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Bwrdd Iechyd Prifysgol  
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Swansea Bay University  
Health Board



<b>Meeting Date</b>	<b>26<sup>th</sup> March 2020</b>	<b>Agenda Item</b>	<b>3.2</b>
<b>Report Title</b>	Budget and Financial Allocations		
<b>Report Author</b>	Samantha Lewis, Deputy Director of Finance		
<b>Report Sponsor</b>	Darren Griffiths, Interim Director of Finance		
<b>Presented by</b>	Darren Griffiths, Interim Director of Finance		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	The report advises the Board of the Welsh Government Revenue Allocations. The paper also provides an update on the budgetary and financial allocations review which is being undertaken.		
<b>Key Issues</b>	<p>The report invites the Board to note the Welsh Government Revenue Allocations for 2020/21.</p> <p>The report also invites the Board to note the planned budget review principles and progress to date ahead of issuing rebased budgets to services for the 2020/21 financial year.</p>		
<b>Specific Action Required</b> <i>(please choose one only)</i>	<b>Information</b>	<b>Discussion</b>	<b>Assurance</b>
	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Recommendations</b>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>NOTE</b> the Welsh Government Revenue Allocations for 2020/21</li> <li>• <b>NOTE</b> the planned budget review principles and progress to date.</li> </ul>		

## BUDGET AND FINANCIAL ALLOCATIONS

### 1. INTRODUCTION

The report advises the Board of the Welsh Government Revenue Allocation for 2020/21.

The report invites the Board to consider the planned budget review principles and the progress made to date ahead of issuing rebased budgets to services for the 2020/21 financial year.

### 2. 2020/21 WELSH GOVERNMENT REVENUE ALLOCATIONS

The Revenue Allocations for 2020/21 are set out in WHC (2019) 040, which was issued 19 December 2019.

The table below sets out the movement between the 2019/20 and 2021/21 revenue allocations.

	19/20 £m	20/21 £m	Movement £m
HCHS & Prescribing Discretionary Allocation	569.408	599.76	30.352
HCHS Ring Fenced Allocation	150.398	155.395	4.997
Directed Expenditure	4.755	5.155	0.4
<b>Total HCHS and Prescribing Allocation</b>	<b>724.561</b>	<b>760.31</b>	<b>35.749</b>
GMS Contract	61.712	63.341	1.629
Community Pharmacy Contract	20.931	21.112	0.181
Dental Contract	20.198	20.422	0.224
<b>Total Revenue Resource Limit</b>	<b>827.402</b>	<b>865.185</b>	<b>37.783</b>

The overall allocation uplift is £37.783m, which includes;

- £20.267m to support general pay and price increases;
- £17.21m funding from 2019/20 which has been made recurrent
- £1.297m specific funding ie clusters.

The balance reflects the top-slicing of allocations for specific agreed national priorities and central cost management.

The allocation is distributed to Service Delivery Units and Directorates through the budgetary framework, which establishes budgets for income, pay and non-pay. This is the basis on which the performance of Service Delivery Units and Directorates is monitored and managed.

### 3. BUDGETARY FRAMEWORK REVIEW

#### 3.1 The current budgetary framework has a number of issues;

- Budgets are misaligned and not reflective of activity levels and service performance;

- Underlying deficits require pay underspends to be maintained. This effectively means that vacancy levels are currently overstated;
- There are significant non-pay overspends due to unmet savings targets from a number of years;

The KPMG review recognised these issues and recommended that budgets be rebased for 2020/21 to enhance accountability and performance management.

### **3.2 The key principles of the budget rebasing for 2020/21 are;**

- Budgets to be based on income and expenditure run rates for 2019/20.
- **Unit and Directorate** budgets will therefore be adjusted to reflect the agreed recurrent underlying deficits, with the underlying deficit budget being held centrally.
- The budget realignment will require establishments to be rebased, including increasing establishments and disestablishing where appropriate. The establishment on wards subject to Nurse Staffing Act will be maintained at agreed levels.
- Key income and non-pay cost drivers will be aligned to activity levels wherever possible.
- Other elements of sophistication will be agreed through discussions with individual units.

### **3.3 The key benefits of the budget rebasing are;**

- Improved transparency and understanding of budgets which is essential for accountability.
- Budgets more reflective of expenditure run rates and activity levels.
- Supports the organisational restructure by reducing budgetary impacts of services transferring between units and directorates.
- Enables more robust monitoring and understanding of budget variation in 2020/21.
- Responds to KPMG recommendations.

### **3.4 There are however some potential risks with the budget rebasing that must be recognised. The budget rebasing could be considered as rewarding poor performance. It will also be necessary to disestablish posts which have been vacant for some time.**

### **3.5 The technical element of the budget rebasing will be complete by 27<sup>th</sup> March 2020. This proposed budget along with the associated activity levels will then be discussed with Senior Leadership Teams during the first week in April 2020 to ensure engagement and ownership of the rebased budgets.**

**3.6** The rebased budgets and activity will support the Accountability and Delegation letters.

**3.7 Progress to date:**

- Budget Setting Group established;
- Principles of budget setting shared at Financial Management Group on 19<sup>th</sup> February 2020;
- Meetings held with Finance Business Partner Teams;
- Template developed to provide consistency;
- Initial review complete and technical work now underway

**3.8 Next Steps (and timescale)**

- Technical work complete and reviewed – 27<sup>th</sup> March 2020
- Activity data to inform variable cost elements of budgets
- Engagement with Senior Leadership Team – 10<sup>th</sup> April 2020
- Budgets finalised – 24<sup>th</sup> April 2020
- Accountability and Delegation Letter issued upon finalisation of budgets

**4. RECOMMENDATION**

Members are asked to:

- **NOTE** the Welsh Government Revenue Allocations for 2020/21
- **NOTE** the planned budget review principles and progress to date

Governance and Assurance		
Link to Enabling Objectives (please choose)	Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities	
	Partnerships for Improving Health and Wellbeing	<input type="checkbox"/>
	Co-Production and Health Literacy	<input type="checkbox"/>
	Digitally Enabled Health and Wellbeing	<input type="checkbox"/>
	Deliver better care through excellent health and care services achieving the outcomes that matter most to people	
	Best Value Outcomes and High Quality Care	<input type="checkbox"/>
	Partnerships for Care	<input type="checkbox"/>
	Excellent Staff	<input type="checkbox"/>
	Digitally Enabled Care	<input type="checkbox"/>
	Outstanding Research, Innovation, Education and Learning	<input type="checkbox"/>
Health and Care Standards		
(please choose)	Staying Healthy	<input type="checkbox"/>
	Safe Care	<input type="checkbox"/>
	Effective Care	<input type="checkbox"/>
	Dignified Care	<input type="checkbox"/>
	Timely Care	<input type="checkbox"/>
	Individual Care	<input type="checkbox"/>
	Staff and Resources	<input type="checkbox"/>
Quality, Safety and Patient Experience		
Financial Governance supports quality, safety and patient experience.		
Financial Implications		
The revenue allocations reflects the funding available to support Health Board activities and the budgetary allocation process to support.		
Legal Implications (including equality and diversity assessment)		
No implications for the Board to be aware of.		
Staffing Implications		
No implications for the Board to be aware of.		
Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)		
No implications for the Board to be aware of.		
Report History	None	
Appendices	None	