

**Y Pwyllgor Iechyd a Gofal Cymdeithasol  
Health and Social Care Committee**

Cynulliad  
Cenedlaethol  
Cymru

National  
Assembly for  
Wales

**Jocelyn Davies AC AM**  
Chair, Finance Committee



22 October 2012

Dear Jocelyn,

**Welsh Government draft budget 2013-14**

The Committee took oral evidence from the Minister for Health and Social Services and the Deputy Minister for Children and Social Services in relation to the Government's draft budget on 17 October. Our scrutiny concentrated on matters affecting our committee portfolio, the main conclusions of which are outlined in this letter and will be published on our website.

I hope our comments assist with your Committee's overarching scrutiny of the draft budget. We have sought to label our key issues in accordance with the four principles of good financial scrutiny: affordability, prioritisation, value for money and budget process.

**1. Information**

*(Principle: budget process)*

This year there have been improvements in the presentation and clarity of the budget papers and the written evidence provided by the Minister for Health and Social Services and the Deputy Minister for Children and Social Services. Nevertheless, we continue to believe that the provision of further information is necessary to facilitate robust scrutiny of the Government's allocations by the Committee.

For 2013-14, £5 billion is allocated to the "Delivery of Core NHS Services" action – this represents 90 per cent of the Health, Social Services and Children MEG. We believe that more detailed information than that provided to the Committee is required in order to scrutinise the Government's financial planning effectively.

As an illustration, although we were told that there is a shift in focus from providing care in primary rather than secondary settings, we could not identify the associated budgetary changes necessary to support this due to the lack of detail available to the Committee. The ministerial papers could

better reflect the Government's stated priorities in this area and clarify how resources are allocated in line with these.

We welcome the annex to the Minister's paper showing the summary of transfers between actions. It remains difficult, however, for Members to trace information on shifts from one budget line to another in important areas. Examples in this year's scrutiny of the draft budget included funding to deliver targeted health protection and immunisation activity, and education and training.

## **2. Funding of Local Health Boards**

*(Principle: budget process)*

The Committee noted its concerns about the overall level and individual allocations of funding to LHBs following our consideration of the 2012-13 draft budget last year. We remain concerned about aspects of the current model of financing LHBs. This is of particular concern to us given the requirement for LHBs to break even year-on-year whilst LHB service reconfiguration plans and Welsh Government plans are being developed on a 5-year and 3-year basis respectively.

We welcome the Minister's assurance that the statutory requirement for LHBs to break even at the end of the financial year is under consideration. We would welcome further information, however, on the potential options and timescales involved and, in particular, the point at which the Government believes legislative changes will be necessary to amend the current statutory duty.

## **3. Budget assumptions and planning for the delivery of Government commitments**

*(Principle: prioritisation)*

During last year's draft budget process we highlighted our concerns about the potential impact delivering Programme for Government priorities would have on future budget planning rounds. During our scrutiny session this year, the Minister told us that the Government's priorities can be delivered within the allocations as outlined for 2013 - 14.

The Committee continues to have concerns about the Welsh Government's ability to deliver its Programme for Government commitments in relation to health and social services from within the current allocation. In particular, and as illustrative examples, we would welcome further clarification on:

- the costs associated with – and projected outcomes of – the proposed health checks for the over 50s;

- how existing expenditure will be realigned, as cited as necessary in the Minister's evidence, to deliver extended GP opening hours.

As the costs of delivering these commitments become clearer, the Committee would like to be kept informed by the Welsh Government about the progress achieved and any accompanying realignment of resources.

#### **4. Capital planning and expenditure**

*(Principle: prioritisation)*

We welcome the £29m additional capital funding under the centrally retained capital and infrastructure plan allocations for 2013-14. We are unclear, however, about the procedure for allocating the £188m remaining in the NHS Delivery Capital Action. The Committee would welcome clarity about how this remaining capital will be distributed by the Minister's department to individual projects and the criteria by which such decisions are made.

The Minister and her officials were confident that current capital allocations are sufficient to deliver current service plans. We would welcome further information to demonstrate that on-going consideration of service reconfiguration has been underpinned by projections of associated or necessary capital expenditure, as the process proceeds. We believe that the Minister should ensure that the reconfiguration process includes regular evaluations and assessment of capital requirements within and across LHB boundaries.

#### **5. Contingency**

*(Principle: prioritisation)*

During evidence the Minister referred to a "contingency fund" of approximately £50m within her portfolio. We would welcome:

- further clarification as to whether this fund is to exist in 2013 - 14, or whether it is simply a feature of the present financial year;
- further clarification about the general purpose of this fund;
- further clarification about its location within the portfolio budget as published; and
- an explanation why, in previous years, additional allocations to LHBs have been drawn from central reserves rather than from this fund.

#### **6. Ring fencing**

*(Principle: prioritisation / value for money)*

During evidence the Minister provided assurances that robust monitoring processes of ring-fenced budgets are in place. It was also stated that no

underspend within the ring-fenced mental health budget had been identified.

The Committee would welcome further detail about these monitoring processes and firm evidence, in the form of figures, comparing ring-fenced budgets to actual spend over the last two full financial years.

## **7. Health and social services collaboration and pooled budgets**

*(Principle: value for money)*

We welcome the importance Ministers' attached to collaboration between health and social services and note the intention to provide a legislative footing for this in the proposed Social Services Bill. This is particularly welcome given the Deputy Minister's concern that further progress on joint working is needed.

It remains unclear to the Committee, however, what Ministers are doing to use their budgets in future years to encourage and drive collaboration in the sector both in terms of service delivery and administrative arrangements, beyond the existing arrangements for pooled budgets.

I hope this information is helpful. You may wish to be aware that we will also share the letter with the Minister for Health and Social Services and the Deputy Minister for Children and Social Services to assist their financial planning and seek further clarification where we have noted its need above.

Yours sincerely,



**Mark Drakeford AC AM**  
Cadeirydd - Chair