



GIG  
CYMRU  
NHS  
WALES

Iechyd a Gofal  
Digidol Cymru  
Digital Health  
and Care Wales

# DHCW Audit & Assurance Committee 2024/25 IMTP Financial Planning Update

# Introduction

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notes progress in drafting the Financial plan to support the production of the Integrated Medium Term Plan (IMTP) 2024-2027 and the proposed delegation and deployment of operational budgets.



# 2024/25 Financial Context & Planning Principles

DIGITAL HEALTH AND CARE WALES

# Welsh Government Reflections & Messages

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- Incredibly challenging budget process and settlement.
- NHS & Local Government budget increases with reductions elsewhere.
- NHS uplift c4% over rebased start point vs 1% Autumn Statement.
- Despite increase to NHS budget, there remain significant challenges to deliver financial balance.
- HSS MEG must balance no in-year budget exercise 2024/25.
- Funding settlement to support sustainability and unavoidable demand and inflationary pressures.

# Financial Plan Headlines

## Planning assumptions

- Core allocation uplift
  - 3.67%
- SLA increase
  - 3.67%
- Pay Award
  - 2023/24 to be allocated to core funding.
  - 2024/25 to be centrally funded (once known).
- Energy Costs
  - Partially Funded price pressure.
- Covid costs
  - 80% funding .
- DPIF
  - Reduction of 7.3%
- 2% recurrent savings assumption on core funding

## DHCW Interpretation

- Core
  - Increase of £2.0m on a core funding requirement of £55.3m
- SLA
  - Increase of £1.1m (exc £2.8m Microsoft uplift) in our current SLA charges.
- Pressures
  - C/Fwd unmitigated 2023/24 pressures.
  - Service Growth /Provision Choose Pharmacy, Cancer, WASPI, NIIAS, SIEM.
  - Annualised Digital Inflationary pressures of £2.2m (£0.7m in 24/25).
  - General Inflation of £0.9m.
  - Net energy price pressures of £0.3m (£0.5m before WG contribution).
- Covid
  - Whilst an initial position consistent with guidance has been incorporated we are in discussion with WG to assess the requirements and specific funding need going forward notably the run down of TTP and further development in Vaccines.
- DPIF
  - Application of reduction is unclear at present.
- Savings requirement £1.4m per annum.
- Gap of £2.6m identified (subject to approval of the Cancer informatics Solution funding request).

# Planning Framework & Overarching Principles

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## General Planning

- IMTPs will need to follow the familiar formula for the three-year plans with 'Firm, Indicative and Outline' levels of detail and a clear progression over time.
- Year one of the plan will contain a level of detail that provides clarity on milestones, actions and projections that set the ambition for operational delivery and management of risk for the year ahead, along with financial sustainability.

## Financial Planning

- Final plan will demonstrate how we can ensure financial sustainability.
- Ensure that there are mechanisms in place to constantly align and understand the impact of any financial or workforce decisions on the delivery of plans.

# Financial Plan Principles

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- Strategically and Operationally Aligned
  - ✓ The plan will align to national priorities and approaches;
  - ✓ Be triangulate fully between operational delivery, workforce and finance.
- Value-Driven
  - ✓ the plan will focus on Value-Based use of resources.
- Deliverable
  - ✓ the plan will be robust and high quality;
  - ✓ developed using best practice approaches;
  - ✓ provide an achievable stretch target;
  - ✓ have Board and wider Senior Leadership team buy-in and ownership.
- Evidence Based
  - ✓ The plan will provide for a clear and robust evidence base for the key elements of the plan.

# DHCW Planning Principles – Savings & Mitigations

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## Savings

- There is an expectation that organisations will deliver a local minimum savings requirement of 2% across total baseline expenditure.
- The plan should include schemes that deliver both transformational and technical benefits.
- There is also an expectation that organisations will fully incorporate opportunities identified through the Value & Sustainability Board and other national programmes to maximise the saving delivery.
- The majority of these should be sufficiently developed to be identified as schemes within the plan and have a robust risk assessment.

## Opportunities Pipeline

- DHCW will develop a clear opportunities pipeline and should be able to outline the scale of opportunities being explored and developed, particularly in relation to those high value transformational programmes.

