

 <p> GIG CYMRU NHS WALES </p> <p> Iechyd Cyhoeddus Cymru Public Health Wales </p>	<p> Name of Meeting Board Date of Meeting 28 March 2024 Agenda item: 4.1 </p>
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Financial Plan and Budgetary Control Framework 2024/25 – 2026/27

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Approval/Scrutiny route:	Updates on budget principles and financial plan previously provided to Business Executive Team.
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Purpose
The purpose of this report is to outline to the Executive Team and the Board the Public Health Wales revenue and capital financial plan for 2024/25 – 2026/27 along with budgetary control framework that will be applied for the financial year.

Recommendation:				
APPROVE <input checked="" type="checkbox"/>	CONSIDER <input type="checkbox"/>	RECOMMEND <input type="checkbox"/>	ADOPT <input type="checkbox"/>	ASSURANCE <input type="checkbox"/>
The Board is asked to approve the Financial Plan and Budgetary Control Framework 2024/25 – 2026/27, noting the ongoing review and scrutiny process.				



Public Health Wales has a Long Term Strategy which identifies six strategic priorities.

This report contributes to the following:

Strategic Priority/Well-being Objective	All Strategic Priorities/Well-being Objectives
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Summary impact analysis

Equality and Health Impact Assessment	An EQIA is not required as the paper is an update on previously agreed strategies.
Risk and Assurance	Risks are included in the paper.
Health and Care Standards	This report supports and/or takes into account the Health and Care Standards for NHS Wales Quality Themes All themes
Financial implications	Financial implications are set out in the document
People implications	The paper takes account of the workforce planning activity.

Our Budget Strategy 2024/25 – 2026/27

1. Introduction

The IMTP, including our financial plan and budget strategy, serves also to meet Welsh Government planning requirements for 2024/25.

The figures within this strategy do not include income or expenditure relating to The NHS Executive, which is hosted by the Trust. Improvement Cymru will transfer from Public Health Wales to the NHS Executive from 1 April 2024. It is assumed that our hosted services will manage within their approved allocation and therefore the principles and approaches set out in this strategy do not apply to our hosted services.

2. Financial Planning and Budget Setting Principles

We are required by Standing Orders (SOs) and Standing Financial Instructions (SFIs) to approve an Annual Budget for the financial year ahead before the year commences. In addition, we have a statutory duty to break even over a 3-year period and therefore a balanced budget has been set for each of the three years in the period 2024/25 – 2026/27.

Our budget strategy is committed to supporting the delivery of our refreshed long term strategy by enabling sustainability, improvement and value across the organisation.

A number of underlying key themes will need to be maintained in order to ensure that we continue to deliver against these financial duties:-

- Breakeven underlying position brought forward;
- Budgets will be set within our total income;
- There will be no automatic right to receive a budget at the same level as previous years;
- Budget holders will need to demonstrate how resources are being spent and how value for money is being achieved;
- Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive;
- Directorate budgets will be required to reflect a minimum of 2% efficiency cost reduction schemes and targets in 2024/25;
- Existing Organisational efficiency saving schemes will continue to result in budget amendments to reflect the savings delivered e.g. VERS, salary sacrifice schemes.

- Actual staff in post will not be permitted to exceed funded establishments;
- Clear accountability of budget by delegated budget holders will be required and evidenced through formal sign off of budgets;
- The accountable budget holder may delegate the management of a budget to a named delegated budget holder, however the budget holder remains accountable for the performance of the budget(s) under their control.
- Quarterly reviews of directorate financial plans and performance against them. These reviews will examine pay spending plans and vacancy slippage as well as non-pay plans and procurement progress in order to gain early insight of variations from plans. This approach will enable us to prioritise reallocation and reinvestment of resources across the organisation as early as possible during the financial year.

