



Briefing for the debate on the Welsh Government Spending Priorities

Introduction

This briefing is for Members of the Senedd (MSs) in preparation for the Finance Committee-led debate on the Welsh Government's (WG) Spending Priorities on Wednesday 12 July.

Key points to consider:

- The NHS currently faces its greatest financial challenge. The pandemic has led to a more complex picture for the health and care system, with pressures as a result of inflation, the elective care backlog, recruitment and retention of the health and care workforce, the rising cost-of-living and high demand on NHS and social care services, alongside public expectations and reducing confidence.
- While NHS leaders acknowledge the restrictions that the WG face, it is vital that the WG and MSs are open with the public to enable them to understand the pressures facing the NHS and the need to radically re-think how services are delivered in the long-term. Now is the time for a [national conversation](#) and the creation of an open dialogue with the public about the future health and care services.
- The NHS requires clear and more focussed priorities, underpinned by a long-term vision for the system. This will need a tight focus on those issues which require immediate prioritisation and the financial support to enable it to happen.
- NHS leaders recommend that the following areas are prioritised:
 - **Capital:** Developing a ten-year investment plan for service change to reshape NHS estates and infrastructure, making them more sustainable, reducing carbon emissions, maximising public assets and improving patient care outcomes.
 - **Revenue:** Providing funding to cover inflationary pressures, addressing the backlog in elective care and supporting the maintenance of NHS estates and infrastructure.
 - **Workforce:** Support the development of flexible and innovative workforce plans.
 - **Social care:** Providing local authorities with ring-fenced allocations for social care, to meet the needs of their population.
 - **Prevention and early intervention:** There must be an explicit shift of resources to prevention /early intervention; without this, the NHS is not sustainable.
 - **Inequalities:** Publish a delivery plan that outlines the action being taken across all government departments to tackle inequalities.
 - **NHS and the economy:** Recognising the significant contribution the NHS makes to wider economy, both nationally and locally.
- The response from NHS Wales organisations to the challenges of the pandemic serve to demonstrate that the health and care 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.

The current financial outlook

Like other public services across Wales, the NHS has been impacted by a range of external drivers; increased inflation and energy costs and the resulting cost of living crisis, lower growth, demand on services following the pandemic and staff recruitment and retention issues. While savings and efficiencies will be made, all NHS organisations are facing unprecedented financial challenges, with the seven health boards forecasting a deficit this financial year (2023-24). It is vital that there is financial sustainability, but also that we have quality of services and positive outcomes for patients.

It is clear the pandemic and its ongoing effect continues to have a significant impact on healthcare systems. This includes the ability to achieve the level of service delivery needed to eradicate the clinical treatment delays, with rising demand on services with more patients presenting with higher acuity, and the ability to recruit and retain the workforce needed across health and care services. This is further affected by the impact of inflation on the provision of health and care. Other factors have included the increasing number of clinically optimised patients awaiting discharge and care home challenges, emergency pressures and industrial action.

Unfortunately, with a significant gap between the growth in demand on healthcare and an inability to respond fully in the short term, within certain fiscal constraints, all health boards this year have been unable to submit financially balanced plans to WG. The key drivers contributing to the increased deficits in 2022/23 and forecasted deficits for 2023/24 include:

- Increased expenditure on Continuing Health Care & Funded Nursing Care, partly to take into account increases to Local Authority care home rates.
- Increased spending on primary care and hospital prescriptions.
- Workforce pay pressures due to high levels of vacancies and sickness, resulting in high variable pay expenditure and outsourcing of services from private providers, such as agency. Pay costs accounted for 45% of Health Board revenue spend in 2022/23, around £5.4 billion.
- Significant in-year variation driven by energy price fluctuations.
- Delayed transfers of care due to the increasing number of clinically optimised patients awaiting discharge and care home challenges.
- Covid legacy due to the cleaning standards introduced, provision of PPE and testing.
- Facilities, with overspends due to increasing cost of utilities and provisions and the loss of revenue in canteens and external vendors following the pandemic.

