

## **Finance Committee's recommendations on the Draft Budget**

**Recommendation 1. The Committee recommends that, when the Welsh Government is requesting a delay to the publication of the Welsh Government budget and proposing a condensed period of scrutiny, the Minister should attend the Finance Committee to discuss budget priorities and the economic context in which the budget is formulated.**

### **Accept**

The Minister for Finance and Local Government would be pleased to continue the practice of meeting the Finance Committee prior to the publication of future Draft Budgets to discuss budget priorities and the economic context. Additionally, the Minister would be willing for her officials, including the Chief Economist, to provide technical briefing sessions for the Committee, as has been recent practice, on issues including the economic context, budget improvement, gender budgeting and green budgeting. Such arrangements could be considered as part of discussions regarding the proposed update to the Budget Business Protocol.

**Recommendation 2. The Committee recommends that the Welsh Government provides a full assessment of the impact that inflation will have on its funding position for 2023-24 and the changes to outcomes expected to be delivered within that time period.**

### **Accept**

The latest inflation forecasts show that the Bank of England expects inflation to fall over the remainder of the year. On its central forecast, CPI inflation is projected to fall to just under four per cent by the end of 2023, reflecting the rapid decline in global price pressures and the fall in the contribution of energy prices to inflation. However, there is a wide range of uncertainty associated with the Bank of England's forecasts, and, according to the Bank, the rate of inflation at the year-end could lie anywhere in a range from close to zero to over six per cent. The impact of inflation on the Welsh Government's funding position depends not just on the level of inflation but also on its composition, with wage costs and the costs of various inputs rising at rates that often differ from the headline CPI. For example, over the last few years, construction price inflation has been higher than CPI inflation. There are no timely official forecasts of how inflation will affect the costs faced by the Welsh Government, but there is no reason to think the level of uncertainty will be lower than that applying to CPI inflation. For these reasons, while the Welsh Government will use its best endeavours to assess the impact of inflation on its funding position and expected outputs over 2023-24, such an assessment will be inevitably imprecise and subject to revision as the year progresses.

Annex A of the Final Budget Explanatory Note published on 28 February sets out an update on inflation and the economic position.

**Recommendation 3. The Committee recommends that the Minister continues to press the UK Government, through the Finance Inter-ministerial Standing Committee and other channels, to establish robust intergovernmental mechanisms relating to fiscal matters to ensure it can effectively escalate disagreements and resolve funding disputes.**

**Accept**

As part of the joint review of Intergovernmental Relations, the Welsh Government agreed to use the agreed package of reforms as the basis for the conduct of intergovernmental relations.

The IGR review offers structures and processes to enable meaningful engagement, and a mechanism that affirms each Government's right to refer and escalate a dispute. Under the arrangements for dispute resolution there will be an independent secretariat and meetings will be chaired independently. There is also a presumption of independent input, through either advice or mediation and increased transparency to aid legislatures' scrutiny and stakeholder engagement.

It is our hope that we can work with the UK Government pragmatically through the new inter-governmental relations review arrangements before needing to invoke the formal dispute resolution process.

**Recommendation 4. The Committee recommends that the Welsh Government provides further information on independent mechanisms to resolve funding disputes between the UK and Welsh governments and an update on their use.**

**Accept**

[See also the response to Recommendation 3]

Annex C (Terms of Reference) for the Finance Inter-ministerial Standing Committee (F:ISC) sets out the process for raising financial disputes at paragraphs 12 to 26. These paragraphs outline that no member of the F:ISC can reject the decision of another to raise a dispute; as well as establishing that a F:ISC in dispute setting will be chaired by an independent chairperson, which all parties to the dispute must agree.

The inclusion of independence into the dispute process is an area for which devolved Governments successfully negotiated, alongside placing a timeframe around managing disputes to ensure their timely resolution. However, raising a dispute is a last resort, and the Terms of Reference sets out that we should seek to maintain positive and constructive relations, based on mutual respect.

The [Intergovernmental Relations Review](#) (English version only) dispute arrangement have not yet been tested by the Welsh Government.

**Recommendation 5. The Committee recommends that the Welsh Government carries out detailed work to model the behavioural impact of varying Welsh rates of income tax across all bands to ensure the decision-making process around setting tax rates is supported by robust evidence.**

### **Accept**

The income tax ready reckoner published alongside the Draft Budget takes account of the behavioural impact of tax changes. It uses established HMRC estimates for certain elements but also includes additional estimates for the potential migration effect of varying income tax rates within the UK. Those estimates are based on a Swiss academic study, deemed to be the most appropriate available proxy for the situation in Wales.

The recent changes to income tax rates and thresholds in Scotland provide the first example of income tax policy variation within the UK. HMRC has used those changes to produce estimates of behavioural impacts which have been published and were presented at the Welsh Government's Tax Conference last year. Those estimates did not cover migration responses to tax changes which would clearly be of interest here in Wales.

