

**PWYLLGOR ADNODDAU CYNALIADWY
SUSTAINABLE RESOURCES COMMITTEE**

DYDDIAD Y CYFARFOD: DATE OF MEETING:	17 December 2024
TEITL YR ADRODDIAD: TITLE OF REPORT:	Financial Plan and Strategy
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 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.

As part of the planning cycle this paper is presented to highlight the intent, approach, principles and assumptions that will underpin the 2025-2028 plan, from a financial perspective.

Asesiad / Assessment

Work on the financial plan has been underway since October 2024. The attached presentation, **Appendix 1**, looks to set out the key assumptions, principles that are carried forward into the wider organisations planning cycle, led by the Strategic Planning directorate.

Following a Welsh Government (WG) funding announcement on 2 December 2024, the Health Board received total funding of £32.45m, split into two elements with five conditions attached to the conditionally recurrent funding element – one of which being a financial expectation of breaking even across a financial year by no later than 2027/28 (within the next three-year planning cycle), this paper sets out the conditions required of the organisation to achieve the criteria.

Further to the first draft planning submissions from the service on the 29 November 2024, the next iteration of the plan is 20 December 2024. This will include progress against the prioritisation of schemes with a clear distinction between investment and savings components.

Final iterations are due by 24 January 2025 to enable a submission to the appropriate Committee forums before being presented to Public Board.

An Executive Team commitment was for £20.0m of recurrent savings to be identified by December 2024 – this currently stands at £10.1m following the first submission from directorates. The following paper on the agenda titled ‘Savings and Opportunities Report’ will provide further insight on the savings and opportunities identified to date.

Argymhelliad / Recommendation

The Committee is asked to:

- **RECOGNISE** that the Health Board is proposing to submit an Annual Plan, set within a three-year context, not an IMTP
- **CONSIDER** the appropriateness of the principles, assumptions and approach to achieve financial breakeven by 2026/27 (Executive Team aspiration)
- **NOTE** that the following agenda item titled ‘Savings and Opportunities Report’ will provide an update on the progress being made towards the financial improvements required within the plan

Amcanion: (rhaid cwblhau) Objectives: (must be completed)	
Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	3.1 Undertake detailed scrutiny of the organisation’s overall: <ul style="list-style-type: none"> • Monthly, quarterly and year-to-date financial performance; • Performance against the Savings Delivery and the Cost Improvement Programme providing assurance on performance against the Capital Resource Limit and cash flow forecasts.
Cyfeirnod Cofrestr Risg Datix a Sgôr Cyfredol: Datix Risk Register Reference and Score:	1199 (score 25) Risk of the Health Board not being able to meet the statutory requirement of breaking even across a three-year period due to the current significant financial deficit position.
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

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 General Hospital CHC – Continuing Healthcare FDU – Finance Delivery Unit FNC – Funded Nursing Care FYE – Full Year Effect GGH – Glangwili General Hospital GMS – General Medical Services MHLD – 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 TTP – Test, Trace, Protect WG – Welsh Government WGH – Withybush General Hospital WRP – Welsh Risk Pool WHSSC – Welsh Health Specialised Services Committee YTD – Year to date EOY – End of Year IMTP – Integrated Medium Term Plan
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:	<p>The impact on quality and patient care is assessed as part of the operational savings plans.</p>
Gweithlu: Workforce:	<p>The impact on workforce is assessed as part of the operational savings plans.</p>
Risg: Risk:	<p>Financial risks are detailed in the report.</p>
Cyfreithiol: Legal:	<p>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.</p>
Enw Da: Reputational:	<p>Welsh Government's expectation of the Health Board is to submit a robust and assured plan that achieves the target control total deficit of £44.8m, as a minimum. This is linked to the de-escalation criteria within Targeted Intervention. A reputational impact will be felt if this is not achieved.</p>
Gyfrinachedd: Privacy:	<p>Not Applicable.</p>
Cydraddoldeb: Equalit	<p>Not Applicable</p>



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Bwrdd Iechyd Prifysgol
Hywel Dda
University Health Board

Financial Plan and Strategy

Approach, Principles and Assumptions

17 December 2024

Sustainable Resources Committee



Background and Context

- The Health Board is reporting a deficit of £31.5m for 2024/25, in line with its annual plan, which was restated from £64.0m following new funding from Welsh Government also aligning the plan with the target control total
- Given the scale of the challenge to bridge to a break-even position, it is currently assumed that the Health Board will be submitting an Annual Plan for 2025/26 and not an IMTP, but set within a three-year context
- The whole Health Board is in Targeted Intervention, with a financial focus to deliver breakeven by 2027/28
- Significant change is required to meet the expectations clearly set out by Welsh Government
- With challenges to deliver annual plans in the post pandemic era, 2024/25 is likely to reverse this trend

Financial Year	WG Expectation £'m	Annual Plan £'m	Year End Position £'m	Plan v Actual Variance £'m	Comment
2019/20	25.0	25.0	34.9	9.9	After £10.0m clawback due to not achieving £15.0m
2020/21	25.0	25.0	24.9	(0.1)	After £116.1m of non-recurrent funding for COVID
2021/22	25.0	25.0	25.0	-	After £75.5m of non-recurrent funding for COVID
2022/23	25.0	25.0	59.0	29.0	After £22.2m of non-recurrent funding for COVID
2023/24	44.8	56.1	65.8	9.7	Original plan £112.9m, revised mid-year with £56.8m extra funding
2024/25	31.5	31.5	31.5	-	As at M08, following mid-year conditional funding of £32.5m

Financial Outlook



Historic assessment: Health Foundation assessed in 2016 that Health needed to receive 2.2% over inflation, and Health Boards need to deliver 1.5% efficiency savings ([The path to sustainability - The Health Foundation](#)).

