

**PWYLLGOR ADNODDAU CYNALIADWY  
SUSTAINABLE RESOURCES COMMITTEE**

<b>DYDDIAD Y CYFARFOD: DATE OF MEETING:</b>	22 October 2024
<b>TEITL YR ADRODDIAD: TITLE OF REPORT:</b>	Financial Plan Principles and Approach
<b>CYFARWYDDWR ARWEINIOL: LEAD DIRECTOR:</b>	Huw Thomas, Director of Finance
<b>SWYDDOG ADRODD: REPORTING OFFICER:</b>	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 to developing the annual 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

The attached presentation, **Appendix 1**, looks to set out the following underpinning expectations that are proposed to be carried forward into the wider organisations planning cycle, led by the Strategic Planning directorate. The content of the appendix can be summarised as:

- Intent
- Principles
- Assumptions
- Approach
- Savings aspirations
- Key actions/activities
- Key timelines

## 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 the target control total deficit of £44.8m;
- **ENDORSE** the contents of the document to allow the planning cycle to continue to operate within the principles and assumptions set out in the paper.

### Amcanion: (rhaid cwblhau)

#### Objectives: (must be completed)

Committee ToR Reference: Cyfeirnod Cylch Gorchwyl y Pwyllgor:	3.5 Receive assurances over the delivery of the financial plan. This will be achieved through scrutiny of the monthly finance report. This report shall ensure clarity in:  3.5.1 The reporting of monthly, year to date and forecast financial position alongside operational drivers;  3.5.2 Performance against the savings requirement;  3.5.3 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 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 <a href="#">Quality and Engagement Act (sharepoint.com)</a>	7. All apply
Galluogwyr Ansawdd: Enablers of Quality: <a href="#">Quality and Engagement Act (sharepoint.com)</a>	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: <a href="#">Hyperlink to HDdUHB Well-being Objectives Annual Report 2021-2022</a>	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 Termau: Glossary of Terms:	<p>BGH – Bronlais Hospital          CHC – Continuing Healthcare          FDU – Finance Delivery Unit          FNC – Funded Nursing Care          FYE – Full Year Effect          GGH – Glangwili Hospital          GMS – General Medical Services          MHL D – Mental Health &amp; 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&amp;O – Trauma &amp; Orthopaedics          TTP – Test, Trace, Protect          WG – Welsh Government          WGH – Withybush Hospital          WRP – Welsh Risk Pool          WHSSC – Welsh Health Specialised Services Committee          YTD – Year to date          EOY – End of Year          IMTP – Integrated Medium Term Plan</p>
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.
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<b>Ansawdd / Gofal Claf: Quality / Patient Care:</b>	The impact on quality and patient care is assessed as part of the operational savings plans.
<b>Gweithlu: Workforce:</b>	The impact on workforce is assessed as part of the operational savings plans.
<b>Risg: Risk:</b>	Financial risks are detailed in the report.
<b>Cyfreithiol: Legal:</b>	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.
<b>Enw Da: Reputational:</b>	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.
<b>Gyfrinachedd: Privacy:</b>	Not Applicable.
<b>Cydraddoldeb: Equality:</b>	Not Applicable.



**GIG**  
CYMRU  
**NHS**  
WALES

Bwrdd Iechyd Prifysgol  
Hywel Dda  
University Health Board

# Annual Financial Plan

## Approach, Principles and Assumptions

22 October 2024

## Sustainable Resources Committee



# Agenda

- 1 Background and context
- 2 Principle components and approach
- 3 Key principles and assumptions
- 4 Savings aspirations
- 5 Key actions and next steps
- 6 Key milestone deadlines
- 7 Funding assumptions