## Disinvestments and Choices

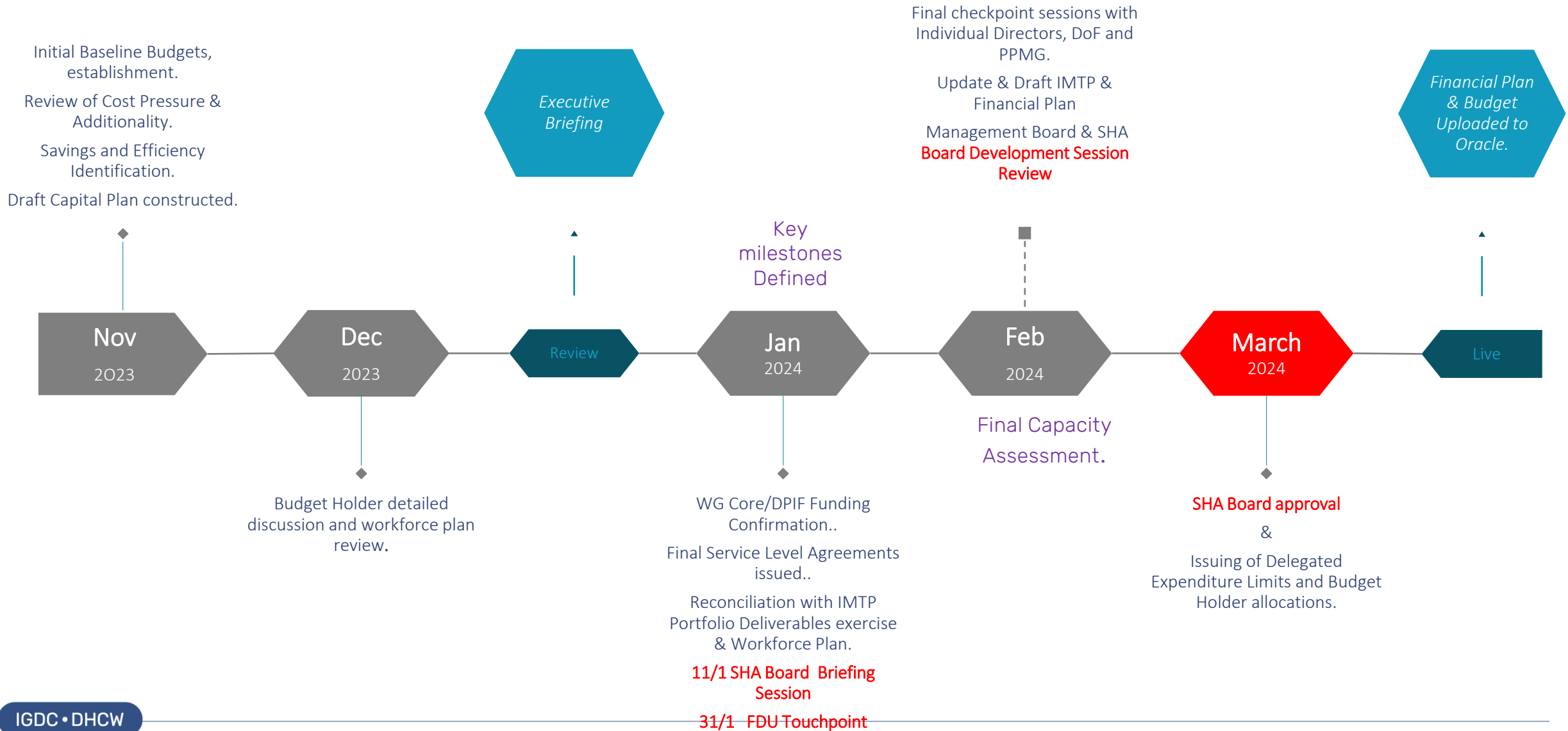
- As part of our savings development we will rigorously examine the benefits of prior year investments and projects; and consider disinvesting from projects that have under-delivered on benefits.
- We will also consider options to reduce spend by scaling back activity in lower priority or lower benefit areas (such as the recent LASPAR decommissioning exercise).



## 2024/25 Indicative Outlook

DIGITAL HEALTH AND CARE WALES

# DHCW High Level Timelines



# 2024/2025 DHCW Financial Challenge

As part of the 2024/25 financial planning process we will need to collectively identify opportunities to mitigate ongoing financial pressures (both “unavoidable” & “choices”) such as:

## Unavoidable Pressures



**Service Growth & Underlying Position....** At present there is no mechanism to keep funding at pace with growth whilst being experienced across the portfolio this is being particularly experienced within Choose Pharmacy.



