

**Item: 16**

**Title: Interim Financial Plan 2024/25**

<b>Gweithredu / Action required</b>	Approve
<b>Amseru / Timing</b>	Urgent
<b>Argymhelliad / Recommendation</b>	It is recommended that the Board notes and approves the Interim Financial Plan 2024/25.
<b>Risg / Risk</b>	Reputational and financial risk
<b>Cyllid / Finance</b>	N/A
<b>Amcan Cynllun Corfforaethol / Corporate Plan Objective/Amcan Rhaglen/ Programme objective</b>	Llais financial governance
<b>Ecwiti, Amrywiaeth a Chynhwysiant / Equity, Diversity &amp; Inclusion</b>	N/A
<b>Cyfathrebu / Communications</b>	Please tick one of the following boxes if this activity will have an impact on: <b>Internal:</b> our people <input checked="" type="checkbox"/> <b>External:</b> our customers/partners/stakeholders <input checked="" type="checkbox"/> <b>External:</b> our organisation's reputation <input checked="" type="checkbox"/>
<b>Cymeradwyaeth / Approval/Clearance</b>	This paper has been cleared by the Chief Executive.
<b>Trafodaethau/ Penderfyniadau Blaenorol / Previous discussions/decisions</b>	Outline funding allocation 2024/25 paper presented and discussed at January 2024 Board meeting
<b>Awdur/ Cyflwyno / Author/presenting</b>	Alun Lloyd
<b>Dyddiad / Date</b>	17-07-2024
<b>Cefndir / Background</b>	

This Interim Financial Plan document sets out the Interim Financial Plan 2024/25 for the Board to approve.

The Outline funding allocation 2024/25 paper presented at January 2024 Board meeting provided an assessment of the potential funding levels for Llais in 2024/25. This included a funding range of from £7.603m to £8.266m (plus 2024/25 pay award funding).

While a number of discussions have taken place with Welsh Government officials, both through regular Partnership Meetings and informal meetings, the Llais funding allocation letter has not yet been issued by Welsh Government.

Accordingly, as the funding letter has not yet been issued and key funding issues not yet resolved, the Board is being asked to approve an Interim Financial Plan, and note that a Final Financial Plan will need to be submitted in due course for Board approval. While this is not ideal, from a financial governance perspective, this course of action is preferred - rather than a further delay in presenting a Financial Plan for Board approval.

This Financial Plan document is structured over the following key elements:

- Financial Plan Requirements – Financial Duty
- Welsh Government Funding Letter
- Income Budgets
- Expenditure Budgets

The Board is requested to:

- Note and discuss the contents of this report
- approve the Interim Financial Plan 2024/25
- note that Final Financial Plan 2024/25 will be submitted to Board in due course

## Manylion / Detail

### **Financial Plan Requirements – Financial Duty**

The Interim Financial Plan is based on the requirement that Llais plans to meet its financial duty. In summary this duty can be described as:

“to ensure that net expenditure does not exceed the net resource budget”

The Standing Financial Instructions confirms the Financial Duty as

**“6. Financial Duty**

- 6.1 Llais has a duty to ensure that net expenditure does not exceed the Minister confirmed net revenue and capital resource budgets. Net expenditure above these budgets may not be committed until or unless a revised budget cover has been agreed in writing.
- 6.2 Llais may not breach the component parts of the revenue and capital resource budgets. Approval must be sought in advance and in writing if the Body wishes to spend more in one category and less in another.”

This Interim Financial Plan sets out how Llais will plan to meet this duty to ensure that net expenditure does not exceed the net revenue and capital resource budgets.

To date no capital resource budgets have been identified for Llais in 2024/25, however the assessment of IFRS16, about the accounting treatment of leases, has led to some non cash additional revenue resources being identified. Accordingly, at this stage, this Interim Financial Plan 2024/25 is limited to revenue resources.

The Standing Financial Instructions also confirm requirements on the management of budgets as follows:

**“7. Management of Funds and Control of Budgets**

- 7.1 The Chief Executive as Accounting Officer is responsible for the management of funding from the Welsh Government and the control of Llais budgets. The Chief Executive shall carry out these responsibilities in accordance with the directions or requirements of the sponsoring department, Health and Social Services, and shall also provide information and advice to the Board and its Committees as necessary.
- 7.2 Day-to-day responsibility for the setting and monitoring of budgets at individual budget level may be delegated by the Accounting Officer to the rest of the Senior Management Team.
- 7.3 The net revenue and capital resource budgets, confirmed by Welsh Ministers, will be notified annually in the Remit Letter.