HMRC is progressing work on a longitudinal dataset which will hopefully allow additional analysis of potential behavioural impacts of changes to the three tax bands for Welsh Rates of Income Tax including migration responses.

**Recommendation 6. The Committee recommends that the Welsh Government undertakes foundational work into the benefits and risks associated with devolving powers to modify Welsh rates of income tax bands and thresholds and provides the Committee with an update on progress before the Committee's annual budget priorities Plenary debate in July.**

### **Accept in Principle**

The devolution of powers to vary income tax thresholds would provide useful additional policy tools but would be difficult to do without the full devolution of all income tax on NSND income. This would be a step change in the Welsh Government's devolved tax responsibilities and would mean much greater exposure to relative tax base growth risk between Wales and elsewhere in the UK. This would be a particular concern in relation to higher and additional rates where the Welsh Government is currently only exposed to 10p in each band. Growth in revenues from these two bands tends to be more volatile from year to year than basic rate revenues, and to vary more between different parts of the UK. This will affect the year-to-year net budgetary impact of income tax devolution via the block grant adjustment mechanism. The Scottish Government has full devolution of NSND income tax. The Scottish Fiscal Commission is expecting a net impact of around -£100m on the Scottish Government budget this year, despite additional tax effort by Scottish taxpayers of around £850m from rate and threshold changes.

While we continue to look to better understand the benefits and risks associated with devolving powers to modify Welsh rates of income tax bands and thresholds,

these considerations need to be seen in the context of the wider fiscal considerations and our broader tax policy priorities.

**Recommendation 7. The Committee recommends that the Welsh Government conducts an assessment of the benefits and risks involved with devolving powers to administer benefits in Wales and provides the Committee with periodical updates on progress.**

### **Accept**

Powers to administer welfare has the potential to offer more levers to tackle poverty in Wales. As part of the Co-operation Agreement, Welsh Government are working with Plaid Cymru to support the devolution of the administration of welfare and explore the necessary infrastructure required to prepare for this administration. We agree that such a transfer of power would need to be accompanied by the transfer of appropriate financial support.

We know that there are difficulties in defining how the core principles for the administration of a social security benefit are distinct from core principles for the policy of a benefit. Careful consideration is also needed regarding the financial settlement that would accompany any devolution of welfare administration powers. Both of these issues will require complex negotiations with UK Government to disentangle. The Minister for Social Justice will offer periodical updates on progress.

**Recommendation 8. The Committee recommends that the Welsh Government publishes detailed calculations relating to the block grant adjustment alongside the Draft Budget, either as part of the budget narrative or by inclusion in the Office for Budget Responsibility's Welsh Taxes Outlook, to show how each devolved tax affects the block grant and the Welsh Government's overall funding position.**

### **Accept**

The Draft Budget narrative contains substantial detail on the block grant adjustments for the three devolved taxes. However, the inclusion in the budgetary arithmetic of outturn and forecast reconciliation amounts for the Welsh rates of income tax and the associated block grant adjustment has made the picture more complicated than it was previously. Given these developments, it is agreed that a more detailed presentation of the various elements would be beneficial.

The operation of the block grant adjustment mechanisms is a matter between the Welsh and UK Governments. It is therefore likely that the more detailed presentation will form part of Welsh Government's documentation supporting the Draft Budget, rather than part of the OBR's Welsh Taxes Outlook. A new presentation will be introduced with the Draft Budget for 2024-25.

**Recommendation 9. The Committee recommends that the Minister provides more detail, both in response to this report and alongside supplementary budgets, on how its capital programme will be affected by constrained budgets and inflationary pressures, including:**

- **which projects will be prioritised over the coming financial year and which ones will lose out; and**
- **what impact such pressures will have on delivering the Welsh Government's Programme for Government priorities.**

### **Accept in Principle**

We carried out substantive work during the 2021 Spending Review in undertaking a zero-based review of the capital budgets across Welsh Government portfolios, to align our priorities to our 10-year Wales Infrastructure Investment Strategy (WIIS) and Programme for Government (PfG) commitments. As a result, we published our first Infrastructure Finance Plan (IFP) alongside the 2022-23 Draft Budget. The IFP is a 3-year action plan, setting out over £8bn of capital funding over the financial years 2022-23 to 2024-25 for infrastructure investments which demonstrated they would most effectively deliver the outcomes outlined in the WIIS and PfG.

The WIIS and IFP are longer term documents than the Budget period, with both reflecting the longer-term planning and delivery of infrastructure investments. The mechanism of 3-year IFPs was developed to be agile and adapt to the circumstances we face. Inflation levels will inevitably mean portfolio Ministers will need to manage their budget allocations by responding to pressures through the acceleration and deceleration of projects and programmes according to budget availability; and an assessment of what is deliverable within their allocations must also take place.

