

Overarching Financial Planning principles, subject to any funding decisions, that would be required by Directorates based on both identified cost pressures and distribution of base funding.

Corporate planning principles

- Right-sizing A4C WTE (pay scale and pension), as this exercise matched budget to staff in post and therefore Actual cost already in run-rate;
- Pay pressures should only be highlighted by Directorates through the planning cycle for variability of WTE/number of sessions/overtime rates.
- The FY21 Planning cycle was an exception due to the transition to a transparent and accurate central calculation for all pay rates.
- Medical and Dental cleanse is cost neutral;
- NI and Pension adjustment represents alignment to the latest statutory guidelines;
- Uplift in WG funding first utilised to offset the cost of :
 - First 1% of A4C, Executive and Medical & Dental Pay Awards
 - Medical & Dental Increments
 - Additional cost of Medical Commitment Awards FY22

COVID-19 scenario

- Modelled based on COVID-19 prevalence as assessed in September 2020;
- Relatively flat profile for full 12 months, representing running costs in line with April and September 2020;
- All items classified as Non-Recurrent;
- Field Hospitals utilised for Quarter 1 only across Selwyn Samuel, Bluestone and Plascrug with peak requirement of 70 beds;
- All residual Field Hospital decommissioning costs assumed to WG funded;
- No other WG funding assumed;
- Risk that Primary Care Prescribing recurrent base may be impacted and become part of the Non-COVID-19 position in the future;
- Vanguard is in support of the delivery of essential services framework criteria following inability to deliver over Winter of 20-21.

Non-COVID-19 scenario

- Centrally agreed CHC assumptions: 5.0% inflation, growth at 2019/20 levels plus 5.5%;
- Prescribing modelled on current Category M prices plus estimated further increase from 1 October 2021 and item volume growth of 0.5%;
- Secondary Care Drugs based on Pharmacy team horizon scanning by drug and Directorate;
- Provision for WHSSC/EASC developments not yet finalised by WHSSC;
- Provision has not been made within the FY22 financial plan in respect of:
 - Recovery Plans: no expenditure or income assumption, nor operational plans to clear the backlog or achieve RTT performance indicators;
 - Savings: gap arising from the FY21 requirement and new FY22 requirement is not currently considered achievable given the operational inability to support;
 - Any impact of price increases that may arise from the EU Exit.

Budget principles

- Base budgets (opening and new, inclusive of Reserves with the exception of the below) to be profiled in line with when actual costs are expected to be incurred at the start of each financial year via the relevant Finance Business Partner (FBP);
- Budgets will remain unchanged during the financial year with the exception of significant changes (e.g. OCPs, in-year allocations, budget virements and service changes etc.), which will need approval from ADoFs;
- Variances due to budget profiling will form part of explanation of in-month financial position – match accruals to budget is not permitted (accruals should not be made without evidence of expenditure);
- Base Reserves will be profiled and classified into expenditure types via the appropriate FBP;
- In-year WG allocations circulated to all SFBP to determine owner; 2 month period to agree and distribute to appropriate budget classifications and profile; after this period, if unresolved, budget will be allocated centrally as contribution to position.
- Corporate Reporting will manage and administer all in-year budget changes, and will profile unknown budgets in 1/12^{ths} if required

Exceptions

- Specific Reserves will be held centrally and released to match costs incurred in respect of:
 - CHC inflation;
 - ICF and Transformation projects;
 - Pay Award and new Commitment Award funding;
 - Revenue Consequences of Capital Schemes;
 - Variable Pay (split by Acute Site and Planned Care);
 - Approved future Investments and Service Developments;
 - All-Wales risk share funds;
 - Activity Recovery and Winter funding;
 - All COVID-19 funding (which will be released centrally, not to Directorates);

Intended Outcomes

- Slippage will occur earlier in the financial year, improving financial reporting and informing forecasting, and therefore reducing the likelihood of Control Totals approaching year end;
- Accountability for delivery of operational expenditure plans will sit with Directorates from the outset and enable collaboration to deliver service change objectives;
- Return submissions to Welsh Government are aligned with this reported expenditure, ensuring open communications with Finance;
- Non-recurrent gains are expected to be understood by Directorates and incorporated into future financial planning.

FY23 principles

- From FY23 onwards the following activities will occur:
- Annual right-sizing completed by Corporate Reporting for **all** pay types.
 - M&D Commitment Awards;
 - Budget matched to Staff in post at point in time:
 - Vacancy factor assumed in pension budget from FY23;
 - Reserves allocated from start of year;
 - Spine point on salary scale;
 - M&D Enhancements;

In order to gain suitable understanding and realism to the financial plans put forward by directorate areas, the February and March rounds of System Engagement Group Meetings (SEGs) will provide a deep dive in those cost categories that are under the influence of directorate areas.

As such, the agenda for the SEG meetings will be as follows, supported by consistent data prepared across all health board directorates:

- Holistic health board draft position
- Current assumptions
- Budget principles for FY22 and beyond
- Review opening position agreed with directorate managers
- Review specific areas of directorate cost categories
- Latest EoY forecast compared to proposed FY22 opening position

- System engagement meetings held week commencing 21 Feb
- Welsh Government touchpoint meeting 3rd March
- Executive Team meeting 10th March
- Final draft: Finance Committee 23rd March
- Final: Board 25th March

- Other considerations
 - Accountable Officer Letter to WG re. expected deficit position and expected COVID response.