



	The Welsh NHS Confederation response to the Finance Committee's consultation on the Welsh Government's Draft Budget 2023-2024.
Contact:	Nesta Lloyd-Jones (Assistant Director): [REDACTED] Madelaine Phillips (Policy and Public Affairs Officer): [REDACTED]
Date:	22 November 2022

Introduction

1. The Welsh NHS Confederation welcomes the opportunity to respond to the Finance Committee's consultation on the Welsh Government's Draft Budget 2023-24.
2. The Welsh NHS Confederation represents the seven Local Health Boards, three NHS Trusts, Digital Health and Care Wales and Health Education and Improvement Wales (our members). We also host NHS Wales Employers.
3. The last few years have presented some of the greatest challenges that the NHS has ever faced, with little sign that the pressures will decrease over the coming year. The pandemic has led to a more complex picture for the health and care system, with pressures resulting in areas such as the waiting times backlog, the recruitment and retention of the health and care workforce, demand on NHS and social care services and the considerable financial challenges facing the whole of the public sector.
4. The budgetary pressures within the health and care system and where further investment should be made were thoroughly explored in our briefing published in October 2022, '[Investing in the NHS: Priorities for future government budgets](#)'. This briefing examines, in detail, each of the funding priorities that should be considered in future UK and Welsh Government budgets. It also highlights the areas that should be scrutinised by the Senedd to improve patient outcomes, enhance the quality and safety of healthcare services and reduce inequalities.
5. As the briefing highlights, we ask that the future Welsh Government budget prioritises the following areas:
 - **Revenue:** Providing additional funding to cover inflationary pressures, including energy costs, the ongoing COVID-19 costs, recovery of care services, addressing the backlog in elective care and supporting the maintenance of NHS estates and infrastructure.

- **Capital:** Developing a ten-year investment plan for service change to reshape NHS estates and infrastructure, making them more sustainable, reducing carbon emissions and maximising public assets.
 - **Digital:** Increase investment in digital data, technology and opportunity across NHS Wales and benchmark the level of digital investment against other health systems.
 - **Workforce:** Increasing investment in the NHS workforce so we continue to see an increase in the number of students and trainees across a range of professional groups, the development of new roles and support for education and training opportunities to support the retention and development of current staff.
 - **Inequalities:** Publishing a delivery plan that outlines the action being taken across all government departments to tackle inequalities, how success will be measured and evaluated, and how individual organisations should collaborate across Wales to reduce inequalities and tackle the cost of living crisis.
 - **Efficiencies:** Recognising the significant efficiencies NHS Wales organisations have made and continue to make and introduce a three-to-five-year efficiency programme to positively incentivise efficiency improvements, grounded in quality improvement data, better outcomes for citizens and Value-Based Healthcare.
 - **Social care:** Providing local authorities with ring-fenced allocations for social care, to support system-wide health and wellbeing sustainability and to meet the needs of their population. Through developing policies and frameworks in this area it will drive greater integration of the workforce which will deliver efficiency and effectiveness in the use of resources.
 - **Prevention and early intervention:** Setting a proportion of health and social care funds which should be spent on preventative and early intervention activities and to hold spending bodies to account for the use of these monies.
 - **Climate and sustainability:** Providing further investment to support public bodies to reach the net zero target by 2030.
 - **NHS and the economy:** Recognising the significant contribution the NHS makes to wider economic and social recovery when allocating funding. NHS organisations are well positioned to use their spending power and resources to address the adverse social, economic, and environmental factors that widen inequalities and contribute to poor health outcomes, to help create an 'economy of wellbeing'.
 - **Accessing Levelling Up Fund:** Working with the UK Government to ensure that the strategic priorities for NHS organisations in Wales are considered as part of the Levelling Up Fund and investment.
6. The issues outlined in the briefing are substantial and are likely to increase in severity as we head into winter. There is an understanding that change will be required to meet these challenges, whilst working within a restricted budget. The NHS requires a clear and streamlined direction and priorities, underpinned with a long-term vision for the system and a long-term strategic workforce plan. This will need a tight focus on those issues which require immediate prioritisation and the financial support to enable it to happen.

7. We acknowledge that there is limited action which can be taken due to restrictions on the Welsh Government's budget. While there is acknowledgement from NHS leaders of the restrictions that the Welsh Government face, it is vital that the Government is open with the public to raise their wider understanding of the pressures facing the NHS, to understand the scale of the challenge and the need to radically re-think how services are delivered to help support long-term sustainability.
8. In addition, service change is not the only means by which the current crisis can be addressed, and a cross-sector view will need to be taken. The NHS alone cannot bring about the needed improvements in areas such as population health. As highlighted in our Health and Wellbeing Alliance paper, [Mind the gap: what's stopping change? The cost of living crisis and the rise in inequalities in Wales](#), in partnership with the Royal College of Physicians, this response calls for a cross-government plan for reducing poverty and inequalities and the consideration of investment in key areas such as social care, prevention and education in order to have an impact on the health of the population.
9. 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, and investment, supports the direction of travel and aims to achieve the same outcomes.