The need for a national conversation

As highlighted in our recent briefing, [The NHS at 75: How do we meet the needs of future generations?](#), the scale of the challenge must be communicated to the public and an open and honest conversation is needed about what the NHS can be expected to provide in the future. 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 WG, and all politicians, to be clear with the public about the scale of the recovery challenge. There is a need to engage with the public on choices required, as the model for long term service delivery will take time to implement so there needs to be short term measures established to delivery higher priority services.

It is human nature to be emotionally resistant to change - attached to old practices, local institutions and cultures that have been passed down over the years. However, now is the time to galvanise the Welsh public to engage in a national conversation on how the health and care system can innovate and transform to meet the needs of future generations and make patients more involved and navigators of their care, enabling the NHS to provide care as it reaches 100 and beyond.

The public must feel personally invested in their wellbeing and our health and care service to help ensure its long-term sustainability, which will only be possible through public involvement and co-production of services. This will allow people to feel supported, empowered and informed to take more responsibility for their health and wellbeing, manage their conditions and use services responsibly.

Key priorities for the NHS

Capital

While NHS leaders share the government's commitment to boost NHS productivity and are doing all they can to tackle the elective care backlog, the lack of capital funding is now a major barrier. The NHS is faced with an ageing estate, including digital infrastructure, which was not designed with current demands and risks in mind. We need a funding solution from the WG for major capital infrastructure work which are required to keep services running in their current configuration. We have called for the WG to develop a ten-year investment plan for service change to reshape NHS estates and infrastructure, including digital infrastructure, making them more sustainable, reducing carbon emissions and maximising public assets.

For many NHS organisations, there are significant ongoing costs to repair estates and undertake essential maintenance. The current maintenance backlog for many NHS organisations is significant, with one Health Board estimating the maintenance costs to be in the region of £150m, and many have to replace key very expensive service items that are well past their effective working lives. This is not only expensive but prevents NHS organisations from using the funds towards new services. It is also vital to invest in digital infrastructure, which is becoming increasingly important to mitigate the cyber security risks and resilience.

Capital investment is key to continuing to deliver high-quality, safe health services, as well as reaching longer-term goals to deliver innovation and integrate care. Having a multi-year capital funding settlement for the entire NHS would help reduce the backlog, ensure the safety of the NHS estate, improve patient outcomes and the working environment for NHS staff, and truly make inroads to reducing inequalities by transforming models of care.

Revenue and sustained investment

One of the key financial challenges currently facing the NHS is the elective backlog. Reducing the elective backlog will take a commitment to sustained investment from WG and must consider all parts of the health and social care system, not just acute hospital settings. For example, mental health, primary and community care services form an ecosystem that helps patients wait well before elective treatment.

The higher priorities for NHS Wales need to include a focus on delivering timely cancer care, dealing with the rising need for mental health care, particularly among adolescents, and ensuring children and young people are given the best start in life as part of healthier communities.

COVID also continues to place financial pressure on NHS services. One health board has forecasted that an estimated £84.4m will be spent on COVID-related costs in 2023-24, with funding provided by the WG being scaled back. These continued pressures will make it difficult for organisations to maintain all current services.

Digital inflation together with the licencing model are creating increase inflationary pressures. Changing patient pathways will require relevant, accessible data in appropriate secure systems across Wales funded recurrently from digital.

NHS workforce

A sustainable workforce is essential for a sustainable NHS. Investment in student education and staff training across a range of professional groups should continue to be a priority if the healthcare system is to respond to future demands and deliver improved outcomes for patients. In addition to traditional routes, investment in alternative training and education pathways, including apprentices at different levels, is important. 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 and digital.

Strategic workforce solutions should be developed to actively encourage recruitment from local communities, to study, train and work in the NHS across Wales. This should include developing new roles and skills which align with the use of innovative technologies, to provide greater resilience.

