

**PWYLLGOR CYLLID A PHERFFORMIAD
FINANCE AND PERFORMANCE COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	24 February 2026
TEITL YR ADRODDIAD: TITLE OF REPORT:	Three Year Financial Plan 2026/29 Update
CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:	Huw Thomas, Executive 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 Penderfyniad/For Decision

ADRODDIAD SCAA

SBAR REPORT

Sefyllfa / Situation

The purpose of this report is to outline the Health Board's approach and progress to developing the financial plan, set within the wider planning cycle.

Cefndir / Background

The Health Board is required, annually, to submit an Integrated Medium Term Plan (IMTP) that achieves financial balance across a three-year period. Since the Health Boards inception in 2009 it has not been able to submit an IMTP due to the significant financial deficit it has presided over.

The Health Board will be submitting a Three-Year Financial Plan, but planning a deteriorating financial deficit compared to the breakeven position for 2027/28 and beyond, which would have been aligned to Welsh Government (WG) Targeted Intervention (TI) criteria and associated £26.0m of conditionally recurrent funding allocated to the Health Board in 2024/25.

As part of the planning cycle this paper is presented to highlight the approach, principles, assumptions, risks and financial assessment of the key components of the 2026/29 three-year financial plan, prior to being presented to Public Board in March 2026 and onward submission to WG by 31 March 2026.

Asesiad / Assessment

Welsh Government Funding and Delivery Expectations For 2026/27

The following has been shared as part of the NHS Wales Planning Framework and Financial Allocations, to **align expectations for savings delivery, and manage expectations for investments** and were communicated to the Health Board in December 2025.

Key headlines affecting 2026-27 funding allocations and planning principles and assumptions include:

- Funding for **inescapable demand and unavoidable inflation is 1.11%** for core services and Mental Health services; this equates to £12.8m. It is not to support any discretionary investment
- General Medical Services (GMS) funding for inflationary increases confirmed at 5.8%
- **£43.0m of Conditionally Recurrent funding received in 2023-24 made recurrent**, and a number of fundings streams received in 2025-26 on a non-recurrent basis made recurrent in 2026-27, total £88.3m
- **Re-classification from Ringfence to Non-Ringfence of £24.4m**, including planned care sustainability and recovery funding
- **Capital funding has increased by 12%**, total Discretionally Capital Funding (DCF) is £11.3m
- There is an **explicit expectation that plans are investment free** plans with an expectation of delivering improved productivity, efficiency, outcomes within the same or less resource.
- Disinvestment and choices - As part of savings development, organisations should **rigorously examine the benefits of prior year investments and projects**; and consider dis-investing from projects that have under-delivered on benefits
- Non-recurring savings and the underlying deficit – underlying deficits have been growing, in part driven by recurring cost pressures addressed in-year by non-recurring savings or mitigations. Organisations should **ensure that savings and mitigations delivered in 2025/26 are maintained in full on a recurrent basis** and should seek to convert non-recurring savings into recurring benefits
- Plans are to provide clarity and visibility to how substantial savings will be realised in non-core areas and overheads to prioritise front-line services.

Financial Plan Assessment 2026/29

- The forward outlook continues to be challenging, needing to balance financial savings and efficiency improvements to offset above allocation macro-economic price and demographic growth trajectories, all whilst improving health prevention, patient experience, quality, and performance metrics.
- Work on the financial plan has been underway since October 2025. **Appendix 1** details the final draft iteration of the financial plan to enable a submission to the appropriate Committee forums before being presented to Board on 26 March 2026.
- The financial plan contains three financial years; the first time the organisation is preparing to submit a three-year financial plan for several years.
- Whilst the 2026/27 financial deficit is significantly higher than the expected 2025/26 outturn of £22.1m, there are two contributing factors to this; £13.1m 2026/27 Welsh Risk

Pool increase and £7.0m of accountancy gain savings delivered in 2025/26 that will not be available for 2026/27. With these items factored in, the proposed 2026/27 financial deficit is an improvement on the 2025/26 outturn, which could support the TI criteria to demonstrate year on year financial improvement.