October 2024 budget announced a public sector 2% reduction for 'back-office costs'.



Last year: Health Board received funding equal to cost pressures – assumed to continue.
High inflationary environment is expected to stabilise.

Remaining cost pressure concerns on drugs and premium medical cover.



Following UK Budget announcement in October 2024 an assumption is that macro and growth modelling expenditure increases will be offset with allocation funding.

2 Year 6.5% savings requirement made up of the residual delivery against the 5% target from 2024/25, plus an additional 1.5% for 2025/26.

Key Principles

- **Budgets will be delegated** from the Accountable Officer (CEO) to **Delegated Officers** (Executive Directors);
- **Budgets** will be **aligned** to the **new operational structure**;
- **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 Annual Plan submission;
- The **Opportunities Framework and Directorate insight** is to be used to generate sufficient savings opportunities to achieve the targets set for each directorate
- **Saving target** will be set as the value required to achieve an improved financial trajectory aligned to the five conditions related to the new funding allocations received in December 2024;
- **Directorate savings targets** will be the remaining recurrent savings aspirations set for the two-year period this year and next – derived from a 5% reduction of non-ring fenced budgets – plus an additional 1.5% recurrent reduction of non-ring fenced budgets, so a total of 6.5% across 2024/25 and 2025/26;
- **Material underspending directorates**, including non-recurrent savings delivery, will go through a **review process** in October 2024 to assess appropriateness for **recognising these items recurrently**.

Key Assumptions

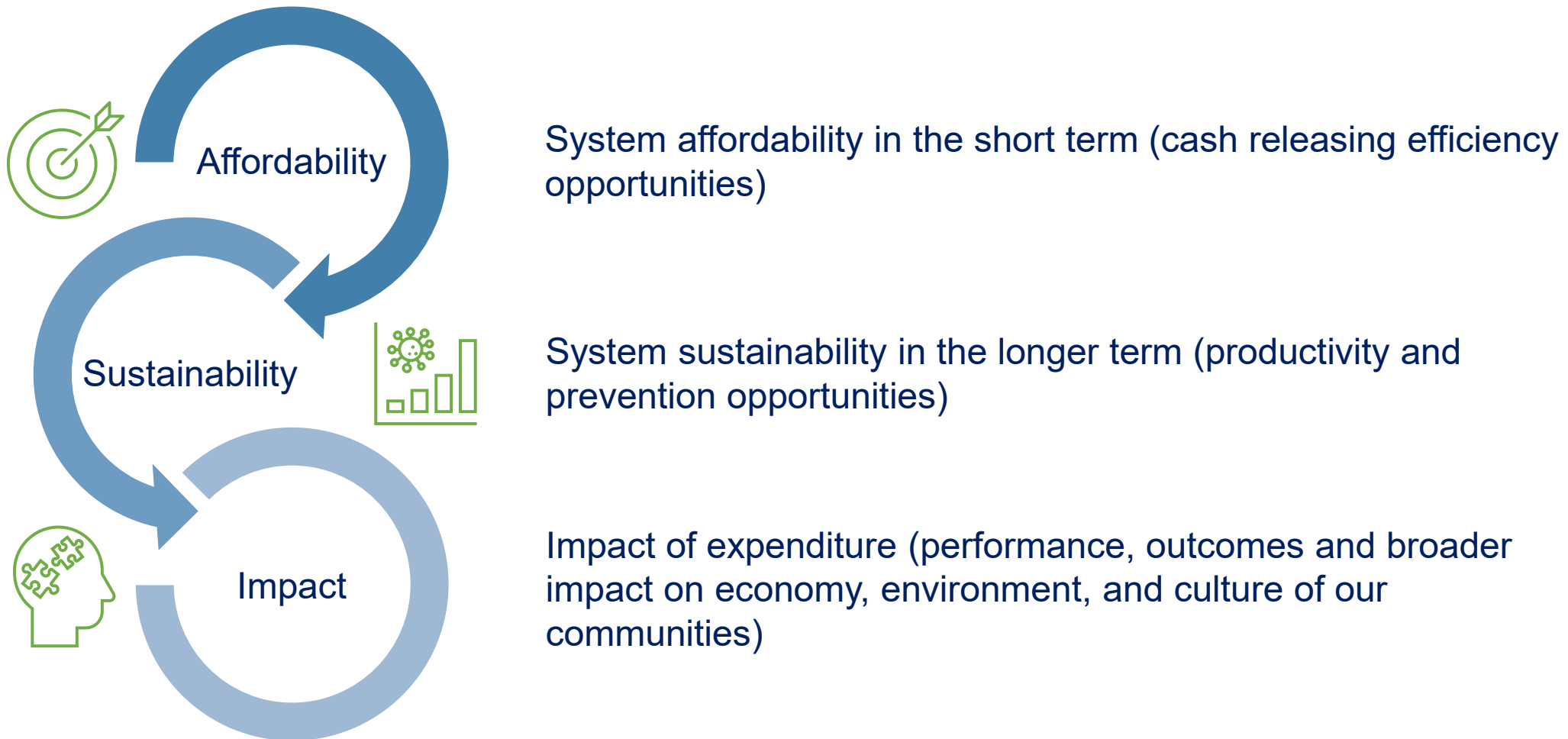
- The Health Board will be submitting an **Annual Plan**, set within a three-year context;
- A **condition to the new funding** received from Welsh Government in December 2024 was that the Health Board would need to show an improving financial trajectory into 2025/26 and **achieve breakeven** no later than 2027/28;
- New **allocation funding** will be **sufficient to cover** macro-economic price, performance and priority developments **costs**.
- Until the **Welsh Government budget allocation** is confirmed (circa. 23 December 2024), the total **savings target will not be fully known**, and will therefore be confirmed after the budget allocation is received;
- **Executive Team commitment** made to identify **£20.0m of recurrent savings** by December 2024 to enable the plan. **50% of the remaining** target to be identified **by 19 February 2025**, and **100% of the remaining** target **by 20 March 2025**;
- Specified **macro-economic price** components are **proposed for inclusion** within the financial plan, pending Directorate, Executive and Sustainable Resources Committee scrutiny. This includes prior year assumption updates (up and down);
- Specified **volume and mix growth** components will **require a decision** to recognise, or expectation that a Directorate is to mitigate cost increases or realise savings opportunities;
- **Key operational drivers** – with significant level of budgets allocated to directorates in the 2022/23 and 2023/24 financial plans, **no further funding is proposed**, with budget holders expected to mitigate increases outside the macro funding;
- **Local investments** will **only include statutory and mandated** items, i.e., there will be no discretionary investments due to the unaffordable nature of the existing deficit unless they demonstrate in-year payback;
- **Directorate savings targets** will **not fall below the nationally defined ring-fenced** budgeted required levels.