**Energy Costs....** Whilst energy costs have contributed to the underlying position it is forecast that this will decrease in 2024/25. However, there remains a risk that there may be cost increases due to developing geopolitical issues.



**Digital Inflation...** . Sector specific cost increases and pressures. Current view of £2.2m (pa) identified as a consequence of changes in pricing models.



**Cyber Security Improvements...** . Costs of £0.8m to support the requirement for a strengthened Cyber Security posture.



**Sustaining Key Digital products...** .DHCW will continue to support and sustain key initiatives such as the cancer programme, National Data Resource & NHS App. Programme continuity remains a significant issue.

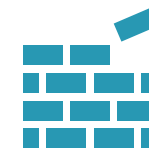


**Sustaining Key Digital Core Services...** . A number of services require funding (£0.4m) in order to provide a sustainable service, such as Integrated Intelligent Audit Solution – now a cloud recurrent service and Wales Accord on the Sharing of Personal Information (WASPI).

## Service and Product Choices



**Cloud & Product Adoption...** . Requires a transition away from capital to revenue-based service models.



**Digital Priority Investment Fund – Development Build & Implementation...** . Reflecting additional investment currently without agreed funding (such as WCCIS and Eyecare).

# COVID & Digital Priority Investment Fund

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## ○ COVID

- Further need to define and adequately resource:
  - The Vaccinations ongoing requirement (inc ongoing development) and what is subject to further funding.
  - The Test, Trace & Protect non recurrent.

## ○ DPIF

- The indicative DPIF plan identified a requirement for £41.9m revenue and £20.4m capital. An increase from 2023/24 funding of £34.5m revenue and £15.7m capital.
- The application and impact on DHCW hosted schemes of the proposed 7.3% reduction in the central DPIF budget is still being work through.

# Sustainable Funding - Ongoing

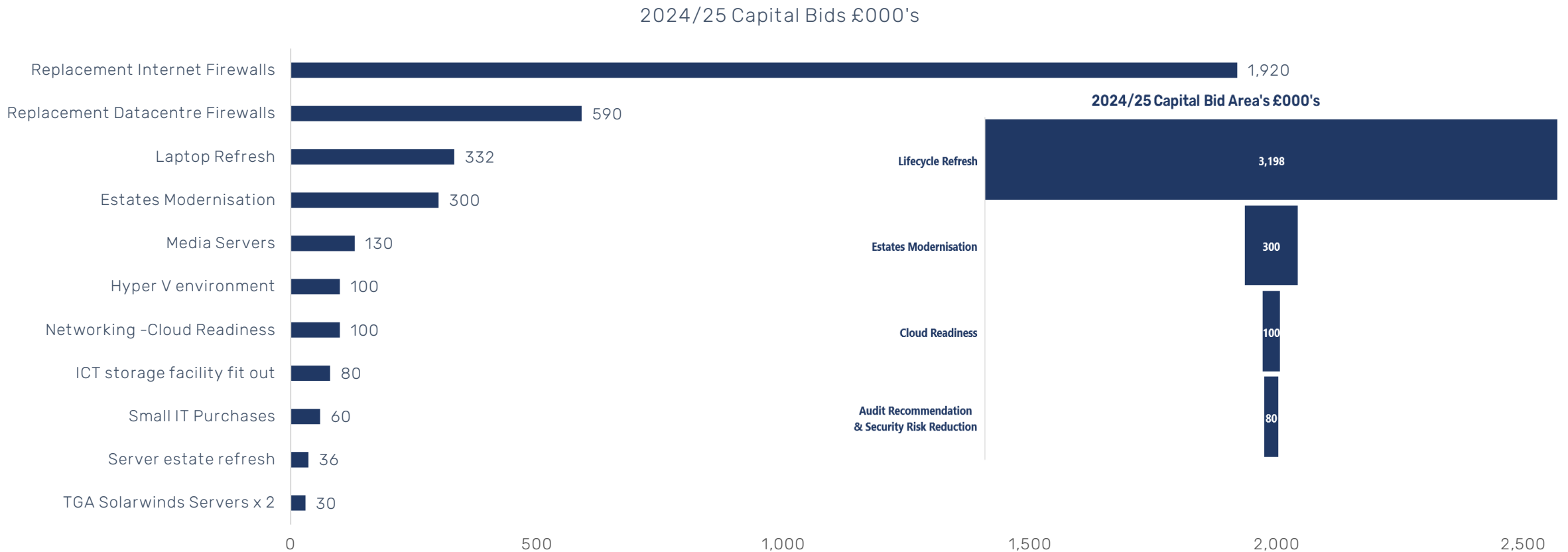
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Particularly, this will explore how DHCW are funded to maintain and deliver all-Wales digital services, including the NHS Wales App, the National Data Resource, and the Cancer Informatics Solution supporting the ongoing development and technological layer changes.