3. Welsh Government Allocations

Welsh Government Core Allocation

Public Health Wales' Welsh Government Mandate Letter dated 14th February 2024 confirmed the core allocation of £139.69m. This allocation was subsequently increased to £143.703m by Welsh Government in the final Welsh Government Budget. The additional allocations agreed for 2024/25 are included in **Table 1** below:

Table 1

Item	£m
2023/24 Opening WG Core Allocation	133.899
Baseline Adjustments for 2024/25 Allocation	
Bowel Screening Optimisation Programme	5.411
Primary Care Innovation & Development Hub	0.380
2024/25 Core Allocation as per Mandate Letter	139.690
COVID-19 Sustainability Plan (recurrent element)	3.929
Energy Funding	0.084
2024/25 Core Allocation as per Welsh Government Budget	143.703

Table 1 highlights further funding to support the completion of the optimisation of the Bowel Screening Programme. Latest modelling has demonstrated lower uptake and positivity rates, and a lower proportion of patients being deemed fit for colonoscopy than those used in the funding model. This may result in lower than anticipated spend in 2024/25 and will need to be closely monitored.

In addition, Table 1 demonstrates that the Primary Care Innovation and Development Hub has now been included within our core recurrent funding by Welsh Government.

COVID Sustainability Plan

The above core allocations include a recurrent COVID allocation of £3.929M in relation to the ongoing costs of supporting the COVID-19 response. A further £7.11m has been approved on a non-recurrent basis. The make up of both the recurrent and non-recurrent COVID allocations are set out in **Table 2**.

Table 2

COVID Sustainability Plan 2024/25	
Re-current Funding (included in core)	£m
Integrated Surveillance	1.573
Pathogen Genomics	0.585
Health Protection Team	0.232
Vaccination Programme	1.539
Total	3.929
Non-recurrent Funding (paid monthly on actuals)	
Laboratory Testing (non-pay)	6.560
National Surge Team (hosted by Cardiff Council)	0.550
Total	7.110
Total COVID Allocation	11.039

The National Surge Team element of non-recurrent funding has not been agreed by Public Health Wales and is under discussion with Welsh Government.

The 2024/25 Covid Sustainability funding will operate on the basis that there is flexibility to move the allocation between activity, but this must not exceed the total allocated.

Public Health Wales will work with Welsh Government during 2024/25 to plan the future service provision and funding in relation to the COVID testing non-recurrent elements.

The core funded element of the COVID Sustainability Plan will no longer be reported separately to Welsh Government spend once it has been absorbed into Public Health Wales' core position. We will continue to report on the laboratory testing element which is non-recurrently funded based on actuals.

Non-Core Funding – Non-COVID

Table 3 sets out the remaining non-core allocations agreed by Welsh Government

Table 3

Non-Core Allocations 2024-25	£m
Early Years Prevention	1.028
Obesity Plan	1.200
Obesity Strategy :Children and Families Intervention	0.600
Obesity Strategy : Diabetes	1.000
Healthy Weight Behaviour change	0.200
Healthy Working Wales	0.500
Lung Cancer Screening	0.327
Total Additional Income	4.855

Public Health Wales have made recurrent staffing commitments against a number of these programmes. This will be a financial risk once funding ceases. Plans will need to be developed during 2024/25 to mitigate this risk.

Anticipated Welsh Government funding not yet confirmed

There are a number of anticipated allocations included in our financial planning assumptions. These are summarised in **Table 4** below.

Table 4

	2024/25 £m	2025/26 £m	2026/27 £m	Recurrent £m
Expected Core Allocations not confirmed				
Pay Award Uplift 2022/23 & 2023/24	6.098	6.098	6.098	6.098
Funding to support IGRA testing of Ukrainian arrivals in Wales	0.064	0.064	0.064	0.064
Genomics PENGU Funding	0.080	0.080	0.080	0.080
Improvement Cymru transfer to the NHS Executive	-6.797	-6.797	-6.797	-6.797
Future Years Inflationary Uplift	-	1.343	2.510	2.510
Total Core Allocations	-0.555	0.788	1.955	1.955
Expected Non-Core Allocations not confirmed				
Breastfeeding Action Plan	0.140	-	-	-
Whole School Approach to Mental Health	0.745	-	-	-
Total Non-Core Allocations	0.885	-	-	-
Total Allocations not confirmed	0.330	0.788	1.955	1.955

- All Pay awards are expected to be fully funded. We are awaiting confirmation as to the value of our allocation.
- Improvement Cymru will transfer from Public Health Wales to the NHS Executive from 1 April 2024. The final allocation to transfer is £6.797m, subject to recurrent pay award funding confirmation. This figure is with Welsh Government for approval.