Key Changes

- There is an **ambition to create** an internal '**Invest in Value**' fund. This will be owned by the CEO. Any investment requirement from this fund will be **approved by the Executive Team** and subject to **scrutiny by SRC**. Clear investment parameters and payback periods will be determined, along with exit plans. This will consolidate the current value fund alongside other funding streams. Bids are not being invited as part of the planning cycle;
- **Cluster Funds, Regional Integration Fund (RIF) and Service Improvement Fund (SIF)** will be **subject to the same controls**;
- Planned Care **recovery funding oversight** will be removed from the Operational Delivery team and **managed separately** from the team which benefits from the funding to ensure appropriate segregation of duties;
- The intention is for the **following budgets** to be **consolidated**, with a view of centralising controls and professionalising the response:
 1. **Clinical equipment maintenance** (Consolidated into the Clinical Engineering directorate);
 2. **Digital maintenance and all digital-related spend** (Consolidated into the Digital directorate);
 3. **Postage** (Consolidated into the Digital directorate);
 4. **Secondary care drugs, homecare drugs and primary care drugs** to create a new Health Board wide drugs portfolio (Consolidated into the Medicines Management directorate);
 5. **Printing services** (Consolidated into the Digital directorate);
 6. **Training and development** (Consolidated into the Workforce and Organisational Development directorate).

Welsh Government Finance Themes

Welsh Government Finance Themes are:



The design principles need to ensure that the tensions and trade-offs between these themes are managed.

Key Milestone Deadlines for a 31st March submission

Item	Deadline	Delivery Owner
Executive Team sign-off of financial approach and assumptions	25/09/2024	Executive Team
SRC sign-off of financial approach and assumptions	22/10/2024	Huw Thomas and Andrew Spratt
First draft plans from directorates	29/11/2024	Service leads
First draft savings plans presented to SRC	17/12/2024	Sian Jenkins as reporting officer
Second iteration of plans from directorates	20/12/2024	Service leads
Welsh Government (WG) core funding uplift confirmed	23/12/2024	Welsh Government
Plan escalation meetings (where required)	W/c 13 & 20 Jan 25	Lead Exec, Service Lead, SFBP, Exec Reps.
Macro-economic and growth modelling complete as a final draft	15/01/2025	Finance Team (various owners)
Final iteration of plans from directorates	24/01/2025	Service leads
Final draft – Executive Team review of Financial Plan before SRC	19/02/2025	Huw Thomas and Executive Leads
Final draft – Finance Plan presented to SRC for assurance review, including savings progress from key directorates. Once SRC have approved, budgets will be entered onto the ledger by the Finance team	25/02/2025	Huw Thomas and Executive Leads
Accountability Letters and budgets issued to delegated Executive Directors and Clinical Care Group Triumvirates	12/03/2025	Phil Kloer and Finance Team
Final Submission – Annual Plan presented to Board for approval	27/03/2025	Lee Davies and Executive Team
Annual Plan and supporting templates submitted to WG	31/03/2025	Lee Davies

Current Financial Progress (£'m)

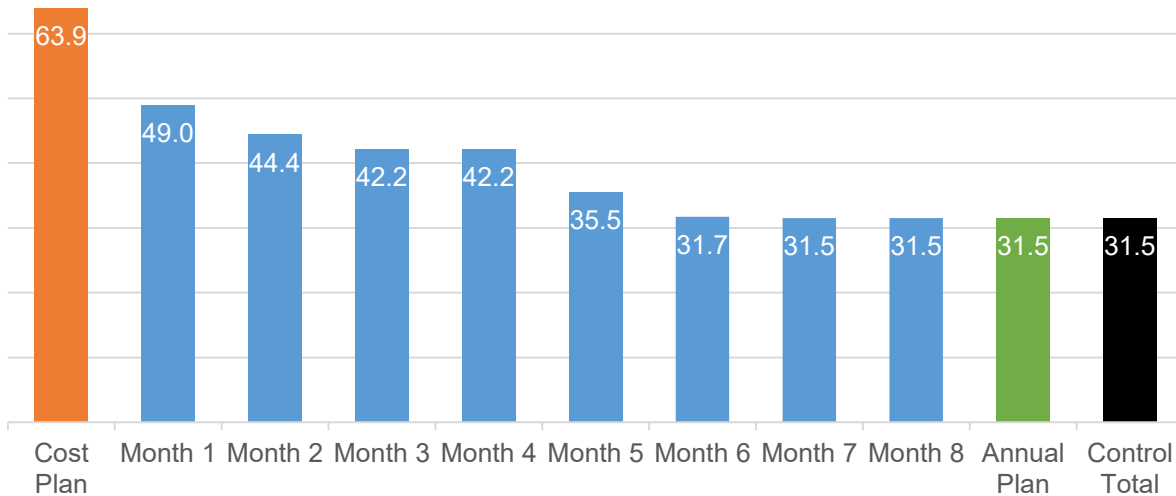
Monthly Trend of Gross End of Year Deficit Forecast (£'m)

The health boards annual plan deficit of £64.0m was not acceptable or approval for Welsh Government, due to its distance from the Target Control Total expectation.

