



PWYLLGOR CYLLID A PHERFFORMIAD
FINANCE AND PERFORMANCE COMMITTEE

DYDDIAD Y CYFARFOD: DATE OF MEETING:	26 August 2025
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Performance Assurance Report – Month 4 2025/26
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Director of Finance
SWYDDOG ADRODD: REPORTING OFFICER:	Andrew Spratt, Deputy 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 Trafodaeth/For Discussion

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

The purpose of this report is to outline the Health Board’s financial position to date against the Annual Financial Plan and assesses the key financial projections, risks and opportunities for the financial year, including the implications of in-year recurrent delivery for the forthcoming financial year.

Cefndir / Background

The Board recognises that approving a budget which included a planned deficit was a ‘novel and contentious action’ and, as such, the Accountable Officer wrote to the Director General Health, Social Care and Early Years Group in Welsh Government (WG) to advise them of this action in line with requirements.

Following the approval gained at the Sustainable Resources Committee on 25 February 2025, the delegation of budgets was made to Executive Directors and Clinical Care Group (CCG) / Executive Function leads, in March 2025.

The Board, at its meeting on the 27 March 2025, endorsed and approved the submission of the annual plan to WG, noting that the financial plan does not deliver against our statutory requirement to break-even and recognising the planned financial outturn remains in-line with the target control total (TCT) set by WG with a deficit of £31.5m, but is a worsening position compared to the 2024/25 financial outturn of £24.1m. The 2025/26 financial plan represented a planned deficit of £31.5m, after the delivery of £44.4m of savings, split between £19.0m of recurrent and £25.4m of non-recurrent.

The Board, as its meeting on the 31 July 2025, endorsed and approved a revised annual plan financial deficit of £30.0m, having made decisions to increase the savings target, defer originally planned investments and recognise changing national funding assumptions.

The WG expectation is that the Health Board should plan to deliver, as a minimum, the 2024/25 financial outturn of £24.1m, and ongoing dialogue continues with an expectation that the Health Board further improves its financial forecast beyond the revised annual plan deficit.

Asesiad / Assessment

Financial position

- The in-month financial position as at Month 4 is a deficit of £2.6m, which is an adverse deviation against the £2.1m in-month deficit plan. The deficit plan for Month 4 includes a year-to-date retrospective improvement of 4/12ths of the £1.5m annual plan improvement; £0.5m. This is further explained in **Appendix 1**.
- The core operational variance is an overspend of £0.5m with the in-month savings target of £4.4m being fully identified and delivered.
- The forecast year-end financial position is a £30.0m deficit, in-line with the revised annual plan.
- The year-to-date non-recurrent delivery of savings is significantly higher than those projected by the services for the remainder of the year, so there is a £17.6m conversation expectation from the current run rate to be able to deliver the planned deficit of £30.0m, recovering the adverse deviation from the year-to-date financial position.
- The following table summarises the key drivers, with full analysis included within **Appendix 1**.

Key Driver (£'m)	Current month variance to breakeven	Year to Date variance to breakeven	End of Year forecast to breakeven
Planned Deficit	2.1	10.0	30.0
Unidentified / (Identified) savings gap / (improvement)	0.0	2.4	19.5
Under / (Over) delivery of savings schemes	0.0	0.0	0.0
Core operational variation	0.5	(0.7)	(1.9)
Gross Forecast	2.6	11.7	47.6
Conversion of current run rate	0.0	0.0	(17.6)
Reported Position	2.6	11.7	30.0

Next steps in aspiring to achieve a £24.0m forecast deficit

Following further correspondents between WG and the Health Board, the Chief Executive wrote to the Director General Health, Social Care and Early Years Group, setting out the approach and timeline to reviewing further financial improvements aspiring to achieve the WG expectation of maintaining the 2024/25 financial outturn for 2025/26.

This is summarised as follows with the Board having tasked the Executives with providing updated financial options with an integrated impact assessment for each of the further opportunity improvements listed in the £22.5m expenditure grouped options shared with the Board in the meeting on 31 July 2025, by:

- **15 August** – deadline for Executives to submit their integrated impact assessment for their assigned themes and the revised and refined financial impacts/opportunities
- **18 August** – papers issued, inclusive of these further improvement options, for Finance and Performance Committee
- **26 August** – Finance and Performance Committee to scrutinise and consider the options put forward by Executives

- **9 September** – In-Committee Board to review Executives recommendations and conclude forward actions
- **11 September** – CEO to write to Director General with an update on progress made towards the 2024/25 outturn
- **11 September** – Finance team to submit updated Savings plans, as agreed by the organisation and in-line with Welsh Government definitions, as part of the Month 5 reporting submission

The choices and actions being proposed to achieve this are compiled within **Appendix 2**, for the Committees consideration and discussion.

