging of fees	10
Appendices	11
1 Public Audit (Wales) Act 2013 – full text of section 24	12
2 List of enactments under which the Wales Audit Office may and must charge fees	14
3 Fee scales from 1 April 2024	16

Introduction

- 1 This Fee Scheme has been prepared under section 24 of the Public Audit (Wales) Act 2013 (the Act) (**Appendix 1**). The Fee Scheme, following approval by the Senedd, provides the basis on which we charge fees.
- 2 This Fee Scheme sets out:
 - the enactments under which we charge audit fees (**Appendix 2**).
 - the arrangements for setting those fees, which comprise either:
 - fee scales that set out fee ranges for particular areas of audit work in local government; or
 - fee rates for work not covered by fee scales.
- 3 Broadly, 66% of our expenditure is funded through fees charged to audited bodies. The remaining 34% is provided from the Welsh Consolidated Fund through the budget motion passed by the Senedd.
- 4 Legislation requires that the fees we charge a body may not exceed the full cost of exercising at that body the function to which the fee relates. We set our audit fees based on our estimated cost base, the estimated skills mix for audit work and the estimated number of days required to complete the work. We do not and cannot make profits on our work. Our fee rates are set at a level to recover the estimated full cost but no more.
- 5 There is a tension between providing audited bodies with an up-front fee for the work to be undertaken on specific audits and having a sufficiently flexible regime that recognises the inevitability of variances. We set our audit fees based on our estimated expenditure, the estimated skills mix and the estimated number of days required to complete the work. Where the required work is significantly greater than that originally estimated, because of complexities experienced during the audit, we may charge a higher fee, as permitted by legislation.
- 6 As set out in our consultation on proposed fees in September 2023, we need to recognise cost of living pressures on our staff and have made provision for pay increases in line with the rest of the public sector. We have also had to make provision for recently announced increases in employer contributions for the Civil Service Pension Scheme.

- 7 Where possible we have mitigated inflationary pressures by identifying savings on non-pay budgets such as accommodation and travel with savings of over £2m over the next 5 years being identified.
- 8 We continue to make significant investment in audit quality to respond to recent UK-wide reviews¹ of audit and new professional standards. These various reviews reflect increasing expectations of audit and of the quality of that audit.
- 9 Taking these factors together means that we need to increase our fee rates by an average of 6.4% in 2024-25.
- 10 We went beyond the statutory fee consultation requirements and, in September 2023, consulted all audited bodies and other stakeholders on our proposed fee rates and fee scales for 2024-25.
- 11 We received 18 responses which told us that:
 - audited bodies continue to welcome the provision of the NFI at no cost.
 - whilst acknowledging the inflationary pressures faced by Audit Wales bodies pointed out that they are facing similar pressures with no associated increase in funding.
 - they also commented that this increase is in addition to the more significant increase they faced this year in response to the new auditing standard ISA315.
 - whilst some bodies felt that the increase was reasonable some did question how fees were set at a local level and whether there would be any reduction in fees following the implementation of the new standard.
 - the town and community councils that responded felt that the increase was reasonable in light of inflationary pressures and the costs of other professional services.
- 12 The Board has reflected on these responses and has responded by maintaining the proposed increase at an average of 6.4% despite a new requirement to fund increased costs of the Civil Service Pension Scheme. We have done this by increasing our savings target from that assumed when the consultation was prepared.

- 13 We will work closely with audited bodies in an attempt to mitigate the impact of these increases on their audit fee.
- 14 We plan to continue to provide access to the National Fraud Initiative on a free-of-charge basis.