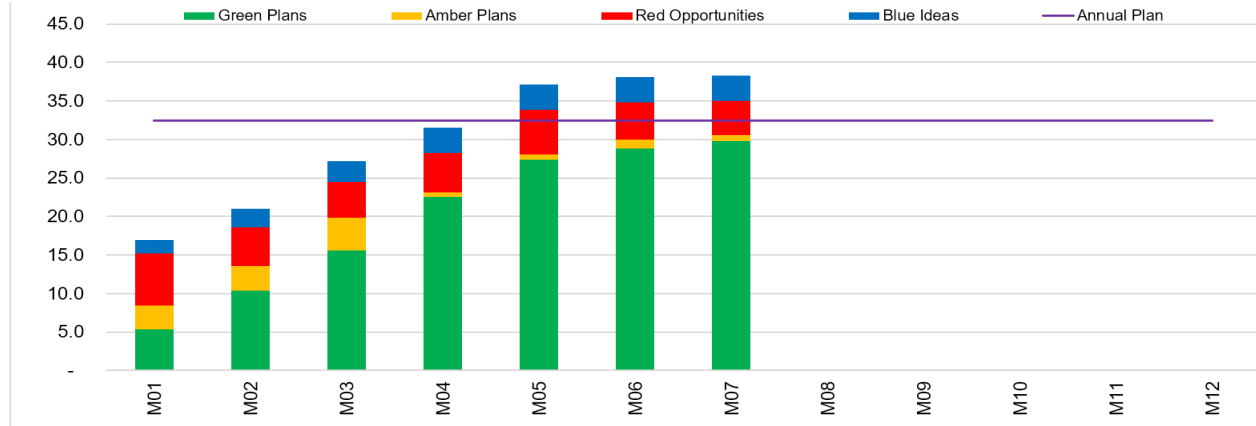
Quarter 1 and quarter 2 were needed to fully de-risk the in-year plan and demonstrate an improved financial trajectory. In December 2024 two new funding allocations were received from Welsh Government, aligning a restated annual plan deficit with the target control total at £31.5m.

The new funding is conditional on achieving financial breakeven by 2027/28.

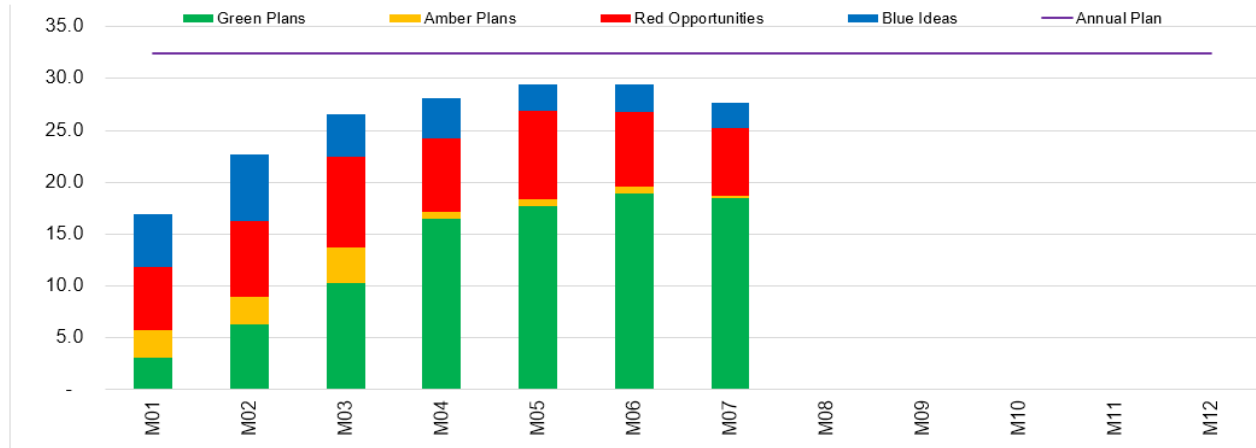
The chart below illustrates the step changes that have been managed since the start of the year, attributable to the acceptance and delivery of savings schemes against the target of £32.4m (shown on the charts to the right).