- 7.4 Llais shall forecast cashflow and prepare quarterly claims for funding in the form specified by the Welsh Government. This will be done through the Grant in Aid (GIA) claim which is submitted to Welsh Government requesting the quarterly's cash draw down. The Strategic Director of Operations & Corporate Services shall examine and approve all such claims prior to submission to Welsh Government.
- 7.5 Funding in respect of specific projects, and which is over and above the funding in the Remit Letter, may be negotiated and agreed with the sponsoring department or other organisation/s.
- 7.6 There will be regular meetings between the sponsoring department, Senior Management Team, and other officers as required to monitor the deployment of funds by Llais.
- 7.7 Llais may vire within both, but not between, revenue and capital resource budgets allocated to it, subject to such limits and guidance as shall be determined by the Chief Executive and Welsh Government."

In addition to the key financial duty, to plan to ensure that net expenditure does not exceed the net revenue and capital resource budgets, there is an additional funding requirement to manage cash within tolerance limits. The funding letter confirms this as:

"Cash grant-in-aid must not be drawn down in advance of need as retaining excessive amounts of cash is an inefficient use of public funding. Any unspent grant-in-aid retained each month and at the end of the year must be kept within 4% and 2% respectively of the total cash grant-in-aid awarded for that year."

## **Welsh Government Funding Letter**

In line with the Welsh Government Framework Document the Welsh Government Funding Letter would normally be issued no later than one month after the final budget has been agreed by the Senedd. In line with final 2024/25 budget publication date of 27 February 2024 the Welsh Government funding letter should have been issued by 27 March 2024.

While the Funding Letter has not yet been issued the published final Welsh Government Budget confirms the Llais budget as £7.603m (this is consistent with the draft Welsh Government budget).

SOCIAL JUSTICE					
RESOURCE					
Budget Expenditure Line	2024-25 Draft Budget December 2023	MEG to MEG Transfers	Transfers Within MEG	Allocations to / from Reserves	2024-25 Final Budget February 2024
	£000s	£000s	£000s	£000s	£000s
Citizen Voice Body	-	7,603	-	-	7,603
<b>Action: Citizen Voice Body</b>	-	<b>7,603</b>	-	-	<b>7,603</b>

The only change between the draft and final Welsh Government budget has been an internal budget transfer from Health and Social Services group to the Social Justice group. This change may lead to increasing financial risks for Llais.

It is important to note that in 2023/24, the first year for Llais, Welsh Government provided significant additional investment for Llais to take on the additional responsibilities and in recognition of the additional costs of running a separate independent statutory body. As noted in the 2023/24 Llais Financial Plan:

“This significant additional investment of £2.653m for Llais, equivalent to additional 57% on the CHC Baseline, is:

“to cover the additional, and necessary, responsibilities of the Body in order to effectively fulfil its duties under the Quality and Engagement Act.” “

While there was considerable slippage, and underspend, in 2023/24 on this additional investment, these additional resources are fully committed in 2024/25.

As part of the ongoing dialogue with Welsh Government officials, through the regular Partnership Meetings, Llais officers have shared the outline funding allocation 2024/25 paper. This earlier paper set out funding expectations, that is a reasonable settlement based on what Llais would have received as if it was a hosted body, as per previous arrangements for the former Community Health Councils. The earlier paper noted:

“Llais recognises that the Welsh Government budget is under severe pressure. Austerity remains the most significant long term financial pressure for Welsh Government compounded by the more recent inflationary pressures. Accordingly, it is inevitable that this will translate into the tight financial settlements for Llais and other public bodies in Wales.

Therefore a reasonable approach in confirming funding from Welsh Government would be to seek a settlement that is no worse nor better than settlements for other Welsh Government funded public sector bodies in Wales.”

The earlier paper also noted:

“As Llais is now a Welsh Government Sponsored Body (WGSB) Welsh Government may take a different approach. It may base any settlement on the uplifts given to other WGSBs.”

While Welsh Government officials have not challenged or queried the figures contained in the outline funding allocation 2024/25 paper they have only referred to £7.603m figure, as per Welsh Government budget, noting that if this created financial challenges for Llais this could only be considered in year.

