

	The Welsh NHS Confederation response to the Finance Committee's scrutiny of the Welsh Government's 2021-2022 Draft Budget proposals.
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### **Introduction and background**

1. The Welsh NHS Confederation welcomes the opportunity to respond to the Finance Committee's scrutiny of the Welsh Government's 2021-2022 Draft Budget proposals.
2. The Welsh NHS Confederation represents all the organisations that make up the NHS in Wales: the seven Local Health Boards, three NHS Trusts and Health Education and Improvement Wales (HEIW). We also host [NHS Wales Employers](#).
3. Since the beginning of March, our priority has been supporting and representing our members to respond to COVID-19. Our engagement with members has focused on the active support of Executive Director Peer Groups' response to COVID-19, including NHS Chairs, Chief Executives, Assistant Medical Directors and the Workforce and Organisational Development (W&OD) Directors.
4. In addition to supporting our members, we have been working closely with partners across the health and care system to ensure we provide a 'whole system' perspective. Throughout this time, we have continued to engage and work with our stakeholders, including Royal Colleges, WLGA, third sector and social care organisations, to respond to the pandemic so that we can highlight any issues and offer potential solutions to the Welsh Government.
5. In September 2020, the Welsh NHS Confederation published our Senedd election briefing, [Valuing, Engaging and Delivering: A health and care system for future generations](#), which sets out a number of key calls for the next Welsh Government. The briefing was developed following extensive engagement with our members and called for the next Welsh Government to develop a 5-year investment plan in service change to reshape the NHS estates and infrastructure, including digital, making them more sustainable, reducing carbon emissions and maximising public assets. While recent increases in funding to respond to the pandemic have been welcomed, finances remain extremely tight. This will continue to be the case as demand on the NHS and social care continues to grow, the costs of providing care increase and the impact of a potential economic recession following the COVID-19 pandemic is felt by Welsh communities.
6. Our response has been developed through engaging closely with NHS Wales Executive Directors of Finance and Assistant Directors of Finance.

**What, in your opinion, has been the impact of the Welsh Government's 2020-21 budget including recent funding related to COVID-19?**

7. The Welsh Government 2020/21 budget provided additional support to NHS Wales in recognising the need to stabilise the health system. In response to the COVID-19 pandemic and its impact on NHS Wales finances, the Welsh Government has provided significant additional financial support which has supported Health Boards and NHS Trusts as they continue to respond to the challenges that face the health and social care system, including the financial challenges.
8. NHS Wales organisations welcomed the additional growth funding provided by Welsh Government in the 2020/21 budget as well as the additional support to cover the Agenda for Change pay deal. This has provided the opportunity for NHS Wales organisations to stabilise or improve their financial positions. The pay deal has also been particularly important in terms of supporting the recruitment and retention of NHS staff at a time when the demand on the NHS Wales workforce has increased.
9. Service transformation was further supported in the 2020-21 budget with the directed financial allocation for primary care clusters and the additional ring-fenced funding for mental health services and Regional Partnership Boards (RPBs).
10. Cross border funding provided to Health Boards allowed for the stabilisation of funding streams with providers in England, which maintained long-standing care pathways for patients.
11. The funding has enabled many Health Boards and Trusts in Wales to implement changes to support innovative service models by joining up and integrating services across sectors and shifting services upstream and taking a preventative approach to design and delivery.
12. The additional funding has also supported financial sustainability with more NHS organisations managing to operate within their resource limits, with the forecast deficits reducing in a year when continued strain has been placed on NHS Wales services and their associated costs.
13. Clearly, the COVID-19 pandemic has since significantly affected this position. NHS Wales organisations welcomed the Welsh Government's decision, announced on the 7<sup>th</sup> July 2020, to write off the £470 million of strategic cash support owed by four NHS Wales organisations since 2014. This decision has provided these organisations with greater certainty, supporting them to focus on the immediate challenges brought about by the COVID-19 pandemic while also planning for the future.
14. NHS organisations welcomed the additional funding allocated to the NHS and social care to support the response to the pandemic. Under the First Supplementary Budget tabled in May, £2.4 billion was allocated to health and social services to support the response to COVID-19, bringing the total allocation to the health and social services budget to over £9.4 billion (£9,439,762,000). Under the Second Supplementary Budget, which was laid in the Senedd by the Minister for Finance and Trefnydd on 20<sup>th</sup> October, this allocation increased to over £10.3 billion (£10,341,215,000), an increase of over £900 million. The increased

allocation includes an £800 million stabilisation package, which was announced in August, to help NHS Wales organisations respond to and recover from the COVID-19 pandemic.