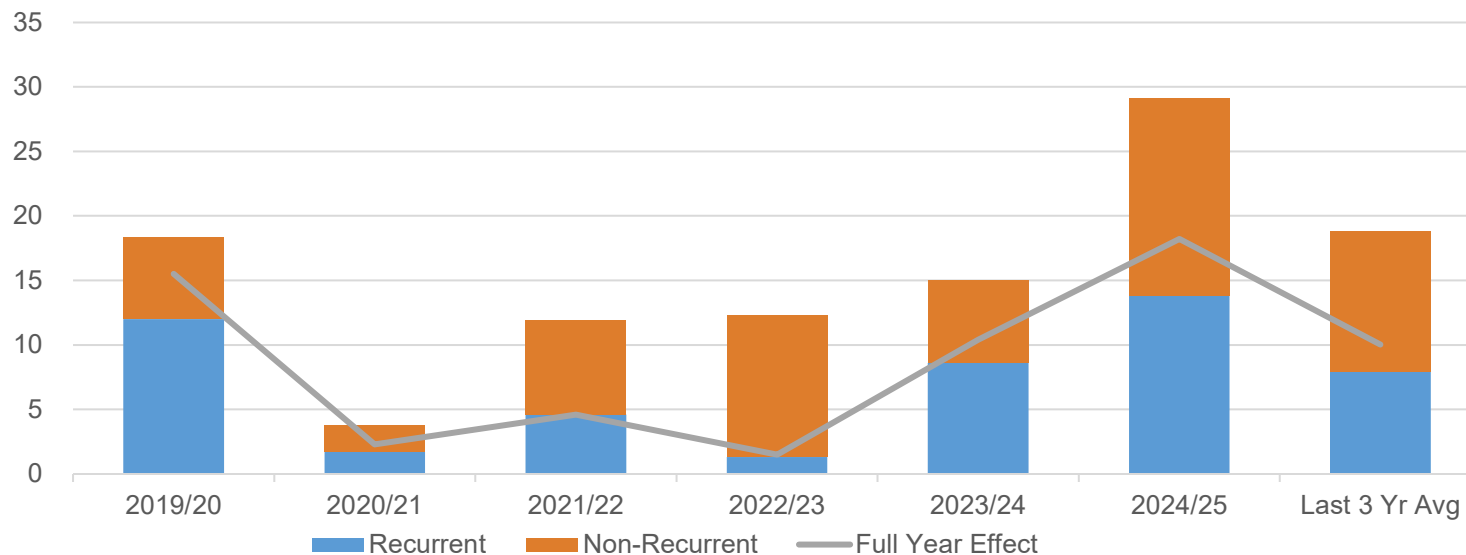
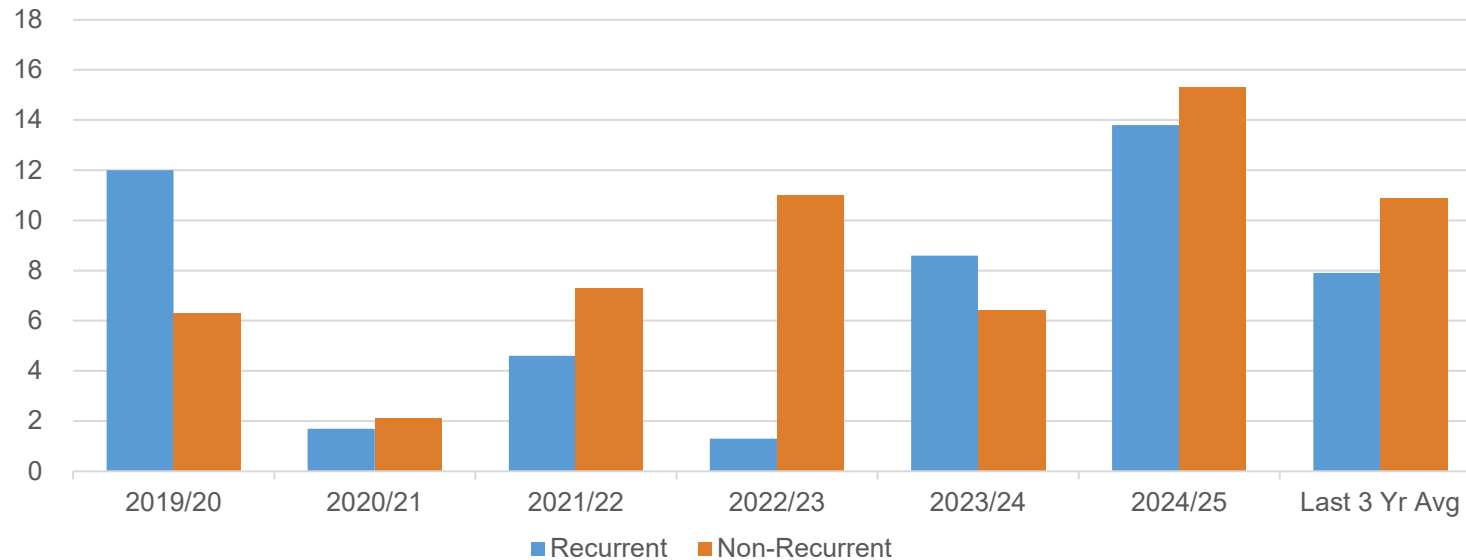
Monthly Trend of Annual In-Year Opportunity, Pipeline & Savings Plans (£'m)



Monthly Trend of Annual Recurrent Opportunity, Pipeline & Savings Plans (£'m)