What, in your opinion, has been the impact of the Welsh Government's 2022-23 Budget, including funding related to the recovery of the pandemic? Have Welsh Government business support policies been effective as the economic outlook for 2023-24 continues to worsen?

10. The Welsh Government 2021-22 and 2022-23 budgets recognised the ongoing need to stabilise the health system following the pandemic, providing additional financial support to NHS organisations in Wales as they continued to respond to the various challenges, including financial, in the health and social care system.
11. Prior to the current economic uncertainty and the increase in energy prices, the Welsh Government 2022-23 budget and the additional support provided had enabled the NHS to maintain some form of financial stability whilst also supporting:
 - The continued response to COVID-19 at a local level;
 - Supporting the recovery of waiting lists and waiting times that have grown during the pandemic;
 - The continued successful delivery of all-Wales programmes, including the vaccination programme;
 - Enabling partnership working with Local Authorities to support the social care system, including discharging patients from hospital;
 - Health Education and Improvement Wales's (HEIW) recommendations for increased education and training commissioning;

- Supporting Digital Health and Care Wales and the provision of digital systems as part of the pandemic response.
12. Such financial assistance supported the system in incorporating new initiatives, whilst ensuring resilient service provision. However, the service finds itself having to respond to the ongoing demands in increasingly innovative ways. Pressures across the health and care system are intense and this focus on current services leaves little space for long-term strategic thought, with our members having indicated the impact of the 2022-23 budget, with several non-recurrent funding streams, leading to a focus on 2022-23 only and not future budgets.
 13. One of the key financial challenges currently facing the NHS is in relation to the elective backlog. Reducing the elective backlog will take sustained investment over many years and a commitment from the Government. Reducing the elective backlog must consider all parts of the health and social care system, not just acute hospital settings. Mental health, primary and community care form an ecosystem that helps patients wait well before elective treatment. Ambulance services, for instance, play a critical role in supporting communities and have a unique role in connecting with all parts of the NHS, as well as other emergency services, and can play a big part in helping transform the way that patients interact with the health service.
 14. In addition to day-to-day funding, capital investment is key to continue to deliver high-quality, safe health services, as well as meet longer-term goals to integrate care. Creating a multi-year capital funding settlement for the entire NHS would support reducing the backlog, ensure the safety of the NHS estate, embed positive pandemic-era changes, and truly make inroads to reducing inequalities by transforming models of care.
 15. NHS Wales organisations also recognise that partners across the public sector are facing acute financial challenges. To enable health and wellbeing systems to operate effectively, the whole system needs to be appropriately resourced, and this will include increasing the funding provided to social care. As highlighted within our briefing, **"It's not just a crisis, it's a national emergency": Addressing the challenges in social care**, social care services play a crucial role in continuity of care pathways and protecting NHS capacity by keeping people well for longer outside of hospital, and enabling faster, safer discharges from hospital to home. The last two years have exposed deep cracks in the system and have exacerbated structural vulnerabilities, with devastating consequences for social care residents and their families. It is vital to ensure appropriate access for those who need support, with adequate state funding to improve access and quality of care. We also need to secure a stable provider market which is providing the right model of care. A sustainable workforce is also required which is properly valued, paid and respected for this vitally important work.