The brief will consider existing limitations of DPIF (for example, the scope agreed by the Minister), on the assumption that there will be approximately £45m rev and £20m cap available going forwards for a DPIF-style fund. It will also look at potential options such as top-slicing Health Board and Trust budgets, or Strategic Programmes and other funds, to provide the funding for all-Wales digital services.

# Initial Draft Capital Plan

DHCW currently has a discretionary capital allowance of £2.9m, this is assumed to be the same next financial year. The requests present an oversubscription of £1m. The Capital & Non Pay Group is currently working through options to stagger any investment, review requirements or prioritise in order to produce a balanced plan and meet IMTP deliverables whilst providing safe and sustainable services.





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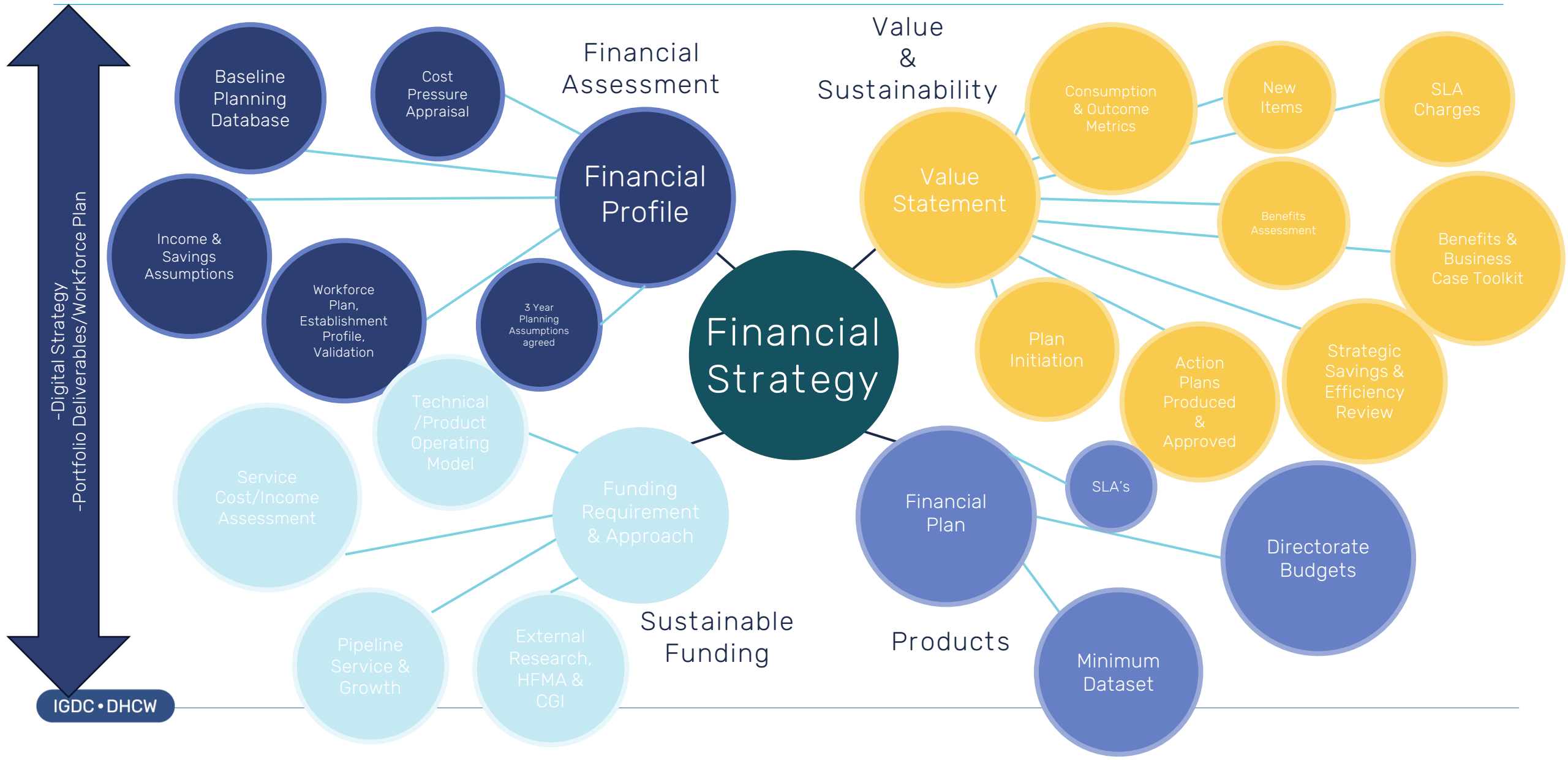
DIGITAL HEALTH AND CARE WALES