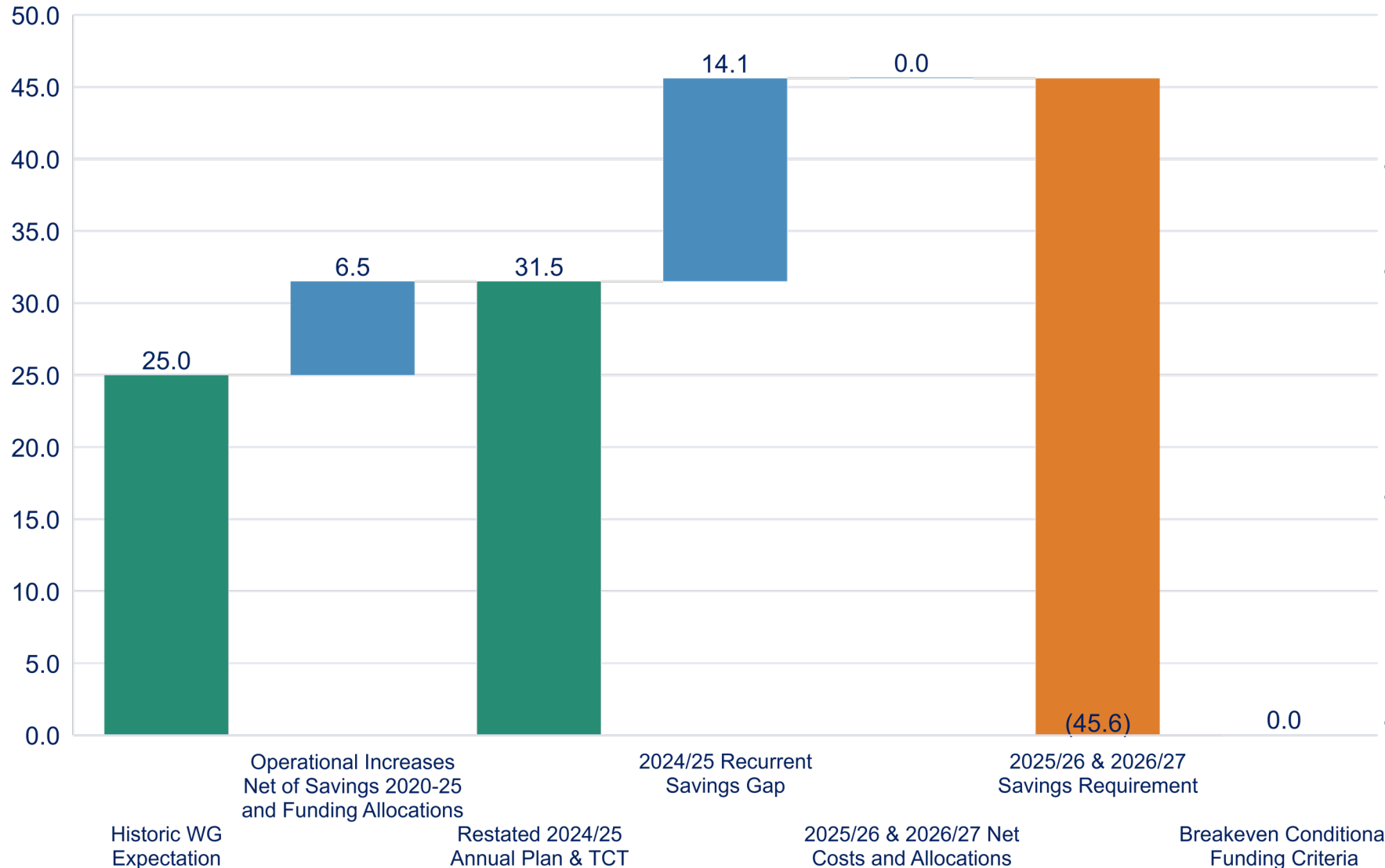


Savings Deliverability Assessment (£'m)



- 2024/25 has experienced a **step change** in the deliverability of savings, in comparison to recent years
- Historically, and currently, there remains an **over-reliance on non-recurrent** savings, where no year has been able to achieve a full year effect of recurrent schemes to the same level of total savings
- An **ambitious two-year savings aspiration** was set in 2024/25, covering 2024/25 and 2025/26, to ensure the health board sets the expectation of achieving an improved financial trajectory into 2025/26 and beyond
- Recommendations are still being implemented to ensure the organisation has the **capability and capacity to manage and deliver the changes** it requires, inclusive of the savings agenda – signalling a risk to delivery

2025/26 and 2026/27 Indicative Financial Roadmap



- The total **savings plan requirement**, predicated on achieving breakeven by 2026/27, is estimated to be **£45.6m**
- **New costs and funding** allocations are assumed to be **neutral**
- Welsh Government conditional funding criteria to achieve balance by 2027/28, with **Executive Team agreement** to delivery this by **2026/27**
- If the Target Control Total / Breakeven is not achieved, a risk is that the **£69.0m conditionally recurrent funding will not be received** on a recurrent basis
- **All numbers are indicative**, with the WG budget allocation due by 23 December 2024 for final funding clarification

Savings Approach – Directorate vs Strategic

Directorate level

- Directorates will be required to deliver against their carried forward shortfall against their 5% recurrent requirement
- Directorates will be required to deliver a new 1.5% savings requirement for 2025/26, of their adjusted non-ring fenced 2024/25 budgets after savings delivery
- Individual Directorate delivery will continue to be overseen through the Directorate Improving Together (DIT) structure and escalation meetings and health board wide delivery at the Integrated Quality, Finance, Planning and Delivery (IQFPD) forum



Strategic level opportunities

- Executives will be asked to lead on five key efficiency, productivity and value themes aligned to the planning goals and existing governance arrangement
- Will follow a discover / design / deliver (3D's) approach
- This will need to provide insights to support delivery at Directorate-level and feedback into Directorate plans
- Discover and design phases will need to be completed by end December 2024
- Delivery will continue to be overseen through the Reporting Group structure, Executive Team and Board committees