Fee rates and fee scales

Fee rates 2024-25

15 Our proposed fee rates for 2024-25 are set out in **Exhibit 1**.

Exhibit 1: proposed fee rates 2024-25

Grade	Rate (£ per hour) 2024-25	Rate (£ per hour) 2023-24
Audit Director	179	168
Audit Manager	137	129
Audit Lead	112	106
Senior Auditor	91	85
Auditor	64	61
Graduate trainee	59	55
Apprentice	46	40

Local Government Fee scales 2024-25

- 16 Fee scales are a means of regulating the cost of public audit, through setting limits and by reviewing fees against those limits. Fee scales also provide a framework for auditors to assess the amount of annual audit work necessary and the fee to be charged for that work at a particular audited body.
- 17 Fee scales for the audit of 2023-24 financial accounts, together with fee funded performance audit work to be undertaken in 2024-25, are provided in Appendix 3 in relation to unitary authorities, fire and rescue authorities, national park authorities, police and crime commissioners, chief constables, town and community councils, and local government pension funds.
- 18 A separate fee scale is provided in relation to the NFI.
- 19 Performance audit includes sustainable development examinations, improvement information audits, improvement assessments and special inspections. Not all these functions apply to all types of audited body.
- 20 Audited bodies not covered by the statutory requirement for a fee scale have their estimated audit fees calculated in the same way as for those which are covered – that is, through applying the fee rates published in this Fee Scheme to the estimated team mix and hours of input required for the audit.
- 21 Auditors undertake grant certification work on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are calculated using the fee rates and reflecting the size, complexity or any particular issues in respect of the grant in question.
- 22 The fee rates apply to all audit work except to the extent that the fee scales, where applicable, regulate the amount to be charged (or in the case of work done under agreements made prior to 1 April 2014, rates are in terms as agreed). If it subsequently appears that the work involved in a particular audit differs substantially from that originally envisaged, we may charge a fee which differs from that originally notified.
- 23 In the case of the provision of other administrative, professional or technical services provided, fees will be charged in accordance with the relevant agreement, subject to such amounts being capped at the full cost of providing the service.

- 24 To meet statutory responsibilities, it is sometimes necessary for auditors to carry out work which goes beyond their general duties. Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to electors' questions and objections, and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required and are calculated by applying the fee rates published in this Fee Scheme to the team mix and hours of input required for the work.
- 25 Where specialist support or legal or other professional advice is required, this will be charged to audited bodies in addition to the cost of our audit staff.

ISA315 implementation

- 26 As set out in our Fee Scheme for 2023-24 our audits for accounts ended 31 March 2023 and subsequent years will be carried out under a revised auditing standard (ISA 315 Identifying and Assessing the Risks of Material Misstatement). The revised standard has had significant and far-reaching impacts on how auditors undertake audit risk assessments and therefore on the overall audit.
- 27 We increased our audit fees by an average of 10%, over and above our fee rates increases to accommodate the richer skills mix associated with these new demands.
- 28 We are still evaluating the impact of this new approach on 2022-23 audit work. This evaluation will not be complete until spring 2024. We will take this into account when setting fees for individual bodies but for the purposes of our fee scales, no change has been allowed for in 2024-25.

Local performance audit work

- 29 Our consultation exercise discussed the potential to switch an element of funding for local performance work at 22 principal councils and seven health boards to facilitate the delivery of more thematic and cross sectoral reviews.
- 30 Our consultation exercise told us that audited bodies had no strong views on this proposal but that they did value on our local performance audit work.
- 31 The Welsh Government was however unable to support this proposal in time for our Estimate for 2024-25 and hence we have decided not to pursue the proposal further.
- 32 The fee scales for our local performance work at unitary authorities in this fee scheme now exclude this change.

Charging of fees

- 33 Each body's Engagement Director will explain the skills mix needed for the audit and the factors influencing the overall fee. Charging arrangements are agreed with audited bodies and may encompass one-off, periodic, regular or annual charging, as appropriate in the circumstances.
- 34 Audited bodies are expected to pay our invoices within their performance target for creditor payments, which is usually ten days. We may charge for the administrative costs incurred in pursuing late payments.
- 35 If required by audited bodies, a purchase order for the agreed audit fee should be raised in advance of invoices being sent.
- 36 On completion of audit assignments, we will assess the actual costs incurred in undertaking the assignment in comparison with the fee charged. We will refund any excess of fee over cost and, conversely, we may charge additional costs where the fee falls short. We will process refunds and additional charges in a manner which seeks to minimise administrative costs, such as through offsetting against future fees or fees for other aspects of audit activity.