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

16. Health, wellbeing and the economy are bound tightly together; a healthy (physically, psychologically and socially) population results in a more economically active population. Interventions designed to improve health, inclusive growth and wellbeing in Wales are in the interests of all local, regional and national partners, businesses and communities and should be a shared priority.
 17. Spending on prevention and improving population health would support the creation of a healthier workforce, not only helping individuals live better and more fulfilling lives but economically advantageous for Wales as a whole.
 18. Within the broader economic picture, the NHS must be understood as a key driver within budget considerations, with substantial purchasing power and as a major employer. In our briefing, [Health, wealth and wellbeing: The NHS' role in economic and social recovery](#), we highlighted the numerous ways the NHS helps support the economy in its role as an anchor institution.
- ***How financially prepared is your organisation for the 2023-24 financial year, how will inflation impact on your ability to deliver planned objectives, and how robust is your ability to plan for future years?***
19. NHS organisations are about to enter a very challenging period and with little space to effectively plan long-term system transformation. The [triple challenge](#) of Brexit, COVID-19, climate change, alongside inflationary and energy price increases and the cost of living crisis, presents significant pressures for all organisations in 2023-24.
 20. COVID continues to place financial pressure on the service, including an additional spend for organisations. One health board has forecasted that an estimated £84.4m will be spent on COVID-related costs in 2023-24, with additional funding provided by the Welsh Government during the crisis reducing. These continued pressures will make it difficult for organisations to maintain all current services.
 21. It is important that the Welsh Government, and Members of the Senedd, recognise the millions of pounds of recurrent efficiencies NHS Wales organisations have made and continue to make due to the financial constraints across many years. However, we need to go beyond the delivery of traditional technical efficiencies to think innovatively and consider the efficiency of our resource allocation, based on a better understanding of the outcomes of spending decisions. It is vital that the Welsh Government introduce a three-to-five-year efficiency programme to positively incentivise efficiency improvements, grounded in quality improvement data, better outcomes for citizens and Value-Based Healthcare.

22. The financial position of NHS organisations will have an impact on the speed of recovery following the pandemic. However, this position and the scale of the challenge must be communicated to the public as they are understandably becoming less tolerant towards long waiting times and expect the NHS to recover at a speed which it is currently unable to deliver.
23. Therefore, an open and honest conversation is needed with the public about what the NHS can be expected to provide in the future, and the newly established Citizens Voice Body will play an important role in this. Difficult decisions will have to be made between the demands of elective recovery, access to primary care, mental health and the generational task of reducing health inequalities. That is why NHS leaders require the Welsh Government, and all politicians, to be clear with the public about the scale of the recovery challenge. We explored the importance of engaging and communicating with the public in our briefing ['Reshaping the relationship between the public and the NHS'](#).
24. It will be challenging to focus attention on the delivery of transformational services as operational services rightly focus on meeting the issues brought about by the COVID-19 pandemic, particularly with regard to the impact on the NHS Wales workforce. 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 issue.
25. Finally, transparency regarding the level of funding held in reserve at the centre and for all-Wales projects would also be useful to ensure a clear picture could be communicated regarding what is required.

With inflation and costs of living issues continuing to escalate, what action should the Welsh Government take to help households cope with this latest crisis?

26. The Office of Budget Responsibility [identified](#) that 2022-23 will see the biggest fall in living standards in the UK since records began. It will be crucial to both the short-term and long-term outlook for the NHS that support is given to the population to help them through the crisis. As highlighted within the recent Public Health Wales report, [Cost of living crisis: a public health emergency](#), the cost of living crisis will lead to people not being able afford the essentials, such as food, rent or mortgage payments, heating and hot water, or transport, and will have a significant and wide-ranging negative impacts on mental and physical health. It is likely that those who are facing the very difficult decisions to eat or heat their homes will require the support of the NHS, and so preventative action is required to alleviate any potential demand and to ensure inequalities are not exasperated.
27. The NHS alone does not have the levers to reduce inequalities, which is why we need to shift the focus from public health initiatives delivered through the NHS and local authorities to addressing factors such as poor housing, transport and

food quality. Addressing the factors that cause ill-health in the first place should be a central focus for the Welsh Government.

28. Our members have suggested a number of areas where investment could support this aim, such as transport and support to help people stay connected through local advice and support groups. The Discretionary Assistance Fund (DAF) could be extended and expanded to address areas of specific concern in different communities.
29. While the current crisis will have serious consequences for inequalities and population health, it also has serious financial implications for NHS organisations. There is already a substantial spend as a result of increased energy prices and fuel costs, with the current NHS estate in Wales consisting of old building which are not energy efficient. There will also be a particular impact on students and fill and attrition rates for health professional programmes due to limitations of current bursary policy. While the policy has changed, the Welsh Government could consider short term measures to support students.
30. The implications of the cost of living crisis and increased energy prices will affect the entire public sector and there will be a need to work together as part of any budget considerations.

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

31. The climate emergency is a public health emergency and NHS organisations do have a key role to play in supporting the Welsh Government to meet its climate change objectives. Examples of how the NHS in Wales is taking action in response to the climate emergency can be found [here](#).
32. NHS organisations have a significant impact on the environment and are some of the largest contributors to climate change and air pollution. Delivering high-quality health and care places numerous demands on natural resources and the environment, such as: the use of energy, water and consumables, including single-use plastics; waste production and waste management; travel, which requires fossil fuels and contributes to air pollution.
33. NHS Wales organisations are looking at using their buying powers to establish new, local supply chains, which will have the additional impact of shortening the supply chain and reducing carbon. In addition, making better use of digital technology across our services and communities, including video consultations, will reduce the environmental impact of healthcare delivery. HEIW is enhancing and accelerating its action plan to embed the climate agenda in healthcare

leadership, practice, training and education. This will enable the NHS to grow a faculty of sustainable health care.

