



Pwyllgor Cyllid a Pherfformiad/ Finance and Performance Committee

DYDDIAD Y CYFARFOD: DATE OF MEETING:	22 September 2026
TEITL YR ADRODDIAD: TITLE OF REPORT:	Route-map to Financial Balance
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Executive Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Andrew Spratt, Deputy Director of Finance Sian Jenkins, Deputy Director of Finance Richard Jenkins, Assistant Director of Finance Jennifer Thomas, Head of Corporate Reporting

Pwrpas yr Adroddiad (dewiswch fel yn addas)

Purpose of the Report (select as appropriate)

Ar Gyfer Penderfyniad/ For Decision

ADRODDIAD SCAA SBAR REPORT

Sefyllfa / Situation

The Health Board's approved 2026/27 Annual Plan includes a deficit of £41.0m, compared with the Welsh Government target control total of £22.1m. The Health Board remains in Targeted Intervention for Finance and is required to demonstrate credible control of the current position and a sustainable route to financial balance.

At Month 5 206/27, the gross forecast is £60.9m, before £19.9m of future mitigating actions required to retain the reported £41.0m forecast. Adding back non-recurrent savings and one-off accountancy gains increases the opening deficit for 2027/28. This demonstrates the scale of the recurrent challenge and the risk arising from reliance on unassured mitigation.

The Financial Road Map sets out the Health Board's proposed approach to stabilising the current financial position, building a recurrent route to balance and identifying the strategic choices that will need to be developed through the 2027–30 planning cycle, while maintaining safe, effective and sustainable care.

Cefndir / Background

The Board approved the 2026/27 Annual Plan in March 2026, including a £41.0m deficit after planned savings of £42.8m. As the plan did not meet the statutory three-year break-even duty, the Accountable Officer formally notified Welsh Government of the novel and contentious position.

Recent savings performance has improved compared with earlier years but remains insufficient, and has an over-reliance on non-recurrent actions, which do not sustain the underlying deficit. At Month 5 2026/27, forecast 2026/27 delivery comprises **£6.2m recurrent**

and **£21.1m non-recurrent** savings; non-recurrent actions therefore account for around 73% of delivery. The full-year effect of recurrent schemes has not matched total savings delivery in any year shown in the assessment.

The Road Map has been developed to support the 2027–30 planning cycle and has been tested with Welsh Government and NHS Performance and Improvement colleagues. It combines financial control, recurrent savings, workforce and pathway productivity, service configuration and enabling actions. Three allocation scenarios have been modelled because the level and conditions of future Welsh Government funding remain uncertain.

The opportunities framework has been developed to support the strategic choices available to the Board, and will be subject to detailed design, quality assessment, consultation, investment appraisal and financial validation before any proposals are included in the core plan and presented for the Board's consideration.

Asesiad / Assessment

Financial Trajectory and Allocation Scenario

The Financial Road Map assumes an allocation uplift of 0.6%, which is lower than the assumptions included in the 2026–29 Three-Year Plan of 1.6% for 2027/28 and 1.5% for 2028/29. This lower assumption has been aligned with Welsh Government expectations in advance of the Senedd budget and provides a prudent basis for modelling the scale of the recurrent challenge.

For 2027/28, inflation, unavoidable pressures and demographic growth increase the savings requirement by £20.5m. Before savings and opportunities, this produces an indicative deficit of £105.2m.

Prevalence and Demographic Pressures

The prevalence assumptions underpin an estimated recurring pressure of **£14.1m** in each modelled year, including growth in older people, cancer, dementia, mental health, learning disability, Continuing Healthcare and emergency demand. Further validation will be undertaken through the annual planning cycle to ensure that growth funding is directed only to evidenced, unavoidable pressures, with reducing demand informing future capacity and resource choices.

Opportunities Framework

The opportunities framework provides a structured pipeline of potential recurrent improvements across productivity, workforce, pathways, support functions, service configuration and estate. It is intended to inform planning and prioritisation, not to represent an approved savings programme. Each opportunity will progress through a gateway process covering ownership, deliverability, timing, dependencies, implementation costs, quality and equality impacts, consultation requirements and finance validation. Only opportunities with an evidenced net recurrent cash benefit and sufficient assurance will be included in the core plan; others will remain contingent or be presented to the Board as strategic choices.

Delivery Approach

The core plan will include only Green and sufficiently assured Amber schemes with a named executive and operational owner, milestones, recurrent cash impact, quality safeguards and a clear ledger route. Productivity and cost avoidance will be reported separately from cash-releasing savings and will reduce the financial gap only where the cash impact is evidenced and finance-validated.

Argymhelliad / Recommendation

The Finance and Performance Committee is asked to consider the Financial Road Map as an early strategic framework for discussion, recognising that the route to breakeven will require clear choices on risk appetite, pace, assurance and the progression of opportunities through the wider organisational planning cycle, and:

- **ENDORSE** the proposed direction of travel, as the basis for developing a credible, phased route towards sustainable financial balance over the 2027-30 planning period, for onward ratification by the Board, recognising the Committee's role in scrutinising and supporting the Financial Road Map prior to formal Board consideration.
- **DISCUSS** the Committee's risk appetite for the scale and nature of decisions that may be required to deliver the Road Map, recognising that material recurrent improvement is likely to require choices across productivity, workforce, service configuration, pathways and demand management.
- **DISCUSS** the Committee's appetite for the pace at which opportunities should be progressed through design, assurance, consultation and decision-making, balancing the urgency of the financial challenge with the need to maintain quality, safety, workforce sustainability and public confidence.
- **NOTE** that the next update will be brought forward as part of the wider organisational planning cycle, informing the development of the Health Board's Three-Year Plan submission in March 2027, where the opportunities will need to be prioritised and delivery plans matured through agreed owners.
- **ACKNOWLEDGE** the material risk associated with £26.0m of conditionally recurrent funding, recognising that this funding will only be issued if the Health Board delivers a breakeven position in 2027/28 and that non-delivery would therefore materially increase the residual financial gap and the scale of corrective action required.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Cyfeirnod Cylch Gorchwyl y Pwyllgor:

Committee ToR Reference:

3.1.5

Receive assurance on the delivery of the financial plan. This will be achieved through scrutiny of the monthly finance report. This report shall ensure clarity in:

3.1.5.1 The reporting of monthly, year to date and forecast financial position alongside operational drivers;

3.1.5.2 Performance against the savings requirement;

3.1.5.3 Performance against other financial metrics, such as cash management,

	capital management and Public Sector Payment Policy.
Cyfeirnod Cofrestr Risg Datix, Teitl a Sgôr Risg Cyfredol: Datix Risk Register Reference and Score:	1199 (score 25) Risk of the Health Board not being financial sustainability. 2326 (score 25) Risk to achieving 2026/27 Target Control Total due to underlying deficit, insufficient savings & reliance on non-recurrent funding.
Parthau Ansawdd: Domains of Quality Quality and Engagement Act (sharepoint.com)	7. All apply
Galluogwyr Ansawdd: Enablers of Quality: Quality and Engagement Act (sharepoint.com)	6. All Apply
Amcanion Strategol y BIP: UHB Strategic Objectives:	All Strategic Objectives are applicable
Nodau Cynllunio 2026/27 Planning Goals 2026/27	All Planning Goals Apply
Hypergyswllt i Amcanion Llesiant HDdUHB 2026 Hyperlink to HDdUHB Well-being Objectives 2026	9. All HDdUHB Well-being Objectives apply
Model Cymdeithasol ar gyfer lechyd a Llesiant : (wedi'i gwblhau ar gyfer newid strategol a/neu newidiadau sylweddol i wasanaethau) A Social Model for Health and Wellbeing : (<i>complete for strategic change and/or significant service changes</i>)	Not Applicable
Gwybodaeth Ychwanegol: Further Information:	

Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on HDdUHB's financial reporting system.
Rhestr Termiau: Glossary of Terms:	BGH – Bronglais Hospital CHC – Continuing Healthcare EOY – End of Year FNC – Funded Nursing Care FYE – Full Year Effect GGH – Glangwili Hospital GMS – General Medical Services HSCEY – Health, Social Care and Early Years MHLA – Mental Health & Learning Disabilities NICE – National Institute for Health and Care Excellence OCP – Organisational Change Policy/Process OOH – Out of Hours PPH – Prince Philip Hospital PSPP – Public Sector Payment Policy RTT – Referral to Treatment Time T&O – Trauma & Orthopaedics TCT – Target Control Total WG – Welsh Government WGH – Withybush Hospital WRP – Welsh Risk Pool WTE – Whole Time Equivalent YTD – Year to date
Partïon / Pwyllgorau â ymgynhorwyd ymlaen llaw y cyfarfod hwn: Parties / Committees consulted prior to this meeting:	Finance Team Management Team Executive Team

Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	The Road Map responds to the £41.0m approved deficit, the Month 5 gross forecast of £60.9m and the indicative £84.7m opening deficit for 2027/28. The opportunities framework is gross and unassured; benefits will be recognised only when recurrent, net of implementation and replacement costs, and evidenced through budget and ledger transactions.

