



<b>Meeting Date</b>	<b>11 September 2025</b>	<b>Agenda Item</b>	<b>2.1</b>
<b>Name of Meeting</b>	<b>Health Board – Special Finance</b>		
<b>Report Title</b>	<b>Annual Plan – Finance Update</b>		
<b>Report Author</b>	Samantha Moss, Deputy Director of Finance Darren Griffiths, Executive Director of Finance and Performance		
<b>Report Sponsor</b>	Darren Griffiths, Executive Director of Finance and Performance		
<b>Presented by</b>	Darren Griffiths, Executive Director of Finance and Performance		
<b>Freedom of Information</b>	Open		
<b>Purpose of the Report</b>	This report sets out for the Board the specific actions and responses to address the eight key points on the Financial Plan for 2025/26 raised in Welsh Government’s letter to us of 18 August 2025.		
<b>Key Issues</b>	<p>The Health Board does not have an approved financial plan for 2025/26.</p> <p>In the most recent round of correspondence regarding the Health Board’s financial plan the Chief Executive of NHS Wales has asked for specific updates on eight clear points set out within the letter and for these to be shared and discussed at a face-to-face session on Thursday 11 September 2025</p> <p>The report attached as <b>Appendix A</b> has been developed to be a detailed update on the Health Board’s financial plan to answer these specific points.</p> <p>A Special Board Performance and Finance Committee met on Monday 8 September 2025 to scrutinise the response, with the outputs from those discussions included in the report in the Appendix.</p> <p>The attached report represents the cumulative effect of the work carried out to date and reflects the position as at 9 September 2025.</p> <p>Significant progress has been made on savings delivery and in-year mitigation and a plan to achieve the £55.4m savings requirement, as set out in the Health Board’s plan has been identified. The delivery confidence of this has substantially improved and whilst there is some risk in the plan this is reducing and further work is underway to reduce this further and look for more opportunities.</p>		



	<p>Risks have emerged in year from both national and local issues and these will need to be strongly mitigated. At present the Health Board has not been able to identify financial mitigation for these necessitating clear actions and choices to mitigate the risk from impact wherever possible.</p> <p>Further work is planned with our support partner over the next 5 weeks to continue to develop the detailed actions for 2025/26 and to set an exit run rate position from 2025/26 into 2026/27 to prevent underlying pressures from emerging in 2026/27.</p>			
<p><b>Specific Action Required (please choose one only)</b></p>	<p><b>Information</b></p>	<p><b>Discussion</b></p>	<p><b>Assurance</b></p>	<p><b>Approval</b></p>
	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>	<p><input type="checkbox"/></p>	<p><input checked="" type="checkbox"/></p>
<p><b>Recommendations</b></p>	<p>Members are asked to:</p> <ul style="list-style-type: none"> <li>• <b>ACCEPT</b> the Board is not able to move to a 42.5m deficit at the year end;</li> <li>• <b>CONFIRM</b> the 55.4m savings plan, as originally envisaged;</li> <li>• <b>ACCEPT</b> that new, additional unforeseen costs impact adversely on the 58.7m year end deficit position, but</li> <li>• <b>ACCEPT</b> that, given the scale of the savings already identified in the original plan, the scale of the additional ask , the fundamental cultural reset that is required, and the need to build up capacity and capability to deliver, the Board cannot at this point commit the organisation beyond the original savings quantum;</li> <li>• <b>CONFIRM</b> that teams will continue to work tirelessly for the remainder of the year, to identify additional opportunities, including difficult choices; and</li> <li>• <b>REITERATE</b> the Board's view that the scale of the challenge requires a three year recovery and sustainability trajectory.</li> </ul>			



## ANNUAL PLAN – FINANCE UPDATE

### 1. INTRODUCTION

This report sets out for the Board the specific actions and responses to address the eight key points on the Financial Plan for 2025/26 raised in Welsh Government’s letter to us of 18 August 2025.

### 2. BACKGROUND

#### Plan Submitted

The Health Board submitted its Annual Plan for 2025/26 to Welsh Government for scrutiny and assessment in March 2025.

The Board recognises that the Plan has not been accepted or supported by Welsh Government and there has been active discussion and sharing of plans between the Health Board and Welsh Government since the submission of the plan.

