



	The Welsh NHS Confederation response to the Finance Committee scrutiny of the Welsh Government's 2022-2023 Draft Budget proposals.
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Introduction

1. The Welsh NHS Confederation welcomes the opportunity to respond to the Finance Committee's scrutiny of the Welsh Government's Draft Budget 2022-23 proposals.
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 COVID-19 pandemic is arguably the biggest challenge the health and care system across the UK, and the world, has ever faced, with unprecedented demand and pressure on the system resulting in worsening health inequalities, performance against targets, workforce pressures and funding shortfalls. To recover from the pandemic, the NHS must transform what care it delivers and how it is delivered. That means now is the moment to scale up recent innovations in digital care and patient experience and embed integration to improve patient outcomes and reduce inequalities.
4. As the membership body representing NHS leaders, we ask that the Welsh Government budget for 2022-23 supports the NHS by:
 - Providing additional funding to cover ongoing COVID-19 costs, recovery of care services and addressing the backlog in elective care.
 - Providing Local Authorities allocations that are ring-fenced for social care funding to support system-wide health and wellbeing sustainability. This could be expanded to elements of education and housing budgets as appropriate.
 - Setting a nominal proportion of health and social care funds which should be spent on preventative activities and to hold spending bodies to account for the use of these monies. In this approach, the variation in underlying need for preventative activities is taken into account in the allocation formula.
 - Providing recurrent funding to support the pump priming of 'upstream/out of hospital' transformation and long-term service development.
 - Developing a 5-year investment plan for service change to reshape the NHS estates and infrastructure, including digital, making them more sustainable, reducing carbon emissions and maximising public assets.
 - Publishing an ambitious cross-government strategy and delivery plan to tackle inequalities, and invest in long-term prevention across all sectors, especially housing, education and transport. Also, work in partnership with people and communities to change lives for the better.
 - Increasing investment in NHS workforce so we continue to see an increase in the number of students and trainees across a range of professional groups.



- Recognising the significant contribution the NHS makes to wider economic and social recovery when allocating funding. More than ever, the past 20 months have shown the NHS to be a significant economic force and an ‘anchor institution’, which positively impacts on people’s wellbeing, provides employment and boosts local economies. The NHS will be able to do this even more effectively with adequate funding. As large employers, purchasers, and capital asset holders, 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.
5. Finally, 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 supports the direction of travel and aims to achieve the same outcomes. The NHS is clear: when the financial and resource backing is there, the NHS can evolve quickly and effectively to respond to the challenges it faces.
- 1. What, in your opinion, has been the impact of the Welsh Government’s 2021-22 budget including funding related to COVID-19?**
6. The Welsh Government 2021-22 budget recognised the ongoing need to stabilise the health system following the pandemic and it provided significant additional financial support to Health Boards and NHS Trusts as they continued to respond to the challenges in the health and social care system, including the financial challenges.
7. With regard to the NHS, the Welsh Government COVID-19 funds have enabled the NHS to maintain financial stability whilst also supporting:
- At a local level, to be COVID-19 ready and for NHS services to continue their COVID-19 response through a period of increasing infection rates;
 - The recovery of waiting lists and waiting times that have grown significantly during the pandemic;
 - The continued successful delivery of all-Wales programmes to support the containment of the pandemic, including Test Trace Protect and the vaccination programme;
 - The capacity of the NHS to respond to increased emergency pressures and prepare for an extremely difficult winter;
 - The social care system, including discharging patients from hospital;
 - The health and wellbeing of NHS staff.
8. The budget has enabled the NHS to support the vaccination programme, manage COVID-19 at the current level and make plans for the backlog reductions. It has also given the NHS opportunities to manage increased unscheduled care demand, with the limiting factor being availability of workforce rather than finance.
9. The funding has enabled many NHS organisations in Wales to implement changes and support innovative service models by integrating services across sectors, shifting services upstream and taking a preventative approach to design and

delivery. The NHS in Wales response to COVID-19 created a need to radically rethink and accelerate the way the service interreacts with patients and delivers care. The Welsh financial response has been supported by upscaling, accelerating and adopting new digital solutions, as highlighted within [The NHS Wales COVID-19 Innovation and Transformation Study Report](#). It also capitalised on the data, software and functionality that already existed, but which now incorporates greater flexibility and reporting.

