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Favager**

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Dyddiad/Date: 19 September 2017

Dear Simon,

I am pleased to be able to respond to your call for information in advance of your scrutiny of the Welsh Government's 2018-19 Draft Budget proposals.

In responding to your first two consultation questions, we also broadly address a number of the specific questions you have asked.

I hope that this will provide you with information to support your consideration and scrutiny of Welsh Government's 2018-19 Draft Budget plans.

**What, in your opinion, has been the impact of the Welsh Government's 2017-18 budget?**

We recognise that Welsh Government operate within a fiscally constrained environment, which was emphasised within the budget proposals for 2017/18, with an overall budget which is reducing in real terms. Within this context, WG face significant challenges in determining budgetary trade-offs.

We welcome the research based approach which WG is increasingly adopting in financial policy development, such as the Institute of Fiscal Studies report into Welsh budgetary trade-offs; the Health Foundation's report on the financial sustainability of the NHS in Wales or the Nuffield Trust's 'Decade of austerity in Wales' report. Such evidence will serve to ensure that Wales is well placed to adopt best practice in resource allocation. The funding allocation to the NHS has broadly followed the recommendations in the Nuffield Trust and Health Foundation reports.

It is important to recognise that healthy lives are determined, not just by spending directly on health, but through communities which are prosperous, secure, active, well-educated and well-connected. We will not therefore comment on the relative spending decisions made across the four themes used within the Budget.

Within the budget, additional investments were announced for Mental Health services; New Treatments; Workforce training, development and recruitment; and capital funding.



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The additional investment made in Mental Health Services was particularly timely, given the significant and growing pressures in this area. This investment has also supported Health Boards to make progress in implementing the requirements of the 'Together for Mental Health' Delivery Plan, 2016-19.

Over many years, the NHS has faced a number of longstanding issues which the budget for 2017-18 has supported. The introduction of new treatments, for example, has provided significant financial challenges. The development of the Treatment Fund has provided certainty over these pressures and ensures that access to new treatments can be provided quicker.

The increased demands on the NHS, along with a workforce which itself is ageing, has increased the pressures on our workforce. Over recent years, this has resulted in an increasing and overreliance on temporary staffing through agencies for medical and nursing staff. A co-ordinated and targeted national and international recruitment campaign has offset some of this pressure, and a significant number of new appointments have been made for medical staff in particular. Commissioning training places remains a challenge, but it is expected that the new organisation, Health Education and Improvement Wales, will improve the co-ordination of workforce planning and education across the NHS. This will be an area for further development over coming years.

Lastly, and recognising the particularly challenged capital allocation to Welsh Government, we welcome the commitment to prioritise the investment in new medical equipment, IM&T and estate infrastructure. The increased certainty provided through a four-year capital budget is welcomed as it allows the NHS to better plan for the future. In addition to this, the development of the Welsh Mutual Investment Model at the Velindre Cancer Centre is being viewed with interest to understand how this model may be used to upgrade and modernise facilities elsewhere in NHS Wales.

**What expectations do you have of the 2018-19 draft budget proposals? How financially prepared is your organisation for the 2017-18 financial year, and how robust is your ability to plan for future years?**

In common with public services across the UK, the NHS in Wales is challenged by the requirement to provide timely, high quality services within its resource constraints. The requirement for NHS organisations to develop financially balanced three-year integrated plans provides the NHS with a clear framework to encourage longer term planning. Consequently, it is important that there is stability and consistency in the overall NHS budget alongside a recognition of the growing pressures facing the system. Organisations have faced significant challenges in preparing for the 2017/18 financial year, despite significant additional resource allocations. The planning cycle has seen three organisations being placed in Welsh Government's targeted intervention status as a result of their financial positions; and other organisations are also reporting deficits in-year. While the reasons for each organisation will be somewhat different, there are consistent issues across the NHS in Wales, in common with the rest of the United Kingdom.



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However, the policy framework in Wales does allow an appropriate focus on the issues in planning for future years:

1. The Wellbeing of Future Generations Act requires NHS organisations to work in partnership with other public and third sector organisations. This will be a key enabler to deliver system wide change.
2. The Value Framework alongside the strategic alliance with the International Consortium for Health Outcomes Measurement, advocated by Welsh Government, provides an opportunity for the NHS to embed the principles of Prudent Healthcare. Importantly, this moves the NHS from its historic focus on technical value (doing more for less) to allocative value (allocating resources to maximise outcomes) and personalised value (as measured through health outcomes). Such an approach encourages careful consideration of preventative spend, and close working with colleagues in Public Health Wales.
3. The WG escalation process enables a bespoke response to the issues facing NHS organisations in difficulty, utilising external experts to provide an independent assessment of the issues facing each organisation and the appropriate solutions.

The critical issue for NHS Wales will be its ability, not only to diagnose issues and plan services, but to manage the necessary changes to improve those services.

Many thanks for the opportunity to comment.

Yours sincerely,

A handwritten signature in blue ink that reads "R. A. Favager".

**RUSSELL FAVAGER**  
**CYFARWYDDWR GWEITHREDOL CYLLID /**  
**EXECUTIVE DIRECTOR OF FINANCE**