Ansawdd / Gofal Claf: Quality / Patient Care:	Each scheme will require proportionate quality, equality and patient-impact assessment before approval. Delivery reporting will include balancing measures for safety, access, activity, outcomes and service continuity; financial benefit will not be recognised where quality safeguards are not met.
Gweithlu: Workforce:	The Road Map includes establishment control, variable-pay reduction, skill-mix review, sickness absence and organisational change. Schemes will require workforce baselines, consultation and redeployment plans, and assurance on safe staffing, workload, wellbeing, retention and service continuity.
Tegwch Iechyd: Health Equity:	Not Applicable
Risg: Risk:	Key risks are insufficient recurrent savings, unconfirmed or conditional funding, optimism bias, double counting, slippage, implementation capacity, workforce and quality impacts, consultation dependencies and failure to convert productivity into cash. The most material risk is that non-delivery of a 2027/28 breakeven position would prevent release of £26.0m conditionally recurrent funding, increasing the residual gap and the scale of mitigations required. Each material risk will require an owner, quantified exposure, early trigger, mitigation and reporting route.

Cyfreithiol: Legal:	HDdUHB has a legal duty to deliver a breakeven financial position over a rolling three-year basis and an administrative requirement to operate within its budget within any given financial year.
Enw Da: Reputational:	Adverse variance against HDdUHB's financial plan will affect its reputation with Welsh Government, Audit Wales, and with external stakeholders.
Gyfrinachedd: Privacy:	Not Applicable
Cydraddoldeb: Equality:	Not Applicable

Route-map to Financial Balance

Draft Assessment

September 2026

Board and Committee Update



1. Thriving teams



2. Healthier communities



3. Great care



4. Positive futures



Contents

A Strategic framing

B Background and context

C Approach, components and assumptions

D Draft financial roadmap

E Prevalence

F Savings and opportunities framework

G Key actions and deadlines

H Appendices

A. Strategic framing

Sets out the Health Board's strategic intent for delivering a credible, phased improvement in its financial position. It identifies the recurrent savings, configuration changes, operational levers and governance required to reduce the underlying deficit and achieve sustainable financial balance.



1. Thriving teams



2. Healthier communities



3. Great care



4. Positive futures



Strategic intent: sustainable improvement



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The plan must demonstrate credible control now and a transformational route to a lower underlying deficit.

£41.0m

2026/27 annual plan deficit

£22.1m

Welsh Government target control
total

£26.0m

Conditional recurrent funding linked
to breakeven by 2027/28

Strategic intent: Reduce both the reported and underlying deficit each year – protecting safe care while replacing short-term measures with recurrent savings and service transformation.

CONTROL & RECOVER

Strengthen grip, prevent
deterioration and recover
financial position

STABLISE

Deliver assured recurrent
improvement

TRANSFORM

Change services, workforce
and productivity

SUSTAIN

Embed benefits and financial
resilience

A phased route to financial sustainability



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The next planning cycle, to be submitted to Welsh Government in March 2027, will be a three-year plan, not an IMTP due to the Health Board not financially breaking even across a three-year period.

Each year has a distinct purpose; progress is measured in both reported and underlying terms.

1

2027/28

STABILISE

- Strengthen grip and prevent deterioration
- Increase assured recurrent savings
- Deliver an improving exit run-rate

2

2028/29

TRANSFORM

- Embed workforce, pathway and productivity changes through implementing CSP1
- Reduce reliance on non-recurrent actions
- Lower the underlying deficit materially

3

2029/30

SUSTAIN

- Target in-year balance
- Implement CSP2 changes
- Consolidate recurrent benefits
- Maintain a substantially lower underlying deficit on a full year effect basis exiting March 2030

Control

Configuration change

Sustainable balance

Recurrent actions must outpace new cost

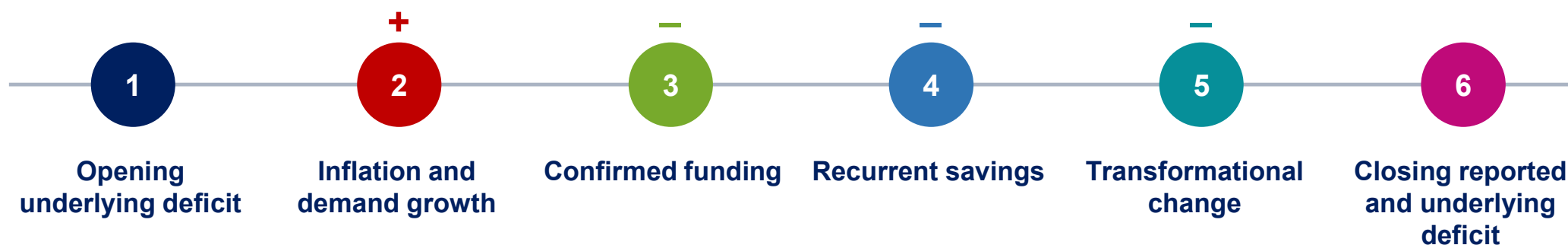


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The plan should show a transparent bridge from the opening position to the residual deficit in each year.



Benefit discipline

CASH RELEASING

Removes expenditure from the recurrent run-rate

COST AVOIDANCE

Prevents an additional pressure from materialising

PRODUCTIVITY

Releases capacity; counts financially only when converted to cash

Benefits should reduce the financial gap only when the cash impact is evidenced and finance-validated.

Six operational levers carry the plan



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The savings requirement is not a finance exercise; delivery depends on changes to capacity, pathways, workforce and the operating model.

1 Workforce configuration

Align establishments, skill mix and temporary staffing to affordable service models

CASH + PRODUCTIVITY

2 Clinical productivity and pathways

Improve flow, theatre utilisation, length of stay and care closer to home

PRODUCTIVITY + AVOIDANCE

3 Continuing healthcare and commissioned care

Strengthen demand management, packages of care and contracting

CASH + AVOIDANCE

4 Medicines and procurement

Standardise, reduce variation and capture purchasing opportunities. Contract management oversight.

CASH + AVOIDANCE

5 Configuration and Estates

Corporate landlord rationalisation of non-acute sites. Reduce duplication and align capacity with the clinical strategy

CASH + PRODUCTIVITY

6 Corporate and administrative efficiency

Introduce a consolidated Patient Contact Centre and simplify processes, spans, systems and support-service delivery.

CASH + PRODUCTIVITY

Benefit types must remain distinct in reporting: cash releasing | cost avoidance | productivity.