**Recommendation 10. The Committee recommends that the Welsh Government: provides an update on Financial Transactions Capital allocations before the Final Budget is laid and explains why such allocations could not be included at the Draft Budget stage for the second year running.**

### **Accept**

The Final Budget documentation published on 28<sup>th</sup> February 2023 provided details of Financial Transactions Capital (FT) allocations made as part of the 2023-24 Annual Budget. This included additional allocations made as part of the Final Budget, which built on more than £1.8bn of financial transactions capital allocations announced in the multi-year settlement published in December 2021.

We provided details of these new allocations to the Finance Committee via correspondence on 27<sup>th</sup> of February, prior to publication of the Final Budget.

**Recommendation 11. The Committee recommends that the Welsh Government calls on the UK Government to increase overall and annual limits for borrowing and reserves, at least in line with inflation, and that these limits should be reviewed regularly so as not to reduce its value in real terms over time.**

### **Accept**

The fiscal levers currently available to the Welsh Government limit our ability to respond quickly to emerging needs, leaving us dependent on decisions made by the UK Government and exposed to the impact of the timing of those decisions. The Institute for Fiscal Studies (IFS) has previously highlighted the case for enhanced reserve powers in Wales and for drawdown limits to be increased, if not abolished. It is the view of the IFS that the existing limits on the total amount that can be held in reserves should, at the very least, be indexed in some way to account for growth in devolved spending and tax revenues.

In its Interim Report, the Independent Commission on the Constitutional Future of Wales noted that the most immediate practical financial issue arises from the restrictions applied by HM Treasury to the Welsh Government's management of its budget. It noted that the Welsh Government's ability to borrow for capital investment and to carry over capital spending between financial years, is constrained by limits set in 2016-17; any requests for flexibility are required to be put to HM Treasury on a case-by-case basis, which is time-consuming and resource intensive. It also stated that it is hard to see why these constraints are needed, given that the Welsh Government is accountable to the Public Accounts Committee of the Senedd for its stewardship of public expenditure.

Welsh Government Ministers have long made representations to the UK Government for additional fiscal flexibilities here in Wales and the First Minister raised the specific issue of uprating the limits in the fiscal framework at last autumn's Prime Minister and Heads of Devolved Governments Council meeting. We continue to press the UK Government for additional fiscal flexibilities, through the appropriate channels, including the Finance: Inter-ministerial Standing Committee (F:ISC) and through bilateral meetings with the Chief Secretary to the Treasury.

**Recommendation 12. The Committee recommends that the Welsh Government monitors the levels of reserves in local authorities to ensure that they are equitable, used appropriately and at sufficient levels to deal with the pressures being faced.**

### **Accept in Principle**

While decisions on setting levels of and the use of reserves are for local authority elected members, the Welsh Government collects and publishes data on local authority reserves annually. The levels of reserves in an authority will reflect longer term plans as well as managing shorter term pressures. The Welsh Government also sets the statutory framework for local government accounting which includes the treatment of reserves. The overall financial position of local government is considered as part of the annual Welsh budget. Our standing Finance Sub-group

with local government provides an ongoing forum for discussions on local authority finance including reserves.

**Recommendation 13. The Committee recommends that the Welsh Government makes changes to the way it presents information in documentation published alongside the Draft Budget so that it provides:**

- **an assessment of the impact of spending decisions across portfolios, including the impact of reprioritisation exercises and clarity on the real terms effect of decisions within portfolios;**
- **an assessment of how the Welsh Government's spending decisions are (or are not) supporting preventative measures.**

### **Accept in Principle**

While we are committed to improving how we undertake and outline the impacts of our spending decisions, such an approach must be proportionate.

We already publish a suite of documents as part of the Draft Budget, which includes individual Ministers' responses to their respective Senedd scrutiny committees, and which provides a more detailed account as to how Draft Budget decisions have impacted on different groups or considered issues such as prevention. The Strategic Integrated Impact Assessment (SIIA) continues to outline the contextual evidence that has supported our spending decisions.

We are open to exploring further changes that could be made as part of the work of the Budget Improvement Plan.

**Recommendation 14. The Committee recommends that the level of information provided at the 2024-25 Draft Budget is equivalent to the information provided at the 2022-23 Draft Budget.**

### **Reject**

While we remain committed to improving the presentation of information contained within budget documentation, as explained during the debate on the Draft Budget in Plenary on 7<sup>th</sup> February, there is a distinction between a Spending Review and an annual budget. The Draft Budget 2022-23 set out a multi-year Budget up to 2025, alongside a zero- based review of capital allocations.