34. However, members have indicated that current infrastructure is not adequate to deal with natural emergencies, so consideration could be given to climate adaptation and new ways of supporting the NHS to react to adverse weather or climate incidents.
35. Demonstrating value benefits from actions to reduce climate change and support the greener economy are difficult to quantify. Payback periods may be over several years, which for public sector organisations with annual funding can be an affordability barrier.
36. More expertise and guidance could also be offered to organisations to ensure the capital allocated to support them on the decarbonisation agenda is effectively utilised.
37. Given its large carbon footprint, any action taken by the NHS to support responsible consumption and reduce waste has a significant impact on the environment. This is important not only to reduce carbon impact but to support more sustainable utilisation of finite resources overall across Wales and the UK. The NHS has the power and responsibility to influence action on a broader scale, to reduce its contribution to climate change and protect resources for the health of future generations.

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

- ***Welsh Government policies to reduce poverty and gender inequality. Is enough support being given to those people living in relative income poverty?***
 - ***How/whether the approach to preventative spending is represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).***
38. Poverty is one of a range of socio-economic factors which can adversely affect people's health and wellbeing. It is key to understand that the power to address this does not reside in the health service alone, so we welcome any action taken to alleviate poverty and improve population health. In a report produced by the Welsh NHS Confederation's Health and Wellbeing Alliance, in partnership with the Royal College of Physicians, entitled '[Mind the gap: what's stopping change?](#)', there were calls for a cross-government approach to inequalities and this does need to extend into budget considerations.
 39. Better public health and a reduction in health inequality will need a significant focus on prevention. However, the benefits of such action may not be felt for some time but are important to reduce the long-term pressure on the NHS.

40. Our members suggested a number of preventative interventions which fall outside of the health service, including more education regarding low-cost meals and free exercise. They were also supportive of initiatives such as the additional funding to address the issues around holiday hunger, and access to free activities for children and young people during school holidays, including the extension of free school meals. It was also suggested improvements be made to the housing stock in Wales, with housing having a significant impact on people's health, including students.
41. Patient and public empowerment is also key to preventative action with a key enabler being provision of digital services. This will ensure seamless interaction with health and care services, which support patients to fully participate in their own health and wellbeing.
- ***How resources should be prioritised to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?***
42. In our [response](#) to the Health and Social Care Committee's consultation on the Welsh Government's plan for transforming and modernising planned care and reducing waiting lists, we were clear that the planned care backlog could take years to reach a healthier position.
43. As part of this recovery, it is important to prioritise resources towards social care as challenges in the sector are having serious ramifications across the whole system and on the ability of the NHS to tackle the backlog. This will require a sustainable social care funding model to address problems in care in the community and hospital discharge. We believe that pay parity across health and care, restructuring of social care provision and the creation of a national care service will provide a framework for these changes. We have recently [welcomed](#) the recommendations of the Expert Group report, [Towards a National Care and Support Service for Wales](#).
44. In relation to the Welsh Government's planned care recovery plan, there continues to be concern over the system's capacity to achieve the ambitious targets that it sets out. Whilst staff are working tirelessly to help patients, there are limiting factors which prevent the effective address of the backlog. This includes capital funding, with the current state of the estate having major implications on the physical capacity of the NHS to make inroads in planned care backlogs, and further support and investment in the workforce.
45. Members also suggested investment be placed toward digital enablers to improve access to information and introduce new ways of delivering care.

- ***The sustainability of NHS, social care, further and higher education, local government and other public services more generally. Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.***

46. It will be important to ensure a whole system consideration within budget discussions, and how the public sector can work together to best support each other over the coming months and years. There are key issues which will require a cross-sector effort and ultimately affect the long-term outlook for public services. These include social care, prevention and climate change. For the NHS to be sustainable in the long-term, it needs to stand shoulder to shoulder with well-resourced partners.

47. Improved governance structures are also needed to better support funding initiatives, and ultimately create more productive partnership arrangements. For example, initiatives such as the Regional Integration Fund allow health, social care, housing and the third sector to work more closely together. But members have suggested solutions are needed to overcome different terms and conditions, governance, and financial positions.