Evidence, ownership and early intervention

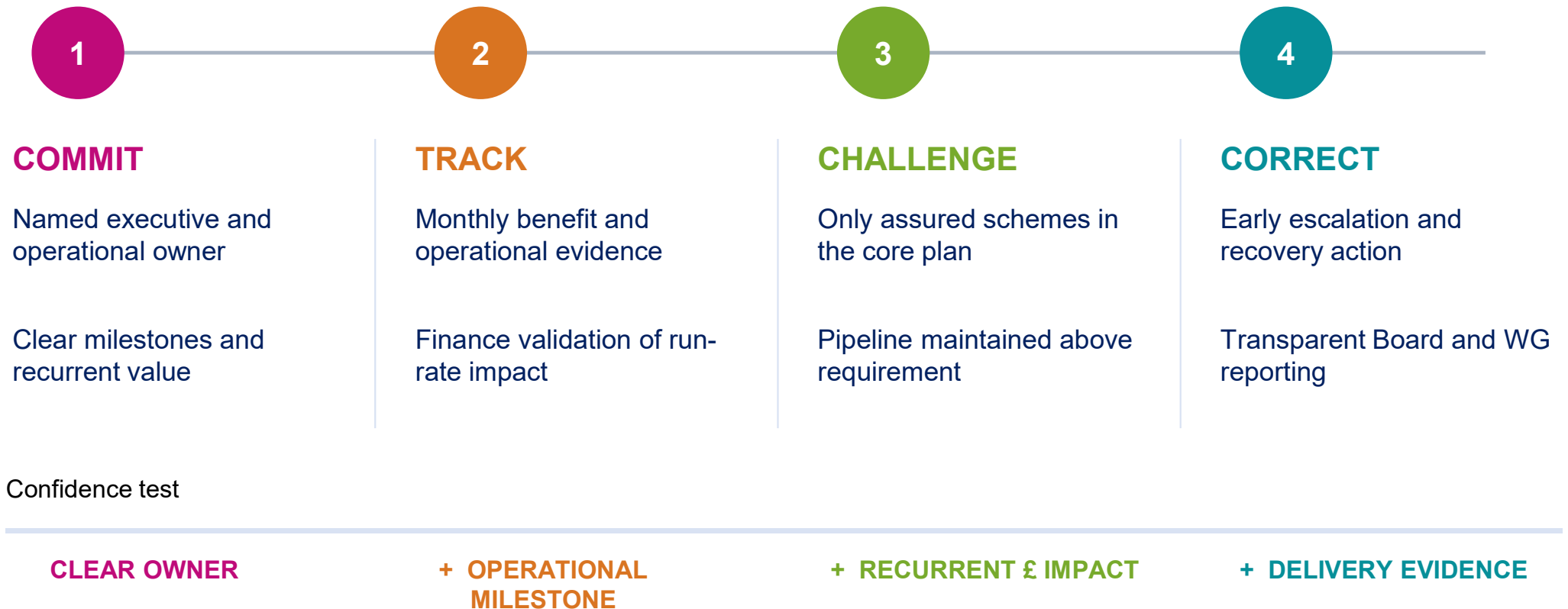


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Confidence comes from a disciplined delivery system – not from the size of the opportunity pipeline alone.



Confidence test

Decisions and support required for delivery



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Clarity is required on the trajectory, accountabilities, enabling actions and external assumptions.

WELSH GOVERNMENT

- Confirm funding assumptions and conditionality
- Agree trajectory and evidence for de-escalation
- Resolve national pressures and required flexibilities

BOARD

- Endorse the improvement trajectory and risk appetite
- Approve principles for investment and de-prioritisation
- Hold executives to agreed milestones and recovery actions

EXECUTIVE TEAM

- Confirm accountabilities and savings requirements
- Approve the assured scheme pipeline and enabling actions
- Resolve cross-system barriers and capacity constraints

Sequence

NOW

Agree intent, trajectory and principles

BEFORE SUBMISSION

Confirm schemes, owners and assumptions

THROUGH DELIVERY

Track evidence, intervene early and report transparently

Strategic outlook beyond financial balance



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The three-year plan should restore control while repositioning resources towards resilient, high-value care.

Financial balance is a statutory duty — not the strategic destination

POPULATION NEED

Align capacity and investment with changing need, prevention and care closer to home.

RESILIENT SERVICES

Reduce fragility and unwarranted variation through clinically led pathway and service redesign.

PRODUCTIVE WORKFORCE

Match establishment, skill mix and deployment to an affordable operating model.

AFFORDABLE INFRASTRUCTURE

Concentrate estate, capital and digital investment where it enables sustainable service delivery.

Strategic test: does each major financial action improve the long-term service sustainability, or merely defer cost and operational risk?

B. Background and Context

Sets the financial baseline, Welsh Government expectations and the trajectory required to return to breakeven.



1. Thriving teams



2. Healthier communities



3. Great care



4. Positive futures



Financial deficit performance

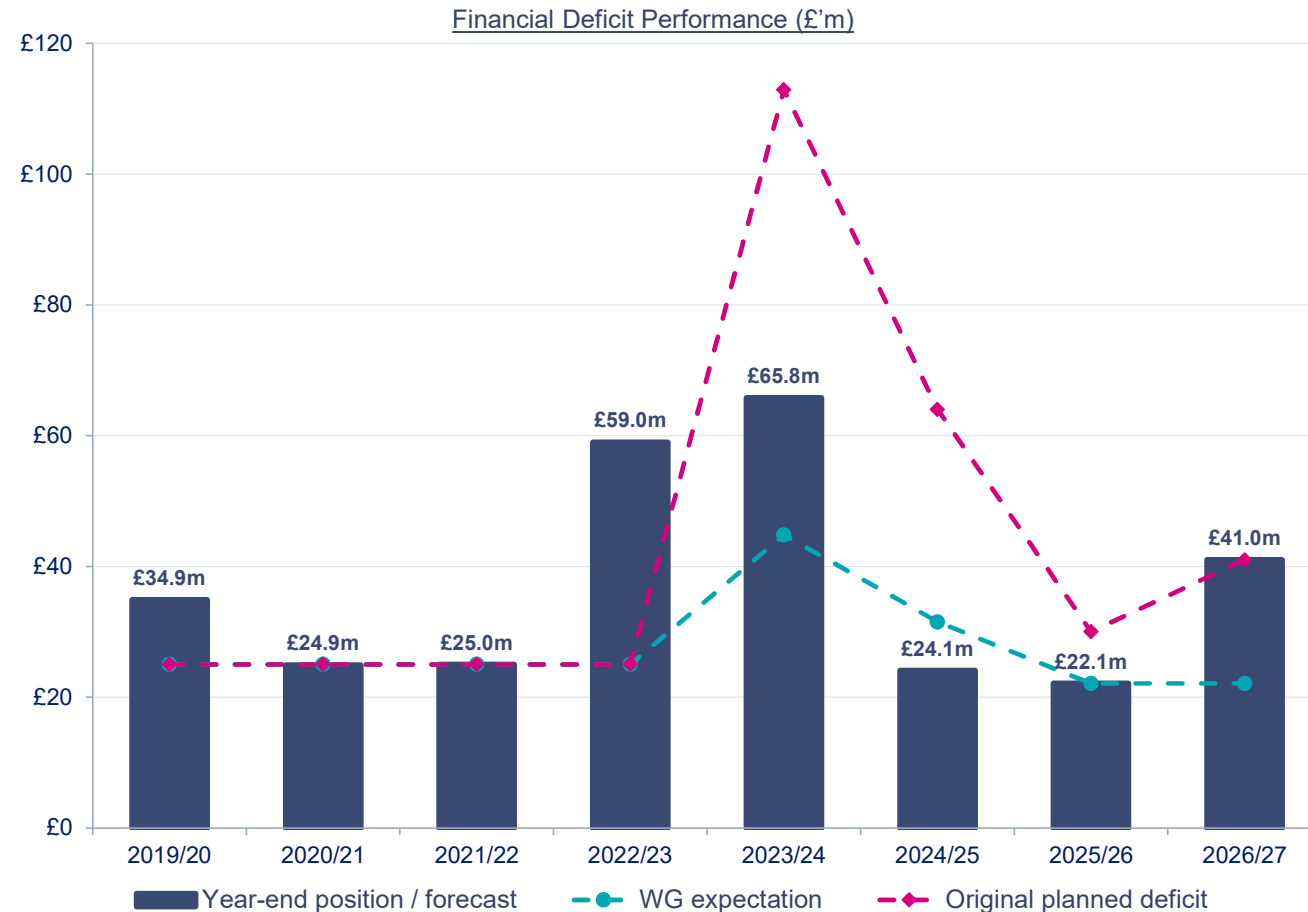


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- The Health Board has an **annual plan deficit of £41.0m for 2026/27**. However, **Welsh Governments expectations are for a deficit of £22.1m, being target control total**;
- Given the scale of the challenge to bridge to a break-even position, the Health Board submitted an Annual Plan for 2026/27 and not an IMTP, but set within a three-year context;
- The Health Board is in Targeted Intervention for Finance, with a criteria to deliver breakeven by 2027/28. Significant change is required to meet this expectation, clearly set out by Welsh Government, and links to £26.0m conditionally recurrent funding;
- With challenges delivering savings in the post-pandemic era, 2024/25 and 2025/26 have reversed this trend with a reframed approach to internal escalation and accountability;
- The Health Board is proposing to submit a Three-Year Financial Plan for 2027-30.



Note: The 2026/27 position stated as at Month 5 Monthly Monitoring Return submission to Welsh Government. A mid-year assessment is being undertaken for review within the September 2026 Board meeting.

