

<b>Agenda Item</b>
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<b>Planning, Performance and Finance Sub-Committee</b>
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<b>Financial Sustainability Review</b>
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<b>Dyddiad y Cyfarfod / Date of Meeting</b>	02/07/2026
<b>Statws Cyhoeddi / Publication Status</b>	Open/ Public
	Choose an item.
<b>Awdur yr Adroddiad / Report Author</b>	Gwen Kohler, Deputy Director of Finance
<b>Cyflwynydd yr Adroddiad / Report Presenter</b>	Stacey Taylor, Director of Finance & Value and Deputy Chief Commissioner
<b>Noddwr yr Adroddiad / Report Sponsor</b>	Stacey Taylor, Director of Finance & Value and Deputy Chief Commissioner

<b>Pwrpas yr Adroddiad / Report Purpose</b>	For Noting Choose an item.
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<b>Engagement (internal/external) undertaken to date (including receipt/consideration at Committee/Group)</b>		
<b>Committee / Group / Individuals</b>	<b>Date</b>	<b>Outcome</b>
Senior Leadership Team	25/06/2026	Noted

## 1. SITUATION/BACKGROUND

### 1.1 Executive Summary

This report provides an update on progress in addressing the financial challenges within the 2026/27 financial plan, with a particular focus on:

- Reducing the financial contributions from commissioning organisations (£16.2m) required to support the 2026-27 financial plan and
- Plans that enable longer term financial sustainability
- Update on the provider savings requirement of 2% included within the Financial Position at Month 2.

At Month 2, early progress has been made in identifying potential efficiencies and some in-year opportunities. However, it remains too early to determine the extent to which funding may be released back to commissioners in 2026/27. For robust financial management, credible up to date information is required that should be available for the reported position at the end of quarter 1 and onwards. From then, quarterly detailed assessments will be undertaken to assess and realise any opportunity alongside the identifying emerging risk.

The report outlines the structured approach being taken through the **Value, Efficiency and Sustainability Programme**, alongside emerging financial insights, to ensure both in-year delivery and longer-term sustainability.

### 1.2 Background

#### Financial plan 2026/27

The 2026/27 annual plan was underpinned by a financial plan which presented a shared approach to delivering a balanced financial plan to mitigate a financial gap of £28.2m specifically:

- NHS Wales providers will receive an uplift of 1.11% for non-pay inflation and inescapable pressures but be required to deliver **£12m**, 2% savings.
- Commissioners will provide 1.11% of uplift funded by Welsh Government (plus uplifts specified within the allocation letter for Pay awards etc), plus contribute **£16.2m**, 1%, towards the cost pressures identified within the financial plan.

#### Provider Savings

The financial expectation on Welsh NHS providers is in line with that applied to our English NHS providers where there is a 2% savings included within the Cost Uplift Factor (CUF). Whilst the financial risk sits with Providers there has been a commitment to work closely with Providers to identify how these savings will be delivered both in the short and longer term.

#### Commissioner Contribution

The financial plan includes £16.2m of additional Commissioner contribution. The split between Health Boards is show in the table below.

Contribution by Health Board based on risk shares £m							
ABUHB	BCUHB	C&VUHB	CTMUHB	HDUHB	PTHB	SBUHB	Total
2.50	5.50	2.00	1.70	1.60	0.90	2.00	<b>16.20</b>
15%	34%	12%	10%	10%	6%	12%	

As part of the plan there is a formal commitment to work collaboratively to identify how this can be reduced. In approving this plan, Members acknowledged both the scale of the challenge and the collective responsibility to mitigate this risk through strengthened delivery of the priorities, provider efficiency requirements, and commissioning-led savings & efficiency opportunities.

To address this there is a clear focus for the NWJCC to work collaboratively with Health Boards to urgently develop the 2026/27 priorities to maximise cost improvement efficiencies and savings to reduce the additional financial requirement of £16.2m in year.

### **1.3 Approach to Developing Long-Term Financial Sustainability**

#### **Value, Efficiency and Sustainability Programme**

The Value, Efficiency and Sustainability Programme supports the NHS Wales Joint Commissioning Committee (NWJCC) in responding to increasing financial pressures, rising delivery expectations, and the requirement to improve long-term financial sustainability across commissioned services. The programme will provide a coordinated and structured approach to identifying, prioritising, tracking, and delivering efficiency and savings opportunities across both the NWJCC and provider organisations for both in year and longer-term opportunities. It will bring together financial, commissioning, operational, and service considerations to ensure opportunities are assessed transparently, aligned to strategic priorities, and delivered in a sustainable way without compromising service quality or outcomes. The programme will also act as a key mechanism for supporting delivery of the Annual Plan and addressing the identified financial gap.