# Appendix – For Information

- Context & Assumptions
  - WG Budget allocation Principles
  - DHCW Funding Assumptions
  - Operating Income Assumptions
  - Digital Priority Funding Assumptions
  - Cost Pressure Principles
- Financial Plan Deployment
  - High Level Timelines
  - Key Components
  - IMTP Financial Products
  - Budget Delegation Approach

# Financial Plan – Key Components



# Welsh Government Budget Allocation Principles

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- The Welsh Government budget is prioritising the NHS – must equate to financial sustainability
- Budget to support unavoidable inflationary pressures, and inescapable costs of demand. Recognition required of where inflationary pressures are greatest – e.g. medicines inflation.
- Budget approach intended to support return to financial stability and baselining recurrent issues where appropriate to support efficiency and effectiveness
- NHS organisations will need to deliver a minimum 2% savings requirement across total baseline expenditure (therefore increased in certain areas).
- Wider budgetary context requires some rebalancing of long-term ambition and short-term requirements, prioritisation of core frontline services therefore increase challenge to non-core services, and strengthened management & administrative efficiency
- Increased expectation of Value & Sustainability agenda providing national focus to support specific
- actions on reducing variation, reducing agency costs, increasing administrative efficiency, implementation of once for Wales approaches, and support local plans.

# DHCW Funding Assumptions

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Detailed DHCW Allocation to follow in January but our planning principles are as follows::

- DHCW WG baseline allocation uplift of 3.67% in recognition of digital inflation and priority given to national digital solutions supporting required service plans and change.
- The Welsh Government uplift is assumed to flow down to intra NHS service charges and a consequential DHCW SLA uplift of 3.67% will be applied.
- Pay Award for costs 2023/24 will be added recurrently to the DHCW allocation in January and Pay Award costs for 2024/25 will also be centrally funded once known.
- Energy pressure funding support to be confirmed – the assumption is DHCW will be treated consistently with NHS with a recurrent allocation in line with month 8 estimates released.
- COVID National Programme allocation to be confirmed – Health Boards have been allocated 80% of annual forecast identified at month 8. *Should this be the approach adopted for DHCW then with Test, Trace & Protect being decommissioned the financial envelope should be sufficient (dependent upon final plans).*
- DPIF budget has been requested to generate 7.3% revenue savings (£3.3m) – the impact on DHCW schemes is unknown at present.

# Planning Principles – Cost Pressures

## General Principles

DHCW will demonstrate for all cost pressures:-

- A clear explanation of the evidence base, triangulated with service and workforce drivers;
- A clear understanding of the return on investment;
- A robust scrutiny and challenge process has been undertaken; and
- Clarity on the variability and certainty of the cost pressures materialising.

From the context of assurance and risk, organisations should be clear on the following pressures:

- Macro Economic Inflation – based on a clear set of assumptions that clearly distinguish the unit price increase.
- Contractual or unavoidable – those that are contractually driven.
- National and Local Investment Choices – which must have clear business cases that have been robustly scrutinised and challenged and provide a returnable benefit. Organisations should seek to deliver allocative efficiencies and reallocate resources and workforce from lower value to higher value areas.
- Ringfenced programmes – matched to a clear income stream

# DHCW Planning Principles – Cost Pressure Assumptions

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## 2024/25 Pay Award

- This will be excluded from both an income and expenditure until Welsh Government receives clarity from the pay review body. As noted above, Welsh Government have committed to providing funding for the 2024/25 pay award in year.

## Real Living Wage

- In line with the current WG policy, funding will be provided on a non-recurrent basis for the top up between national living wage and real living wage.

## Energy

- It is assumed that funding will be awarded recurrently to re-baseline energy costs. Energy is not anticipated to be a cost pressure for 2024/25. In future years, forward purchase arrangements through CCS should provide price certainty before the start of the financial year to enable organisations to manage their budgets accordingly.