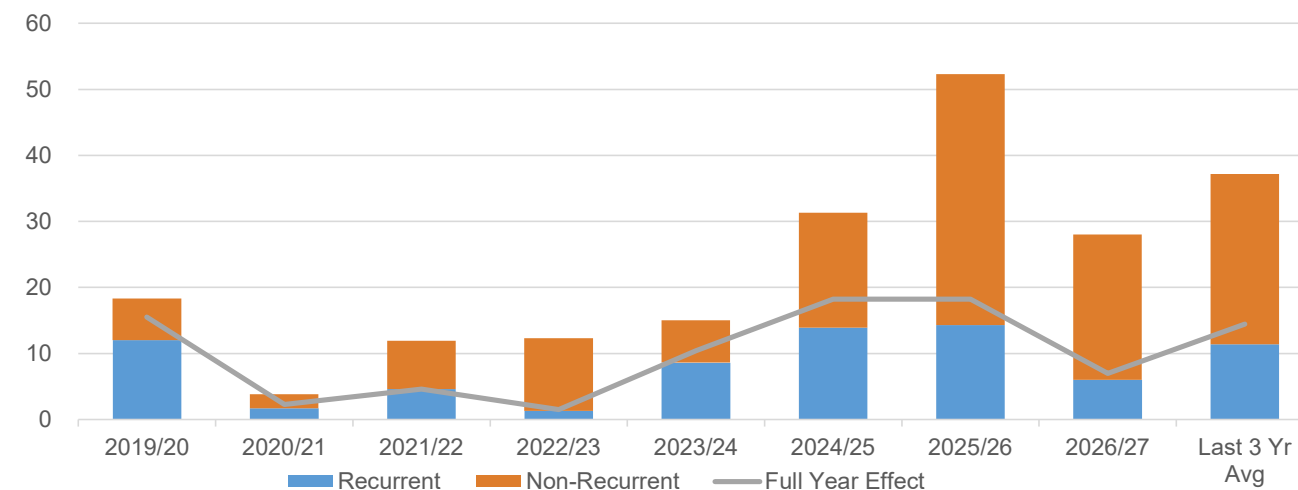
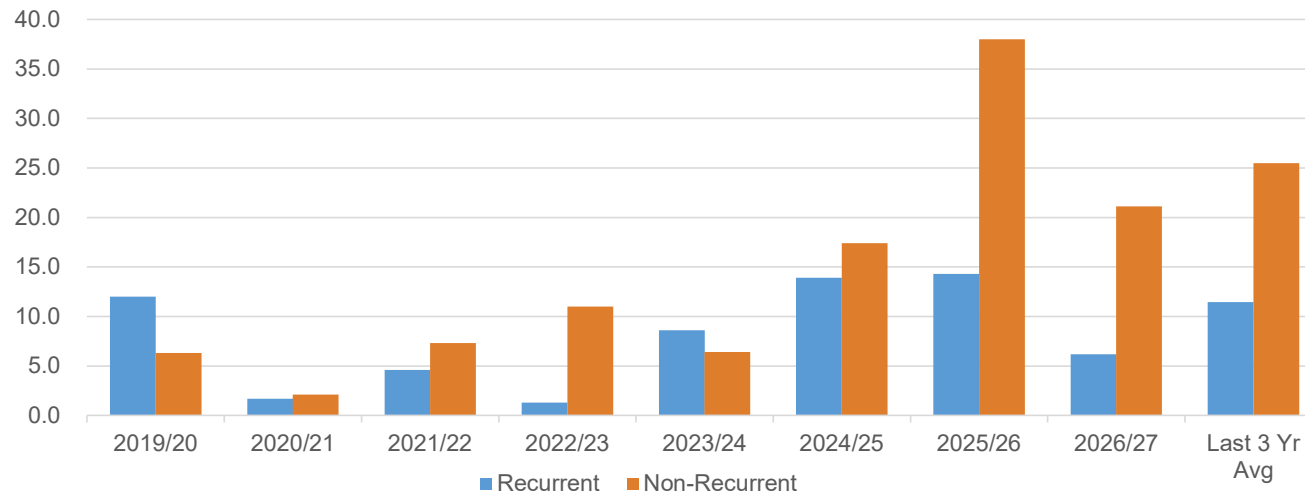
Savings Deliverability Assessment (£'m)



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- **Note:** 2026/27 savings reflect the Month 5 reporting position. The three-year average covers 2024/25 to 2026/27.
- There remains a historic and continuing **over-reliance on non-recurrent savings**. In no year has the full-year effect of recurrent schemes matched total savings delivery.
- In 2026/27, **non-recurrent** savings represent **73% of total delivery**.
- The 2026/27 target was to carry forward any residual savings from the ambitious two-year savings target of 2024/25 and 2025/26, and increase by 2.0% of non-ring fenced budgets
- Savings performance improved in 2024/25 and 2025/26 but **plateaued in 2026/27**, resulting in the £42.8m target not being met. Delivery continues to rely partly on underspends, with **limited progress in securing additional recurrent savings**.

Financial Roadmap Assessment 2026-27 (Year 0)



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The underlying assessment is identified at the start of a new financial year together with an assessment of the inflation, demographics, allocation funding and savings. The 2026/27 financial plan is summarised as follows, and when factoring in extraordinary items, demonstrates a marginal improvement compared to the 2025/26 outturn:

2026/27 Financial Plan Assessment	Recurrent £'m	Non-Rec £'m	Total £'m
Underlying deficit carried forward	53.7	-	53.7
Macro-economic inflation price modelling	10.8	-	10.8
Contractual or unavoidable (incl. Welsh Risk Pool)	19.7	-	19.7
Demographic prevalence modelling	12.2	0.2	12.4
Welsh Government allocation funding	(12.8)		(12.8)
Gross expenditure plan	83.6	0.2	83.8
Savings target	(42.8)		(42.8)
Planned financial deficit	40.8	0.2	41.0
Welsh Risk Pool additional element	(12.6)	-	(12.6)
Accountancy gains that are one-off in nature	(7.1)	-	(7.1)
Adjusted planned financial deficit excluding extraordinary items	21.1	0.2	21.3
2025/26 outturn position	22.1	-	22.1

C. Approach, components and assumptions

Defines the planning components, appraisal approach and governance required to support key decisions and savings. Establishes the budget-setting principles and assumptions for workforce, inflation, growth, funding and cost pressures.



1. Thriving teams



2. Healthier communities



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Principle Components and Approach



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As a framework approach to identifying components that would require a financial appraisal with the planning cycle, the following key elements are defined, and an assessment will be undertaken to provide clarity for decision-making through the Planning Steering Group, Executive Team and Board. Timelines and organisation communication will be aligned to that coordinated by the Planning function.



Proposed priority order of approval of income or expenditure – all need Executive Team and Board ratification

Approval of opportunities and savings requirements to offset any impacts of Income or Expenditure changes

Key Principles



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- **Budgets will be delegated** from the Accountable Officer (CEO) to **Delegated Officers** (Executive Directors) and their immediate **Deputies** (Executive Function Leads and Clinical Care Group Directors);
- **Consolidation of budgets** will be **undertaken for key areas** to align holistic oversight with appropriate Delegated Officers;
- The **Workforce** plan to be **within existing budgets** only, or specifically included within investment decisions;
- Resourcing requirements for **25A and 25B wards** are to be conducted by **Corporate Nursing Team only**;
- **Only assured** (Green and Amber) **savings plans will be included** within the final planning submission, any residual gap to the total savings requirement will be highlighted as a remaining total of pipeline schemes;
- The **Opportunities Framework and Service insight** is to be used to generate sufficient savings opportunities to achieve the targets set for each Clinical Care Group/Executive Function;
- **Saving target** will be set as the value required to achieve an in-year break-even position for 2029/30 (Year 3);
- **Clinical Care Group/Executive Function savings targets** will be the minimum of the national efficiency target expectation, **plus** any residual recurrent savings gap from the savings requirement set in 2026/27.

Key Focus Areas for Budget Setting



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- **In-year cost pressures and underlying assessment of positions** – a decision is required whether the material in-year cost pressures will be recognised in budget setting, these are including and not exclusively linked to the finance risks identified on a separate slide, such as medical pay, continuing healthcare and prior elective care savings not being maintained in non-pay. To obtain clarity on the existing realistic run rates, an informed review of underlying positions are required;
- **Establishment control review** – workforce improvement programme to update cost centre and band discrepancies within existing budgets (actual vs budget misalignments), cleansing of under and over established areas and accommodating accurate mix changes to be made through the annual spine point rightsizing exercise, and removing any budgets that have historically not be achieved thus reducing the recurrent deficit and removing the continued underspend non-recurrent savings;
- **Workforce mix across substantive and temporary** – a revised approach is required to better align workforce planning assessments with budgets, to ensure a comparison at budget level to actuals can be undertaken for the quantity of workforce required within Variable Pay and Premium Agency generated by Substantive Pay vacancies. This will allow actuals and budgets to be aligned to allow improved in-year comparison, insight and control;
- **Profiling of budgets** – ensuring budgets are appropriately phased to align with spend profile and seasonality.