The strategic focus requires robust long-term workforce planning to be in place, which enables the use of resources to be appropriately targeted. Long-term workforce planning is essential for a sustainable workforce but is only effective if properly integrated with service and digital redesign and transformation. Given the lead times, this would need a 10–15-year approach 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.

The wellbeing of the workforce is key, particularly in the context of an ageing population, ageing workforce and increasing healthcare demands. Actions to improve retention of staff are increasingly important.

Focussing on each of these elements should result in a more sustainable workforce and will also contribute positively to addressing inequalities and increasing social and economic benefits to local communities across Wales.

Investment in social care

Social care services play a crucial role in care pathways by keeping people well for longer outside of hospital and enabling faster, safer discharges home. To enable health and wellbeing systems to operate effectively, the whole system needs to be appropriately resourced, which includes 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](#), the last two years have exposed deep cracks in the social care system and have exacerbated structural vulnerabilities, with devastating consequences for social care residents and their families. It is vital to ensure adequate state funding to improve access and quality of care for those who need support. We also need a stable provider market and sustainable workforce that is properly valued, paid and respected for this important work. 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, which need to be aligned to wider market forces.

Prevention and early intervention

NHS leaders recognise that partners across the public sector are facing acute financial challenges. They therefore 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. Resources must be allocated to provide the best outcomes for the population, and it is important that WG set out that a nominal proportion of health and social care funds should be spent on preventative and early intervention activities and spending bodies are held to account for the use of these monies.

A central focus for WG should be to address and properly resource the factors that cause ill-health in the first place, such as poor housing, transport and food quality. Shifting the focus from public health initiatives delivered through the NHS and local authorities to addressing these factors would allow the health system to respond more effectively to the significant demand it faces. In addition to recognising the impact that a range of organisations and sectors have on the population's health, there also needs to be a shift to increasing preventative spending, supporting early intervention.

NHS 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.

Cost of living and inequalities

As highlighted in the recent Public Health Wales report, [Cost of living crisis: a public health emergency](#), the cost-of-living crisis will have a significant and wide-ranging negative impact on people's mental and physical health. It is likely that those facing the difficult decision 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 exacerbated.

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 education, poor housing, transport and food quality. As highlighted in the Welsh NHS Confederation Health and Wellbeing Alliance report, '[Mind the gap: what's stopping change?](#)', addressing the factors that cause ill-health in the first place should be a central focus for the WG and a cross-government approach to inequalities is needed.

While the current crisis will have serious consequences for inequalities and population health, it also has major financial implications for NHS organisations. There has already been a substantial increase in spend as a result of energy and fuel costs, especially considering the old and inefficient NHS estate. There will also be an impact on students and fill and attrition rates for health professional programmes due to limitations of the current bursary policy. While the policy has changed, the WG should consider short-term measures to support students.

NHS and the economy

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.

With substantial purchasing power and as a major employer, the NHS must be a key consideration in broader budgets. Our briefing, '[Health, wealth and wellbeing: The NHS' role in economic and social recovery](#)', highlighted the numerous ways the NHS helps support the economy in its role as an anchor institution.

Conclusion

We understand the current budget limitations on the WG and believe both the government and the 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 clearly communicated to the public.

Creating a sustainable system will require 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 collectively rise to the challenges we face.

Further information

If you would like further information on any of the issues raised in the briefing, please contact Nesta Lloyd – Jones on nesta.lloyd-jones@welshconfed.org

The Welsh NHS Confederation represents the seven Local Health Boards, three NHS Trusts (Velindre University NHS Trust, Welsh Ambulance Services NHS Trust and Public Health Wales NHS Trust), and two Special Health Authorities (Digital Health and Care Wales and Health Education and Improvement Wales). The twelve organisations make up our Members. We also host NHS Wales Employers.

Our briefing, '[Investing in the NHS: Priorities for future government budgets](#)', further details the budgetary pressures within the health and care system.