## Ringfenced Activity

- It is anticipated that where funding has been made recurrent (such as with Primary Care IM&T), that funding along with the associated costs will be included as new recurrent funding and new recurrent costs.

# Finance | General Financial Planning Approach

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- The financial plan will be cross referenced with output from the IMTP Portfolio review exercise & Workforce plan to ensure congruence,
- Your budget allocations will be reduced to reflect the savings target but not the current deficit.
- Reductions in income will be allocated as a pressure to the appropriate budget.
- Incremental Pay Pressures are to be managed within budget.
- Budget Holders planning on consuming cloud resources are required to ensure budget is available within the service/application prior to commissioning.
- With support from Finance Business Partners, budget holders are required to identify cost pressures as part of the financial planning process (these relate to already committed cost increases).
- Budget holders will be required to assess financial risk inherent within the IMTP and work with finance business partners to agree mitigating actions
- Discretionary “developmental” requirements are not to form part of initial budget resource assumptions until approved by Directors.
- Digital schemes must plan for all resource out of their funding, i.e. support departments – these costs will form an actual recharge to schemes.

Savings generation remains a key area of focus, teams are required to develop smart objectives to deliver efficiency or cash releasing/avoiding initiatives.

# Finance | IMTP Products 2024/25

As part of its IMTP submission DHCW will submit a written financial briefing articulating key financial matters, how it integrates with delivers/workforce plan inclusive of risks & opportunities.

## IMTP FINANCIAL PLAN OVERVIEW

### THE FINANCIAL STRATEGY

The Financial Strategy of the organisation both supports and underpins the service and investment strategy set out within the plan. It translates the objectives, activity and consequential resource requirements to form a fully integrated financial plan with accompanying mitigating actions to ensure a balanced position can be delivered. For 2022/2023 a gross revenue requirement amounting to £152m is forecast to underpin the resource requirement with capital investments totalling £9.9m being made throughout the year.

The key financial objective is to provide quality and value for money services whilst ensuring a sustainable underpinning financial baseline for the organisation. It is recognised that this is no easy task with the impact of increasing service growth; identifying opportunities for savings/income generations take on greater importance.

Spend Area	Revenue				Capital			
	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m
Core	102.314	110.463	119.757	125.885	2.969	2.259	2.259	2.259
DPIF	14.441	31.536	26.962	23.030	6.700	7.145	3.588	2.920
COVID-19	11.492	10.258	0.000	0.000	0.865	0.500	0.000	0.000
<b>Total</b>	<b>128.247</b>	<b>152.257</b>	<b>146.719</b>	<b>148.915</b>	<b>10.534</b>	<b>9.904</b>	<b>5.847</b>	<b>5.179</b>

### KEY PLANNING ASSUMPTIONS

The IMTP financial plan is predicated upon all Wales guidance and assumptions whilst remaining agile in respect of COVID-19 developments.

Whilst the current plan presents a breakeven position, there are increasing challenges as a consequence of pressures within all service portfolios, consequently a Cost Improvement Target is to be levied on discretionary budgets. The financial plan is reflective of workforce recruitment and onboarding forecasts.

### SUPPORTING VALUE

The finance team in partnership with service leads and stakeholders Wales wide will look to initiate a review of organisational funding flows to ensure the most effective mechanism is in place to support efficient planning and provide the best outcomes.

### RESOURCE AND INVESTMENT INITIATIVES OUTLINED WITHIN THE PLAN:

#### Cloud Adoption

The financial plan is reflective of the organisations cloud adoption roadmap and cloud first approach to data hosting services for new applications and services. One of the key impacts of this change in supporting technology are shifts in expenditure items from Capital (CAPEX) to an Operating (OPEX) model.

#### A 'Product Centred' organisational structure

The move to dedicated multidisciplinary resource centred teams assigned to a specific product or service is supported within the financial plan. It is intended for this change to generate efficiency through improvements in workforce productivity and facilitate improved development pace and performance.

#### Digital Priority Investment

Over the planning term confirmed Welsh Government funded investments to support strategic digital priorities (such as Digital Medicines Transformation, National Data Resource etc) are included.

#### COVID-19

Development and ongoing service provision for supporting Test, Trace and Protect (TTP) and vaccines digital solutions are included within the plan for a 12 month period in line with Welsh Government funding assumptions.

#### RISKS AND OPPORTUNITIES

The organisation will continue to closely monitor any risks associated with its financial plan to ensure activity is delivered within financial resources and achieve a break-even position.