- Non-pay inflation for 2025/26 has been modelled at 2.6% and for 2026/27 at 2.2%. Although no non-pay inflation funding has been provided by Welsh Government in 2024/25, it is assumed that 2025/26 and 2026/27 inflation will be funded at the forecast cost levels and so have a net nil impact on our financial plan and not classed as a cost pressure.
- Whole school Approach to Mental Health and Breastfeeding Action Plan are invoice funded services and we will continue to invoice Welsh Government as we have in previous years.
- Public Health Wales is developing its Digital Route Map which will support the delivery of our strategy. Initial costings indicate revenue costs of circa £3.26m over three year period associated with the developments. These funding requirements will need to form part of business cases and given the early stage of The Digital Route Map development they have not been included as anticipated revenue allocations within this plan.

4. 2024/25 Cost Pressures and Inflation

2023/24 Cost Pressures

Our 2023/24 plan identified inflation and other recurrent cost pressures which did not materialise to anticipated levels. As a result we are able to release £1.892m funding from the 2023/24 plan on a recurrent basis to contribute towards funding our new cost pressures in 2024/25. The primary reason for this is that actual inflationary increases incurred were significantly less than those predicted in the national inflation modelling which formed the basis of our inflation cost pressure assumptions for 2023/24.

Table 5

Funding Released From	£m
Inflationary Funding	1.467
Cost Pressures	0.393

Investments	0.032
Total	1.892

2024/25 Cost Pressures

In previous years Public Health Wales has received a Welsh Government Inflationary uplift within our core allocation to fund non-pay inflation and cost pressures. In 2024/25 no inflationary allocation uplift is being provided to Public Health Wales by Welsh Government. However, Public Health Wales will uplift non-Welsh Government income sources in line with the all-Wales approach for inflationary uplifts. These uplifts total £0.862m inflationary funding for 2024/25 which is significantly lower than that received in previous years due to the absence of a Welsh Government uplift.

A number of national and local cost pressures have been identified as part of the 2024/25 – 2026/27 plan. National cost pressures have followed national financial modelling assumptions and are set out along with local cost pressures in **Table 6**:

Table 6

Item	2024/25 £m	2025/26 £m	2026/27 £m	Recurrent £m
<u>National Cost Pressures</u>				
Non-Pay Inflation	1.701	1.701	1.701	1.701
Energy (above funded levels)	0.131	0.131	0.131	0.131
Public Inquiry	0.478	-	-	-
Microsoft Contract	0.163	0.163	0.163	0.163
LINC & RISP	0.038	0.038	0.038	0.038
Apprenticeship Levy	0.210	0.210	0.210	0.210
Total National Cost Pressures	2.721	2.243	2.243	2.243
<u>Local Cost Pressures</u>				
Incremental Drift and 5% Uplift to Investment Posts	0.584	0.584	0.584	0.584
POD – Occ Health, Certificate of Sponsorship & e-Rostering	0.158	0.128	0.118	0.118
Newborn Screening ad to additional schemes	0.213	-	-	-



Lung Screening Programme	-	0.164	-	-
Contingency For in-Year Cost Pressures	0.250	0.250	0.250	0.250
Total Local Cost Pressures	1.205	1.126	0.952	0.952
Total Cost Pressures	3.926	3.369	3.195	3.195

Funding for all cost pressures will only be provided when actual costs are incurred. If cost pressures do not materialise as planned then a further prioritisation exercise will be undertaken. This position will be reviewed on a monthly basis.

2024/25 Inflationary Impacts

All Wales Directors of Finance agreed that all organisations will use the same consumer price index inflationary rate (3.2%) in 2024/25 financial plans for expenditure items that are not calculated by specific and targeted financial modelling.

In our 2023/24 plan a number of expenditure categories were modelled at bespoke levels above the national CPI rate, however these higher levels of inflation did not materialise as expected. As a result the national inflation model has been applied to a wider range of expenditure categories in our 2024-27 plan and some categories of spend have been excluded completely in order to improve the accuracy of our inflation assumptions within the plan.