15. NHS Wales organisations welcomed the additional funding provided by the Welsh Government. The funding has been used primarily to tackle challenges in the following areas:
  - COVID surge
  - Field hospitals to provide increase in capacity – set up and decommissioning
  - Additional pay costs
  - The ‘Test, Trace, Protect’ programme
  - Mental health support
  - Care homes
  - Primary care
  - Cross-border impacts on activity flow
  - Personal protective equipment (PPE)
  - Independent sector hospital support for elective sustainability
  - Increased ability to enable collaborative and mobile working underpinned by digital and accelerated 365 roll-out programmes.
  
16. The additional funding has allowed Health Boards and Trusts in Wales to amend their forecast for 2020/21. However, the forecast remains fluid in terms of COVID-19 response requirements for future months and the impact on the delivery of savings.
  
17. The NHS in Wales response to COVID-19 created a need to radically rethink and accelerate the way the service interreacts with patients and deliver care. The Welsh financial response has been supported by upscaling, accelerating and adopting new digital solutions, capitalising on the data, software and functionality that already existed but which now incorporates greater flexibility and reporting. The ability of the Welsh Government to adopt agile and front-footed approaches to funding, especially with digital solutions, supported the delivery of a new national and functional ‘Test Trace Protect’ solution in record time and minimal cost. The investment in the National Data Resource (NDR) in 2019/20 and expertise has helped support this process. However, it has also highlighted the need for increases in digital investment around system integration, design space and an accelerated move to cloud platform.
  
18. The delivery of savings remains a challenge across Health Boards and Trusts in Wales and a significant proportion of planned recurring savings assigned to improve the underlying position are currently not forecast for delivery in 2020/21. Therefore, further efficiency savings are required to help secure financial sustainability and support service and quality improvements going forward.

19. Short term opportunities to secure further savings in 2020/21 will continue to be progressed, noting the challenges presented by the current operating environment and COVID pressures. These discussions will also inform savings for 2021/22.
20. Opportunities will continue to focus on improving the efficiency of services; providing a safe, secure and healthy NHS estates environment; and the effective use of resources.

**How do you think Welsh Government priorities for 2021-22 should change to respond to COVID-19?**

21. The 2020/21 budget provided NHS Wales with sufficient resources to stabilise and sustain services.
22. The COVID-19 stabilisation-funding package for the NHS has brought financial stability for 2020/21. However, the recurrent impact of ongoing costs associated with PPE, field hospitals, the 'Test, Trace, Protect' programme, the negative impact on Health Boards' underlying positions and the need to recover planned care activities in 2021/22 will significantly impact individual Health Board financial stability for 2021/22.
23. For 2021/22, Health Boards and NHS Trusts in Wales would like to see funding levels that support the COVID recovery in the future. However, these funding levels also need to reflect the impact on individual organisations' underlying positions. That said, NHS Wales organisations are acutely aware that increased funding in 2021/22 will be subject to many competing demands. Cost pressures across the public sector, and the implications of managing those pressures, are recognised in the context of existing resource constraints, a forecasted economic downfall as a result of the COVID-19 pandemic and the potential of a no-deal Brexit (or an agreement that fails to adequately protect the UK and Welsh economies). Wales needs clarity on the structures and governance arrangements that will replace EU Structural Funds – funds where Wales has historically received, proportionally speaking, the most financial support of all four UK nations. It is important that the NHS receives as much clarity as possible, as soon as possible, about how much Wales will receive, how it will be targeted and how it will be administered.
24. COVID-19 has highlighted the opportunities across the health and care system that are afforded by digital technology. It's 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 and Trace system has demonstrated the art of delivering a minimal 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 2021-22 include a significant digital aspect. This means safeguarding and developing the infrastructures that NHS Wales organisations have already developed nationally and locally, but also ensuring that transformations in patient pathways continue to

support not only the COVID-19 recovery, but also the transition more generally to a healthier Wales.