The Draft Budget 2023-24 was a single-year budget, which built on the announcements made as part of the multi-year budget published in December 2021. Our aim was to publish a level of information proportionate to the annual budget that was undertaken. Given this, the 2023-24 budget documentation did not re-state all of the information that had already been published, scrutinised and debated by the Senedd. The budget documentation for the single year 2023-24 focused on the important changes implemented for this budget round and confirmed changes to the Budget settlement made as part of the UK Government's Autumn Statement. This still resulted in the publication of an extensive suite of documents, building on those produced for the 2022 multi-year Spending Review.

We continue to reform this approach and have recently produced a Children's Budget leaflet and animation setting out where our money comes from and what most of it is spent on. Some of these products have been developed in collaboration with our partners and stakeholders, including children; and they have also sought to take on board feedback from colleagues within the Senedd over the years, including the Finance Committee.

These two budget packages – the multi-year and the single year – should therefore be considered together. While we do not propose that the 2024-25 Draft Budget should contain an equivalent level of information as the 2022-23 Budget, we are content to explore what further improvements could be made to the presentation of information within this context.

**Recommendation 15. The Committee recommends that the Welsh Government uses its gender budget pilots to inform and develop a wholesale gender policy appraisal of all Welsh Government budgetary decisions.**

### **Accept in Principle**

Our work on gender budgeting, including the pilots, is representative of systemic and cultural change. We are learning from world leaders, such as the Icelandic Government, who told us it took at least 7 years to embed the changes from pilots to implementation. Engaging with other world leaders like Canada has also shown that any approach needs to be proportionate and relevant to the impact it is seeking to achieve.

We continue to learn from our three existing gender budgeting pilots, working collaboratively across the areas to share the ongoing learning and inform how this work can be further embedded and expanded. As part of their 2023 workplan our Budget Improvement Impact and Advisory Group (BIIAG) will be exploring how a tool such as gender budgeting can assist us in strengthening our budget and tax processes. We will provide an update on this work in the Budget Improvement Plan published alongside the 2024-25 Draft Budget.

**Recommendation 16. The Committee recommends that the Welsh Government provides details of the Budget Impact and Improvement Advisory Group's forward work programme, including the tangible outputs its work will deliver for the 2024-25 budget.**

### **Accept**

We are continuing to work collaboratively with the Budget Improvement Impact Advisory Group (BIIAG) to explore how the Group can engage and influence improvements to our budget and tax processes, in turn supporting the delivery of the Budget Improvement Plan. The Group's progress and influence are set out within the Budget Improvement Plan. Details of the 2023 workplan will be published on the BIIAG webpage soon.



**Recommendation 17. The Committee recommends that the Welsh Government prioritises the streamlining of financial assistance schemes, under a proposed Welsh Benefits Charter, and fast tracks the development of a unified application process for devolved grants and financial aid schemes.**

### **Accept**

A central element of our work to streamline the Welsh benefit system is the development of Benefit Charter. We have produced a draft Charter which sets out our vision of a fair, equitable Welsh Benefit system based on rights and entitlements, and which has been co-produced with stakeholders from the Welsh Government's Income Maximisation Working Group. Work is continuing with local authorities on the implementation plans for the Charter which we are aiming to publish by the end of this calendar year.

Welsh Government and our partners are committed to working towards a Welsh benefit system that has a single point of contact where an individual only has to tell their story once. We will continue to work with local authorities to improve their processing systems, achieve greater consistency and explore the potential automatic passporting where possible.

Our work so far has uncovered a number of practical barriers, including data sharing and inconsistency in IT systems, which need to be resolved before we can deliver a unified application process for devolved grants and financial aid schemes. We are working with key stakeholders such as the Bevan Foundation and Policy in Practice to identify solutions.

**Recommendation 18. In light of the rising cost of living, the Committee recommends that the Welsh Government undertakes a review of the current financial support schemes to ensure eligibility thresholds are suitable, fit for purpose and not excluding vulnerable people on the margins of support schemes.**

### **Accept**

The cost-of-living crisis has highlighted that there are many people with income above the threshold for claiming a means-tested benefit who are struggling to afford basic living costs. Within the work to streamline the Welsh benefit system we are looking at individual schemes to ensure that eligibility criteria are simple, well defined and the need for discretionary decision making is removed.

A working group has been established to undertake a review of the eligibility criteria for Free School Meals in secondary schools. Within our programme of work for 'A Fairer Council Tax' we are exploring how to improve the Council Tax Reduction Scheme which provides support to low-income households. We will also explore the feasibility of extending the eligibility criteria of all the Welsh Government schemes that are ring-fenced to people in receipt of a means-tested benefit.

The First Minister has established a Cost-of-Living Expert Group, which includes a range of organisations working directly with people struggling with the cost of living.

The Group will be making recommendations to the Welsh Government and others on how they believe we should continue to mitigate and address the impacts of the cost-of-living crisis. The Group is independent, so all recommendations will be their own, but they could make suggestions relating to financial support.