Savings Approach – Delivery Mechanisms

Value and Sustainability

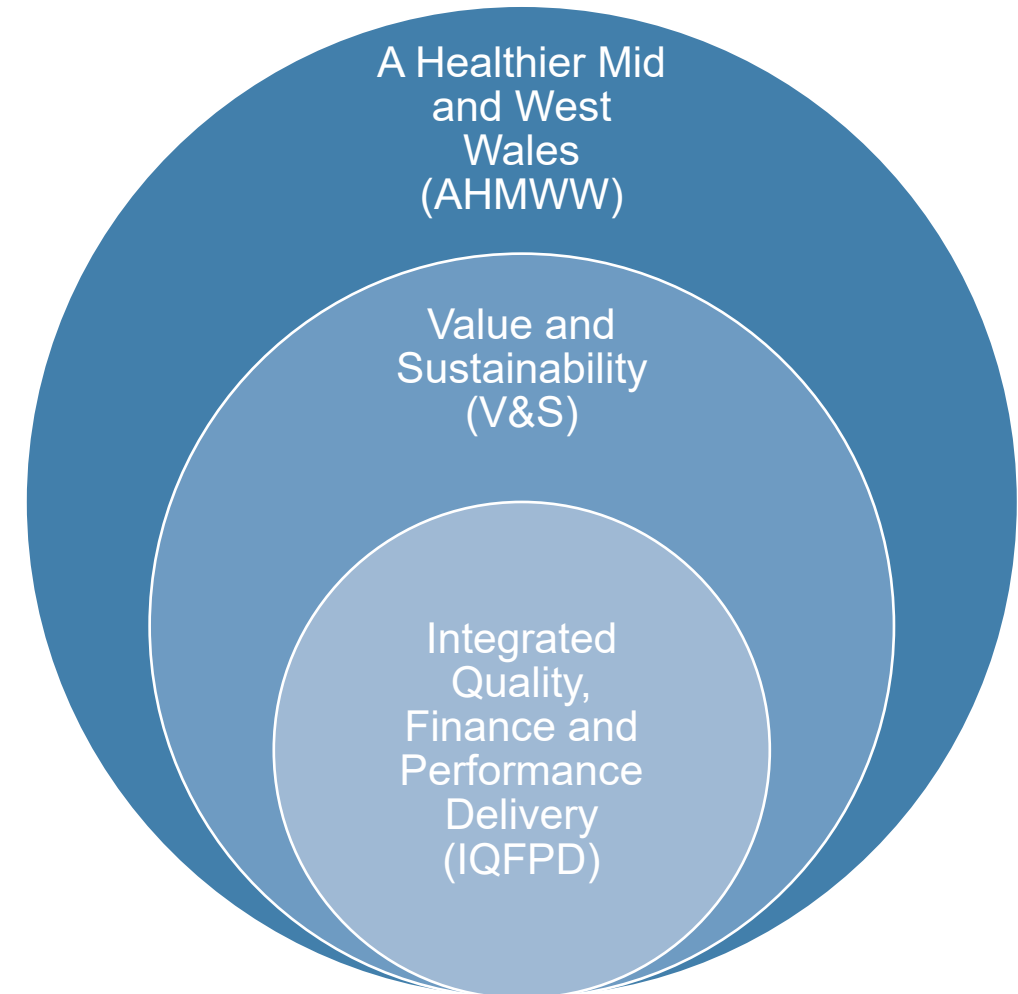
Planning Goal 1	Workforce stabilisation	LG	TW
Planning Goal 2	Financial recovery and route map	HT	

Integrated Quality, Finance and Performance Delivery

Planning Goal 3	Six goals delivery	AC	PS
Planning Goal 4	Planned care, diagnostics and cancer	AC	KJ
Planning Goal 5	Mental health and CAHMS	AC	LC

A Healthier Mid and West Wales

Planning Goal 6	Clinical services plan	MH	HMH
Planning Goal 7	Primary and community strategic plan	JP	RB
Planning Goal 8	Estates strategic plans	LD	PW
Planning Goal 9	Digital strategic plan	HT	AT
Planning Goal 10	Population health	AG	



Savings Approach – Delivery Mechanisms

The following mechanisms describe the way that savings can be achieved. There will be continued corporate governance oversight through the three delivery groups, linked to the internal escalation framework, ensuring appropriate balance is struck between quality, performance and resources.

- Systematic corporate approach continued to focus on nurse and health care agency costs
- Systematic corporate approach to consistent medical agency and substantive additional hours rates of pay
- Systematic corporate approach continued to focus on variable pay across all staff groups
- Revisit previous opportunity areas not yet progressed
- Continuous refresh of compendium of variation for new benchmarking data from internal sources, The VAULT etc.
- Detailed review of national V&S Board recommendations
- Local Intelligence of opportunities
- Clinical Services Plan and other service redesign programmes to effect patient and resourcing improvements
- Efficiency improvements – productivity reporting linked to Value Based Health Care developments
- Income – intelligent decision making of additional funding
- Optimising partnership funds/opportunities where these can be aligned to service priorities
- Capital enablers to revenue cost reduction, e.g. estates rationalisation programme and Picton Terrace
- Increased rigour and governance on new investments
- Refocus on health board wide financial literacy training
- Service model reviews across multiple sites to rationalise differing approaches, e.g. on call rotas, clinical variation etc.
- Supportive accountability driven through escalation interventions and awareness of corporate responsibilities.