25. NHS Wales organisations also recognise that partners across the public sector are facing acute financial challenges due to COVID-19. To enable health and wellbeing systems to operate effectively, the whole system needs to be appropriately resourced, including social care. Some of the lessons we've learned from COVID-19 pandemic to date provide us with an opportunity to focus more specifically on areas that need to operate at a higher performance level and optimise the use of public funds. This means having a greater focus on health protection and prevention, improved digital technology, and the need to recruit and maintain a workforce that has the experience, capacity and skills to meet the challenges of the future.
26. NHS Wales organisations note that the Welsh Government will announce the outline and detailed draft Budgets in December 2020. It is anticipated that, due to the ongoing uncertainty, Health Boards will be required to submit a one-year Operational Plan for 2020/21 only. The ability to plan for more than one year will depend on robust and sustainable service and workforce plans, and this will continue to be the case while the system continues to address the immediate challenges when responding to COVID-19.
27. Until NHS Wales organisations have an indication on the planning assumptions for 2021/22, the extent to which any additional financial resources will be available to NHS organisations remains unclear. While we appreciate the difficulties the Welsh Government face in outlining their detailed draft Budget for 2021/22 due to the UK Government's Comprehensive Spending Review being delayed until the 25<sup>th</sup> of November, an early indication of what these assumptions might be would be hugely beneficial and helpful to NHS organisations. This would support organisations on an individual level to confirm their resource planning assumptions, and where necessary, make refinements.
28. In particular, the need to sustain the 'Test, Trace, Protect' programme and the roll-out the COVID-19 vaccination programme will have a significant financial impact on NHS Wales organisations. NHS Wales organisations will continue to engage in an ongoing dialogue with the Welsh Government as these developments progress. Until NHS Wales organisations receive clarity from the Welsh Government around what the financial position over the next 12 months is likely to look like, the priority must be to stabilise the system as much as possible and ensure that individual organisations can deliver as many essential services as possible.
29. Finally, the NHS Wales Education Commissioning and Training Plan for 2021/22 has been submitted for consideration by the Welsh Government. The plan proposes to continue the increase in the number of students and trainees across a range of professional groups and identifies the workforce need to do so. The plan also identifies the cost of providing the additional training and the resources

required in total for each of the three years of the plan. Increasing investment in student training and staff education not only provides a financial benefit to the health system - the benefit to patient experience, quality and continuity of care, a reduction in complaints and adverse incidents are also well-recognised as key benefits of investing in a system that is less reliant on temporary staff.

30. Health Education and Improvement Wales (HEIW) has undertaken work which shows that investing in additional nurse student placements can be repaid in a little over a year of those students graduating and working within the health system and social care system in Wales through reducing reliance on agency staff. It is also evident that investment in educating and training existing staff to acquire new skills and expertise is essential to support NHS Wales' drive to deliver new ways of working and adopt innovative technology, both to support the sustainability of the system, but also to support patients to maintain physical and mental wellbeing at home. This is of particular relevance given the immediate and medium-term challenges brought about by the COVID-19 pandemic, including rehabilitation.