A combination of challenging opening underlying deficit and a 1.77% allocation in 2025/26, led the Health Board to agree that the most credible and stretching savings delivery for 2025/26 be included in the plan.

This savings target was set at 5% translating to £55.4m. The table below shows the construct of year 1 of the plan and importantly sets out that should inflation and allocation in future years be relatively stable, further savings of 4% and 3% would enable the Health Board to make significant financial improvement over the 3-year period.

	2025/26	2026/27	2027/28
<b>SECTION A: OPENING PLAN</b>			
Financial Assessment Underlying Deficit	92.5	58.7	33.7
<b>SECTION B: GROWTH/INFLATION</b>			
Part B1: National Cost Pressures - core	4.1	2.4	1.7
Part B2: Local Inflation Cost Pressures	16.2	16.2	16.2
Part B3: Local Growth Cost Pressures	13.5	13.2	13.2
<b>SECTION C: COMMISSIONING/PROVIDER LTA</b>			
Net Impact Provider & Commissioner	3.1	3.1	3.1
<b>SECTION D: FUNDING</b>			
Net Impact Core Uplift @ 1.77%	(15.2)	(15.5)	(18.2)
<b>PART E SAVING TARGET</b>			
Minimum Savings Target 5% - 4% - 3%	(55.4)	(44.4)	(33.3)
<b>FINANCIAL PLAN DEFICIT / (SURPLUS)</b>	<b>58.7</b>	<b>33.7</b>	<b>16.4</b>

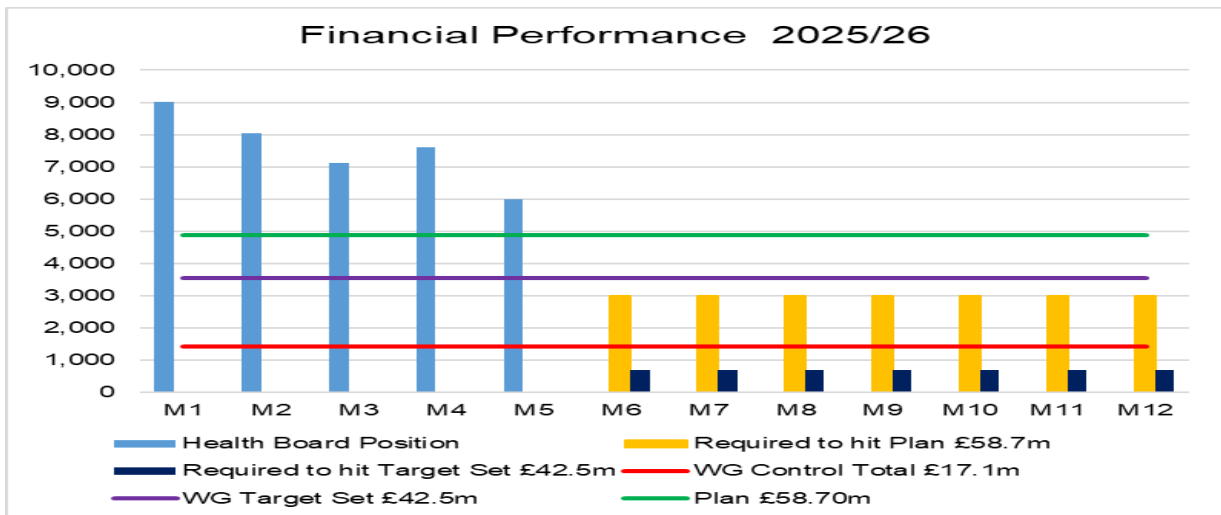


### **Financial Performance to Date**

Balanced and consistent delivery of the plan would see the Health Board needing to deliver an average in-month deficit of £4.89m. This would mean that by the end of month 5, the Health Board would be on plan, if the total deficit report was £24.5m or less.

At month 5 the Health Board deficit is £37.8m, £13.3m off the base plan.

The chart below shows the variance per month for the year to date and shows that for the Health Board to achieve £58.7m deficit or between it cannot overspend by more than £3m a month for the remaining 7 months of the financial year.



**Within this overall position the Health Board is £15.9m behind its savings plan clearly demonstrating that if the savings plan could be delivered in full, the Health Board would be ahead of plan to date.**

In order to support the Health Board, Welsh Government agreed that external capacity and expertise could be commissioned to look at a wide range of supporting activities. Currently this support is clearly focussed on a review of internal governance, improved grip and control measures, validating existing savings plans and identifying further savings to be delivered.