**Recommendation 19. The Committee recommends that the Welsh Government takes urgent steps to address the unequal gender impact of rising living costs and in particular conducts a review of the current free childcare model to assess its effectiveness and encourages its further expansion.**

### **Accept in Principle**

We are acutely aware of the impacts of the cost-of-living crisis on families across Wales and in particular the impact on women, who often take on wider caring and other responsibilities within the family and home. We have actively sought to temper the impacts on those most in need within the constraints of the current financial settlement and will continue to forcefully urge the UK Government to do more through their budget statements and funding allocations. We have expanded our Childcare Offer for 3–4-year-olds to support families where parents are in education and training, and we have committed to expand early years provision to all two-year olds by increasing the number of children benefiting from our Flying Start programme and the high-quality childcare it delivers. While we monitor the effectiveness of both programmes, a wider review of our support for funded childcare is not planned at this time, and our focus remains on expanding existing provision. Statistics on progress in relation to Flying Start are available annually, and annual evaluation reports for the Childcare Offer have been published since 2018. We will continue to support children and families, especially those in need, and will seek opportunities to go further with these commitments as and when resources enable us to do so.

**Recommendation 20. The Committee recommends that the Welsh Government:**

- **reviews the eligibility threshold of Education Maintenance Allowance; and**
- **considers increasing the value of Education Maintenance Allowance.**

### **Accept**

In line with recommendations contained within the Children and Young People Committee's report on the Draft Budget, the Welsh Government has accepted a recommendation to commission an independent review of Education Maintenance Allowance (EMA). The findings of the review will inform any changes to the EMA Scheme.

**Recommendation 21. The Committee recommends that the Welsh Government prioritises the development of a replacement Warm Homes**

**programme to improve the energy efficiency of homes and to prevent vulnerable people from falling into fuel poverty.**

**Accept**

We remain committed to the Warm Homes Programme. Capital funding for energy efficiency through the Warm Homes Programme has been increased by £3m, to £30m in 2022/2023 and is expected to increase to £35m for the next two financial years

Any future intervention to support those in fuel poverty must take further account of the need to tackle climate change by decarbonising the housing sector, and the Minister for Climate Change's Oral Statement of 8 November set out how we will approach the challenges and opportunities of responding to the climate emergency across all tenures.

In taking this work forward, we will continue to develop replacement schemes and employ an integrated approach, whilst also responding to the current cost of living crisis. Our intention remains to continue to take a fabric first, worst first and low carbon approach, delivering measures to improve the energy efficiency of the least thermally efficient low-income households in Wales. We will achieve this in two parts:

- Part 1 - By bringing forward the procurement of a replacement demand led service, we will ensure continuity to assist those least able to pay to respond to the cost of living crisis. This will also ensure a just and affordable transition to low carbon homes.
- Part 2- The development of a whole housing stock approach to decarbonisation to provide a long-term strategy for energy efficiency, fuel poverty and decarbonisation for the sector.

**Recommendation 22. The Committee recommends that the Welsh Government explains how the funding allocated in the Draft Budget aligns with the six priorities for the NHS Wales identified by the Minister for Health and Social Services and which areas it will deprioritise as part of this process.**

**Accept in Principle**

For the priority areas identified by the Minister we have given clear guidance of delivery expectations in the national NHS planning framework for 2023-24. Additional investment has been identified for the majority of the priority areas to support the challenges in the system:

- We have invested in urgent and emergency care services with £25m recurrent funding, through the Six Goals for Urgent and Emergency Care Programme. £20m of this has been allocated directly to health boards to deliver their local six goals programme plans.
- For Planned care recovery including diagnostics and cancer pathways an annual recurrent investment of £170m with an additional £15m for transformation has been identified. £120m has been given to health boards

to deliver against their local plans, the remaining £65m will be issued to support diagnostics, transformation and regional working.

- Primary care access continues to be progressed through the strategic programme for primary care. Furthermore, an additional £5m has been provided to increase the number of allied health professionals (AHPs) and increase access to community-based care to help people remain active and independent.
- Mental health services have targeted funds to support access and service redesign across adult and children's services as a priority area for delivery, demand has significantly increase during and after Covid
- The remaining priority area is to improve the flow between health and social care pathways aiding timely discharge. This will be supported through joint investment through the Regional Integrated Fund through the regional partnership boards.

The additional investment has been prioritised against these areas due to the assessed risk of their impact on patient care following the lasting impact of the pandemic. The investment is targeted for both current issues e.g. removal of backlog for planned care but also transformation, working differently, increasing access and working across the whole system. Each of the major priorities have national plans which clearly indicate what is expected.