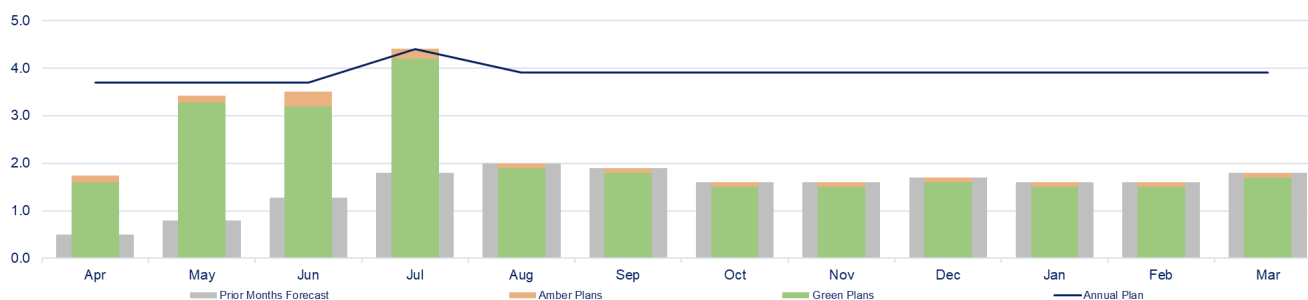
Alert (may require discussion)

There is a lack of confidence that any action in place is sufficient to address the issue satisfactorily and/or within the scope of the operational team or executive to resolve. Engagement, action or intervention required.

Review of in-year savings reporting

At the start of the financial year, to expedite budget holders to declare savings proactively, a non-recurrent underspend savings principle was agreed by Executives. This principle was to ensure that any pay savings were declared within the month they occurred, at the latest, and were not used to offset unrelated overspends.

Whilst this principle has worked as expected, a proactive approach to declaring savings has not yet materialised from some budget holders, and there is a significant gap between the month on month saving delivery and that forecast for remaining periods in the year. The following graph shows that each month's actual savings consistently exceeds the prior month's forecast.



The Health Board continues to signal a savings gap, currently £19.5m, which does not represent the delivery to date, and therefore significant net mitigating actions are required, currently £17.6m. This has been raised formally by WG and is signalling a credibility issue related to the organisations inability to plan and manage its finances proactively.

In readiness for Month 5 reporting, a proposal is being drafted, for consideration by the Executives, to recognise a generic health board wide saving scheme to increase the level of future savings to that being demonstrated and evidenced from the year-to-date position. This would likely close the gap by circa £12m and provide a more appropriate and realistic assessment of the financial performance for the organisation.

This would still allow full transparency for the progress made by service areas towards their savings targets, and escalation arrangements will be continued to ensure all areas are developing robust plans, at pace, to close their gaps and ensure a proactive approach is being taken.

Savings delivery

- While the Core operational variation is showing as an underspend, the main issue driving the gross forecast is the unidentified savings gap of £19.5m.
- Of the revised annual savings target of £46.4m, £26.9m has been identified on an in-year basis, with all projected to fully deliver. Recurrent schemes identified total £11.6m with the balance of £15.3m being non-recurrent.
- There is a significant identification gap for savings schemes across Clinical Care Groups. The end of year key performance breakdown per Clinical Care Group (CCG) / Executive Function is detailed in **Appendix 1**, showing the unidentified savings gap across all CCG's, but most notably Community and Integrated Medicine £6.8m, Planned and Specialist Care £5.3m and Primary Care and Community Strategy £3.5m.
- There is a disconnect month on month with in-month delivery of savings and those forecast in future periods. This has been highlighted by Welsh Government as a credibility issue for the Health Board, who expect a comprehensive update by 11 September 2025 as part of the Month 3 Monthly Monitoring Return submission.
- Identification and delivery of robust recurrent and non-recurrent savings plans into future months, avoiding a disconnect between the in-month savings delivery and future projected savings is required.
- Given the significant identification gap for robust deliverable savings schemes across some portfolios, further escalation for the Finance domain is likely due to risk associated with delivering the annual plan equitably across services.

Impact of savings delivery on the underlying deficit

- The underlying deficit as part of the financial planning cycle is £58.5m, which assumes £19.0m of recurrent savings delivery. As at Month 4 £11.6m of recurrent full year effect schemes have delivered, resulting in an underlying deficit of £65.7m with a full year recurrent savings identification gap of £7.4m compared to the annual plan.
- This does not support the organisations required trajectory to achieve financial breakeven as part of the conditional recurrent funding criteria by 2027/28.

Welsh Risk Pool

NWSSP have written to Health Boards in July 2025 to highlight a potential risk that risk share arrangements may be invoked for the Welsh Risk Pool, where claim settlement volumes have increased during 2025/26. The Health Board's impact of this is current estimated to be £4.1m, which would result in a review of the reported financial forecast.

Advise (to monitor)

There are areas of concern where assurance has been taken on actions in place but requires close monitoring. An early warning of an emerging and potentially serious concern.

