

**Date:** 26 May 2004

**Venue:** Committee Room 3, National Assembly for Wales

**Title:** Budget Proposals 2005-06

## **Purpose**

1. This paper presents budget proposals for health and social services. Under Standing Order 21.2, the Committee's views are requested on the priorities for the Assembly's expenditure in 2005-06 as set out in the Finance Minister's letter of 30 March 2004 to Committee Chairs.

## **Summary**

2. The total indicative budget for health and social services in 2005-06 is £4.6 billion as agreed by the Assembly. In addition the Finance Minister announced in October 2002 that a significant reserve would be allocated in 2005-2006 following the Wanless review. The Budget Planning Round for this year is set alongside an Assembly-wide Spending Review exercise to determine the priority areas for investment. The Spending Review will be considering over the next three years investment in the implementation of Wanless, waiting times and Health Challenge Wales. This paper focuses on other areas for investment. As requested by the Finance Minister, this paper considers how current spending plans could be adjusted in light of changing circumstances and commitments. In particular how the strategic priorities set out in *Wales: A Better Country* may be effectively achieved. As required by the Finance Minister I need to receive a note of the Committee's views on this paper by 2 June at the latest.

## **Background**

3. As set out in the Finance Minister's letter to Cabinet members, I acknowledge that as the Assembly has limited resources there is little room for manoeuvre. The sum available will only provide an average increase of 4 per cent. It is critical, therefore, that the maximum output is secured from these finite

resources. Within these resources adequate provision has to be made for pay, price and demand pressures. There are also a range of UK-wide developments on pay modernisation which must be implemented within the NHS.

## Consideration

4. I have looked carefully at the existing commitments within the health and social care budgets and I am seeking to contain pressures where possible. There are some pressures on the health and social care budget which I consider to be unavoidable and which it would be difficult to contain within the indicative budget. These include:

- pay and price pressures to maintain services;
- an increase on primary care prescribing to continue the implementation of the Auditor General's recommendations;
- pay modernisation in the areas of the Consultant Contract, the new General Medical Services Contract, Agenda for Change, new contracts for Primary Care Contractors ( General Dental Services and Pharmaceutical Services);
- the implementation of Informing Healthcare;
- the implementation of the Children's Bill; and
- increased support for residential care costs.

I would ask the Committee to recognise these pressures and to consider

- how the priorities set out in "*Wales: A Better Country*" can be achieved most effectively and
- whether budgets should be adjusted in the light of changing circumstances and commitments.

## **How the priorities set out in "*Wales: A Better Country*" can be achieved most effectively**

Our goal is to establish a distinct sustainable future for Wales. This means establishing a competitive advantage for Wales based on a clear identity and real strengths. And through doing that we must help those communities that have been on the receiving end of the negative impacts of economic and social change in the twentieth century, and address our remaining big challenges – the need to help more people into work; create better jobs and skills; improve health, and build strong and safe communities.

Our vision is therefore for a sustainable future for Wales where action for social, economic and environmental improvement work together to create positive change:

- promoting a diverse, competitive, high-added value economy, with high quality skills and education, that minimises demands on the environment;
- action on social justice that tackles poverty and poor health, and provides people and their communities with the means to help themselves and break out of the poverty trap;

- action in our built and natural environment that enhances pride in the community, supports biodiversity, promotes local employment and helps to minimize waste generation, energy and transport demands;
- strengthening Wales' cultural identity and helping to create a bilingual country;
- ensuring all our children and future generations enjoy better prospects in life, and are not landed with a legacy of problems bequeathed by us;
- supporting people to live healthy and independent lives;
- promoting openness, partnership and participation.

In taking forward our vision in this second Assembly term, there are four key areas which we will focus on as we continue to develop policy;

- helping more people into jobs;
- improving health;
- developing strong and safe communities and
- creating better jobs and skills;

None of these areas is the responsibility of a single department or agency and each will need to be a priority for all the areas of government that have a role to play. These are not issues that have simple, ready answers and they are the subjects of current policy debate both in government, among our partners and in academia. We want to draw on all this experience and thinking to move the agenda forward.

A start has been made in establishing this sustainable future with the establishment of the new Swansea clinical school resulting in an additional 35 graduates commencing training in September 2004. In addition in nursing and allied health professions the numbers in training have increased by 410 over last years levels. Further a start has been made in meeting our commitment to invest in modernising GP surgeries and hospitals with the commencement of the new General Medical Services contract and work about to start on the new Cynon Valley Neighbourhood facility.

### **Should budgets be adjusted in the light of changing circumstances and commitments?**

Developments in intermediate, primary, community and social care involve re-prioritising existing commitments in order to target significant investment into new models of care that delivers a more integrated approach by health and social services. The implementation of the Wanless Review will target investment in these new models. LHBs have recently produced Local Action Plans and these are currently being evaluated.

These add up to a challenging set of budget priorities but reflect key themes of implementing *Wales: A Better Country*, tackling modernisation and implementing the Wanless Review. There are difficult choices to be made.

## **Compliance**

This paper covers the budgets in the Health and Social Services Main Expenditure Group of the Assembly's Budget. The Assembly's procedures in relation to allocation of programme Budgets are covered under standing order 21. In accordance with Assembly procedures the Assembly Compliance Office does not need to be consulted prior to this paper being submitted.

## **Financial Implications**

The financial implications of the 2005-2006 budget proposals have been covered in my formal response to the Finance Minister. Financial Planning Division has seen this paper and are content (FP144).

## **Cross Cutting Themes**

This paper covers the cross-cutting themes between health and social services.

## **Action for Subject Committee**

The Committee is requested to provide me with its views on the priorities for the budget no later than 2 June

**Jane Hutt**  
**Minister for Health and Social Services**

**Contact Point: Dr Christine Daws, NHS Finance, Tel 029 20823137**