Appendices

- 1 Public Audit (Wales) Act 2013 – full text of section 24**
- 2 List of enactments under which the Wales Audit Office may and must charge fees**
- 3 Local Government Fee Scales 2024-25**

1 Public Audit (Wales) Act 2013 – full text of section 24

Public Audit (Wales) Act 2013 – full text of section 24

- (1) The Wales Audit Office must prepare a scheme relating to the charging of fees by the Wales Audit Office.
- (2) The scheme must include the following:
 - (a) a list of the enactments under which the Wales Audit Office may charge a fee;
 - (b) where those enactments make provision for the Wales Audit Office to prescribe a scale or scales of fees, that scale or those scales;
 - (c) where those enactments make provision for the Wales Audit Office to prescribe an amount to be charged, that amount;
 - (d) where no provision is made for a scale or scales of fees or for an amount to be prescribed, the means by which the Wales Audit Office is to calculate the fee.
- (3) The scheme may, amongst other things:
 - (a) include different provision for different cases or classes of case; and
 - (b) provide for times at which, and the manner in which, payments are to be made.
- (4) The WAO:
 - (a) must review the scheme at least once in every calendar year;
 - (b) may revise or remake the scheme at any time; and
 - (c) must lay the scheme (and any revision to it) before the National Assembly^[2].

2 The extant legislation refers to the 'National Assembly' despite the change in name to 'Y Senedd/The Welsh Parliament'.

-
- (5) Where the Welsh Ministers prescribe a scale or scales of fees under:
- (a) section 64F of the Public Audit (Wales) Act 2004 (fees for data matching); or
 - (b) section 27A of the Local Government (Wales) Measure 2009 (Welsh Ministers' power to prescribe a scale of fees) to have effect instead of a scale or scales prescribed by the Wales Audit Office, the Wales Audit Office must revise the scheme to include the scale or scales prescribed by the Welsh Ministers instead of those prescribed by the Wales Audit Office.
- (6) If a revision made in accordance with subsection (5) is the only revision to a scheme, it does not require the approval of the National Assembly.
- (7) The scheme takes effect when approved by the National Assembly or, in the case of a revision made in accordance with subsection (5), once it has been laid before the Assembly.
- (8) The Wales Audit Office must publish the scheme (and any revision to it) as soon as reasonably practicable after it takes effect.

2 List of enactments under which Audit Wales may and must charge fees

Nature of work	Enactments
The Wales Audit Office may charge fees for the following activities	
Audit of accounts by the Auditor General (other than local government accounts).	Section 23(2) Public Audit (Wales) Act 2013
Value for money studies undertaken by agreement (except educational institutions and local government bodies—see below).	Section 23(3)(a), (b) and (c) Public Audit (Wales) Act 2013
An examination, certification or report under section 31 of the Tax Collection and Management (Wales) Act 2016 in respect of the Welsh Revenue Authority's Tax Statement.	Section 23 (3)(ba) Public Audit Wales Act 2013
An examination under section 15 of the Well-being of Future Generations (Wales) Act 2015 (anaw 2) (examinations of public bodies for the purposes of assessing the extent to which a body has acted in accordance with the sustainable development principle).	Section 23(3)(ca) Public Audit (Wales) Act 2013
Any functions of a relevant authority exercised by the Wales Audit Office or the Auditor General and undertaken by agreement, and any administrative, professional or technical services to be provided by the Wales Audit Office or the Auditor General by arrangement under section 19 of the Public Audit (Wales) Act 2013.	Section 23(3)(d) Public Audit (Wales) Act 2013
An extraordinary audit of the accounts of a local government body.	Section 37(8) of the Public Audit (Wales) Act 2004