**How financially prepared is your organisation for the 2021-22 financial year, and how can the budget give you more certainty in planning and managing budgets given the ongoing volatility and uncertainty?**

31. Whilst NHS Wales organisations welcome the additional funding provided by Welsh Government, there is a concern that the ongoing impact of the COVID-19 pandemic will significantly hinder NHS organisations' ability to recover services, shift the focus to achieving sustainability and delivering transformation.
32. Investments planned to support patient services as part of medium term plans have been redeployed to manage the COVID-19 pressures and this deferment will have an impact on future delivery, recognising that the pandemic has acted as a catalyst for change in some circumstances e.g. digital and agile working. These changes need to be consolidated and capitalised upon to maintain the good practice for patient care.
33. It is also difficult to assess the extent to which ongoing costs associated with new services, such as the 'Test, Trace, Protect' programme, will impact individual organisations' financial positions. While the roll-out of the programme has been a standout example of how effectively NHS organisations can work with local government partners, and wider partners, to deliver national programmes at scale and pace when required, uncertainty around how this will impact organisations' financial positions in the long-term remains.
34. As operational services focus rightly on meeting the challenges brought about by the COVID-19 pandemic, particularly with regard to the impact on the NHS Wales workforce, it will be challenging to focus attention on the delivery of transformational services. The delivery of savings will remain a challenge across NHS Wales organisations. As a consequence, the underlying financial position across NHS Wales as a whole will remain a significant challenge.

**The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID-19 situation and how these should be reflected in the 2021-22 budget?**

**Value-Based Healthcare**

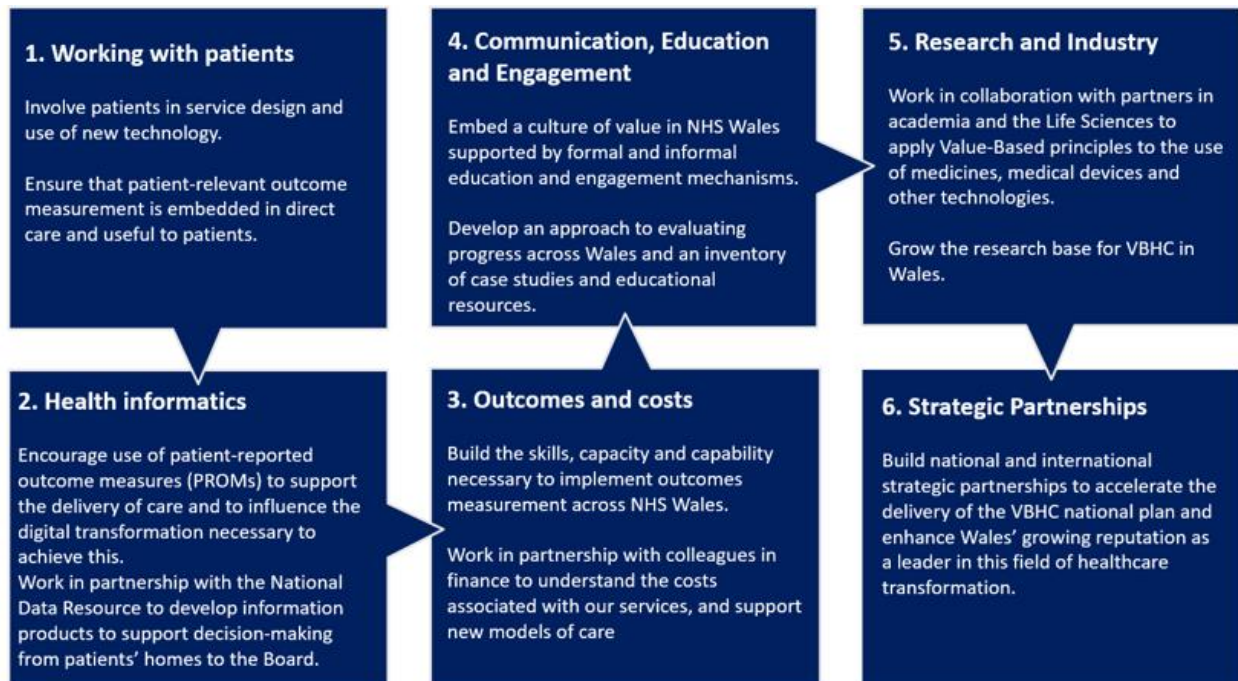
35. According to the vision put forward by the Welsh Government in ‘[Putting Value at the Centre of Health and Care in Wales: A Three Year Action Plan 2019 -2022](#)’, the vision for value-based healthcare in Wales is to:

*“Seek to improve the health outcomes that matter most to the people in Wales.*

*“We will support this by asking people about their outcomes and creating a data-driven system which seeks to provide the timely information to citizens, clinical teams and organisations to inform the decision-making that leads to those outcomes in a way that is financially sustainable.”*

36. While NHS Wales organisations will strive to achieve these vision aims, the 2021/22 financial year is certain to be one of sustaining core services and recovery.