The greatest opportunity to transform services and reduce costs would be to change the configuration of our sites, consolidate our estate and reduce the spread of services. This would also align with the sustainability and quality challenges faced by the Health Board in respect of fragile services. Fewer sites, would allow the reduction of direct patient care costs as well as the cost of sustaining a site and the associated services within it. Closure of a site, with care provision delivered elsewhere, would facilitate the release of the associated enabling costs, inclusive of all support services and associated costs such as catering, portering, estates, annual rate charges etc.

For example, All Wales reference cost data highlights Bronglais as our highest cost DGH in respect of activity unit costs, comparing average unit costs to All Wales average numbers. A high-level estimate of £30m opportunity has been identified if the Health Board functioned fewer acute sites, this figure would be dependent on operational detail in respect of service reprovision etc.

In respect of community sites, Llandovery Hospital costs approximately £2.3m annually to deliver 10-11 beds, approximately £0.2m per bed. If the site closed the total costs of the site could be released, not just the cost of the ward. Cost saving estimates from closing a DGH bed are closer to £0.1m, assuming the whole acute site wouldn't be closed. In respect of care reprovision, this would presumably be community based, a high-level conservative estimate would be £0.6m for the same number of beds. Net saving potential £1.7m.

Capacity at South Pembrokeshire Hospital is a further area which has been referenced in the context of service reconfiguration. The site currently houses Sunderland ward, 40 beds. The suggestion has been to accommodate this capacity within WGH once the fire works are complete and the current decant ward capacity is available. This site poses a challenge in respect of complete closure as a number of other services are accommodated there, beyond the ward. As such the service re-provision would be more complex and likely more costly. This is included within our savings plans as a Blue scheme at £2.6m.

Changes of this scale would require extensive consideration and planning, alongside the appropriate engagement and consultation processes with stakeholders and it is assessed that the majority of these would not be in place until beyond 2030.

The logic map: intervention evidence into action

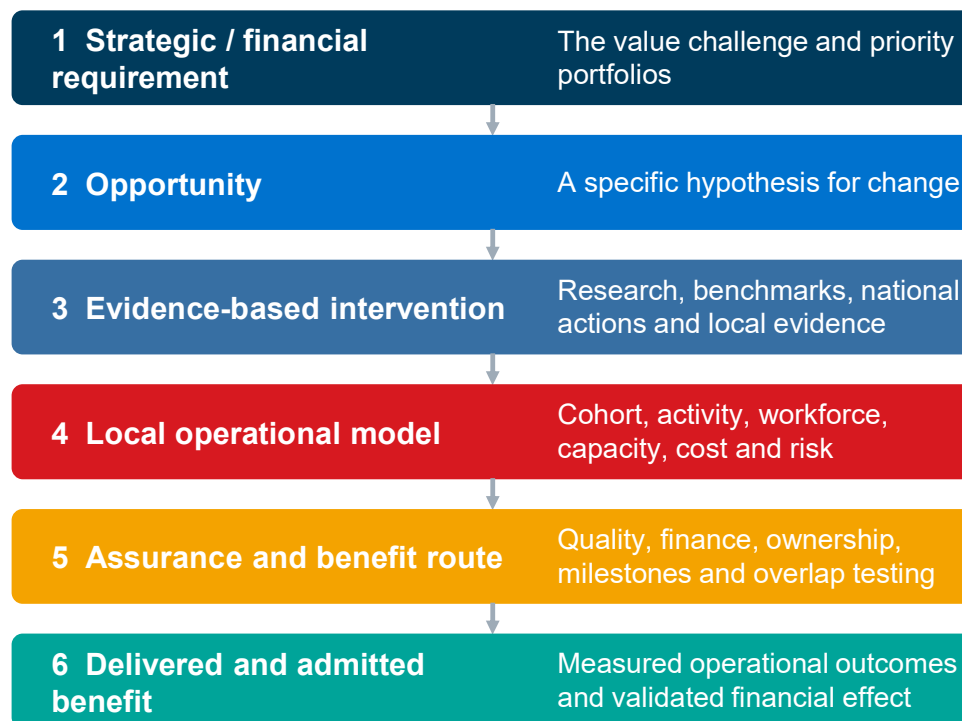


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A transparent line of sight connects the financial challenge to interventions, local delivery and admitted benefit.



What the logic map tests

- Evidence** What supports the intervention and its expected mechanism of change?
- Applicability** Will it work for the local cohort, pathway and operating context?
- Impact** What changes in activity, capacity, workforce, quality and cost?
- Traceability** Can each claimed benefit be linked to an owner, measure and financial route?
- Integrity** Are overlaps, shared benefit pools, limitations and double counting controlled?

Outcome: evidence informs the Blue idea; acceptance moves it to Red; local appraisal produces Amber; verified delivery becomes Green.

D. Draft financial roadmap

The choices required to deliver our roadmap.



1. Thriving teams



2. Healthier communities



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Three scenarios test allocation assumptions



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The scenarios hold the broader planning framework broadly constant and show how different allocation assumptions change the savings required.

SCENARIO 1

0.6% allocation

Indicative Welsh Government two-year Senedd allocation assumption.

ALLOCATION FUNDING

Yr 1	Yr 2	Yr 3
£8.1m	£8.3m	£8.5m

SCENARIO 2

1.1% allocation

Same allocation as received for 2026/27.

ALLOCATION FUNDING

Yr 1	Yr 2	Yr 3
£14.9m	£15.3m	£15.7m

SCENARIO 3

1.6% / 1.5% allocation

Original 2026/27 three-year plan allocation assumption.

ALLOCATION FUNDING

Yr 1	Yr 2	Yr 3
£18.7m	£18.0m	£18.5m

Outcome: Aligning to discussions with Welsh Government on the expected Senedd budget priorities, scenario 1 has been assumed for the roadmap, recognising the sensitivity to the savings requirement from the allocation funding.

Deficit assessment



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As the starting point for the next three-year financial plan, £41.0m is assumed to be delivered, but should that not be achieved, as part of the deficit assessment that will be used for the next plan, any modelling assumption deviations from the prior planning cycle are included, together with the recurrent impact of savings plans and non-recurrent adjustments. The latest assessment of what the start of the next planning would be is included below:

Current Financial Performance (as at Month 5)	£'m	2026/27 Deficit Impact	£'m
2026-27 Planned Deficit	41.0	2026/27 Gross forecast (as at Month 5)	60.9
Savings gap / (improvement)	12.3	Add non-recurring savings and accountancy gains	23.8
Under / (Over) delivery of savings schemes	-	Add / (Less) recognising net over/under spends	(-)
Core operational variation	7.6	Projected deficit into 2027/28	84.7
Gross Forecast	60.9		
Future mitigating actions	(19.9)		
2026/27 forecast end of year deficit as reported to Welsh Government	41.0		

Note: An assessment will be required, with decisions, whether to recognise continuing overspends or underspends as part of the performance to reach £60.9m. Recognising only overspends, e.g. Medical Agency usage, would artificially inflate the deficit if assumptions are made that all underspends would be spent in full.

Risk: £26.0m of conditionally recurrent funding would not be received should a breakeven position not be delivered for the 2027/28 financial year. The funding is currently assumed to be received.

Financial Roadmap to Breakeven Summary



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The financial roadmap sets out the scale of the organisation's recovery challenge alongside the opportunities available to address it, helping to inform the choices, pace and ambition required to restore financial balance through the planning cycle.

Financial recovery cannot be deferred to the next planning cycle. Immediate action is required to improve the underlying run rate, with measurable benefits delivered from September 2026 and a credible trajectory towards breakeven. By March 2027, the exit run rate must be materially and sustainably better than the current position; current performance must not be accepted as the baseline for 2027/28 planning. The Board and Committees will require clear actions, accountable owners, delivery milestones and quantified impacts to minimise any deficit carried forward.

Financial Roadmap (£'m)	Scenario 1
2026/27 deficit carried forward	84.7
2027/28 net inflation, demand and allocation funding – additional savings required	20.5
Deficit prior to savings and opportunities	105.2
Savings requirement to be delivered from the opportunities framework and other ideas	(105.2)
2027/28 roadmap to breakeven	0.0

Three-year net cost vs allocation impact



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The following summarises the net annual impact of inflationary pressures, demand growth and Welsh Government funding allocations for scenario 1.

Scenario	Component (£'m)	2027/28		2028/29		2029/30	
Scenario 1 0.6%	Welsh Government allocation funding	(8.1)	20.5	(8.3)	21.0	(8.5)	21.2
	Macro-economic inflation price modelling	9.0		9.2		9.4	
	Contractual or unavoidable (incl. Welsh Risk Pool)	5.5		6.0		6.2	
	Demographic prevalence modelling	14.1		14.1		14.1	

Deficit drivers must map to recurrent responses



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A credible plan links each underlying pressure to the operational change and evidence that will remove it.