Financial risk is managed as an integral part of the overall Risk Management Strategy. The risks identified as part of the planning process surround themes such as assumed funding, increased energy costs and digital cost inflation. Whilst recruitment to vacancies within the establishment will be progressed at pace, there is the potential for slippage in expenditure against the budgets set – this has not been reflected within budgets.

## Please select organisation from front sheet

Please fill in the lightly yellow shaded cells with WTE.

Section 1 is intended to capture the organisations total workforce plan in whole time equivalent (WTE) as at the end of each quarter.

Section 2 captures sickness rates and staff turnover - key figures that impact an organisation's ability to use its people effectively

Section 3 captures intended flows in people numbers to enable a judgement on the total recruitment demand.

Please ensure your narrative plan captures details in respect of the organisations ability to flex the available workforce to address the varying COVID-19 scenarios in the coming twelve months.

More specifically within the narrative plan, organisations are asked to indicate 1) Any areas/staff groups anticipating high levels of retirements, 2) Any areas/staff groups experiencing high levels of long term vacancies

3) Any areas/staff groups experiencing increase flexible working and reduction of the participation rate 4) Any areas/staff groups where you are planning to develop alternative clinical practitioners or the multi-disciplinary

5) Any areas/staff groups where you are planning to develop the support worker workforce.

SECTION 1) WORKFORCE PLANS - WTE	ACTUAL WTE		Q1 FORECAST	Q2 FORECAST	Q3 FORECAST	Plan End	Plan End	Plan End
	ACTUAL as @ 31/3/2022	FORECAST as @ 31/03/23	as @ 30/06/23	as @ 30/09/23	as @ 31/12/23	2023/24	2024/25	2025/26
Section 1								

### CORE WORKFORCE

#### Board Members

#### Medical & Dental

#### Nursing & Midwifery Registered

#### Additional Professional, Scientific and Technical

#### Healthcare Scientists

#### Allied Health Professionals

#### Additional Clinical Services

#### Administrative and Clerical (inc Senior Managers)

#### Agencies

#### Estates and Ancillary

#### TOTAL CORE WORKFORCE

### VARIABLE WORKFORCE

#### Board Members

#### Medical & Dental

#### Nursing & Midwifery Registered

#### Additional Professional, Scientific and Technical

#### Healthcare Scientists

#### Allied Health Professionals

#### Additional Clinical Services

#### Administrative and Clerical (inc Senior Managers)

#### Estates and Ancillary

#### Students

#### TOTAL VARIABLE WORKFORCE

### AGENCY/LOCUM

#### Board Members

#### Medical & Dental

#### Nursing & Midwifery Registered

#### Additional Professional, Scientific and Technical

#### Healthcare Scientists

#### Allied Health Professionals

#### Additional Clinical Services

#### Administrative and Clerical (inc Senior Managers)

#### Estates and Ancillary

## Please select organisation from front sheet

Please fill in the light yellow shaded cells.

### MOVEMENT OF OPENING FINANCIAL PLAN TO FORECAST OUTTURN

	Year 2023/24		Year 2024/25	Year 2025/26
	In Year Effect	FYE of Recurring		
<b>BIF ULD from Previous Year (Negative Value for Deficits):</b>				
Primary Care		0		
Mental Health		0		
Continuing HealthCare		0		
Commissioned Services		0		
Scheduled Care		0		
Unscheduled Care		0		
Children & Women's		0		
Community Services		0		
Specialised Services		0		
Executive / Corporate Areas		0		
Support Services (inc. Estates & Facilities)		0		
<b>Total: BIF ULD from Previous Year</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

### Revenue Funding Uplift (Enter as positive values):

Core Cost and Demand Uplift (Allocation Paper Table A3)				
Pharmacy Additional Contract Funding (Allocation Paper Table E)				
Mental Health Pay Core Cost and Demand Uplift (Allocation Paper Table 2)				
Planned and Unscheduled Care Sustainability (Allocation Letter Table B1)				
Value Based Recovery (Allocation Letter Table B1)				
Other Confirmed Funding uplift in allocation paper				
<b>Other Assumed W/G BRL / W/G Income uplift above underlying recurring funding</b>				
Recurring Future Funding uplift Assumption				
Non-Recurring Funding uplift Assumptions				
AME & Non-Cash Depreciation Funding uplift Assumptions				

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DHCW also is required to submit a detailed appendix called a Minimum Dataset (MDS) which incorporates information on workforce, activity, financial projections and investment activity.