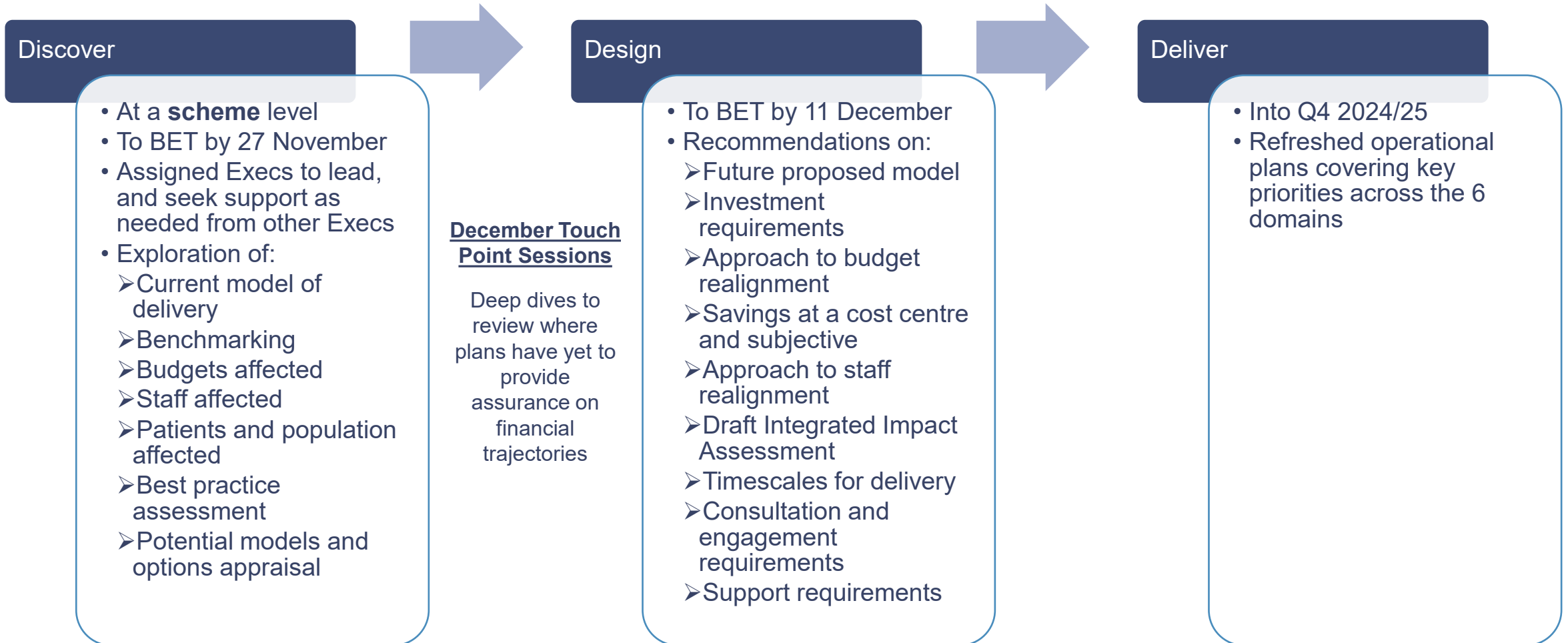
Savings Approach – Modelling of Savings Aspirations

- Savings aspirations are set based on the carried forward recurrent residual delivery from 2024/25 of a 5% non-ring fenced budget reduction, plus an additional 1.5% non-ring fenced budget reduction adjusted for 2024/25 delivery
- The carried forward values are based on the Month 6 2024/25 (September) end of year forecast and will continue to be updated and will therefore reduce the carried forward residual value as plans get added through the remainder of the current financial year
- These aspirations would be sufficient, if delivered, to deliver a significant improvement in the financial trajectory as required by the new funding criteria.
- The values could be adjusted to align to the savings requirement ensuring aligned cascade of savings targets

Delegated Officer Recurrent Savings Aspirations (£'m)	Carried Forward Under / (Over) Delivery vs 5% Budget Reduction as at M6	Additional 1.5% Non-Ring Fenced Budget After Adjusting for 2024/25 Delivery	Total Savings Target for 2025/26
Chief Executive	0.0	0.0	0.0
Chief Operating Officer	19.7	8.9	28.6
Director of Primary Care, Community & Long-Term Care	7.9	2.7	10.6
Executive Medical Director	0.0	0.1	0.1
Director of Nursing, Quality & Patient Experience	0.1	0.1	0.2
Director of Workforce & Organisational Development	0.0	0.2	0.2
Director of Finance	0.0	0.3	0.3
Director of Strategy and Planning	1.0	0.9	1.9
Director of Therapies & Health Sciences	0.8	0.4	1.2
Director of Public Health	0.0	0.1	0.1
Health Board Wide	(0.3)	0.6	0.3
Grand Total	29.2	14.3	43.5

Note: as final budgets/savings schemes are confirmed in the planning cycle, the final saving values, derived from the %'ages, might update. Should the health board's savings requirement be less than the Total Savings Target for 2025/26, the difference will be pro-rata across portfolios

Savings Approach – Strategic Level Opportunities



Savings Approach – Strategic Themes

	<p>Theme 1: Place £3.0m</p>	<ul style="list-style-type: none"> • Community strategy • Home based care strategy • Acute bed configuration and surge management
	<p>Theme 2: People £4.2m</p>	<ul style="list-style-type: none"> • Nurse and medical rostering • International recruitment for hard to fill roles • Variable pay controls & removal of agency
	<p>Theme 3: Enablers £11.0m</p>	<ul style="list-style-type: none"> • Primary and Secondary care prescribing reviews • Digital transformation • Procurement and cheaper alternatives
	<p>Theme 4: Quality, Outcomes and Value £9.4m</p>	<ul style="list-style-type: none"> • Services embedding prevention & inequalities • Continuing health care packages • Embedding value throughout pathways • MH&LD sustainable model and strategy
	<p>Theme 5: Clinical Service Models £7.6m</p>	<ul style="list-style-type: none"> • Primary Care strategy including access • Out of Hours model to triage appropriately • Clinical Service Plans • Commissioning / Repatriation agreements
<p>Minimum opportunity available totals £35.2m</p>		<p>Note: all values are indicative based internal efficiency reviews, benchmarking or other assessments. These figures do not include all technical efficiencies managed locally, which should be brought forward from budget holders.</p>