The Value, Efficiency and Sustainability Programme will operate within a defined governance and delivery framework, ensuring that opportunities are identified, assessed, prioritised and progressed through a consistent programme management approach. Oversight will be provided through a monthly programme meeting structure, supported by clear reporting on delivery progress, financial impact, risks, issues, dependencies and benefits realisation. The programme will be led through an identified Senior Responsible Officer, Juliet Brown, Chief Commissioner for the NWJCC, who will be accountable for maintaining delivery grip, ensuring appropriate escalation, and aligning the work with the wider Annual Plan and financial sustainability objectives. The nominated Chief lead will provide system-level sponsorship, support engagement with Health Boards and providers, and help ensure that opportunities are considered in the context of wider organisational and system priorities.

By September, the expectation is that the pipeline of identified opportunities will have been sufficiently developed into defined schemes, with clear ownership, specified deliverables, agreed milestones, measurable outputs and an assessment of the anticipated recurrent and non-recurrent financial benefits. Ongoing monitoring of schemes will be reported through the Planning, Performance and Finance Sub-Committee (PPF) and onto the Joint Committee in preparation to maintain momentum on delivery in year and prepare for the Integrated Medium-Term Plan (IMTP) development 2027/30

**Appendix 1**, shared as Agenda Item 2.4.1, sets out the progress in identifying potential efficiencies recognising that this is an evolving position progressing at pace.

### **Financial Management of Approved Future Commitments, Centralisation and Governance**

To enhance strategic oversight and ensure alignment with organisational priorities, the budget for approved future commitments 2026/27 will be held centrally under the stewardship of the Director of Finance and Value, as it was in 2025/26. This approach will support more agile and equitable allocation of resources across directorates and programmes, particularly in response to emerging needs and opportunities.

A formal process will be required to release funds from the central development budget into individual budget areas. This process will include:

- Submission of a business case or proposal outlining the intended use, expected outcomes, and alignment with strategic objectives.
- Review and recommendation by the Finance Business Partnering team.
- Approval by the Senior Leadership Team or a designated sub-group.

There is potential for 2026-27 that some slippage will occur as a result of the timing of commencement of programmes.

### **Disaggregation of the additional funding presented in the 2026-27 Financial Plan**

Of the £28.2m additional funding identified within the 2026-27 financial plan:

- **£8.1m** related to net underlying pressures (full year effect £19m) and offsetting benefits (£10.1m) that were formalised as part of the financial planning process. As detailed in **Appendix 2. These have been included within financial baselines are not therefore further considered.**
- **£12.1m related to funding existing activity**, however there is discretion in some cases as to how and when this is applied to Long Term Agreements (LTAs.)
- The remaining **£8m** relates to the following:
  - Additional NICE drugs £3.3m
  - Unfunded strategic priorities already agreed £2.5m
  - Additional MOSCOW schemes £2.2m

In addition, a key element of the plan was consideration of development plans that had already been approved but not commenced. Whilst a significant value was released to support the reduction of the finding requirement for 2026/27, there is **£2.7m remaining in the plan assessed as still being required for patient quality purposes**. These schemes have again been reviewed to determine whether they present opportunities for slippage in 2026-27.

**Appendix 3** provides detail of the allocations to date (Month 2) for 2026-27. This provides details on a total sum of **£5.1m that has been allocated to support activity pressures** (at 2025-26 levels) including **£3.3m to support additional NICE costs** which will likely present later in the year. In addition, **£1.3m of new year funding for MOSCOW or strategic priorities** is forecast to be allocated and are actively being worked through.

At this stage of the year, it is not possible to assess whether this will present potential for funding release back to commissioners at the year end. Ongoing monthly assessments are undertaken with commissioning teams to ensure scrutiny and approval of the remaining schemes.

### Month 2 financial position

At Month 2, the forecast year-end position was a £0.5m underspend against the £16.2m commissioner uplift, including full delivery of the 2% provider savings requirement. The variances arising through the risk-share arrangements are shown below.

Forecast year end outturn by Health Board based on risk shares £m							
ABUHB	BCUHB	C&VUHB	CTMUHB	HDUHB	PTHB	SBUHB	Total
-0.50	0.80	-0.20	-0.10	0.00	-0.50	0.00	<b>-0.50</b>

The Month 2 financial position identified further opportunities, including **£1.0m from the renegotiation of the Ashworth High Secure Hospital contract** and a **£0.5m reduction in Home Parenteral Nutrition**, resulting from patient provider switches. This will be reported within the position from Month 3 onwards.

A full assessment of growth risk has yet to be undertaken robustly given the data available to Month 2. A review of growth risk particularly in NHS England will be undertaken for Month 3 reporting.