37. The diagram below sets out the National Action Plan for Value-based Healthcare. NHS Wales organisations are committed to delivering on this plan, which as the headings suggest, will require a multi-pronged approach that engages the entire health and social care system.



38. Preventative spending competes with immediate care cost pressures to support patients. The shift to increasing preventative spending therefore needs to be supported with very clear evidence and data to demonstrate a cause and effect relationship between these competing factors along with a clear impact timeframe. This will provide confidence to the public and patients of Wales that the improved future health state is worth investing in now in comparison with short term investment in treatments. NHS Wales organisations are committed to delivering on the vision set out in the Well-being of Future Generations (Wales) Act 2015 too, which supports new ways of working across the health and social care system and acts as a framework for considering how the impact of decisions made in the here and now will likely impact the health and wellbeing of future generations.
39. There are a number of ways in which NHS organisations can support the sustainability (which is both an immediate and future risk) of the system through adopting the value-based healthcare approach and continuing to align with the principles within the Well-being of the Future Generations Act. The following paragraphs will outline some of these approaches.
40. Firstly, there is a need to promote, on all levels, a data-informed approach to allocating resource to where it will most improved outcomes e.g. through targeted investment in prevention of adverse outcomes. Given that most adverse outcomes are driven by inequalities in health, this will require disproportionate investment in essential prevention, diagnostic, and support services in less advantaged communities.
41. Secondly, through a data-informed and evidence-based approach, there needs to be a willingness to ensure that low value interventions do not resume in Wales.
42. Thirdly, there is a need to support new models of care across the system, particularly in light of the COVID-19 pandemic. Emerging evidence from the ways in which the pandemic has been managed in Wales, and elsewhere, demonstrates that achieving meaningful digital communication with patients receiving care is a vital part of delivering these new models. Targeted, effective investment in digital technology that centres around the patient not only enables the healthcare system to engage with patients about the outcomes that matter most to them – it also supports flexible access to services that reduce face-to-face contact, which in the medium to long-term, could lead to achieving greater sustainability across the system. Investment in this space also supports cross-sector working in ways that make a positive contribution to health and wellbeing e.g. education.
43. NHS Wales organisations are clear that the increased number of patients waiting for NHS treatment cannot be addressed in traditional ways or, arguably, by individual organisations. Therefore, a combination of radical new approaches to meet patient need should be considered. Firstly, new models of care need to be implemented across the system, as highlighted in the previous paragraph. Secondly, value-based principles would suggest that separating elective care from



unscheduled care at a regional level would enable targeted and more sustainable investment towards tackling the backlog without creating adverse outcomes across the health and care system.

44. Finally, the response from NHS Wales organisations to the challenges of the pandemic serve to demonstrate that the system can respond quickly and effectively to challenges when the resource framework supports the direction of travel and organisations and aiming to achieve the same outcomes. From intensive care units to ambulance crews, staff across the system are working in different ways to keep people safe and keep non-COVID services open. In many cases, this has been achieved through an increased use of digital technology and establishing new partnerships across the public sector that support population wellbeing. The NHS is clear: when the financial and resource backing is there, the NHS can evolve quickly and effectively to respond to the challenges it faces.