10. The additional funding has allowed NHS organisations to amend their forecast for 2021-22. However, the forecast remains fluid in terms of COVID-19 response requirements for future months and the impact on the delivery of savings. The delivery of savings remains a challenge across Health Boards and Trusts in Wales and a significant proportion of planned recurring savings assigned to improve the underlying position are currently not forecast for delivery in 2021-22. Therefore, further efficiency savings are required to help secure financial sustainability and support service and quality improvements going forward.
11. Opportunities will continue to focus on improving the efficiency of services; providing a safe, secure and healthy NHS estates environment; and the effective use of resources.

2. How do you think Welsh Government priorities for 2022-23 should change to respond to COVID-19?

12. The priority areas should remain focused on managing the pandemic, recovering elective waiting times and maintaining financial stability. In addition, support would be welcomed in addressing capacity difficulties in mental health recovery, emergency services, social care, primary care and improvements in the infrastructure to allow for innovation in support of COVID-19 management.
13. The budget must help the NHS recover and continue to manage the direct and indirect costs of COVID-19. The pandemic's effects on the NHS are two-fold. Firstly, it introduced a range of new costs, such as test and trace, PPE, vaccination and long COVID. Secondly, COVID-19 increases the costs of providing normal NHS services and meeting performance targets. The pandemic reduces the service's productivity while increasing the backlog for physical health and mental health services. COVID-19 also exacerbates issues such as mental ill-health, an underfunded social care system and workforce supply.
14. 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 eco-system that helps patients wait well before elective treatment. Ambulance services, for instance, play a critical role in supporting communities and working across the entirety of the NHS. They have a unique role in connecting with all parts of the NHS, as well as other emergency services, and can play a big role in helping transform the way that patients interact with the health service. There is a need for recurrent funding to

support the pump priming of 'upstream/out of hospital' transformation and long-term service development.

15. 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. 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 the right up-to-date equipment to efficiently treat patients.
16. A key area where greater capital funding could have an impact is in embedding recent digital innovations accelerated by the pandemic. COVID-19 has highlighted the opportunities across the health and care system afforded by digital technology. Its availability, dependency, access, resilience and security are now essential to ensure the continuity of services and NHS organisations are committed to building on the progress made. The Track Trace Protect system has demonstrated the art of delivering a minimal product on a national scale safely, quickly and efficiently. There are future opportunities to accelerate the shift to data driven, value-based and locally delivered models of care. It is important that the Welsh Government's investment priorities in 2022-23 include a significant digital aspect. This means safeguarding and developing the infrastructures that NHS Wales organisations have already developed nationally and locally, but also ensuring transformations in patient pathways continue to support not only the COVID-19 recovery, but also the transition more generally to a healthier Wales.
17. Investing in workforce growth and retention is also key. The NHS workforce has worked tirelessly to fight COVID-19 and protect our communities during the pandemic. As a result, they are understandably exhausted and NHS leaders worry about burnout and the risk of people leaving. Employers are adopting a range of strategies to [support staff wellbeing](#) in the best way possible to ensure we retain our valuable people resource. 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. Health Education and Improvement Wales (HEIW) has undertaken work which shows that investing in additional nurse student placements can be repaid in a little over a year of those students graduating and working within the health system and social care system in Wales through reducing reliance on agency staff. It is also evident that investment in educating and training existing staff to acquire new skills and expertise is essential to support NHS Wales' drive to deliver new ways of working and adopt innovative technology, which supports the sustainability of the system and patients to maintain physical and mental wellbeing at home. This is of particular relevance given the immediate and medium-term challenges brought about by the COVID-19 pandemic, including rehabilitation.