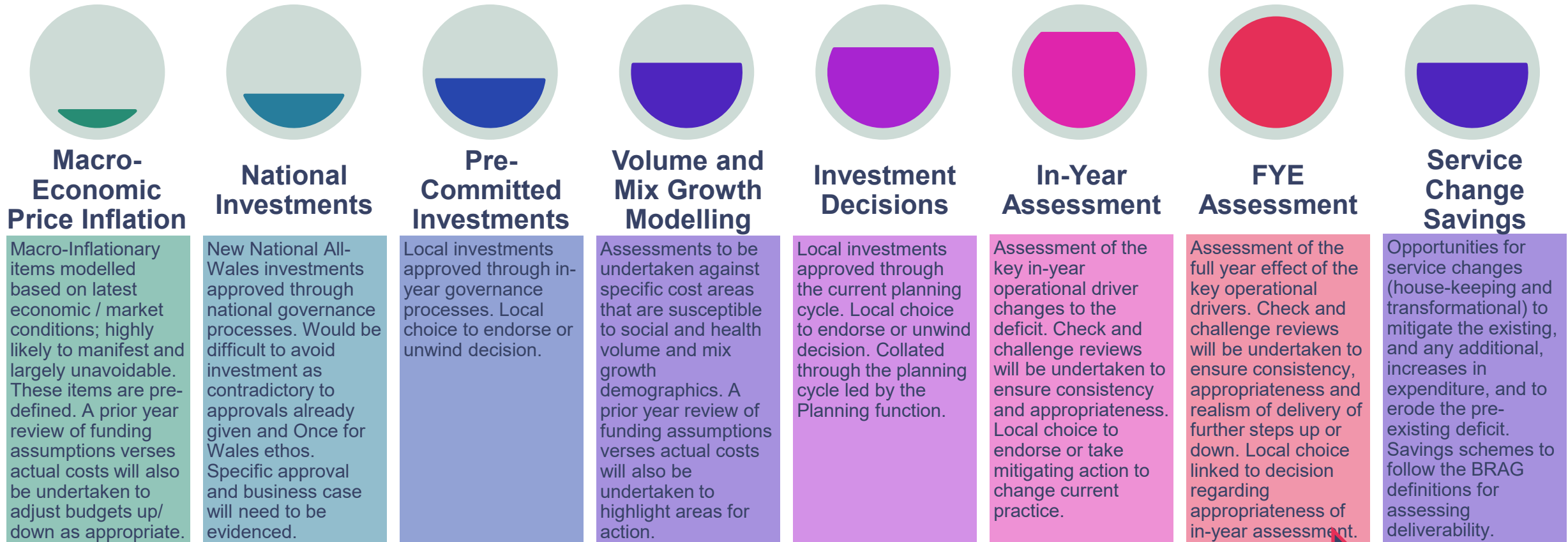
# Background and Context

- The Health Board is formally reporting a deficit of £64.0m for 2024/25, in line with its annual plan. Welsh Government have set a minimum expectation of achieving the target control total of £44.8m
- 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
- The whole Health Board is in Targeted Intervention, with a financial focus to deliver the target control total
- 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
- It is to be noted that the 2024/25 Annual Plan itself was not approved by the Board or Welsh Government

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	0.0	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	<small>(was 112.9)</small> 56.1	65.8	9.7	Plan revised mid-year with £56.8m extra funding
2024/25	44.8	64.0	* 68.0	4.0	* As at Month 5 with year-end not yet concluded

# Principle Components and Approach

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

- **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 the target control total of £44.8m;
- **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;
- There is an aspiration that the planned financial deficit will **achieve the target control total of £44.8m** in 2025/26, with no more reliance than £10.0m of non-recurrent benefits, therefore the underlying deficit would be £54.8m;
- Until the **Welsh Government budget allocation** is confirmed (circa. 23 December 2024), the total **savings target**, to enable achieving £44.8m, **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;
- **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:
  - System affordability in the short term (cash releasing efficiency opportunities)
  - System sustainability in the longer term (productivity and prevention opportunities)
  - Impact of expenditure (performance, outcomes and broader impact on economy, environment, and culture of our communities)
- Our design principles need to ensure that the tensions and trade-offs between these themes are managed.

# Macro-Economic Price and Volume & Mix Growth Modelling

- Only these specified items will be modelled, based on industry or demographic evidence
- Adjustments, up and down, will be made to the prior year planning assumptions for macro-economic price
- Must be presented, in a consistent format, with the following information:
  - 5 years of trend analysis
  - Breakdown between the following impacts with associated activity data:
    - Price impact
    - Volume impact
    - Mix impact
  - Average price per unit of measure
  - %'age increases based on actual trends
- All will need scrutiny and approval through the planning cycle

Macro-Economic Inflationary Price Items	Finance Team Owner
Prescribing price	GaYun James
Acute drugs price	Coordinated by GaYun James
CHC price	Sian Hurley
LTA price inflation	Sian Hurley
SLA, key contract or key consumables price inflation	Various Finance Business Partners
Utilities price inflation	Quazi Ferdous
General price inflation (CPI)	Carl James
M&D and AfC pay award price	Carl James
<b>Total Macro-Economic Inflationary Price</b>	

Volume and Mix Growth	Finance Team Owner
Prescribing mix and volume growth	GaYun James
Acute drugs mix, volume and activity growth	Coordinated by GaYun James
CHC package mix and volume growth	Sian Hurley
Utilities consumption volume growth	Quazi Ferdous
M&D and AfC pay mix changes	Carl James
<b>Total Volume and Mix Growth</b>	

# National, Pre-Committed and Statutory Investments

- Directorates to provide a list of everything that is currently known, e.g. RISP, LINC etc.
- This is not a bid process for investments. It should be made up of only those items that are pre-committed through National Policy, Board, Executive and CEO decisions.