This current phase of support work is focussed on making the way we currently work lower cost and more productive and efficient. The future financial sustainability of the Health Board will need to build on these foundations and then consider new ways of working as a Board to transform our cost base sustainably in the next 3 years.



Due to the delivery gap in the plan the Health Board has received a clear set of requirements from the Chief Executive of NHS Wales to give confidence and assurance that the financial plan for 2025/26 can be delivered.

The letter received from Welsh Government set out 8 key points to be address and following the Board meeting on 11 September 2025 the Chief Executive and Director of Finance and Performance of the Health Board will meet the NHS Wales Chief Executive in a face-to-face meeting to go through the Health Board's response. A detailed report (attached as **Appendix A**) has been prepared to address these points. The next section of this Board report draws out the key issues from the report with the detail required set out in that report.

### **Financial Plan Update**

Work on the delivery of the plan has intensified materially in recent months. The update below draws together a number of separate pieces of work to prepare a composite position for the rest of the year. This includes: -

- Update on existing savings schemes already in place across the Health Board
- Savings opportunities driven by the external support team working with Executive Leads on cross system themes: -
  - Urgent Emergency Care (UEC)
  - Planned Care
  - Continuing Healthcare (CHC)
  - Procurement
  - Medicine Management
  - Pay
- A review of one-off opportunities arising in 2025/26
- A review of underspend areas and agreement to maintain these
- Improved grip and control mechanisms; largely pay focussed

A presentation on the detail of this work was received by the Performance and Finance Committee on 8 September 2025 and subject to scrutiny and challenge.

The table below summaries that as a result of the work above the Health Board can set out a detailed plan which meets its set target of £55.4m in 2025/26 through a blend of all the actions in the bullet points above.



	£m	£m
<b>Base plan</b>		
<b>£55.4m savings to achieve £58.7m</b>		<b>55.4</b>
Part B actions	(33.6)	
Part C actions	(12.8)	
<b>Savings from agreed actions</b>		<b>(46.4)</b>
Gap		9.0
Further Actions		(9.0)
<b>Gap/(Surplus)</b>		<b>0.0</b>

Whilst the detail of each category is included in the attached report the two tables which follow demonstrate that the delivery of the savings plan is derived from a wide range of actions across many differing activities and are not reliant on smaller number of significant schemes.

PART B	In Year	Recurrent
	£M	£M
<b>Part B Action Identified</b>		
<b>Part B1 Operational Run Rate Position</b>		
- Mth 1-4 Actual Performance	(1.6)	(1.6)
- Mth 5-12 Corporate Directorate	(1.9)	(3.5)
- Further Corporate Opportunities/Pressures	1.1	1.1
<b>Sub Total Part B1</b>	<b>(2.5)</b>	<b>(4.0)</b>
<b>Part B2 N/R Central Opportunities</b>		
- Central Actions Mth 3-12	(2.7)	0.0
- Central Actions Mth 4-12	(1.9)	0.0
- Balance Sheet Assessment	(1.5)	0.0
<b>Sub Total Part B2</b>	<b>(6.1)</b>	<b>0.0</b>
<b>Part B3 Savings Delivery Trackers</b>		
- Green	(21.8)	(10.7)
- Amber	(3.3)	(6.5)
<b>Sub Total Part B3</b>	<b>(25.1)</b>	<b>(17.1)</b>
<b>Total Part B</b>	<b>(33.6)</b>	<b>(21.1)</b>



PART C	In Year £M	Recurrent £M
<b>Part C Further Action</b>		
<b>Part C1 Savings Trackers Red</b>		
- Red Schemes & Corp Stretch	(4.3)	(4.2)
<b>Total Part C1</b>	<b>(4.3)</b>	<b>(4.2)</b>
<b>Part C2 Savings Trackers Pipeline</b>		
- Pipeline (Q4 Savings Trackers)	(1.7)	(4.5)
<b>Total Part C2</b>	<b>(1.7)</b>	<b>(4.5)</b>
<b>Part C3 Further Opportunities</b>		
- Workforce	(3.5)	(15.0)
- CHC	(0.2)	(5.1)
- Medicines Management	0.0	0.0
- UEC	(1.6)	(3.1)
- Procurement	(1.2)	(5.1)
- Planned Care	(0.3)	(1.2)
<b>Total Part C3</b>	<b>(6.8)</b>	<b>(29.5)</b>
<b>Total Part C</b>	<b>(12.8)</b>	<b>(38.2)</b>

The total of the in-year impact of all of the above actions is £46.4m. The further £9m of additional savings or spend reduction in 2025/26 will be delivered through 3 main areas of focus which are highlighted in the bullet points below. These are already subject to control mechanisms being implemented and are being further refined.