### Digital

45. As highlighted within our recent briefing, [Transforming NHS Wales services through digital developments](#), since the beginning of the pandemic, digital services have supported the delivery of safe, person-centred care and enabled faster clinical decision-making across the system. NHS Wales organisations are committed to building on these developments as the system shifts to a post-pandemic environment, but this will require additional investment.
46. Developing and enhancing the digital architecture in a way that supports people to maintain their independence also underpins the value-based healthcare transformation process by increasing opportunities for involving patients in service design and supporting a culture of value across the NHS.
47. It is worth noting also that in 2021 a new Special Health Authority will be established, Digital Health and Care Wales. The organisation will cement the importance of digital innovation across the NHS and strengthen governance and accountability arrangements through the appointment of an independent Chair. NHS Wales organisations support the establishment of the new organisation but recognise that there remain a number of areas of uncertainty. For example, it is not clear how the new organisation will discharge its supplier responsibility to customer organisations. Moreover, given that the consultation document, which is currently open for responses, proposes that the new organisation will have a supplier/service provider role alongside a responsibility as a regulator, this has the scope to create confusion in terms of accountability and autonomy, not only in relation to the new organisation, but also in relation to how this aligns with existing structures on a Health Board/Trust level.

### Social care

48. It is not possible to consider the long-term future of health and social care 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 the NHS and social care services are interdependent. Care home sector stability is vital to our health and care system. In recent years, there have been significant pressures around capacity and demand for care services and COVID-19 has exacerbated this problem.

49. The pandemic has once again demonstrated the need for a new settlement for social care and highlighted the critical role the sector plays in the delivery of health and care services. The challenges facing social care services include vulnerabilities in funding and market stability, the increased demand on the sector, growing unmet need, staff vacancy issues, contingency planning and the need for consistent standards and quality measures between health and social care. For the future sustainability of the health and care system, it is vital that social care is reformed to ensure a sustainable social care system, backed up by long-term funding.
50. NHS Wales organisations support an approach to further protect funding for preventative measures that recognise the importance of improving population health outcomes and sustainability of services in the longer term. Some examples of how this could be enacted include:
- Providing Local Authority allocations that are ring-fenced for social care funding to support system wide health and wellbeing sustainability, this could be expanded to elements of education and housing budgets as appropriate; and
  - Setting a nominal proportion of health and social care funds which should be spent on preventative activities and to hold spending bodies to account for the use of these monies. In this approach, the variation in underlying need for preventative activities is taken into account in the allocation formula.

### **NHS Wales as an employer and economic player**

51. It must also be recognised that the impact the NHS has on people's health and wellbeing extends well beyond its role as a provider of treatment and care. As large employers, purchasers, and capital asset holders, NHS Wales is well-positioned to use its spending power and resources to address the adverse social, economic and environmental factors that widen inequalities and contribute to poor health. It is for this reason that NHS Wales should be considered an 'anchor institution'. The term usually refers to large, typically non-profit organisations whose long-term sustainability is tied to the wellbeing of the populations it serves. For example, NHS Wales organisations are often the largest employers in local areas, with nearly 100,000 people employed by the NHS in Wales. As the link between employment and wellbeing is so well-established, increasing the amount of hiring an NHS organisation does locally may be an opportunity to increase the impact that it has on the wellbeing of local communities.
52. In addition, NHS Wales is a key purchaser of goods and services, and a capital estate holder and developer. Both of these functions mean that NHS Wales, directly or indirectly, has an impact on the conditions and wellbeing of workers that are not employed directly in the health and social care sector. We would emphasise

that the NHS needs to be viewed in this way, as a force for good for economic regeneration, so that it can best support population health and play a key role in keeping the Welsh population happy, active and healthy.

### **Conclusion**

53. Healthcare, and reducing health inequality and maintaining people's mental health and wellbeing, should be at the heart of the Welsh Government's draft budget. NHS Wales organisations do not underestimate the significant challenges of public service budget-setting in a time of unprecedented challenges as a result of the COVID-19 pandemic. Health Boards and Trusts 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 also recognise the importance of improving population wellbeing by supporting an environment that enables people to maintain good physical and mental health for as long as possible. Finally, we need to emphasise the importance of working with partners across the public sector so that we may rise collectively to the challenges we face.