Following the modelling described above **Table 7** demonstrates the inflationary uplifts anticipated for Public Health Wales:

Table 7

Commitments	%	Inflation £
SLAs	3.67%	0.639
Grants (Includes NERS)	3.2%	0.189
Welsh Risk Pool	Bespoke	0.017
Other Non-Pay	3.2%	0.855
Total		1.701

Funding for inflationary pressures will be made available on evidence of the additional increased costs within the Directorates. This will be monitored closely throughout 2024/25.

The £0.862m non-Welsh Government Inflation funding and £1.7m cost pressure funding released from the 2023/24 plan result in a £1.092m shortfall in covering our planned inflation and cost pressures in 2024/25 as illustrated in **Table 8**.

Table 8

Item	2024/25 £m	2025/26 £m	2026/27 £m	Recurrent £m
Funding released from 2023/24 Plan	-1.808	-1.808	-1.808	-1.808
Non-Welsh Government Inflation Funding	-0.862	-0.862	-0.862	-0.862
National Cost Pressures	2.721	2.243	2.243	2.243
Local Cost Pressures	1.125	1.126	0.952	0.952
Cost Pressure Shortfall	1.092	0.615	0.441	0.441

The shortfall against national and local cost pressures (including inflation) will be met from Public Health Wales efficiency savings in 2024/25.

5. Efficiency Savings and Utilisation of Savings

Savings

Welsh Government have set a requirement for all NHS Wales organisations to deliver a minimum of 2% efficiency savings against total expenditure baseline in 2024/25. This equates to £2.852m across Public Health Wales directorates. Targets have been allocated to directorates in line with following process:

- PHW planning guidance issued to directorates in October 2023 identifying a minimum of 1% savings requirement pending receipt of formal financial planning guidance and allocation letter from Welsh Government.
- Welsh Government financial planning guidance issued 21st December 2023. Directorates notified of updated savings requirement of 2%.
- First draft directorate savings plans submitted on 15th January RAG rated green/amber/red.
- Final savings plans submitted on 29th February meeting requirement to deliver target in full through green schemes.

Table 9 summarises our savings delivery across directorates.

Table 9

Directorate	Recurrent Savings £m
Board and Corporate	0.044
Data, Knowledge and Research	0.107
Health and Wellbeing	0.161
Health Protection and Screening Services	2.127
Operations and Finance	0.230
People and OD	0.049
Policy, International Health and WHO Collaborating Centre	0.073
Quality, Nursing and Allied Health Professionals	0.069
Total	2.852

In addition to the delivery of £2.852m of directorate savings Public Health Wales has also identified £0.815m of non-recurrent corporate savings schemes for 2024/25 consisting of additional interest income and creditor write-backs.

The directorate and corporate savings delivery will provide funding to fully cover the cost pressure shortfall plus allow the opportunity to reallocate resources into three key areas identified as part of our strategic investment approach:

- Strategic Prevention Programme
- Strategic Priority Enablement
- Business efficiency and improvement

The amounts available to reallocate for investment are identified in our revenue plan.

6. Our 2024-27 Revenue Plan

Our 2024-27 Revenue Plan is detailed in Table 10. This demonstrates that our financial plan is balanced. It is based on the resource allocation and planning parameters set out in the Public Health Wales Mandate Letter dated 14 February 2024.