48. As mentioned in the previous answer, the sustainable funding of the social care sector is crucial to a well-functioning health service. In [our recent member survey](#), 100 per cent of NHS leaders agreed there is a crisis in the social care workforce, with a subsequent impact on patient care and safety. Many of those surveyed expect the situation to deteriorate over winter. However, there are opportunities for Wales to deliver on integrated citizen-centred care. Therefore, we have called on the Welsh Government to take actions to alleviate current pressures in the system and ensure future sustainability.

49. Continued investment in NHS workforce growth and retention and long-term workforce planning is also key, with NHS leaders worried over levels of burnout among staff. It is important that we continue to see an increase in student and trainee numbers across a range of professional groups. Well recognised benefits of investing in student education and staff training extend beyond financial and include benefits to patient experience, quality and continuity of care, a reduction in complaints and adverse incidents. It is also evident that investment in educating and training existing staff to acquire new skills and expertise is essential to support the NHS in Wales' drive to deliver new ways of working and adopt innovative technology.

50. Long term workforce planning is essential for a sustainable workforce but is only effective if it is properly integrated with healthcare service and digital redesign and transformation. Given the lead times, this needs to take a 10 – 15-year approach in order to change the shape of care, the shape of work and the shape of education. This would provide the opportunity for a radical rethink of how we work.

51. The NHS is already facing great strain in just holding the current position and pressures make it difficult to look no further than the immediate future. It is utilising an aging estate, which was not designed with the demands of a 2022 health service in mind, and a tired workforce. These issues, among others, are making it difficult to plan in the long-term.

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

52. Recovering from COVID-19 and reducing the size of waiting lists will require significant additional capital investment in the NHS. Research shows capital constraints hamper the ability of NHS organisations to successfully deliver care, that the state of the built environment affects patient outcomes, and staff are more productive when they have up to-date equipment to efficiently treat patients.

53. While NHS leaders share the government's commitment to boost NHS productivity and are doing all they can to tackle the waiting list backlog, the lack of capital funding is now a major barrier. We have called for the Welsh Government to develop a ten-year investment plan for service change to reshape NHS estates and infrastructure, making them more sustainable, reducing carbon emissions and maximising public assets.

54. Many NHS organisations are using significant funding to repair their estates and are having to undertake essential maintenance and repair work rather than looking at investing in new infrastructure. This is an issue for NHS systems across the UK, with a recent NHS Confederation [poll](#) highlighting that nine in ten NHS leaders in England say their efforts to reduce the size of the waiting list are being hindered by a decade-long lack of investment in buildings and estate.

- ***Support for children and young people whose education, development, and mental health and well-being have been affected by the pandemic. Is there enough infrastructure investment targeted at young people?***

55. Members are aware of a significant amount of unmet need in this area, and it will be critical that additional investment is made available to support children and young people who have been impacted by the pandemic, including the continued investment in CAMHS. Education is critical for the future wellbeing and aspiration raising of children in our more deprived communities.

56. A cross-sector approach will be needed to ensure that children and young people's need are met.

- ***Whether it is clear how evidence and data is driving Welsh Government priority setting and budget allocations.***

57. Members felt that there is a lack of clarity around how evidence is driving some of the Welsh Governments priorities. It is also not always clear how the relative

prioritisation of Welsh Government objectives is determined and how budget allocations are applied.

58. A major initiative in helping to inform the budget allocation exercise and prioritisation is through the National Data Resource (NDR) programme, which will support the need for a data-informed approach to allocating resource to where it will deliver the most improved outcomes.

- ***What are the key opportunities for Government investment to support 'building back better' (i.e. supporting an economy and public services that better deliver against the wellbeing goals in the Well-being of Future Generations Act)?***

59. We require a public sector strategy which considers the system as a whole and understands the ways in which different sectors impact on each other. Actions in care, education and transport will all have an impact on the health service and vice versa. If we are to effectively tackle some of the most serious issues facing Wales today, it could be difficult to do it from inside budgetary silos, which could have the perverse incentive of creating competition between sectors instead of producing strong working partnerships.

60. The report of the social care Expert Group has created an opportunity for a closer relationship between health and care, which will be crucial for system sustainability. Investment in domiciliary care staff recruitment and retention through better terms and conditions could also benefit the whole system.

Conclusion

61. We understand the current budget limitations on the Welsh Government and believe both government and NHS will need to work together to create more innovative solutions, across a streamlined set of priorities, which effectively balance short term need with long-term vision. However, the scale of the challenge must be communicated clearly to the public.

62. Creating a sustainable system will be a cross-sector effort to build healthier and more prosperous communities, reducing demand well into the future. To this end, population health must be a consideration across government department budgets. We need to emphasise the importance of working with partners across the public sector so that we may rise collectively to the challenges we face.