

Item: 11

Title: Finance Report – Month 12 – 2023/24

Gweithredu / Action required	Note
Amseru / Timing	Urgent
Argymhelliad / Recommendation	It is recommended that the Board notes the Month 12 Finance Report.
Risg / Risk	Reputational and financial risk
Cyllid / Finance	N/A
Amcan Cynllun Corfforaethol / Corporate Plan Objective	Llais financial governance
Cydraddoldeb / Equality	N/A
Cyfathrebu / Communications	Please tick one of the following boxes if this activity will have an impact on: Internal: our people <input checked="" type="checkbox"/> External: our customers/partners/stakeholders <input checked="" type="checkbox"/> External: our organisation's reputation <input checked="" type="checkbox"/>
Cymeradwyaeth / Approval/Clearance	This paper has been cleared by the Chief Executive.
Trafodaethau/ Penderfyniadau Blaenorol / Previous discussions/decisions	N/A
Awdur/ Cyflwyno / Author/presenting	Alun Lloyd
Dyddiad / Date	17 April 2024

Cefndir / Background

The Llais Financial Plan 2023/24 was formally approved at the July 2023 Board meeting. The purpose of this report is to outline to the Board the financial position as at 31st March 2024 (M12).

The Financial Plan 2023/24 set out how Llais planned to meet the financial duty to ensure that net expenditure does not exceed the net revenue resource budgets.

This finance report details in year progress with the approved financial plan and end of year performance against the approved plan.

The Board is requested to:

- Note the contents of this report

Manylion / Detail

Financial Plan Progress

Following the Financial Plan approval, the Month 6 and Month 9 Finance Report confirmed that further action have been undertaken:

- Budgetary Delegation

Budgetary Delegation letters have been issued and signed by all budget holders, confirming the budget figures as well as detailing responsibilities and accountabilities for the efficient and effective use of resources.

- Budget Updates

The main budget updates, since plan approval, include:

- Pay Award Funding

Pay budgets had been increased to meet the costs the delegated pay budgets have been uplifted. This uplift equated to £259k.

- Central Budgets Changes

As noted in the plan Llais had flexibility in the use of this funding on additional staff posts as its organization structure is finalised. These changes include the following:

- Transfer of Translation Budget from Finance & Governance to Strategy £138k
- Non Recurrent Transfer of underspent funds from Regions to Unallocated Funds £180k

In line with the Financial Forecast section of the Month 6 report further budget changes taken forward in year include funding additional costs and projects in the following areas:

- Capgemini CRM Contract £250k

In working with Welsh Government colleagues it became clear that the funding allocated for this investment was insufficient. The 2023/24 shortfall of £250k was funded from Llais underspends.

- Projects & Agency

In light of the staff slippage funds were allocated toward projects, marketing and governance reviews, as well as using agency staff to cover gaps in the establishment.

Financial Performance at Month 12

The detailed financial performance at Month 12 is attached as Annex A to this report.

At month 12 the financial performance for the financial year equates to an underspend of £181k against delegated budgets (this is an increase on the Month 9 year end forecast underspend of £75k). The Month 11 Finance Report, presented at the March ARAC meeting, included a year end forecast underspend of £139k.

As previously reported the key risk to the year end financial forecast underspend was that the underspend could increase. Specifically around the funds that have been allocated mid year toward projects, marketing and governance reviews, as well as in ICT. These were then the focus of the more detailed monthly meetings have been around these specific spend areas, aiming for reassurance on orders raised, delivery dates and spends before 31st March 2024.

There are clear lessons from 2023/24 financial performance, specifically around proactive management of spends, particularly non recurrent projects. In addition improving the culture and transparency of any assumptions and forecasts recognising that management and declaration of projected underspends is as important as that of projected overspends.

The main variances in the performance in 2023/24 are:

- Pay Underspend - £352k

The financial plan included a significant planned increase in number of staff from 79.05 whole time equivalents (WTE) to 113.84. While it was noted that Welsh Government had already reduced new posts funding for expected slippage of 25% (that they assumed start date of 1 July) it was recognised that the actual start dates were expected to be later and that actual slippage would be greater than that assumed by Welsh Government.

This slippage on new post appointments is the key driver of pay underspends in 2023/24. At 31st March 2024 staff in post is 109.17 WTE against the revised budget of 114.44 WTE. At Month 9 the staff in post was 101.25 WTE.

- Travel Expenses Underspend - £88k

Post Covid the amount of travel undertaken by staff and volunteers has significantly reduced, leading to underspends against all regional teams. At this stage the budgets have not been reset. The travel budget levels for 2024/25 are being reviewed as part of the 2024/25 financial planning process.