Underlying Driver	Recurrent Response	Board Evidence
Workforce cost and staffing growth	Establishment, skill mix, variable-pay control and service redesign	WTE and budget reduce to trajectory
Demand, prevalence and complex care	Prevention, pathway redesign and CHC / commissioned-care action	Demand, utilisation and package-cost trend
Clinical variation and productivity	Standardise pathways, flow, theatres and length of stay	Capacity removed, redeployed or growth avoided
Multi-site and estate overhead	Configuration, consolidation and corporate-landlord action	Whole-site and enabling costs released
Medicines, non-pay and corporate cost	Formulary, procurement, automation and spans	Ledger-visible recurrent reduction
Funding and commissioning exposure	Scenario planning, contracting and partner agreement	Allocation confirmed, benefit agreed or contingency

E. Review of Prevalence

Tests the prevalence and demographic evidence used to prioritise growth requirements within an affordable planning envelope.



1. Thriving teams



2. Healthier communities



3. Great care



4. Positive futures



Prevalence Update – PHW Review



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Review of PHW Document 2024

- Programme Budgeting Return Costs
- PHW forecasted prevalence based on 2009/10 – 2023/24 observed activity and 10-year projection from April 2024 onwards
- PHW has Female cancer incidence growing at 0.86% per annum (applied to Breast Cancer)
- PHW has Male cancer incidence growing at 1.15% (applied to Urological Cancer)
- PHW has 'All persons' cancer incidence growing at 1.01% (applied to Colorectal and Lung Cancer)
- Dementia, growth based on Cardiff/Bangor Prevalence review (2023) (not captured in PHW summary)
- Mental Health and CHC growth reflects actual cost of demand increase in CHC, MH&LD packages of care as communicated in DoF review meeting July 2026
- Elective Care Pathways MSK based on All Wales growth – PHW forecast (HD seeing lower growth recent years)

Forecast growth is derived from historic All Wales count of case-based projections which are age-standardised.
Hywel Dda demographic variation to All Wales has been factored in by applying the variation in growth rates seen historically to PHW forecasts.

Investment Description	Recurrent Impact £'m	Comments
This is the full cost estimated based on 2024/25 Programme Budgeting Costs/Patient Level Costs, source of activity increase 'Summary of Non-Communicable and Cancer Diseases' (PWH) and 'Forecasted Prevalence and Incidence of Long-Term Conditions in Wales (Cardiff University, Bangor University, Science Evidence Advice Division – Welsh Government)		
Atrial Fibrillation & Related Events	0.5	2.72% per annum (£1.5m over 3 years)
Breast Cancers	0.1	0.86% per annum (£0.3m over 3 years), Female cancer incidence
Colorectal Cancers	0.1	1.01% per annum (£0.3m over 3 years)
Lung Cancer	0.1	1.01% per annum (£0.2m over 3 years)
Urological Cancer	0.1	1.15% per annum (£0.4m over 3 years), Male cancer incidence
Respiratory Asthma / COPD	0.1	1.68% per annum (£0.2m over 3 years)
Dementia	1.2	3.01% per annum (£3.6m over 3 years)
Diabetes Type 2	0.5	1.50% per annum (£1.4m over 3 years) Community management until severe cases such as amputation
Heart Failure and Chronic Heart Disease	0.7	4.20% per annum (£2.0m over 3 years) (Heart Failure PBC costs primary and secondary care)
Mental Health Demand	0.3	Estimated at 1% growth per annum (£1.0m over 3 years)
Elective Care Pathways MSK	1.1	1.51% per annum (£3.2m over 3 years)
Trauma and Injuries	4.4	We are seeing older aged groups + c 10% (£13.1m) over 3 years
Stroke/TIA	0.0	0.86% growth per annum (£0.02m over 3 years)
Ophthalmology	1.2	We are seeing older aged groups + c 10% (£13.1m) over 3 years
CHC	2.0	We are seeing £2.0m actual cost of demand pressure in 2026/27
Urgent Care – ED	1.7	Assuming 3.3% growth in demand per annum
Primary care	0.0	Contract increase for GPs would be initiated by Welsh Government, funded assumed
Total	14.1	

Prevalence – Further Considerations



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Welsh Government population projections (Source: Stats Wales national population projections 2024), shows that overall for Wales between 2026 and 2030 key population changes are forecast as follows. This provides insight into how the population we serve will change by 2030 with potential demand related impacts on our services (for example; a falling population of children 15 years and under, may reduce demand for paediatric and maternity care).

- The population aged 65+ will increase from an estimate of 716,419 in 2026 to 772,144 in 2029, an increase of 7.8% or 1.95% per annum
- The population aged from 0 years of age to 15 years of age will decrease from 528,679 in 2026 to 490,219 in 2030, a decrease of 7.3% or 1.83% per annum. This should reduce demand for Paediatrics services across Wales.
- The number of those aged 0 (included in those aged 0 to 15 above) will fall from an estimated 26,385 in 2026 to 25,265 in 2030, this will reduce demand on Maternity Services across Wales.
- The female population will increase from 1,629,461 in 2026 to 1,638,195 in 2030, an increase of 0.5% or 0.1% per annum (females aged 65+ increasing by 30,146).
- The male population will increase from 1,565,970 in 2026 to 1,573,320 in 2030, an increase of 0.5% or 0.1% per annum (males aged 65+ increasing by 25,579).

Given the rural nature of the Hywel Dda geography, the increasingly ageing population may be more pronounced in Hywel Dda UHB than the overall Wales figures above.

- ED growth experienced by Hywel Dda UHB between 2022/23 and 2025/26 has averaged 3.3% and is reflected in our prevalence calculations.

The next step required is to compare actual 2026/27 Q1 & Q2 prevalence experienced by our HB against that forecast in the 2026/27 plan for prevalence. This will be progressed to inform the Annual Planning cycle and resulting three year plan.

F. Review of Savings and Opportunities

Reviews savings delivery and the opportunity pipeline, with emphasis on recurrent, assured and operationally deliverable schemes.



1. Thriving teams



2. Healthier communities



3. Great care



4. Positive futures



From Blue ideas to Green assured delivery

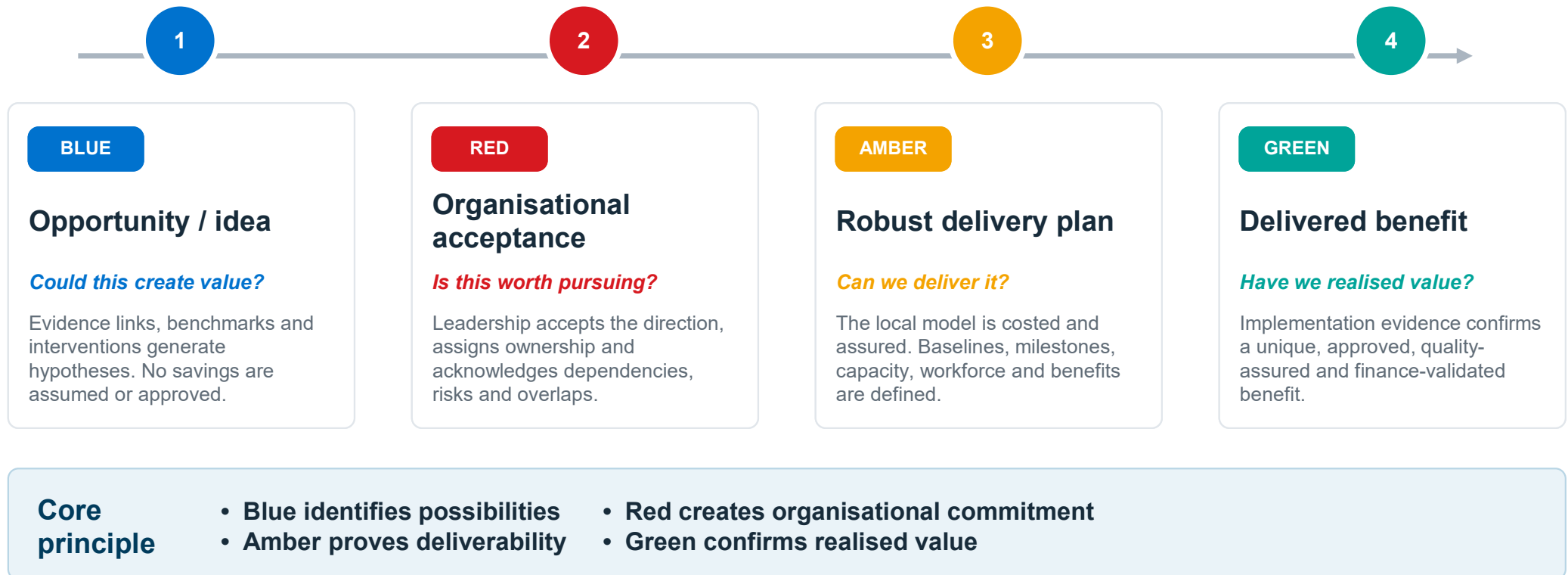


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A disciplined maturity pathway separates possibility, organisational commitment and realised benefit.