- As part of the planning cycle, a series of updates have been presented to the Executive Team. Decisions have been required on how best to prioritise the demographic prevalence modelling implications, and growth has been capped at this rate, being £12.4m. There are a series of service or policy requests that have been deferred, or de-prioritised entirely from the plan, recognising the fine balance required between triangulating quality, performance, workforce and finance.

Update on Long Term Agreements 2026/27

Work on agreeing Long Term Agreements (LTAs) for 2026/27 is underway with a deadline of 27 February 2026 for final agreement. To date all agreements have been agreed with either Hywel Dda University Health Board (HDdUHB) as a commissioner or a provider of services apart from:

- Swansea Bay University Health Board (SBUHB) commissioning agreement – this is not agreed, due to our expectation of the removal of Neurology block elements (£397k). Other issues remain to be worked through on a regional working basis.
- Velindre University NHS Trust Commissioning agreement – agreement was reached in 2025/26 for it to be set at forecast outturn for 2026/27, this is now disputed by Velindre University NHS Trust and escalated to Directors of Finance for agreement.
- Powys Teaching Health Board Provider agreement – this is escalated to Directors of Finance for agreement as Powys Teaching Health Board have requested removal of LTA lines which had nil actual activity in 2025/26 (value of circa £400k).

Savings Proposals to be Confirmed

- It is recognised that the organisation must change the savings approach for 2026/27, due to the ongoing issues experienced where-by savings were not proactively declared resulting in a forecast for each month being lower than the actual savings delivered.
- In 2025/26, the savings target of £46.4m was over-identified, but as at the Month 10 reporting period, £28.8m was non recurrent in nature, primarily through underspend conversions.
- To ensure a clearer and more transparent financial approach for 2026/27, the Executive Team has agreed to the removal of non-recurrent savings from budgets and the conversion of these into recurrent schemes where appropriate.
- Consistent with the principles agreed at Executive Team, each Executive Director and delegated budget holder is asked to rebut any of the 2025/26 non-recurrent savings for assuming into 2026/27. The default will be that continued non-recurrent savings will be removed from budgets and will reduce the total savings requirement upon final submission. This will improve the underlying deficit position, which will be reflected to

WG in the Month 11 2025/25 Monthly Monitoring Return submission, as well as accompanying the final plan submission in the Minimum Data Set.

- The deadline for confirmation from Executive Directors is 17 February 2026, as such, a verbal update will be given to the Committee.

Outstanding Information

There are final submissions pending for certain aspects of the financial plan that were not received prior to this paper being submitted. Whilst these are not expected to be material, it should be noted that any changes will be included in the final financial plan shared with Public Board in March 2026. Notable items still pending include confirmations related to values for LTA's, Service Level Agreements (SLA's), NHS Wales Joint Commissioning Committee (NWJCC) and Digital Health and Care Wales (DHCW).

The final prioritisation of business cases included within the £12.4m prevalence modelling will also be updated once profiling of expenditure is confirmed. The make-up of the total savings requirement requires finalisation once budget reductions have been committed to for non-recurrent savings. A total of £47.5m of savings or budget reductions will not change however, but the final savings figure will be less than £47.5m.

Within the £12.4m prevalence modelling, business case scrutiny will be required via a similar process to the one reported to this committee throughout 2025/26. Whilst broad plans support each element, the normal full business case robust scrutiny process has not been conducted for all as yet and will need to follow. Should these elements not advance through the scrutiny process, in-year decisions will be required to confirm an appropriate action course.

Risks Contained Within the Financial Plan

There are five key risks contained resulting from the financial plan, these are explained as follows and are all contained within **Appendix 1**:

1. Welsh Government no longer allocating the £26.0m conditionally recurrent funding due to the plan breaching the criteria set as part of the conditions, namely, to breakeven financially in 2027/28. This has been assumed as recurrent in the financial plan, with the risk being that it could worsen the underlying deficit if this was changed to non-recurrent, or worse, this not being allocated at all and the full £26.0m deteriorates the financial deficit. It is expected that this would only impact 2027/28 onwards, however.
2. An estimate of a significantly increased Welsh Risk Pool risk share agreement has been included, which signals a material deterioration in the financial deficit compared to 2025/26, which could result in the Health Board not achieving its targeted intervention criteria.
3. The scale of the rebuttable non-recurrent savings might not fully alleviate the budget reductions required to continue to deliver a similar level of savings as experienced by the non-recurrent savings in 2025/26. This then gives rise to a further risk that the scale of new savings could further increase above the £19.0m currently assumed, which is not supported by an evidenced track record.