Nature of work	Enactments
Advice and assistance provided by the Auditor General for registered social landlords.	Section 145D(2) of the Government of Wales Act 1998 Terms of payment may only be made in accordance with a scheme for charging fees under s24 of the Public Audit Wales Act 2013
The Wales Audit Office must prescribe fee scales for the following activities:	
Audit of accounts of local government bodies	Section 20(A1)(a) of the Public Audit (Wales) Act 2004
Assistance to HM Chief Inspector of Education and Training Wales	Section 41A(6) of the Education Act 1997
Studies relating to Registered Social Landlords (housing associations)	Section 145C(3) of the Government of Wales Act 1998
Studies at request of local government bodies	Section 20(A1)(b) of the Public Audit (Wales) Act 2004
Benefit administration studies for the Secretary of State	Section 45(7) of the Public Audit (Wales) Act 2004
Grant certification services	Section 23(4)(a) Public Audit (Wales) Act 2013
Studies at the request of educational bodies	Section 23(4)(b) Public Audit (Wales) Act 2013
Improvement information audits, improvement assessments and special inspections of Welsh Improvement Authorities	Section 27 of the Local Government (Wales) Measure 2009
Special inspections of principal councils	Section 101 of the Local Government & Elections (Wales) Act 2021

3 Local Government Fee Scales 2024-25

Fee scales for work undertaken under the National Fraud Initiative (data matching)

- 37 The Auditor General conducts the NFI using his statutory data-matching powers under Part 3A of the Public Audit (Wales) Act 2004.
- 38 The NFI matches data across organisations and systems to help public bodies identify potentially fraudulent or erroneous claims and transactions. The NFI has been a highly effective tool in detecting and preventing fraud and overpayments.
- 39 Our last [biennial report](#) identified potential savings and over-payments of £6.5 million across Wales's public services, increasing cumulative savings to £49.4 million since 1996.
- 40 Since April 2015, the Senedd has met the costs of running the NFI through payment from the Welsh Consolidated Fund. This is intended to encourage participation of organisations on a voluntary basis and to simplify arrangements for mandated participants. As required by legislation, the fees for mandatory participants are shown in **Exhibit 2**.

Exhibit 2: NFI fees

	Fee 2024-25
Unitary authority; police and crime commissioners and chief constables; fire and rescue authorities; NHS trusts; local health boards	Nil
Voluntary participants	Nil
All participants may also be provided with access to the NFI Application Checker (App Check).	Nil

Fee scales for Local Government bodies

Unitary authorities

Exhibit 3: fee scale for the audit of 2023-24 accounts.

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
100	145	171	196	159
200	175	205	236	191
300	195	229	263	213
400	210	247	284	230
500	223	262	302	244
600	234	275	317	257
700	244	287	330	267
800	253	297	342	277
900	261	307	353	286
1,000	268	315	363	294
1,100	275	324	372	302
1,200	281	331	381	309

Exhibit 4: fee scale for 2024-25 performance audit work.

All unitary authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	113	120	136	112

Local Government Pension Funds**Exhibit 5: fee scale for audit of 2023-24 accounts**

All pension funds	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	45	56	60	48

Fire and Rescue Authorities**Exhibit 6: fee scale for audit of 2023-24 accounts**

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
20	43	50	58	47
40	51	60	69	56
60	57	67	77	63
80	62	72	83	68
100	65	77	88	72

Exhibit 7: fee scale for 2024-25 performance audit work

All fire and rescue authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	18	18	18	17

National Park Authorities**Exhibit 8: fee scale for audit of 2023-24 accounts**

Gross Expenditure £ million	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
2	26	31	36	29
4	32	37	43	35
6	35	42	48	39
8	38	45	52	42
10	41	48	55	44

Exhibit 9: fee scale for 2024-25 performance audit work

All national park authorities	Fee range			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
	22	24	27	22

Police and Crime Commissioners

- 41 Auditors undertake audits of two statutory bodies in a police area – the Police and Crime Commissioners (PCCs) and the Chief Constables (CCs). The split of the total fee between the two bodies in a particular police area will be a matter for auditors to determine, based on accounting requirements and the operational arrangements put in place by each of the bodies.