**Recommendation 23. The Committee recommends that the Welsh Government provides information on the outcomes it expects to be delivered by NHS organisations and social care providers with the additional funding it has allocated for 2023-24.**

### **Accept in Principle**

Given the complex planning environment our NHS services are facing at the present time, in both the short and medium term, and in recognising the financial and system pressures, the NHS planning framework sets out a smaller number of priorities with the need for delivery in the next financial year. These being:

- Developing a closer relationship with Local Government to tackle the issue of delayed transfers of care, and an effort to move further and faster to deliver an integrated community care service for Wales.
- Improving access to general practice, dentistry, optometry, and pharmacy
- Urgent and Emergency care
- Planned care and recovery, including the numbers waiting for diagnostic tests
- Reducing the backlog of patients waiting on their cancer pathway
- Improved access to/and boosting prevention for all levels of mental health and wellbeing services, including CAMHS

The framework includes the need to implement a series of Quality Statements setting out what good clinical services look like as part of the National Clinical Framework and to support the introduction of the Duty of Quality. In addition, digital, innovation, technology and transformation must underpin the delivery of optimum

care and services for patients, alongside workforce, wellbeing and robust financial management.

We have invested in urgent and emergency care services with £25m recurrent funding, through the Six Goals for Urgent and Emergency Care Programme.

Outcomes will include:

- More out of hours primary care calls resulting in self-care or face to face response without necessity for attendance at the Emergency Department.
- Increase attendances at urgent primary care centres every month, helping reduce pressure on Emergency Departments.
- More 999 patients safely managed over the telephone without needing hospital care.
- Fewer ambulance journeys to hospital when compared to pre-pandemic.
- Fewer emergency admissions to hospital when compared with the pre-pandemic period.

Significant funds have also been provided through Regional Partnership Boards to support Health and Social Care partners to work closer together and develop six national models of integrated care that will offer preventative, seamless services for people in the community.

These resources include the five-year Regional Integration Fund (RIF) launched in 2022-23, providing £144.7m a year of revenue funds to support transformation and the newly established £50m Integration and Rebalancing Capital Fund. The six national models of integrated care are:

- **Preventative community co-ordination** (supporting people in their own community through integrated services based within a hub models with activities like social prescribing helping people connect with care and support service that are local to them).
- **Complex care closer to home** (helping people to stay well at home and prevent the need for hospital admission, through place-based care for those with complex needs).
- **Promoting good emotional health and wellbeing** (supporting people to connect with services and opportunities locally through a single/seamless point of access to prevent the escalation of poor emotional health into more serious mental health and/or physical health conditions).
- **Therapeutic support for looked after children and helping families to stay together** (working with children, young people and families known to social care to try and prevent family breakdown and improve longer term emotional and behavioural wellbeing for children looked after).
- **Home from hospital** (helping people to move from hospital back closer to home, into their community safely and swiftly with the aim of preventing the detrimental deconditioning that occurs with unnecessary extended stays in hospital. A key and central component is the role of the Trusted Assessor).
- **Accommodation based solutions** (supporting the development of housing and residential facilities that help people stay well and live independently longer).

A comprehensive Outcomes Framework for the RIF has been developed which sets out the high-level person/priority population groups outcomes for each of the models of integrated care. A set of high-level indicators and performance measures, which take into account the frameworks and measures that RPBs and partners are already routinely collecting, or utilising are set out in the Outcomes Framework. A robust outcome-focused monitoring and reporting process is in place. RPBs are expected to provide six monthly reports on the progress of activities funded through the RIF.

We will also continue to invest in a value-based approach to recovery over the medium term, with a focus on improving outcomes that matter to patients; £19million is allocated in 2023-24 for this. This allocation will also support NHS recovery, with a focus on delivery of high value interventions that ensure improved outcomes for patients and support service sustainability and reducing waits for treatment over the medium term. This investment will give greater focus on delivery of outcomes that matter for patients and will complement the implementation of plans currently being developed to tackle the immediate backlog of patients waiting for treatment.

Introducing the Real Living Wage for social care workers is a key commitment in our Programme for Government with £70m of funding being made available to local authorities and health boards for 2023-24, to continue to deliver our commitment.

Funding will be available to commissioners from 1 April, and we would hope to see all workers in scope receiving the RLW uplift as soon as possible but before the end of June 2023.

The significant increase in the local government settlement reflects our commitment to meeting the pressures we are seeing in social care. It provides for our current estimates of the cost of the RLW uplift in 2023-2024.

The Social Services Workforce Grant was introduced in 2018-19 and has been provided as an annual hypothecated grant to local authorities. In 2023-24, it is £45m. The grant is used to support a range of workforce related interventions in local authorities such as children services, staffing challenges, services for older people and dementia care.

In July 2022, the Women and Girls Health Quality Statement was published. This was the first step in transforming the care received by women in Wales. The quality statement sets out what the NHS is expected to deliver to ensure good quality health services to support women and girls through the course of their lives.