18. Finally, NHS Wales organisations also recognise that partners across the public sector are facing acute financial challenges due to COVID-19. 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. 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 home. The last 20 months have exposed deep cracks in the system and have exacerbated structural vulnerabilities, with devastating consequences for social care residents and their families. The introduction of a health and social care levy is a good first step towards a long-term plan for social care, but the challenge is much more than finding a funding mechanism, crucial though that is. In addition, increasing tax on NHS and social care employers through increased national insurance contributions may prove counterproductive. 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.

3. How financially prepared is your organisation for the 2022-23 financial year, and how can the budget give you more certainty in planning and managing budgets given the ongoing volatility and uncertainty?

19. Whilst NHS Wales organisations welcome the additional funding provided by Welsh Government, there is a concern that the ongoing impact of the COVID-19 pandemic will significantly hinder NHS organisations ability to recover services and to shift the focus onto achieving sustainability and delivering transformation.

20. The NHS has started its resource planning for 2022 - 23. Managing resources was extremely challenging in 2020 - 21 due to uncertainties of resources available and this was eased somewhat in 2021-22 due to earlier resource planning assumptions being made available.

21. An earlier indication of resources available for 2022-23 would enable robust planning in time for the Integrated Medium-Term Plan (IMTP) cycle, where final plans have been requested for approval before March 2022. There is a need for more clarity on the NHS national COVID-19 planning assumptions to inform budget planning assumptions.

22. These plans should include a degree of scenario and risk planning to address ongoing uncertainties. Earlier indication of available resources will support this and enable the NHS to make informed decisions around several competing priorities that support good value and outcomes whilst maintaining financial stability.

23. Investments planned to support patient services as part of medium-term plans have been redeployed to manage the COVID-19 pressures and this deferment will have an impact on future delivery, recognising the pandemic has acted as a catalyst for change in some circumstances e.g. digital and agile working. These

changes need to be consolidated and capitalised upon to maintain the good practice for patient care.

24. It will be challenging to focus attention on the delivery of transformational services as operational services rightly focus on meeting the challenges 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 challenge.

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.

4. Given the ongoing uncertainty and rapidly changing funding environment do you think there should be changes to the budget and scrutiny processes to ensure sufficient transparency and Ministerial accountability?

26. During the ongoing period of the pandemic and given the uncertainties of budgeting at a national level, it might be appropriate to scrutinise the application of consequential received after the main annual budget motion has been completed.

27. Changes to the budget should be minimised once made to ensure clarity. However, changes could be made in exceptional circumstances, such as a significant COVID-19 wave caused by a new variant.

5. Does the Fiscal Framework adequately reflect the impact of the public health emergency in Wales compared to other UK countries and do you support increasing the annual and/or overall limits, £150 million and £1 billion respectively, to current Welsh Government capital borrowing within this Framework?

28. The financial support provided in Wales has been sufficient to meet this public health emergency. Wales has been at the forefront of many achievements when in comparison with other parts of the UK, including research, increased laboratory testing capacity, the vaccination programme and innovation in maintaining elective and core services.

29. It is important to note that most of this funding will be required non- recurrently for a few years until the services return to some form of normality. Increased borrowing would be supported to allow for greater flexibility in supporting the resetting of public services going forward. As we emerge from the COVID-19 pandemic we need to identify and support new opportunities to improve health and reduce inequalities, ensuring we improve on our pre-pandemic population health status.

30. Additional COVID funding is required to treat patients with the virus, take measures to limit the spread within healthcare facilities and recover the backlog in elective work due to the cessation at the height of the pandemic.