Exhibit 10: fee scale for audit of 2023-24 accounts

Combined Gross Expenditure of PCC and CC £ million	Combined fee range for PCCs and CCs			Previous Year
	Minimum £'000	Median £'000	Maximum £'000	Median £'000
50	73	84	96	78
100	86	100	114	93
150	95	110	126	102
200	102	118	135	110
250	108	125	143	116
300	113	131	149	122
350	117	136	155	126

Town and community councils with annual income or expenditure under £2.5 million

- 42 Town and community councils in Wales are subject to a limited assurance audit regime.
- 43 In October 2020, the Auditor General published a paper setting out how these audits will be carried out on a three-year cycle as set out in **Exhibit 11**.

Exhibit 11: three-year audit cycle for town and community councils

	Group A	Group B	Group C
Year 1	Transaction testing	Limited procedures	Limited procedures
Year 2	Limited procedures	Transaction testing	Limited procedures
Year 3	Limited procedures	Limited procedures	Transaction testing

- 44 Charges for this work are based on time taken to complete the audit at fee rate charges as set out in **Exhibit 1** on **page 7**.
- 45 In circumstances where the auditor requires further evidence to properly discharge their responsibilities, including following publication of a related public interest report, additional testing will be undertaken to address the auditor’s concerns.
- 46 It is emphasised that the actual charge made to any particular body will be dependent on the time actually worked on that particular audit. The range of fees provided in **Exhibit 12** is for indicative purposes only.

Exhibit 12: estimated time charges for the audit of 2023-24 accounts of town and community councils

	Band 1 (<£10k)	Band 2 (<£25k)	Band 3 (<£50k)	Band 4 (<£100k)	Band 5 (<£500k)	Band 6 (>£500k)
Transaction audit	£160-£195	£181-£213	£245-£300	£379-£463	£676-£809	£899-£1,160
Limited procedures	£117-£138	£145-£172	£145-£172	£223-£266	£223-£266	£223-£266

Fee rates for other work in local government

- 47 Other than those types of bodies for which fee scales have been prescribed as shown above, there are a small number of other types of local government body where our prescription of the fee scale is a matter of converting the resource requirements into fees directly based on the costs of delivering the work or by applying the fee rates as set out in **Exhibit 1**. This will include audits of Corporate Joint Committees. It remains the case that for audits of these bodies we apply a zero-based approach to audit planning.
- 48 For all types of local government body, to meet his statutory responsibilities, it is sometimes necessary for the Auditor General to carry out work which goes beyond general duties (those set out in section 17 of the Public Audit (Wales) Act 2004 and in section 15 of the Well-being of Future Generations (Wales) Act 2015). Additional work can include reports in the public interest, extraordinary audit, special inspections and further work in relation to elector challenge and the prevention of unlawful expenditure. Charges for this type of work will reflect the nature of the work required.
- 49 Auditors may also undertake grant certification work at local government bodies on behalf of the Auditor General. The amount of grant certification work undertaken in any year is dependent on the number of schemes subject to audit and the number of audited bodies participating in those schemes. Charges for this work are made on a per-hour basis and reflect the size, complexity and/or any issues in respect of the grant in question as set out in **Exhibit 13**.

Exhibit 13: estimates of the relative proportions of audit staff grades to be used for different types of grants work.

Grade of staff	Complex grants staff mix	All other grants staff mix
	%	%
Engagement director	1 to 2	0 to 1
Audit Manager	4 to 6	1 to 2
Audit Lead	18 to 21	12 to 16
Auditor/graduate trainee/ apprentice	71 to 77	81 to 87

50 Complex grants include:

- BEN01 Housing and council tax benefits scheme
- LA01 National non-domestic rates return
- PEN05 Teachers' pensions return



Audit Wales
1 Capital Quarter
Tyndall Street
Cardiff CF10 4BZ

Tel: 029 2032 0500

Textphone: 029 2032 0660

E-mail: info@audit.wales

Website: www.audit.wales

We welcome correspondence and
telephone calls in Welsh and English.

Rydym yn croesawu gohebiaeth a
galwadau ffôn yn Gymraeg a Saesneg.