The framework prevents premature savings commitments by requiring stronger evidence and assurance at each gateway.

From opportunity to banked recurrent benefit



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A stage-gated pipeline makes optimism bias, dependencies and slippage visible early.



The core plan needs a risk-tiered portfolio



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Keep assured savings, delivery contingency and strategic choices visibly separate.

ASSURED CORE PLAN

Green and assured Amber schemes only

Owned • profiled • recurrent • quality-assured • finance-validated

CONTINGENT RECOVERY ACTIONS

Pre-agreed actions activated when delivery weakens

Trigger-linked • executable • net of displacement • not counted twice

STRATEGIC CHOICES

Longer-term service, workforce and estate options

Decision-led • consultation-dependent • transition-funded

Admission rule: no value enters the core plan until the owner, milestone, recurring cash impact, quality safeguards and ledger route are explicit.

G. Key actions and next steps

Converts the assessment into clear decisions, accountable actions and deadlines for completing the three-year financial plan.



1. Thriving teams



2. Healthier communities



3. Great care



4. Positive futures



Six enablers underpin execution certainty



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The delivery system must resolve dependencies early enough to protect full-year benefits and safe implementation.

1

Leadership and governance

Named executive owners, rapid escalation, agreed contingency authority and embedded grip and control.

2

Clinical and operational ownership

Clinician-led redesign, service accountability and locally owned milestones.

3

Workforce transition

Affordable establishments, consultation, redeployment and quality safeguards.

4

Data, digital and costing

A reconciled baseline linking finance, workforce, activity, assets and outcomes.

5

Programme and invest-to-save capacity

Dedicated analytical, change and delivery capability linked to recurrent returns.

6

System and partner alignment

Welsh Government, local authority, commissioning and regional dependencies resolved.

Board focus: resolve enabling constraints before they become explanations for delivery failure.

Board assurance should be trigger-led



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Forward indicators should trigger action before under-delivery reaches the financial position.

RISK	EARLY TRIGGER	PRE-AGREED RESPONSE	BOARD ASSURANCE
Savings maturity	Scheme misses a gate or remains outside Green/Amber	Focus capacity; activate recovery	Owner, exposure and revised date
Workforce trajectory	WTE, variable pay or establishment misses trajectory	Service correction; vacancy and premium controls	Quality, activity and run-rate
Operational cost growth	Demand or influenceable spend exceeds profile	Case-level action and demand review	Net pressure and mitigation
Enabling programme	Consultation, digital, capital or analytics delays benefit	Executive unblock; re-sequence or fund transition	Decision, dependency and FYE
Funding or partner	Allocation or commissioning assumption changes	Re-model scenarios; deploy contingency	Residual deficit and risk appetite

Minimum standard: each material risk has an owner, quantified exposure, trigger, mitigation and reporting route.

H. Appendices – Workforce Analysis

Provides a summary of workforce and pay growth, benchmark variation and the principal opportunities to improve productivity and reduce recurrent costs. It also outlines the indicative savings potential and the assurance required before benefits can be recognised.



1. Thriving teams



2. Healthier communities



3. Great care



4. Positive futures



Workforce growth has outpaced Wales



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The evidence supports targeted redesign and stronger establishment control — not an indiscriminate workforce reduction.

26.5%

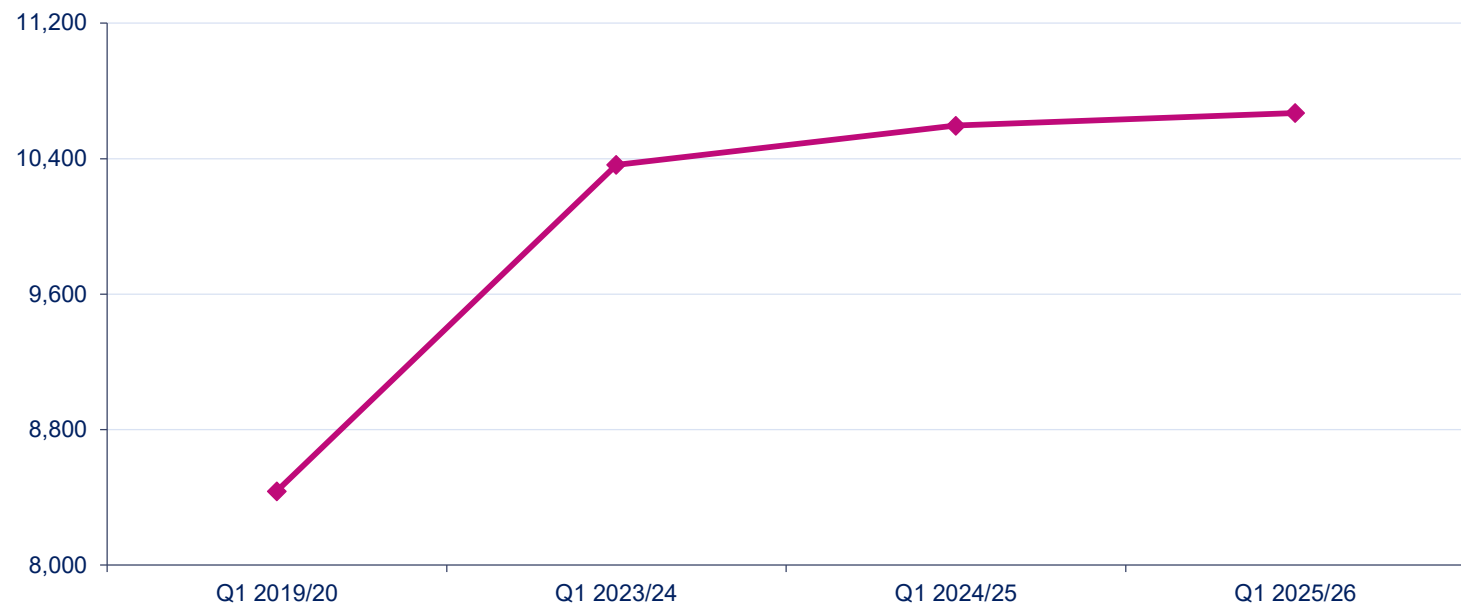
substantive WTE growth
2019/20 to 2025/26

10,699

substantive WTE
Q1 2025/26

£667m

forecast pay — 49%
of relevant expenditure



Context: WTE increased 26.5% versus 21.2% across Welsh health boards; pay increased 60%, broadly matching the 61% Welsh average.