- All variable pay to be subject to Exec-level approval
- Cessation of all additional elective activity not relating to 104 weeks or cancer
- Non-Pay restriction (focus on estimates annual spend of £12.5m on establishment expenses)

The combination of all of the above delivers a £55.4m plan for the year as set out by the Health Board in its Annual Plan for 2025/26. It is important to note that given the current savings gap, the in-year plan is a blend of true savings, controls and one-off mitigations. The Health Board has been clear that whilst this has been necessary in 2025/26 the recurrent impact of the focus on savings must be at least the £55.4m set out, to provide a platform for future years. The table below demonstrates that, at this point, the savings programme is scheduled to deliver £3.9m more than £55.4m to a total of £59.3m. **Equal attention must be paid to this, as well as the in-year requirement.**



Recurrent £58.7m	£M	£M
<b>Part A Target Savings</b>		
Stage 1: Savings Target £58.7m Plan	55.4	
<b>Total Part A</b>		<b>55.4</b>
<b>Part B Action Identified</b>		
Part B1 Operational Run Rate Position	(4.0)	
Part B2 N/R Central Opportunities	0.0	
Part B3 Savings Delivery Trackers	(17.1)	
<b>Total Part B</b>		<b>(21.1)</b>
<b>Part C Further Action</b>		
Part C1 Savings Trackers Red	(4.2)	
Part C2 Savings Trackers Pipeline	(4.5)	
Part C3 Further Opportunities	(29.5)	
<b>Total Part C3</b>		<b>(38.2)</b>
<b>Gap/ (Surplus) Delivery Savings Target</b>		<b>(3.9)</b>

It is important that the Health Board continues to seek further opportunities to save and reduce spend in 2025/26 to try to improve upon the forecast position and provide mitigation for risks.

### **Emerging Risks and Issues**

There have been a number of risks and issues which have arisen in 2025/26 which were not foreseen at the time of the preparation of the Annual Plan. Whilst the actions set out above will meet the £55.4m requirement as per the Health Board plan, there remains a need to mitigate risks which have been identified. Some of the risks have emerged through national issues and some are more local to the Health Board.

The table which follows sets out the risks and issues as currently assessed and also provides the Health Board's financial assessment of their potential unmitigated impact.



Risks	Original Assessment	
	External	Local
	£m	£m
MH& LD redesign		0.5
ED 6 week pilot extension		0.1
Maternity requirements		0.5
Workforce Challenges		9.3
JCC financial risks	0.9	
Initial WRP assessment	(0.3)	
Provisional WRP increase share	6.0	
NI Shortfall	3.1	
MH/LD long term placements		6.2
LIMS plan		0.3
Nurse streamlining		4.2
MH/LD underlying run rate		4.9
<b>Totals</b>	<b>9.7</b>	<b>25.9</b>

The Health Board is urgently considering the mitigation of these risks. A discussion will be held with Welsh Government on what national approaches can be taken to mitigate the risk in Welsh Risk Pool (WRP) and locally action is being taken to address pressures in Mental Health Services. Further, our support partner will commence a separate benchmarking of our Mental Health Services (scoping meeting this week).

The Health Board will need to act swiftly and decisively to mitigate the risks or develop contingency to cover risk which are already real issues such as NI shortfall and mental health pressures. There is also a clear requirement to address the recommendations from the Independent Review of Maternity and Neonatal Services for which plans are currently being drawn up. This will be brought the attention of Welsh Government in discussion.

The Health Board therefore retains a line of sight to the £58.7m deficit as set out in its submitted plan, but this needs to be qualified with need to mitigate the risks and issues set out above that were not foreseen at the time of the preparation of the plan and have emerged in-year.