In December 2022, the NHS published the discovery phase of the NHS Women's Health Plan which has been developed with significant input from women in Wales. The discovery phase report presents the state of the nation for women's health in Wales, combining an evidence review of women's health with the voices of women and girls in Wales. Following the consultation of over 3,800 women, this report seeks to build the foundations for the development of a Women's Health Plan for Wales.

The publication of the first phase of the Women's Health Plan represents the start of a conversation and covenant with women. A Women's health network is planned within the NHS Executive which will be responsible for developing the Women's health plan for delivery over the next 10 years. This plan will take the 'A Healthier Wales' approach of coproduction and demonstrate a clear commitment for the Women's Health Plan to be driven by the voices of Welsh women and girls. As part of the Quality Statement for Women and Girls' Health, the financial commitments required to develop and maintain current services are:

- To continue funding of endometriosis nurses and pelvic health coordinators in every health board (£1m);
- Agreed transformation funding to continue to support the Bloody Brilliant campaign for 2023/2024 (£194,000);
- Commitment to support qualitative and mixed methods research on key topics that support the needs of women and girls (£1m);
- Development of a Women's Health Transition Board to enable the creation of a Women's Health Network and the development and delivery of NHS Wales 10-Year Women's Health Plan (£150,000).

**Recommendation 24. The Committee recommends that the Welsh Government conducts an assessment of funding it has allocated to improve efficiencies in the NHS with a view to reducing pressures in the long-term.**

### **Accept in Principle**

Funding allocations to address efficiencies are provided to support areas of initiative that will aim to address and pilot new ways of working whilst emphasising the value added as a key driver for the HSC outcome.

Specifically, on top of the recurrent revenue funding of £170million for NHS recovery there is a recurrent transformation fund of £15m to support local and national transformation projects. It aims to test and deliver services differently for a more sustainable future model. Guidance is given that the additional money is only provided up to three years (reviewed every year as a minimum) with expectation that the health board will take over the funding from the savings made from the project (proof of concept).

NHS organisations are expected to deliver a minimum of 2% efficiency next year and this is expected to be reflected in their plans which are due to be submitted in March.

**Recommendation 25. The Committee recommends that the Welsh Government provides information to demonstrate how the allocations for 2023-24:**

- **alleviates immediate staffing pressures across the health, social care and local government sectors; and**
- **delivers improvements to the recruitment and retention issues faced within those areas.**

### **Accept**

Welsh local authorities and health boards will be provided with the estimated £70 million to implement the Real Living Wage uplift to £10.90 an hour with workers feeling the benefit by June 2023. The significant increase in the local government settlement reflects our commitment to meeting the pressures we are seeing in social care. The Real Living Wage will deliver a significant increase in pay for many workers and increase the attractiveness of social care work. This further uplift should also help to support recruitment and retention for the social care sector. We are also in the process of commissioning an independent evaluation to examine the impacts and success of implementation. This research will help us to learn and make improvements to the ways in which the rollout has been applied and work in partnership to develop and enhance processes.

We know that the difference the Real Living Wage can make to low paid workers, but we do not expect the Real Living Wage to resolve all of the sector's workforce issues. However, we do believe it is a vital first step and provides an important starting point for improved working conditions for social care. We continue to work very closely with the Social Care Fair Work Forum to look at more ways in which we can further improve the terms and conditions of social care workers. This includes exploring opportunities to improve sick pay and the development of a Pay and Progression Framework.

The Minister for Health and Social Services has agreed record levels of investment in training and education for NHS Wales - £281m of funding in 2023-24. It will be the ninth consecutive year funding will increase, providing the highest ever number of training places in Wales and contributing to the future sustainability of healthcare.

We will continue to provide £7 million towards our commitment to establish a new medical school in north Wales. The new medical school will ensure that we distribute training opportunities and the provision of highly training healthcare professionals across Wales

The workforce strategy published by HEIW and Social Care Wales sets out our long term vision and actions for the health and social care workforce. We have also developed a shorter-term workforce plan to help with current pressures on our workforce. The National Workforce Implementation Plan was published on 31 January

Alongside additional investment to increase our homegrown supply of nurses and other healthcare professionals, we are also recruiting international nurses to close the vacancy gap in the short and medium term. Over 400 international nurses were recruited last year through the first phase of a national programme and plans are being developed for further international recruitment in the next phase.

The Social Services Workforce Grant was introduced in 2018-19 and has been provided as an annual hypothecated grant to local authorities. In 2023-24, it is £45m. The grant is used to support a range of workforce related interventions in local authorities such as children services, staffing challenges, services for older people and dementia care. The criteria for the 2023-24 Social Services Workforce Grant are yet to be set, but feedback on use of the 2022-23 grant shows how



funding has been used to improve social care workers pay and support recruitment and retention.

