



## Health and Social Care Committee

Jocelyn Davies  
Chair  
Finance Committee

26 October 2011

Dear Jocelyn

The Committee took oral evidence from the Minister for Health and Social Services and the Deputy Minister for Children and Social Services on 20 October in relation to the Welsh Government's Draft Budget as it affects our committee portfolio. This letter outlines our comments which may inform your overarching strategic scrutiny of the Draft Budget.

We will also be sharing our views with the Minister and Deputy Minister and these letters will be published on our website.

### **Use of inflation figures**

As a general issue, we wish to highlight our concerns that the HM Treasury GDP deflator figure, as generally used in budget planning, may not be particularly relevant for the healthcare budget as healthcare inflation tends to be higher than standard levels of inflation. In their evidence to us, health officials suggested that more relevant inflation figures were used when planning healthcare budgets, but no further detail was provided as to the assumptions used to derive real-terms impacts of the budget changes.

## **Budget assumptions and planning for Government commitments and legislation**

We are concerned about the budgetary impact of Government commitments and planned legislation, four of which are set out in an Annex to this letter. In our scrutiny session, Ministers emphasised that each were still subject to discussion, with no as-yet settled conclusions about the budgetary implications of these commitments in future years. We remain concerned at the potential impact which delivering these commitments may produce in future budget planning rounds, and intend to keep this issue under review, in our own future work programme.

### **Additional revenue support for Local Health Boards**

While welcoming the Government's commitment to:

- provide an additional £83 million in 2012-13 to place LHBs on a sustainable financial footing; and
- provide further funds in the next two years,

we have reservations about whether the overall level and individual allocations of funding will be sufficient to address the funding difficulties which LHBs have already identified in the current year.

We are aware that £20m has already been allocated to Hywel Dda Health Board, with the remaining £63m yet to be allocated. We welcome the Minister's assurance that information on the allocations will be published as soon as it becomes available, possibly within the coming month.

We remain concerned, however, that allocating the available additional funding at the start of the next budget period may not provide the Minister with sufficient flexibility if further support is needed by an individual or multiple Health Boards towards the end of the financial year.

### **Ability of services to deliver on-going efficiencies**

Critical to the Minister's assumptions about implementation of this budget is ensuring that the health and social care sectors achieve high levels of efficiencies. We have continuing reservations specifically about the ability of every Local Health Board to deliver the level of efficiencies required. We did not find it easy to share the Minister's confidence that these levels of efficiency will be consistently achievable across the health sector in Wales. Moreover, we heard that a key mechanism for delivering the required efficiencies will be through 'service transformation'. We are sure that further

clarification will be needed, during the period of this budget, as to on how such service transformation will deliver efficiencies in practice.

Both the Care Council for Wales and Older People's Commissioner are expected to deliver approximately 3% efficiencies next year. We note that budget negotiations are on-going with the Welsh Government, and we intend to return to these issues when the supplementary budget for 2012-13 is laid in the summer of 2012. However, we are mindful of the pressures that changing demographics and increased awareness of the office are likely to bring to the Older People's Commissioner.

Additionally, we discussed with the Minister the implications of ring-fencing the mental health budget for Local Health Boards, and the cost of monitoring and managing this. The Minister agreed to send us further information on the current operation of ring-fencing in this policy area, and said that she was minded to continue with the ring-fence in the future.

### **Capital planning and expenditure**

There has been a significant reduction in capital expenditure across the portfolio. The Minister stated that decisions on strategic healthcare capital expenditure were on hold while healthcare service plans were developed. While understanding that this has no impact on capital schemes which are already under construction, we have serious concerns about the impact delays in decision making may have on the timely future implementation of capital projects, especially at a time when public capital schemes are so important to the broader economy.

We welcomed the Deputy Minister's directness about the level of cuts to capital expenditure on her portfolio, but remain concerned about the impact that the absence of capital expenditure may have for the further roll out of the Flying Start programme.

I trust that you find our comments helpful with your future budget scrutiny.

Yours sincerely



Mark Drakeford AM  
Chair of the Health and Social Care Committee

## Annex 1

### **Budgetary implications of Government commitments**

- **Improved access to GPs surgeries during evenings and Saturday mornings**

The Minister told us that initial work looking at improving access within the current core hours for GPs (8.00am-6.30pm) was not expected to have a budget implication and would be completed shortly.

However, further work on extending access on weekends was still in development and no financial information is yet available. We noted the Minister's comment that part of this work could look at 'new models of access' but we continue to look for reassurances about how this commitment can be fully delivered within the current budget plans.

- **Introduction of annual health checks for the over 50s**

While we are supportive of an increased focus on health prevention, we are concerned that no figures have yet been attached to this commitment. Any budget calculations will need to take into account additional costs resulting from identification of any health problems, in addition to the cost of offering the annual health-check.

- **Introduction and implementation of the Food Hygiene Bill**

The Committee were left with a lack of clarity on the budget implications of this legislation, particularly in the context of a significant reduction to the FSA's budget. While acknowledging that there may be opportunities for local authorities to generate income which could help pay for implementation, further consideration needs to be given to the budgetary implications of introducing and implementing this legislation.

- **Introduction and implementation of the Social Services Bill**

We are aware that funding will be allocated from the Sustainable Social Services budget allocation to progress the Social Services Bill, but the Government continues to carry out the detailed work needed to identify the costs of implementation. While we understand that this will be considered as the Government develop the Bill further, it

remains an area where reassurance will be needed that funds will be available to deliver the legislative intentions.