Table 10



Item	2024/25 £m	2025/26 £m	2026/27 £m	Recurrent £m
Income				
2023/24 Income (Core & Non-Core)	163.751	163.751	163.751	163.751
Confirmed Core & Non-Core WG Allocation Uplift	21.769	9.804	9.804	9.804
Anticipated WG Allocations	0.330	0.788	1.954	1.954
SLA & Other Income Inflation	0.862	0.862	0.862	0.862
Digital Disbursements	0.538	-	-	-
Total Income	187.250	175.205	176.371	176.371
Expenditure				
2023/24 Expenditure	163.751	163.751	163.751	163.751
Digital Disbursements	0.538	-	-	-
Expenditure Changes (Funded in Mandate Letter & WG Final Budget)				
Bowel Screening Optimisation Programme	5.411	5.411	5.411	5.411
Primary Care Innovation & Development Hub	0.380	0.380	0.380	0.380
Energy	0.084	0.084	0.084	0.084
COVID Core Allocation				
Integrated Surveillance	1.573	1.573	1.573	1.573
Pathogen Genomics	0.585	0.585	0.585	0.585
Health Protection Team	0.232	0.232	0.232	0.232
Vaccination Programme	1.539	1.539	1.539	1.539
Covid (Non Core)				
Laboratory testing (non-pay)	6.560	-	-	-
National surge team (hosted by Cardiff Council)	0.550	-	-	-
Lung Cancer Buisness Case	0.327	-	-	-
Early Years Prevention	1.028	-	-	-
Obesity Plan	1.200	-	-	-
Obesity Strategy :Children and Families Intervention	0.600	-	-	-
Obesity Strategy : Diabetes	1.000	-	-	-
Healthy Weight Behaviour change	0.200	-	-	-
Healthy Working Wales	0.500	-	-	-
Expenditure Changes (Funded by Anticipated Allocations)				
Transfer of Improvement Cymru to NHSE	-6.797	-6.797	-6.797	-6.797
Pay Award 2022/23 1.5%, 2023/24 5% and 2024/25 ESM	6.098	6.098	6.098	6.098
Funding for IGRA Testing of Ukrainian arrivals in Wales	0.064	0.064	0.064	0.064
Genomics	0.080	0.080	0.080	0.080
Breastfeeding Action Plan	0.140	-	-	-
Whole School Approach to Mental Health	0.745	-	-	-
Future Years Inflation Funding	-	1.343	2.510	2.510
Release of 2023/24 Inflation and Cost Pressure Funding	-1.892	-1.892	-1.892	-1.892
Unfunded Cost Pressures	3.926	3.369	3.195	3.195
Savings	-3.667	-2.852	-2.852	-2.852
Strategic Investment Priorities	2.495	2.237	2.411	2.411
Total Anticipated Expenditure	187.249	175.205	176.372	176.372
Planned variance	0.000	0.000	0.000	0.000

7. 2024/25 Revenue Plan by Directorate



We manage our financial risk on a monthly basis, which includes scrutiny of Directorate budgets and spending plans. These are risk assessed and reviewed quarterly as part of the ongoing governance and assurance framework.

Table 11

Commitments	Provision 2024/25 Budget £m	2024/25 Savings £m	Total £m
Board and Corporate	2.047	-0.044	2.003
Central Budgets	17.568		17.568
Operations and Finance	11.558	-0.230	11.328
Health and Wellbeing	20.144	-0.161	19.983
Data, Knowledge and Research	5.388	-0.107	5.281
Quality Nursing & Allied Health Professionals	3.515	-0.061	3.454
Health Protection and Screening Services			
- Health Protection Division	20.688	-0.356	20.332
- HPSS Corporate Division	1.438	-0.025	1.413
- Microbiology Division	51.659	0.889	50.770
- Screening Division	48.251	-0.830	47.421
- SPRs Division	1.540	-0.027	1.514
Total Health Protection and Screening Services	123.576	-2.127	121.449
People and Organisational Development	2.457	-0.049	2.408
WHO Collaborating Centre	3.847	0.073	3.774
Total	190.101	-2.852	187.249

**All figures are rounded to the nearest £1,000*

Table 11 above shows the updated position in respect of the revenue budget plan by Directorate for 2024/25.

All new confirmed and anticipated 2024/25 allocations have been aligned to directorates in the above table to provide indicative budgets. A number of these budgets may be held centrally and allocated out during the year. In addition some items are funded by Welsh Government on an actuals basis and so will not have an annual budget set at the start of the year. As a result these budgets are indicative at this stage.

COVID-19 Sustainability funding has been aligned to the HPSS directorate in Table 11.

Central budgets holds the 2024/25 inflation funding and the cost pressure funding derived from savings until they are allocated across the organisation. Depreciation funding, Shared Services SLA funding and Welsh Risk Pool funding are also held within central budgets.