4. There is a significant quantum of mitigating actions that are requiring management action prior to the start of the new financial year.
5. Quality, safety and performance risks are presented within the broader planning document, recognising a prioritisation process has been required to curtail the financial implements and bring realism to the resources the Health Board is capable of onboarding, particularly over the first year of the three-year plan. Operational plans were to split performance implications and trajectories based on core capacity (what we could deliver within the agreed budgets) and additional capacity that would need to await further funding from Welsh Government prior to committing, which is assumed to be outside of the proposed financial plan.

Draft Accountability Letter

Appendix 2 sets out the proposed Accountability Letter for review, which will be cascaded from the Accountable Officer (Chief Executive Officer) with delegated officers on 2 March 2026, for signing by 31 March 2026. The letter will be issued to Executive Directors and their immediate deputies covering one lead for each Clinical Care Group or Executive Function.

Accountable Office Letter

Appendix 3 sets out the Accountable Officer letter sent to the Director General, NHS Chief Executive, Health, Social Care, and Early Years Group of Welsh Government, to confirm that the Health Board will not be able to submit a financial balanced IMTP.

Argymhelliad / Recommendation

The Finance and Performance Committee is asked to:

- **ACKNOWLEDGE** that the Health Board is proposing to submit a Three-Year Financial Plan, which breaches its statutory duties to financially breakeven over a three-year period;
- **ACKNOWLEDGE** and **SCRUTINISE** that the Health Board is proposing to submit a deteriorating financial deficit, and one that does not achieve breakeven by 2027/28, which will fail to meet the de-escalation criteria set out as part of Targeted Intervention, which also places a risk on £26.0m of assumed conditionally recurrent funding;
- **DISCUSS** and **SCRUTINISE** the income and expenditure modelling and decisions as part of the financial assessment for the 2026/29 Financial Plan;
- **DECIDE** whether the aspirations as set out are sufficient to gain Board approval in March 2026 when the final version of the financial plan is submitted for approval;
- **ENDORSE** the approach being taken to recognise underspends on a recurrent basis and the method of allocating savings targets to functions;
- **SCRUTINISE** the progress of savings actions to bridge the recurrent savings target and minimise any conversion loss from idea phase to robust deliverable plan;
- **APPROVE** the Financial Plan Accountability Letter 2026-27, for the Accountable Officer (Chief Executive Officer) to share with delegated officers on 2 March 2026, for signing by 31 March 2026;
- **APPROVE** the onward delegation and allocation of 2026/27 budgets based on Year 1 of the financial plan, **NOTING** the ongoing approach required for non-recurrent savings conversion to recurrent, potential savings aspiration changes, and business case

scrutiny being required for all items included within the £12.4m demand prevalence increases;

- **NOTE** the outstanding confirmations related to values for Long Term Agreements, Service Level Agreements, NHS Wales Joint Commissioning Committee and Digital Health and Care Wales; and
- **NOTE** the Accountable Officer letter that has been sent to Welsh Government on 13 February 2026.

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: <ul style="list-style-type: none"> 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:	1199 (score 25) Risk of the Health Board not being financial sustainability.
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
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
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Gwybodaeth Ychwanegol: Further Information:	
Ar sail tystiolaeth: Evidence Base:	Monitoring returns to Welsh Government based on HDdUHB's financial reporting system.
Rhestr Termau: Glossary of Terms:	BGH – Bronglais General Hospital CHC – Continuing Healthcare EOY – End of Year FNC – Funded Nursing Care FYE – Full Year Effect GGH – Glangwili General 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 – Worthy General Hospital WRP – Welsh Risk Pool WTE – Whole Time Equivalent YTD – Year to date
Partion / Pwyllgorau â ymgynhorwyd ymlaen llaw y Pwyllgor Adnoddau Cynaliadwy: Parties / Committees consulted prior to Sustainable Resources Committee:	Finance Team Management Team Executive Team

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