- **Voluntary Early Release Scheme**

The VER scheme presented an opportunity for Llais to address the demands of change and service re-design. In line with scheme remit and rules 5 people within the organisation were successful in their application to the scheme and have finished their employment with Llais. The costs have been included in the 2023/24 outturn.

- **Dilapidation**

In line with reviewing accommodation leases for IFRS16 the dilapidation provisions figures previously assessed by Powys Teaching Health Board have been reviewed and updated in line with advice from NHS Wales Shared Services Partnership estates colleagues. The increase in provisions have also been included in the 2023/24 outturn.

New posts

As detailed above the funding from Welsh Government assumed 25% slippage on funding, assuming 1 July start dates. As noted in the various finance reports there was significant slippage on recruitment timelines over the original assumptions, with many new posts due to be filled in the period from November onwards.

This revised profile of staff appointments was expected as lead in time for a significant volume of new posts would lead to delays as creating new job profiles and job descriptions, including full Agenda for Change evaluation, prior to recruitment means longer lead in times in comparison with recruiting to vacancies on established posts.

Staff in post have increased during the year:

- Month 6 – 90.95 Whole Time Equivalent
- Month 9 – 97.08 Whole Time Equivalent
- Month 11 - 106.45 Whole Time Equivalent
- Month 12 - 109.17 Whole Time Equivalent

Finance and Human Resources teams closely worked together to monitor progress on these new posts as this was one of the key variables in the financial position and in service delivery.

Cash management

As noted in the Financial Plan 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.”

At the end of March 2024 the cash balance at the bank was £72k. This equates to 1.1% of the £7,747k compared to the Welsh Government year end target of 2% (at the end of February 2024 the performance was a balance of £594k equating to 7.7%).

While Welsh Government colleagues confirmed that they would not adjust the allocation for forecast underspend they indicated meeting the 2% cash balance target was critical. Accordingly, the March 2024 cash draw down figure from Welsh Government was reduced to meet the target, not necessarily to draw down cash up to the cash allocation limit.

2024/25 budget allocation

The January 2024 Board papers included a paper on Draft Funding Allocation 2024/25. That paper was based on an assessment of the 2024/25 Draft Welsh Government Budget and the Welsh Government issued Health Board Allocation letter. In summary it included a projected £8.266m allocation (plus 2024/25 Agenda for Change allocation).

The paper described the Llais 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,

specifically no worse than “hosted” NHS organisations, within the context of our role and remit within the health and social care sector.

As part of ongoing dialogue with Welsh Government colleagues the Draft Funding Allocation 2024/25 paper was submitted to their Partnership Team and has been subject to significant discussion.

To date Welsh Government colleagues have indicated that the allocation will be the same as the budget figure in the 2024/25 Final Welsh Government Budget, that is, £7.603m and that any financial challenges that arise from this settlement should be dealt with “in year”. Llais officers have highlighted their concerns both on the figures and the way in which the “in year” approach would work. Llais officers have emphasised that while “in year” may be appropriate for an internal Welsh Government department it may not be appropriate, in financial governance terms, for an independent statutory sponsored body.

The discussions with Welsh Government colleagues have been generally constructive, albeit reflective of the challenging landscape. The figures and assumptions in our submitted Draft Funding Allocation 2024/25 paper have not been challenged by Welsh Government. Nevertheless, the budget allocation figure does not reflect an increase in funding levels to reflect 2022/23 pay and prices to 2024/25 pay and prices, that is, two years worth of uplifts.

At the Partnership meetings Llais officers have requested these funding issues be escalated. Therefore, officers continue to engage with Welsh Government colleagues, both on understanding the background to decisions on the 2024/25 funding as well as the principles to be applied in future allocation rounds, for example funding for Agenda For Change pay awards consistent with all other employers with staff employed on Agenda For Change Terms & Conditions. The next Partnership meeting with Welsh Government colleagues will take place on 26 April 2024.

As per the Remit Letter the Welsh Government Allocation Letter should be issued within a month of 2024/25 Final Welsh Government Budget being agreed at Senedd, ie., issued before end of March. Llais officers have highlighted to Welsh Government colleagues that the allocation letter needs to be issued before Llais is able to present a Financial Plan for Board approval. The outcome of the discussions on the final budget allocation with Welsh Government colleagues may prompt a review of our annual plan commitments.

Recommendations

The Board is asked to note the contents of this report.