Workforce growth is concentrated in three groups

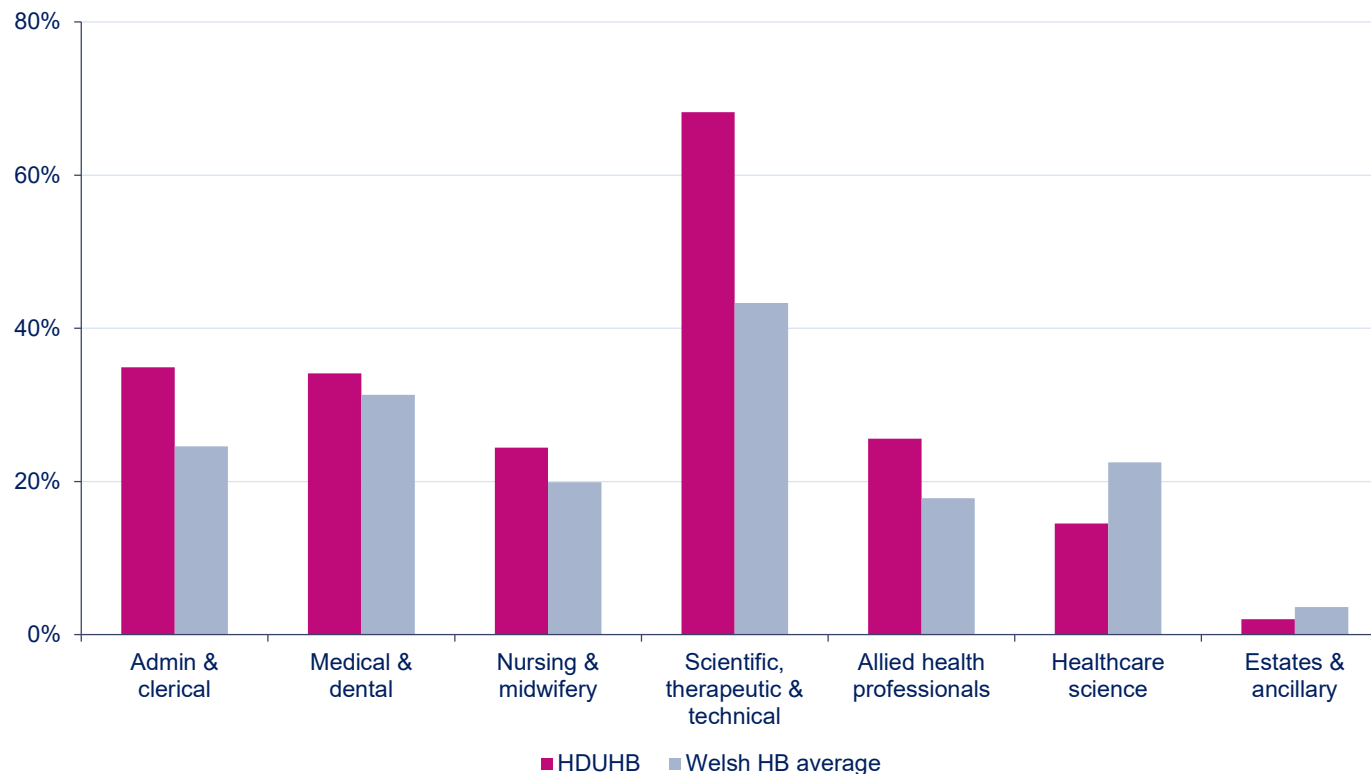


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Benchmark variation identifies where deeper review should start; it does not by itself establish a savings target.



Priority review areas

+24.9pp

Scientific, therapeutic & technical

+10.3pp

Administration & clerical

+7.8pp

Allied health professionals

Test role purpose, band mix, spans, deployment and activity impact before setting cash expectations.

Pay mix is the near-term opportunity

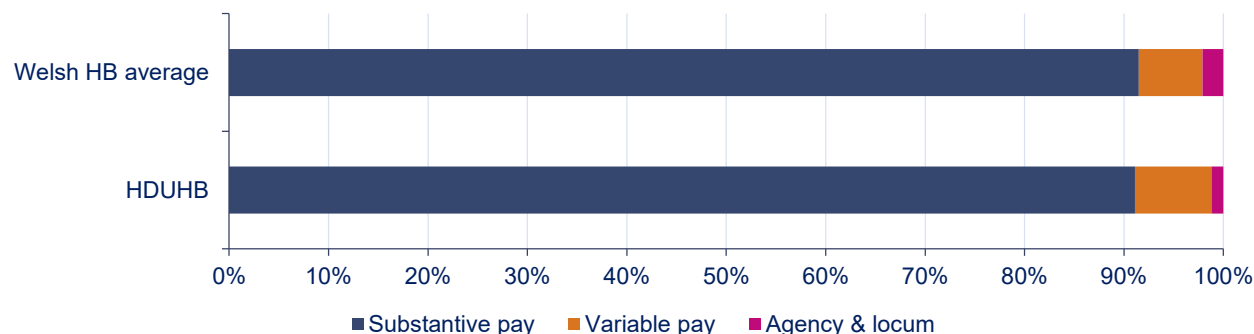


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Agency has already reduced materially; the larger opportunity is disciplined management of variable pay and recurring workforce need.



£52.2m

2025/26 variable pay forecast

£8.2m

agency and locum forecast

£14.7m

reduction in agency and locum
spend since 2019/20

19.1%

medical & dental pay that is
variable/agency vs 12.3% Welsh
average

£60.3m

annualised variable-pay run rate in
Aug 2026 — contained, not yet falling

Opportunity test: distinguish essential fragile-service cover from predictable demand, roster gaps and premium differentials that can be sustainably removed.

Indicative £26m workforce opportunity

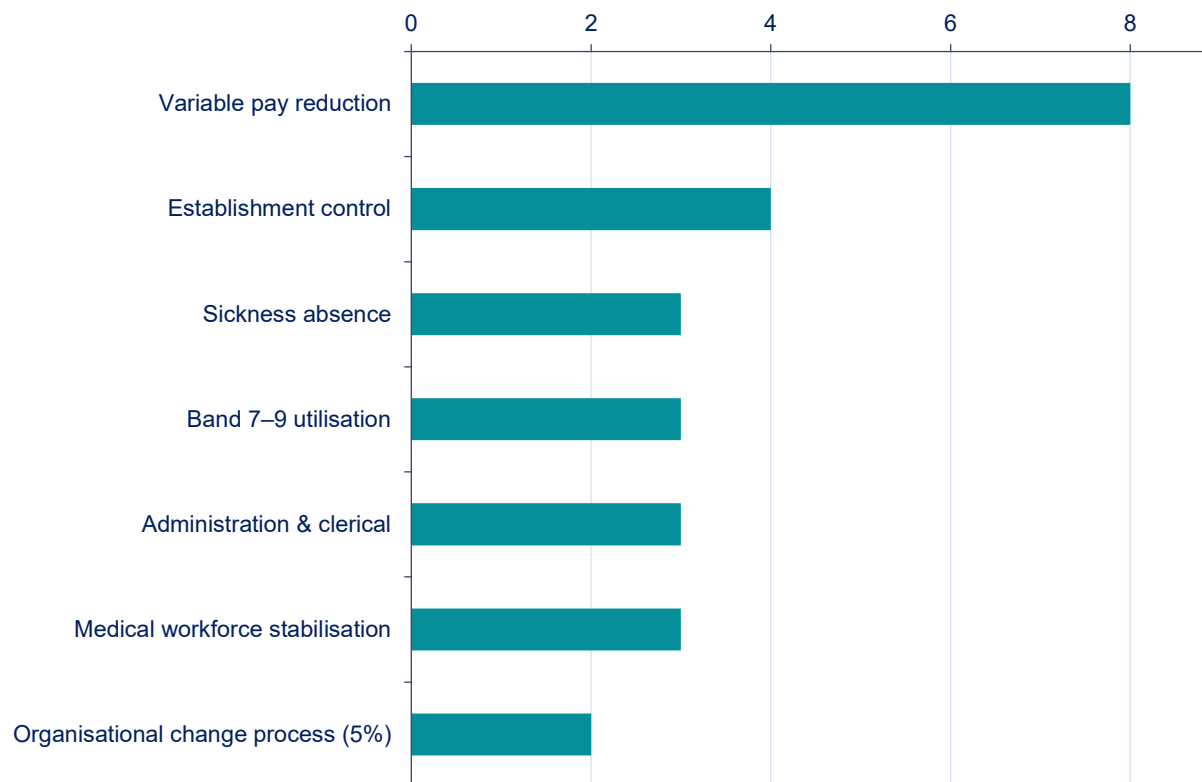


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Working improvement programmes envelope — not yet approved recurrent savings plan.



£26m

indicative recurrent opportunity
envelope

What converts opportunity to saving

- Operational baseline and accountable owner
- Net cash impact after replacement and transition costs
- Approved establishment and budget transaction
- Evidence that quality, access and staff wellbeing are maintained

Note: potential for double counting
across overlapping workforce
themes.

Evidence must precede savings recognition



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The Board-level proposition is a controlled workforce productivity programme with explicit benefit gates and balancing measures.

1 EVIDENCE

Reconcile finance, ESR, roster, activity and service baselines

2 DESIGN

Specify service and workforce model, owner and dependencies

3 ASSURE

Validate recurrency, FYE, costs, quality and BRAG confidence

4 MOBILISE

Deliver milestones, consultation, recruitment and redeployment

5 BANK

Transact budgets and evidence sustained run-rate benefit

Recognition gates

- Budget and establishment reduce
- Gross benefit is net of replacement and implementation cost
- In-year and full-year effects are separately tracked

Balancing measures

- Safe staffing and service continuity
- Access, activity and quality outcomes
- Staff wellbeing, workload and retention

Immediate decisions

- Confirm priority services and specialties
- Set monthly operational trajectories
- Include only assured Green/Amber savings in the core plan

Decision sought: Embed Workforce Improvement Programmes to ongoing planning cycle to target opportunities development, while withholding savings recognition until the agreed evidence and assurance tests are met.