6. The Committee would like to focus on a number of specific areas in the scrutiny of the budget, do you have any specific comments on any of the areas identified below, particularly in light of the COVID-19 situation and how these should be reflected in the 2022-23 budget?
- How resources should be targeted to support economic recovery and what sectors in particular need to be prioritised.
 - 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 well-being goals in the Well-being of Future Generations Act).
31. The Welsh Government, when considering economic recovery and 'building back better' must place the NHS at the heart of all national COVID-19 recovery and economic plans. The civic, economic and social impact of the NHS will be particularly important in delivering on the Government's economic priorities.
32. The UK faces a further period of economic uncertainty as COVID-19's long economic tail continues to be felt throughout our communities. Thankfully, the NHS doesn't just treat patients but plays a significant economic role too, which is highlighted in our briefing, [Health, wealth and wellbeing: The NHS' role in economic and social recovery](#). NHS Wales should be considered an 'anchor institution' as it is well-positioned to use its spending power and resources to address adverse social, economic and environmental factors that widen inequalities and contribute to poor health. The term usually refers to large, typically non-profit organisations whose long-term sustainability is tied to the wellbeing of the populations it serves. For example, NHS Wales organisations are often the largest employers in local areas, with over 100,000 people employed by the NHS in Wales. In addition to direct employment, NHS Wales is estimated to support almost 145,400 jobs and £5.4bn of gross value added (GVA), which was highlighted in the Cardiff University research, [NHS Wales and the Regional Economy](#). This accounts for 11% of total Welsh employment and 9% of Welsh GVA, excluding important impacts via NHS Wales' capital spending programme. The research highlighted that every £1bn of direct NHS revenue spending supports an estimated 19,000 total jobs in the Welsh economy. As the link between employment and wellbeing is so well-established, increasing the amount of hiring an NHS organisation does locally may be an opportunity to increase the impact it has on the wellbeing of local communities.
33. In addition, NHS Wales is a key purchaser of goods and services, and a capital estate holder and developer. Both functions mean that NHS Wales, directly or indirectly, has an impact on the conditions and wellbeing of workers that are not employed directly in the health and social care sector. We would emphasise that the NHS needs to be viewed as a force for economic regeneration, so it can best support population health and play a key role in keeping the Welsh population happy, active and healthy.
34. The size, scale and reach of the NHS means it has a significant influence on the health and wellbeing of local populations. It will play a vital role in raising wellbeing

and addressing the challenge of reducing regional inequalities throughout Wales. 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 should be a shared priority as they are in the interests of all local, regional and national partners, businesses and communities..

35. As the NHS seeks to reset its services and priorities, it will focus on how it can influence wider community issues in its role as an anchor institution. This includes how its resource allocation and utilisation can support local economic development, influence social and economic determinants of health, reduce its carbon footprint and help build sustainable communities.

- **To what extent alleviating climate change should be prioritised in supporting economic recovery.**

36. Alleviating climate change must be a priority in supporting economic and social recovery but further investment is required to support public bodies to reach the net zero target by 2030 set by Welsh Government in [NHS Wales Decarbonisation Strategic Delivery Plan](#).

37. The climate crisis has serious direct and indirect consequences for the health and wellbeing of the population. A 2018 [Public Health Wales report](#) on reducing health risks associated with road traffic air pollution in Wales stated “*the societal cost of air pollution from health service costs and lost work-days is estimated to be £1 billion each year*”. Exposure to air pollution is estimated to cause the equivalent of 40,000 premature deaths in the UK each year, with an estimated burden on early deaths in Wales in an equivalent range of between 1,000 and 1,400.

38. 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.

39. NHS Wales organisations are looking at establishing new, local supply chains using its buying powers, 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.

40. 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.