Finally, there will be options to look at challenging choices beyond those already taken and these will be discussed directly with Welsh Government as appropriate.

### **Future Opportunities**

Looking to the future we must consider every option available to achieve financial sustainability and improve the financial maturity of the Health Board.

As part of our next planning round, we will need to consider some fundamental issues which are likely to be complex in nature and will require

detailed internal consideration and discussion with our NHS colleagues and our partners.

A first cut of work areas has been developed and this will be strengthened as the planning process for 2026/27 and beyond is developed. The Director of Finance and Performance and the Director of Planning and Partnerships will give this due consideration over the next month or so to provide greater clarity for the Board on the next steps.

The bullet points below set out the headings for these and detailed work will need to be completed to allow for appropriate Board consideration through our plans.

- Service configuration cross 3 acute sites
- Review of fragile services
- Allocative changes to resource distribution to meet strategic need
- Fully meeting recommendations from maternity and neonatal independent review
- Critical review of cost and volumes of all inter-organisation contractual arrangements to avoid subsidy of contract lines
- Specific attention to the commissioning arrangements for our Cancer Centre
- Maximising the opportunities forming from our Joint Regional Committee activities

It will be critical that the Health Board fully embraces the learning and approaches bought by the support team and that their recommendations for any governance and system improvements are enacted to ensure maintenance of traction on the programme of work for now and the foreseeable future given the scale of financial recovery required.

### **3. GOVERNANCE AND RISK ISSUES**

Scrutiny of the financial element of the Health Board's Annual Plan for 2025/26 is overseen by the Health Board's Performance and Finance Committee and the Board itself. There are routine Recovery and Sustainability Board meetings (2 per month) which act as key delivery and accountability meetings with monthly financial review meetings with Service Groups and Quarterly meeting with Corporate Directors routinely in place.

The service risks and issues are set out earlier in this report.

The Board is also aware that we have a large scale improvement and transformation programme underway to address pressing service issues



and to ensure we are lead, managed and governed effectively so that we can achieve our aspiration of being a high quality organisation.

We are moving at pace with our organising for success programme and we are looking at how we ensure we have the right capability and capacity to deliver all the priorities we have agreed as a Board.

#### 4. FINANCIAL IMPLICATIONS

The financial implications of this paper are included in the sections above and in **Appendix A**.

#### 5. RECOMMENDATIONS

Members are asked to:

- **ACCEPT** the Board is not able to move to a 42.5m deficit at the year end;
- **CONFIRM** the 55.4m savings plan, as originally envisaged;
- **ACCEPT** that new, additional unforeseen costs impact adversely on the 58.7m year end deficit position, but
- **ACCEPT** that, given the scale of the savings already identified in the original plan, the scale of the additional ask, the fundamental cultural reset that is required, and the need to build up capacity and capability to deliver, the Board cannot at this point commit the organisation beyond the original savings quantum;
- **CONFIRM** that teams will continue to work tirelessly for the remainder of the year, to identify additional opportunities, including difficult choices; and
- **REITERATE** the Board's view that the scale of the challenge requires a three year recovery and sustainability trajectory.



<b>Governance and Assurance</b>		
<b>Link to Enabling Objectives</b> <i>(please choose)</i>	<b>Supporting better health and wellbeing by actively promoting and empowering people to live well in resilient communities</b>	
	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"/>
	<b>Deliver better care through excellent health and care services achieving the outcomes that matter most to people</b>	
	Best Value Outcomes and High Quality Care	<input checked="" 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"/>
<b>Health and Care Standards</b>		
<i>(please choose)</i>	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 checked="" type="checkbox"/>
<b>Quality, Safety and Patient Experience</b>		
Financial Governance supports quality, safety, and patient experience		
<b>Financial Implications</b>		
The Board is reporting a forecast year-end deficit financial outturn.		
<b>Legal Implications (including equality and diversity assessment)</b>		
No implications		
<b>Staffing Implications</b>		
No implications		
<b>Long Term Implications (including the impact of the Well-being of Future Generations (Wales) Act 2015)</b>		
No implications		
<b>Report History</b>	Whilst this is a specific issue report, updates on the financial position are provided at every meeting.	
<b>Appendices</b>	Appendix 1 – Annual Plan – Finance Report	