In determining how any identified savings or financial benefits should be applied, the first call should be to mitigate any emerging growth pressures and risks within the 2026/27 financial position. This will ensure that the reported position remains robust and that any recurrent or non-recurrent benefits are not released before the full extent of in-year demand, activity and cost pressures is understood. Once these growth risks have been assessed and appropriately mitigated, any further

confirmed savings should then be used to reduce the additional commissioner contribution requirement of £16.2m, with the aim of improving the overall financial position for commissioning organisations and supporting the delivery of a more sustainable financial plan.

The basis of how any financial benefits are distributed will need to be considered as part of future discussions.

### **Subsequent to Month 2**

It is regrettable to report that the JCC team had to progress to formal arbitration relating to a dispute by Cardiff and Vale University Health Board with regards to the application of the 2% provider savings. The JCC team reiterate its shared commitment across the system to constructive partnership working and collaborative resolution of financial and commissioning issues. The outcome has, however, provided an important opportunity to reflect on commissioning processes with Welsh providers, including the way in which financial planning assumptions, efficiency expectations and contractual requirements are communicated, evidenced and agreed.

The NWJCC has taken the learning from this process seriously and is working with Internal Audit to ensure that the lessons identified are embedded within the forward work programme. This will include strengthening the approach to provider engagement, improving the documentation and audit trail supporting future commissioning decisions, and ensuring that any escalation processes are supported by clear governance, roles, responsibilities and decision points.

Welsh Government has directed that the decision of the NWJCC is adhered to, and the 2% provider efficiency is applied. Important to note that the letter also states,

“The principle of considering expected financial efficiency through contracting arrangements is recognised as part of annual planning processes, and as part of the wider consideration of available resources such as agreeing activity baselines and any investment linked to inflation, growth, or service development. This forms part of the continual requirement to commission and provide high quality, patient centred and cost-effective care.”

In addition, there has also been an expectation from the JCC that following the guidance surrounding the funding support for Welsh Risk Pool (WRP), that the Welsh Ambulance Services University NHS Trust (WAST) are required to therefore hand back any resultant financial benefit from the application of funding back to the Commissioning organisation. Welsh Government has now provided feedback that any additional funding provided to WAST in relation to the WRP would not be available to support the NWJCC commissioners as WAST are expected to deliver its plan and contribute to the WRP pressure, if possible.

## 2. CONCLUSION

At Month 2, it remains too early to assess whether funding can be released back to Commissioners. This report summarises the work underway to support financial sustainability in 2026/27 and future years. Alongside progress through the Value, Efficiency and Sustainability Programme, the information in this report will be presented routinely to provide a transparent record of how the additional funding identified in the 2026/27 financial plan is being used, and to support future recommendations on any potential funding release to commissioners.

## 3. RECOMMENDATIONS

Members of the Planning, Performance and Finance Sub-Committee are asked to:

- **Note** the progress made by the Value, efficiency and Sustainability Programme.
- **Note** the allocations that have been committed for activity and development funding for 2026-27 to date.

## 4. ASSESSMENT

<b>Objectives / Strategy</b>	
<b>Dolen i Amcan (au) Strategol CBC / Link to JCC Strategic Objectives(s)</b>	Maximise Value
<b>Dolen i Ddeddf Llesiant Cenedlaethau'r Dyfodol – Nodau Llesiant / Link to Wellbeing of Future Generations Act – Wellbeing Goals</b> <a href="#">150623-guide-to-the-fg-act-en.pdf</a> <a href="#">(futuregenerations.wales)</a>	Not Applicable
	If more than one applies please list below:
<b>Dolen i Hwyluswyr Ansawdd</b> <i>(Canllawiau Statudol Dyletswydd Ansawdd (llyw.cymru)) / Link to Enablers of Quality</i> <a href="#">(Duty of Quality Statutory Guidance (gov.wales))</a>	Not Applicable
	If more than one applies please list below:
<b>Dolen i Feysydd Ansawdd</b>	Not Applicable
	If more than one applies please list below:

<p>(Canllawiau Statudol Dyletswydd Ansawdd (llyw.cymru)) / <b>Link to Domains of Quality</b> (<a href="#">Duty of Quality Statutory Guidance (gov.wales)</a>)</p>	
<p><b>Effaith Amgylcheddol/ Cynaliadwyedd (5R) / Environmental /Sustainability Impact (5Rs)</b></p>	No - Not Applicable
	If more than one applies please list below:

Impact Assessment		
<p><b>Ansawdd</b> Ydych chi wedi ymgymryd â Sgrinio Asesiad o'r Effaith ar Ansawdd? / <b>Quality</b>  Have you undertaken a Quality Impact Assessment Screening?</p>	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
	Outcome:	If no, please include rationale below:  N/A
<p><b>Cydraddoldeb</b> Ydych chi wedi ymgymryd â Sgrinio Asesiad o'r Effaith ar Gydraddoldeb? / <b>Equality</b>  Have you undertaken an Equality Impact Assessment Screening?</p>	Yes: <input type="checkbox"/>	No: <input checked="" type="checkbox"/>
	Outcome:	If no, please include rationale below:  N/A
<p><b>Cyfreithiol / Legal</b></p>	There are no specific legal implications related to the activity outlined in this report.	
<p><b>Enw da / Reputational</b></p>	There is no direct impact on the reputation of the Joint Committee as a result of the activity outlined in this report.	
<p><b>Effaith Adnoddau</b> (Pobl /Ariannol) / <b>Resource Impact</b> (People / Financial)</p>	Yes (Include further detail below) Please see the body of the report for details	

Acronyms / Glossary of Terms	
CUF	Cost Uplift Factor

IMTP	Integrated Medium Term Plan
LTAs	Long Term Agreements
MOSCOW	<b>M</b> ust have, <b>S</b> hould have, <b>C</b> ould have, <b>W</b> on't have
NWJCC	NHS Wales Joint Commissioning Committee
PPF	Planning, Performance and Finance Sub-Committee
WAST	Welsh Ambulance Service Trust
WRP	Welsh Risk Pool

**Appendix 1** – Shared as Agenda Item 2.4.1

**Appendix 2** – Funding changes made as part of the Financial Plan 2026-27 to the recurrent underlying position funded from the £28.2m.

<b>Funding area changes</b>	<b>Change £m</b>
Clinical Immunology	1.00
Haemophilia	2.00
Gender	0.30
HPN	1.90
IPFR Enzyme replacement	0.80
IPFR General	2.60
Underachieved savings	7.40
Non-recurring savings 25-26	1.50
BCU SABRE (contract change)	0.20
Reverse 25-26 write backs NR	1.30
<b>Less</b>	
Liverpool Heart and Chest	-2.00
Perinatal OOA	-0.70
Prior year releases /Delayed investments	-8.23
<b>Total</b>	<b>8.07</b>

## Appendix 3

Financial plan potential slippage					
Area of funding	Scheme	Value 2026-27 £m	Advice	Allocated additional activity £m	Allocated development £m
<b>Funded from £28.2m 26-27 plan</b>					
Decisions requiring action to fund or stop / reduce current activity	Tavi / cardiac required or reduce activity	1.0	In LTAs	0.5	
	Renal surgery	0.7	In LTAs	0.7	
	Cardiac	0.6			
	NICU / PICU required or reduce activity	4.6			
	Liver Surgery	0.9			
	Renal ISP Contract Inflation	3.0			
	Neonatal - Swansea	0.5			
	Renal	0.8			
	<b>Total</b>	<b>12.1</b>		<b>1.2</b>	<b>0.0</b>
NICE drugs	<b>Total</b>	<b>3.3</b>	Expected requirement later in year	<b>3.3</b>	
Unfunded Strategic Priorities already agreed	Thrombectomy	1.5	Strategic review priority		
	Pet Scanning	0.5	New indications		
	Renal ISP Growth	0.5	Under review		
	<b>Total</b>	<b>2.5</b>			<b>0.0</b>
Additional MOSCOW funding decisions	PET CT	0.1		0.1	
	Functional Neuro service (inc. DBS)	0.7	Expected September start		0.3
	SIRT	0.3	C&V		0.3
	EMRTS	0.5	Under review	0.5	
	Hereditary anaemias	0.6	Due to start 6 months		0.3
	<b>Total</b>	<b>2.2</b>		<b>0.6</b>	<b>0.9</b>

Financial plan potential slippage					
Area of funding	Scheme	Value 2026-27 £m	Advice	Allocated additional activity £m	Allocated development £m
<b>1. Funded though 25-26 Baseline</b>					
Funded Schemes previously approved (in baseline)	Neurosurgery (22/23)	0.3			
	Paediatric Neurology (22-23)	0.3	C&V		0.3
	Paeds Strategy - C&V PICU & HDU Reconfi	0.7			
	Paediatric Orthopaedic Surgery (22/23)	0.1			
	Plastic Surgery (22/23)	0.1	N. Wales		0.1
	Prosthetic Service (22/23)	0.0			
	Acute Neurosurgery (24/25)	0.2			
	Mental Health Strategy - remaining fundin	0.6			
	Mental Health Work Programme Funding -	0.2			
	Paediatric Strategy - remaining funding	0.2			
	<b>Total</b>	<b>2.7</b>		<b>0.0</b>	<b>0.4</b>
<b>Total</b>		<b>22.8</b>		<b>5.1</b>	<b>1.3</b>