The budgets for 2024/25 in the main will be uploaded in equal twelfths. However, work is currently ongoing to identify where expenditure profiles differ to equal twelfths, and Directorates will be able to request a change in profiling as long as a detailed spending profile is provided. The budgets will then be phased to match the proposed spending plans with the plans monitored throughout the year.

8. Capital Plan

Strategic Capital

Public Health Wales has received a strategic allocation of £1.194m for 2024/25 for DESW Camera Replacement. There may be potential to access slippage funding later in the financial year if strategic schemes across Wales slip. **Table 12** summarises our strategic capital priorities in 2024/25 and over the next three years and **Appendix One** provides further detail on the schemes.

Public Health Wales are working on a number of business cases, which will require All Wales Capital Funding. It is a requirement for all organisations to complete a prioritisation form for all business cases, which have not received ministerial approval. Each business case will therefore be supplemented with a prioritisation form. We have taken a risk-based approach to our capital prioritisation ensuring that this aligns to the organisation’s risk register.

Table 12

Strategic Scheme	FY24-25 £000s	FY25-26 £000s	FY26-27 £000s
DESW Camera Replacement	1,194		



Total Approved Strategic Schemes	1,194	0	0
Replacement Programmes			
Colposcopy Imaging			658
DESW Vans		1,500	
Equipment Replacement			3,299
WAAASP Ultrasound Machine Replacement		500	
Business cases			
Sexual Health Management System	750	90	
Improvement works to BTW Swansea	157		
Digital Services - Replacement of Network Switches	450		
Digital Services - Replacement of Back-up System	250		
SIMS future programmes		860	700
Tarian 2 development	50	2,390	800
Digital 10 Year Plan		1,421	1,355
Estates 10 Year Plan		495	9,370
Total Unapproved Strategic Schemes	1,657	7,256	16,182
Total Strategic Capital	2,851	7,256	16,182

The Minister for Health and Social Services asked Welsh Government to develop a 10-year infrastructure plan in respect of Estates and Digital requirements for 2022/23. We have now reviewed and prioritised the requirements for 2024/25 and included updated values in **Table 12** with a detailed schedule in **Appendix One**.

The estates plan contains laboratory modernisation of £9m in 2026/27. Public Health Wales will work through the laboratory modernisation plan in detail in 2024/25. The most critical item in 2024/25 is £700k for digital services infrastructure upgrades.

Discretionary Capital

Following a 24% reduction in discretionary capital in 2022/23, our allocation increased by 12% in 2023/24 and has further increased by 12% in 2024/25 to return our allocation to its original value of £1.580m.

The draft plans for the discretionary capital are set out in **Table 13** below.

Table 13

Service Area	FY24-25 £000s	FY25-26 £000s	FY26-27 £000s
Digital Services	425	425	425

Estates	236	240	240
Infection Services	379	380	380
Screening	330	330	330
Contingency	210	205	205
Grand Total	1,580	1,580	1,580

Discretionary capital plans will be finalised during quarter 4 of 2023/24 and submitted to Board for approval in quarter 1 2024/25.

9. Financial Risk

We are currently anticipating a breakeven position, in line with the 2024/25 budget setting process and detailed work of the IMTP. However, it is worth noting that a number of risks exist as set out below.

Our key financial risks identified for 2024/25 include:

- Welsh Government anticipated funding yet to be confirmed;
- COVID-19 Sustainability Plan costs incurred during 2024/25 breach the £11.039m recurrent and non-recurrent allocation;
- Management of COVID-19 testing costs beyond March 2025 are unfunded;
- Recurrent commitments against time-limited non-recurrent grants e.g. Obesity, Early Years Prevention;
- We are not able to secure Welsh Government revenue and capital funding to support our Digital Route Map.
- Availability of strategic capital funding to support the capital plan.

We manage our financial risk through monthly scrutiny of the financial position and forecast expenditure plans. Finance Business Partners will work with Directorate and Divisional senior management teams to ensure that any changes to forecast plans are included in the detailed projections and that assumptions and risks associated with the figures are captured. This ensures that monthly changes to plans can be monitored closely, and reported to each senior management team as part of routine financial performance reporting.

10. Recommendation

The Board is asked to approve the 2024/25 – 2026/27 Financial Plan and budgetary control framework noting the ongoing review and scrutiny process.