To support the development of a qualified workforce, we are providing over £1.4m in 2023-24 to improve the financial package of support for the Social Work degree and continuing the bursary uplift for new students starting in 2022 and uplift for existing students. We have funded an increase of 50% to the undergraduate bursary and 90% for the postgraduate bursary.

We provide £7.1m of funding for the sector through the Social Care Wales Workforce Development Program grant, administered by Social Care Wales through local authorities. The grant continues to help fund a range of work programmes, including learning, development and qualifications

The advertising campaign for Apprenticeship Week in February 2024 will aim to increase recruitment of social care apprenticeships. Welsh Government's well established Genius Decision campaign places a focus on social care apprenticeships and Social Care Wales runs a separate campaign alongside. This boosts awareness of the social care sector to job seekers.

**Recommendation 26. The Committee recommends that the Welsh Government: provides:**

- **an update on the use of agency and locum staff by the NHS, including information about the measures it will adopt to reduce reliance on them and the expected impact of the actions on expenditure; and**
- **provides details of the actions being taken to address issues relating to the pension tax annual allowance given its significant impact on the NHS workforce.**

**Accept**

The Agency spend has increased over recent years. This cost has accelerated during the pandemic and as we recover elective services.

Alongside work to optimise the deployment of our core NHS Workforce, work is underway to understand, mitigate and address the increased reliance on the agency and locum workforce. Whilst it is understood the pressures on the core NHS workforce and services in recent years has necessitated this flexible and additional resource, action will be taken this year, in line with a wider NHS workforce implementation plan, to focus on a more sustainable workforce in NHS in Wales. This work will be developed and delivered in partnership with Trades Unions and NHS Employers.

The increase in NHS expenditure on the agency workforce in recent years is not sustainable in the longer term. Instead, investment needs to be directed to increasing and effectively deploying a core workforce directly employed by the NHS in Wales. This will require a fine balance between ensuring sufficient capacity to deliver safe and effective services, whilst actions are underway which provide a sustainable workforce and value for money in the longer term.

Pension taxation is **not devolved** to Welsh Government and must be addressed by UK Government. Given the impact pension taxation is having on the NHS Workforce in Wales, the Minister for Health and Social Care along with the Finance and Local Government Minister have written to the UK Government on this matter a number of times urging them that a permanent solution must be found. In the meantime, NHS Wales employers have issued guidance to NHS organisations reminding them of the current NHS pension flexibilities.

**Recommendation 27. The Committee recommends that the Minister provides an update to on the work being conducted by the Welsh Government on introducing a social care levy to fund the rising cost of social care provision and to alleviate workforce pressures.**

### **Accept**

Following the UK Government's decision to reverse the increase National Insurance contributions specifically targeted for health and social care, the Welsh Government is again considering how additional finance could be secured to support future social care costs in a sustainable way and will update the Committee at the appropriate time. The work will be informed by the recent report published by the Expert Group 'Towards a National Care and Support Service for Wales', which made some specific recommendations in this area including holding a transparent and honest 'national conversation' about the funding required to deliver a National Care and Support Service.

**Recommendation 28. The Committee recommends that the Welsh Government works with public sector organisations to produce a comprehensive long-term public services workforce plan and provides an update on the development.**

### **Accept in Principle**

The Welsh Government welcomes the Committee's interest in an effective and productive public sector workforce in Wales and agrees that increasing our shared capability in workforce planning is an important enabler of public service efficiency.

The Welsh Government civil service is currently developing a strategic workforce plan as part of WG 2025: our action plan for changing and improving the organisation over the next three years so we can support Ministers effectively and deliver for Wales in an increasingly challenging financial and global context.

This will encompass a new capability plan for the organisation to address key skills gaps and development needs, as well as an affordable resourcing plan, our diversity and inclusion action plan and the action we will take to deliver on our commitment to becoming a bilingual organisation.

Other parts of the public sector, have long-term workforce plans in place focusing on their specific workforce needs and challenges. Some public sector organisations are likely to have a more varied level of maturity in terms of strategic

workforce planning. For example, NHS Wales has a 10-year workforce strategy that focuses on development of detail workforce plans.

There is a number of partnership groups and channels already in place through which workforce issues, including workforce planning, are discussed and learning is exchanged. These include the Workforce Partnership Council, which is a tripartite social partnership structure of the trade unions, employers and Welsh Government covering the devolved public services in Wales and the forum for cross-public services workforce matters. In addition, the Public Leaders Forum brings together Chief Executives from the main public service bodies in Wales.

We will use a future meeting of the Public Leaders Forum to discuss the Committee's recommendation, assess workforce planning maturity across public services organisations and explore the steps that might be needed for a more integrated pan-Wales approach. We will update the Committee following this discussion.