

**Item: 12**

**Title: Draft Funding Allocation 2024/25**

<b>Gweithredu / Action required</b>	To note
<b>Amseru / Timing</b>	Urgent
<b>Argymhelliad / Recommendation</b>	It is recommended that the Board notes the draft Funding Allocation 2024/25 and ongoing discussions with Welsh Government officials to finalise the funding allocation
<b>Risg / Risk</b>	Reputational and financial risk if funding allocation level remains as set out in the Welsh Government Draft Budget 2024/25
<b>Cyllid / Finance</b>	N/A
<b>Amcan Cynllun Corfforaethol / Corporate Plan Objective</b>	Llais financial governance
<b>Cydraddoldeb / Equality</b>	N/A
<b>Cydraddoldeb, amrywiaeth a chynhwysiant / Equity, diversity and inclusion</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>	N/A
<b>Awdur/ Cyflwyno / Author/presenting</b>	Alun Lloyd
<b>Dyddiad / Date</b>	15 January 2024

## Cefndir / Background

Each year Llais will need to plan to meet the financial obligation to ensure that net expenditure does not exceed the net revenue and capital resource budgets.

The main source of funding for Llais is the annual allocation issued by Welsh Government. This is formally confirmed in the Welsh Government Funding Letter that should follow and tie in with the Welsh Government issued annual Remit Letter.

While the 2024/25 Remit Letter and Funding Letter have not yet been issued Welsh Government have published their Draft Budget for 2024/25. It should be noted that in 2023/24 the Funding Letter was issued on 24 May 2023.

## Manylion / Detail

The 2023/24 Funding Letter was issued on 24 May 2023. The Financial Plan 2023/24 noted that for a number of budget lines Welsh Government had assumed slippage on appointment dates for new posts and therefore reduced funding by 25% for 2023/24:

“Some budget lines in 2023/2024 are reduced by 25% to take into account that Llais is a new organisation that is recruiting and purchasing new resources which were unlikely to be in place by July 2023 but will be required in future full years.”

In summary the confirmed funding was as follows:

Llais	Plans 2023/2023 - Remit Letter	Plans 2023/2024 - Funding Letter	Plans 2024/2025
	£'000s	£'000s	£'000s
<b>Baseline Activities</b>			
Expenditure / Running Costs Agreed in Draft Budget 23/24	5,503	5,503	5,503
Historical staff cost increases		549	549
<b>Sub Total Baseline</b>	5,503	6,052	6,052
<b>Additional Activities</b>			
Additional staffing & training (maximum of)	238	238	292
Additional corporate services responsibilities (maximum of)	123	123	164
Additional communication and strategy duties and responsibilities (maximum of)	210	210	281
Digital and IT (maximum of)	679	679	814
<b>Sub Total Additional</b>	1,250	1,250	1,551
<b>Total</b>	6,753	7,302	7,603

It should be noted that the 2023/24 funding did not include any funding for 2023/24 pay awards and for non pay inflation. Welsh Government assumed that the funding requirements would be covered by slippage over and above the 25% assumed slippage.

The Welsh Government Draft Budget for 2024/25 published on 19 December 2023 included the following funding figures for Llais:

HEALTH AND SOCIAL SERVICES							
RESOURCE							
Budget Expenditure Line	2023-24 Final Budget February 2023 Restated	2024-25 Indicative Final Budget February 2023 Restated	Revisions to the 2024-25 Indicative Allocations	MEG to MEG Transfers	Transfers Within MEG	Allocations to / from Reserves	2024-25 Draft Budget December 2023
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Citizen Voice Body	5,503	5,503	-	-	2,100	-	7,603
<b>Action: Citizen Voice Body</b>	<b>5,503</b>	<b>5,503</b>	<b>-</b>	<b>-</b>	<b>2,100</b>	<b>-</b>	<b>7,603</b>

Welsh Government officials have asked Llais to identify the consequences if the 2024/25 funding remains at £7.603m. It should be noted that the £7.603m is not yet fixed - the funding figure is only finalised when the Welsh Government final budget is approved by the Senedd.

While the £7.603m should be regarded as the baseline, or worse case, funding level, Llais have been modelling more likely and best case funding scenarios.

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, within the context of our role and remit within the health and social care sector.

As noted Llais did not receive a funding uplift in 2023/24 for 2023/24 pay awards and non pay inflation. In 2023/24 NHS bodies received for following uplifts:

- General 1.5% uplift for non pay inflation
- Pay award funding to match NHS Agenda for Change & other national agreed pay awards

Accordingly as Llais is funded from the Health & Social Services budget lines within Welsh Government, and that those 2023/24 pay and non pay pressures applied to Llais, the baseline budget, rolled into 2024/25, should have included an additional £0.370m.

Within the Welsh Government draft budget the overall NHS Wales funding will have an uplift of 4% in 2024/25. The Health Board Allocation letter, issued 21 December 2023, confirmed health allocation increase of 3.67% for core cost inflation and unavoidable demand pressures for 2024-25. In addition the Health Board Allocation letter 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.

As Llais is now a Welsh Government Sponsored Body (WGSB) Welsh Government could take a different approach. It could base any settlement on the uplifts given to other Welsh Government Sponsored Bodies. Accordingly any uplifts for 2024/25 pressures may range from a maximum of 3.67% (plus NHS pay award funding) to zero.

The potential funding levels for Llais will range from £7.603m to £8.266m (plus 2024/25 pay award funding). This is set out below:

Llais	Plans 2024/2025
	£'000s
<b>Baseline Activities</b>	
Expenditure / Running Costs Agreed in Draft Budget 23/24	5,503
Historical staff cost increases	549
<b>Sub Total Baseline</b>	<b>6,052</b>
<b>Additional Activities</b>	
Additional staffing & training	292
Additional corporate services responsibilities	164
Additional communication and strategy duties and responsibilities	281
Digital and IT	814
<b>Sub Total Additional</b>	<b>1,551</b>
<b>Total</b>	<b>7,603</b>
<b>2023/24 Uplifts</b>	
Pay	256
Other @ 1.5%	114
<b>Revised Funding Baseline for 2024/25</b>	<b>7,973</b>
<b>2024/25 Uplifts</b>	
Pay	?
Other @ 3.67% (NHS allocation uplift)	293
<b>Projected Funding for 2024/25</b>	<b>8,266</b>

Currently Llais is working through the consequences and affordability of its 2024/25 annual plan based on the following funding scenarios:

- Worse case £7.603m
- More likely £7.973m
- Best case £8.266m

## **Recommendations**

The Board is requested to note :

- the contents of this report
- that 2024/25 will be financially challenging
- consequences of various funding scenarios will be modelled and subject to discussions with Welsh Government officials
- 2024/25 Financial Plan will be submitted to the Board for approval in due course, as part of the 2024/25 Annual Plan papers.