It is important to note that the £7.603m is recurrent funding at the 2022/23 pay and price base. It does not include any uplift for:

- 2023/24 Agenda for Change Pay Awards
- 2023/24 Non Pay Inflation
- 2024/25 Agenda for Change Pay Awards
- 2024/25 Non Pay Inflation

The Health Board Allocation letter, issued 21 December 2023, confirmed funding being held centrally until the amounts required for 2024-25 are confirmed for the following:

- Funding for NHS pay awards in 2024-25 will be held centrally and allocated to employers once awards are made. NHS Wales Pay Award funding for 2023-24 will be allocated in-year once the annual pay mapping exercise has been completed as outlined below.
- As in 2023-24, funding to cover the increased employer’s contribution for the NHS Pension Scheme will be held centrally.

Discussions with Welsh Government officials suggests that advice on Agenda for Change pay awards, and any funding consequences, have not yet been submitted to Welsh Ministers for 2024/25. Normally advice is drafted after the NHS Pay Review



Body have published their observations and recommendations. It is likely that the NHS Pay Review publication date has slipped from the usual July date due to the recent election.

Llais officers have set out expectations, to Welsh Government officials, that recommendations to Welsh Ministers for 2024/25 should include the Llais Agenda for Change pay award and, separate recommendation, on the funding of that award (including outstanding 2023/24 awards decisions). It is clear from primary legislation, and also the TUPE style staff transfer consultation that:

- Llais staff remuneration to be determined by Welsh Ministers
- Welsh Ministers do not wish for the staff of the Llais to have any detriment
- Any nationally negotiated NHS Agenda for Change pay increases will be applied to Llais in the same way as they will apply to NHS Wales organisations, subject to Welsh Government circulars.

Llais officers have highlighted to Welsh Government officials the above and the reassurances provided to staff as part of the staff transfer consultation.

Accordingly, this Interim Financial Plan 2024/25 includes a key assumption that Llais Agenda for Change pay awards will be funded. It is important for the Board to note that this is a significant assumption and could be subject to significant risk. While this is a significant risk it is important to note that TUPE style staff consultation did not highlight any risks that funding arrangements for Agenda for Change would differ from established NHS Agenda for Change funding arrangements. Any decision not to fund the pay award would not be in line with the spirit of that staff consultation, nor the explicit reassurance that “Welsh Ministers do not wish for the staff of the Llais to have any detriment”.

This key assumption, and the fact that the Welsh Government funding letter has not yet been issued, are the key issues why the Financial Plan is Interim at this stage.

Welsh Ministers, in due course, will be considering both the pay award recommendations and also any funding recommendations. There is a risk that Welsh Ministers may approve the pay award but not approve any additional funding. In that case the Interim Financial Plan will need to be revisited for Llais to reduce the scope of services and costs to meet the lower real term level of funding.

In line with the above key assumption the Interim Financial Plan 2024/25 is based on the following expected allocation levels.

<b>Welsh Government Funding</b>		
	£'000	£'000
Core Budget		7,603
Non Cash		
Additional Depreciation	342	
Finance Interest	8	
Lease Creditor (Rent)	(25)	
Lease Creditor (Laptops)	(200)	
		125
		7,728
Unconfirmed Allocation (at Risk)		
Agenda For Change Funding		
2023/24	256	
2024/25	275	
		531
20204/25 Expected Funding		8,259

## Income Budgets

Total income budgets for Llais is made up of three key components:

- WG Budget £7.603m
- WG Non Cash Funding £0.125m
- WG Agenda for Change Funding (not confirmed) £0.531m

## Expenditure Budgets

In line with established arrangements, and the internal Lessons Learned on the 2023/24 Financial Management, the expenditure budgets have been developed through a rigorous budget setting process and engagement, with individual Tîm Arwain directors. This process was led by Strategic Director of Operations & Corporate Services with the Director of Governance & Finance.

The Interim Financial Plan 2024/25 sets out how Llais plan to meet the financial duty to ensure that net expenditure does not exceed the net revenue resource budgets.



Within the plan the expenditure budgets currently include £0.531m unallocated budgets. This mainly relates to the at risk Agenda for Change funding.

## **Recommendations**

The Board is requested to:

- note and discuss the contents of this report
- approve the Interim Financial Plan 2024/25
- note that Final Financial Plan 2024/25 will be submitted to Board in due course.