# Finance | Budget Delegation Approach 2024/25

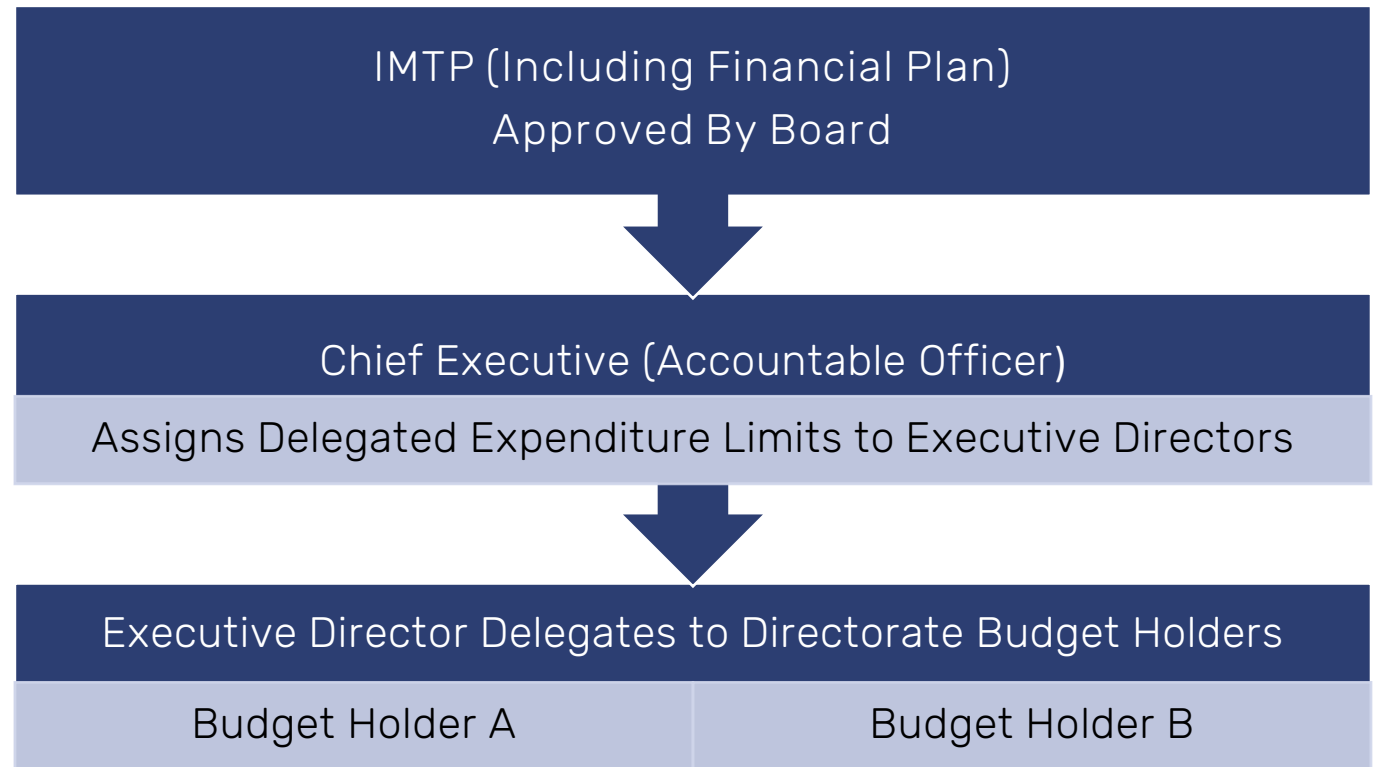
Once the overall financial strategy & plan are budgets have been agreed by the Board, the Chief Executive, in their role as Accountable Officer for DHCW will write to executive directors to formally delegate responsibility for holding and managing their budgets for the financial year. The Chief Executive may delegate this responsibility to the Director of Finance.

This letter will set out:

The Delegated Expenditure Control Limit\* (DECL) each is responsible for their responsibilities as a budget holder for not exceeding the budget delegation.

Expectations that they ensure at all times propriety and regularity requirements and all other requirements for the maintenance of effective internal financial control are met and are in accordance with the Standing Orders and Standing Financial Instructions.

Budget holders' control must enable effective service delivery. As a result, the delegation of budgetary control will normally follow the lines of accountability described in DHCW Directorate & Programme management structures.



\*Digital Priority Investment allocations will follow the same approach.