- **How resources should be prioritised to address the pressures felt in sectors that need to “catch-up”, such as Health and Education.**
 - **Approach to preventative spending and how is this represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).**
41. NHS Wales leaders recognise that partners across the public sector are facing acute financial challenges due to COVID-19. The whole system needs to be appropriately resourced, from social care, housing to education. This will allow it to respond to the significant demand facing the NHS and enable health and wellbeing systems to operate effectively.
42. In addition to recognising the impact that a range of organisations and sectors have on the populations health, there also needs to be a shift to increasing preventative spending. The shift to increasing preventative spending needs to be supported with very clear evidence and data to demonstrate a cause-and-effect relationship between these competing factors along with a clear impact timeframe. This will provide confidence to the public and patients of Wales that the improved future health state is worth investing in now in comparison with short term investment in treatments. NHS Wales organisations are committed to delivering on the vision set out in the Well-being of Future Generations (Wales) Act 2015. This supports new ways of working across the health and social care system and acts as a framework for considering how the impact of decisions made in the here and now will likely impact the health and wellbeing of future generations.
- **Welsh Government policies to reduce poverty and gender inequality.**
43. The pandemic has demonstrated the inextricable link between wider determinants of health, such as housing, education and employment. Improving physical and mental health and wellbeing, as well as reducing health inequalities, should be a key outcome across all departments of Government. But the NHS alone cannot fight health inequalities. A shift towards a preventative approach therefore requires tackling the underlying causes of health inequalities, with investment targeted at infrastructure and services which provide sustainable solutions. We are calling for the Welsh Government to publish an ambitious cross-government strategy and delivery plan to tackle inequalities. It should also invest in long-term prevention across all sectors, especially housing, education, health, energy, and transport, working in partnership with people and communities to change lives for the better.
44. Health inequalities are the result of many and varied factors, arising as a result of the social and economic inequalities that shape the conditions in which people are born, grow, live, learn, work and age. The NHS alone does not hold all the levers required to create the necessary conditions for good health and wellbeing. Meaningful progress will require coherent, strategic efforts across all sectors, using their available resources, expertise and relationships to close the gap.
45. While COVID-19 has revealed and exacerbated pre-existing health inequalities, there have been many detailed and well-evidenced reports on health inequalities in recent years. In just the past year, many reports have called for system-wide

action on health inequalities including the Welsh Health Equity Status Report initiative, [Placing health equity at the heart of the COVID-19 sustainable response and recovery](#) (Public Health Wales and Welsh Government), [The Marmot Review 10 Years On](#) (Institute of Health Equity and the Health Foundation) and the most recent [Unequal pandemic, fairer recovery](#) (the Health Foundation). Every one of these reaffirms the need for coherent, coordinated activity across all delivery partners. COVID-19 recovery presents an opportunity to create a healthier and more resilient society by addressing the root causes of poor health.

46. In April 2021, the Welsh NHS Confederation's Health and Wellbeing Alliance published a short paper, [Making the difference: Tackling health inequalities in Wales](#). In this paper, we suggest initial steps the new Welsh Government should take in their first year to respond urgently to health inequalities and make the greatest possible impact by coordinating a renewed commitment from all partners. A key driver within this is the Well-being of Future Generations (Wales) Act 2015.

- **Sustainability of public services, innovation and service transformation.**

47. It is not possible to consider the long-term future of healthcare in Wales without considering the issue of how, and to what level, the social care system should be funded in the future. We need to work towards achieving a consensus that the NHS and social care services are interdependent. Care home sector stability is vital to our health and care system. In recent years, there have been significant pressures around capacity and demand for care services and COVID-19 has exacerbated this problem.

48. The pandemic has once again demonstrated the need for a new settlement for social care and highlighted the critical role the sector plays in the delivery of health and care services. The challenges facing social care services include vulnerabilities in funding and market stability, increased demand on the sector, growing unmet need, staff vacancy issues, contingency planning and the need for consistent standards and quality measures between health and social care. For the future sustainability of the health and care system, it is vital that social care is reformed to ensure a sustainable social care system, backed up by long-term funding.

49. NHS Wales organisations support an approach to further protect funding for preventative measures that recognise the importance of improving population health outcomes and sustainability of services in the longer term. Some examples of how this could be enacted include:

- Providing Local Authorities allocations that are ring-fenced for social care funding to support system-wide health and wellbeing sustainability. This could be expanded to elements of education and housing budgets as appropriate; and
- Setting a nominal proportion of health and social care funds which should be spent on preventative activities and to hold spending bodies to account for the use of these monies. In this approach, the variation in underlying need for preventative activities is taken into account in the allocation formula.



Conclusion

50. Healthcare, reducing health inequality and maintaining people's mental health and wellbeing, should be at the heart of the Welsh Government's draft budget. NHS Wales organisations do not underestimate the significant challenges of public service budget-setting in a time of unprecedented challenges as a result of the pandemic. NHS organisations across Wales are committed to doing the very best they can to deliver high-quality, timely and safe care to the people of Wales. Our members also recognise the importance of improving population wellbeing by supporting an environment that enables people to maintain good physical and mental health for as long as possible. Finally, 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.