National, Pre-Committed & Statutory Investments	Finance Team Owner
25A Wards	Wendy Phillips
25B Wards	Wendy Phillips
Revenue consequences of capital schemes	Wendy Phillips
NWSSP Plan	Scott Newton
JCC Plan	Sian Hurley
DHCW Plan	Scott Newton
<b>Total National, Pre-Committed &amp; Statutory Investments</b>	

# Savings Aspirations

- Savings aspirations are set based on a 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, therefore a total of 6.5% across the two years
- The carried forward values are based on the Month 6 (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 year
- Note: as final budgets are confirmed in the planning cycle, the final saving values, derived from the %'ages, might update

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 Saving Aspiration	Total Savings Aspiration for 2025/26
Chief Executive	0.0	0.0	0.0
Director of Finance	0.0	0.3	0.3
Director of Nursing, Quality & Patient Experience	0.1	0.1	0.2
Chief Operating Officer	19.7	8.9	28.6
Director of Primary Care, Community & Long-Term Care	7.9	2.7	10.6
Director of Public Health	0.0	0.1	0.1
Director of Strategy and Planning	1.0	0.9	1.9
Director of Therapies & Health Sciences	0.8	0.4	1.2
Director of Workforce & Organisational Development	0.0	0.2	0.2
Executive Medical Director	0.0	0.1	0.1
Health Board Wide	(0.3)	0.6	0.3
<b>Grand Total</b>	<b>29.2</b>	<b>14.3</b>	<b>43.5</b>

# Key Actions and Next Steps

1. **Executive Team/Planning Steering Group to review and approve** the contents of this document – complete in September 2024;
2. **Planning Steering Group** to coordinate a communication to key organisational leaders, outlining key deliverables and deadlines – scheduled for 10 October 2024 Planning Workshop;
3. **October 2024 SRC to endorse** the contents of this document;
4. **Directorate budget holders**, supported by finance business partners, to **review underspends and non-recurrent savings**, making them recurrent where appropriate by October 2024;
5. **Finance business partners and budget holders** to model macro-economic inflationary, growth elements, in-year and full year financial assessments by November 2024;
6. **Directorate budget holders**, supported by finance business partners, to **identify and develop plans** for further **recurrent savings schemes** – ongoing throughout the planning cycle.

# 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
Macro-economic and growth modelling complete as a first draft	15/11/2024	Finance Team (various owners)
Directorate cost driver assessment completed	15/11/2024	Budget Holder, supported by FBPs
First Draft – Executive Team review of Financial Plan before SRC (excluding WG core funding assumptions)	11/12/2024	Facilitated by Huw Thomas
First Draft – SRC review of Financial Plan	17/12/2024	Huw Thomas and Executive Leads
Welsh Government (WG) core funding uplift confirmed	23/12/2024	Welsh Government
DIT/Escalation meetings, focusing on Plans and Savings	During Jan/Feb 2025	Lead Exec, Service Lead, SFBP, Exec Reps.
Second Draft – Executive Team review of Financial Plan before SRC	19/02/2025	Huw Thomas and Executive Leads
Second 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 issued to delegated Executive Directors	12/03/2025	Phil Kloer and Finance Team
Third/Final Draft – Executive Team review of Financial Plan before Board	19/03/2025	Huw Thomas and Executive Leads
Third/Final Draft – 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

# Financial Assessments Required

- Macro-economic inflationary and growth modelling (as defined within included slide);
- National investments – approved through national governance arrangements;
- Local investments – approvals made in year through various governance forums;
- 2024/25 Savings – full year forecast update, with:
  - Full year effect savings plans being included within the new plan and budget;
  - Under-delivery against plans reviewed and accepted under-delivery will be added back into the new plan and budget;
- In-year and full year assessments – any items not featured in the specific items already listed will require an evidenced based explanation of the cost driver, which, if approved, would get included within the new plan and budget.