Cash

Given the Health Board's revised annual plan deficit is £30.0m, there will be a requirement for strategic cash and working capital balances to enable payment of all creditors in February and March 2026. Cash requirements will be assessed throughout the financial year, and the strategic cash request will be required to be submitted to WG in November 2025. It is currently

assumed that the 2024/25 financial outturn of £24.1m deficit would be supported, leaving a potential risk of £5.9m.

Ministerial Priorities

Contained within 'Ministerial Enablers: Annex 2' are specific requirements setting out what the Health Board must take further action on, to reduce the amount it spends on variable pay and premium agency, and has set out the following mandate on an adopt or explain basis:

- Deliver a further continued and sustained reduction in agency expenditure, with a target 30% reduction in 2025/26 from 2024/25 outturn, and ensuring no off-contract expenditure;
- Ensure a reduction in agency spend on Healthcare Support Worker, Admin and Clerical, and Estates and Ancillary staff to zero by 30 September 2025.

There has been positive action evidenced and delivered in achieving a 30% reduction in on-contract agency expenditure, with no off-contract agency used from 28 July 2025. Mental Health and Learning Disabilities are the only area using Healthcare Support Worker agency, with plans to eliminate by September 2025 in progress but not yet assured.

Assure (to note)

There is confidence that actions are robust and will be sufficient to address the issue or generally operating effectively. Routine monitoring.

Capital

There is currently no risk foreseen of underspending of the Capital Resource Limit (CRL) at this stage of the financial year. Capital plans will be reviewed in continuously and updates provided appropriately.

Grip and control measures

- An internal escalation framework has been revised and implemented, aligned to the Clinical Care Group and Executive Functions. Escalation meetings have been undertaken for all escalated services. These services have received a clear message regarding the need to deliver financial recovery plans to convert savings opportunities into deliverable plans.
- Grip and control measures covering recruitment, training and procurement, overseen through the Financial Control Sub-Group (FCSG), chaired by the Executive Director of Finance, are providing scrutiny to current vacancies, with a sense of control permeating across the organisation, resulting in improvements to the financial bottom line.
- Additional controls are being sought relating to pay affecting change requests with the introduction of an automated solution for recording, tracking and approving requests into NWSSP Payroll, which FCSG will oversee when available.

Unapproved investments

With WG feedback of the Annual Plan being unsupportable, investment cases have gone through a rigorous scrutiny process via the executive leads and at the point of submitting this paper, only two investments are outstanding due to awaiting a formal paper for approval

totalling £0.7m. A further £1.5m of investments have been deferred or removed to enable delivery of the improved annual plan of £30.0m, and £2.0m in relation to Band 2/3 pay dispute remains in central reserves until finalisation of the workforce validation process.

Argymhelliad / Recommendation

The Finance and Performance Committee is asked to:

- **NOTE** that the Health Board’s revised annual plan deficit is £30.0m, with a savings target of £46.4m, and the aspiration is to improve beyond this in the coming months, in-line with WG expectations.
- **SEEK ASSURANCE** on progress of savings actions to bridge the recurrent and non-recurrent savings gap from those Executive portfolios that have yet to identify their full target.
- **SEEK ASSURANCE** there are sufficiently robust plans in place to eliminate the use of all Healthcare Support Worker agency by the 30 September 2025 deadline set in the Ministerial Priorities.
- **DISCUSS AND CONSIDER** the further choices and actions being proposed to achieve an additional financial improvement by the 11 September 2025 Welsh Government deadline, contained within Appendix 2.
- **ACKNOWLEDGE** that a proposal is being drafted to revise the approach taken for declaring future savings plans, due to the lack of a proactive approach to date across service areas.
- **ACKNOWLEDGE** that an underlying deficit assessment has been undertaken and that will only be reduced via robust recurrent savings delivery improvements.

Amcanion: (rhaid cwblhau)

Objectives: (must be completed)

Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	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 a Sgôr Cyfredol: Datix Risk Register Reference and Score:	2086 (score 20) Risk of the Health Board not being able to meet the statutory requirement of breaking even in 2025/26 due to significant deficit position.
Parthau Ansawdd: Domains of Quality	7. All apply

Quality and Engagement Act (sharepoint.com)	
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
Amcanion Cynllunio Planning Objectives	All Planning Objectives Apply
Amcanion Llesiant BIP: UHB Well-being Objectives: Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022	9. All HDdUHB Well-being Objectives apply

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 MHLDD – 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 – Worthybush Hospital WRP – Welsh Risk Pool WTE – Whole Time Equivalent YTD – Year to date
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Adnoddau Cynaliadwy:	Finance Team Management Team Executive Team

Parties / Committees consulted prior to Sustainable Resources Committee:	
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Effaith: (rhaid cwblhau) Impact: (must be completed)	
Ariannol / Gwerth am Arian: Financial / Service:	Financial implications are inherent within the report.
Ansawdd / Gofal Claf: Quality / Patient Care:	The impact on patient care is assessed within the savings schemes.
Gweithlu: Workforce:	The report considers the financial implications of our workforce.
Risg: Risk:	Financial risks are detailed in the report.
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.