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## Use of Welsh Government strategic financial allocation 2020-2025

Dear Carol

You'll probably recall that we'd reserved some time within our programme of audit work at the Health Board to review the use of strategic financial assistance funding that has been provided by the Welsh Government following since November 2020.

The aim of this work was to seek assurance that the Health Board was able to demonstrate how it has used this money and what returns have been secured from this investment. Our work to date has focused on confirming the amount of the allocations received since November 2020 and establishing the feasibility of undertaking more detailed work to assess how these funds have been used.

We were able to collect some initial information with the support of the Finance Team. However, it was apparent that the way in which some of the strategic funding has been dispersed across divisions and incorporated into budgets was going to make it very difficult to accurately determine its use and impact. We recognise that the reasons for this were partly to do with issues we have previously reported on, including the qualification of the Health Board's 2022-23 accounts, as well as issues identified in our report on Board Effectiveness in 2023. Based on this we had paused our audit queries and considered the viability of undertaking any further work on the Health Board's use of its strategic assistance funding.

Our conclusion is that it would not be practical to pursue further, more detailed work on the Health Board's use of strategic assistance funding. We understand that the Health Board would not be able to readily provide all the information needed to support such work. As such it is likely that both Audit Wales and Health Board staff would spend a lot of time trying to progress work that would be unlikely to provide any further meaningful insight.

This of course is of some concern because it would be our expectation that the Health Board should be able to clearly demonstrate how it has used all of the strategic assistance funding it has received, as well as the returns from that investment.

Whilst we will not be progressing any more detailed work, we are nonetheless still able to pull together some headline messages from the work done to date. These are as follows:

- between November 2020 and the end of March 2026, the Health Board received an additional £461 million of strategic assistance funding to support service transformation, improved performance and achievement of financial balance;
- £40 million per year of the additional annual funding was specifically to cover the Health Board's historic deficit position. This funding did initially help the Health Board achieve financial balance. However, the Health Board recorded year-end deficits in both 2023-24 and 2024-25 and whilst it set a balanced financial plan for 2025-26, it was predicting a £17.4 million deficit at month 11 of 2025-26;
- the quality of planning for the use of the additional funds varied significantly between 2021-22 and 2023-24, but has improved from 2024-25 onwards, in line with broader actions to strengthen financial controls and governance across the organisation;
- the Health Board is able to evidence where the additional resources have been spent, and whether a significant portion the strategic support funding was spent in line with Welsh Government's expectations;
- recognising difficulties in quantifying where the funding has been spent, the ability to understand the extent to which the funding has supported service improvement is challenging; and

- whilst the Health Board can demonstrate that it has adequately monitored the deployment of the resource, or the impact of the strategic assistance support funding.

The annex attached to this letter provides some further information under each of the above themes.

We also used our 2025 Structured Assessment work to seek some further high-level information on the Health Board's management processes around the use of the strategic assistance funding during 2025-26. That work has shown that the Health Board has strengthened its approach for assessing how the funding is used. Schemes are being re-evaluated against clearer criteria aligned to national and local priorities and the benefits that will be derived for frontline services. We note that the Health Board intends to continue to evolve its prioritisation process for the funds as part its change programme development.

We understand that there is currently still a large reliance on the fund to cover the pay of existing staff which means there was little left to fund new transformation initiatives. It is positive, however, to see the desire going forward to ensure core roles are supported through the Health Board's baseline budget rather than from the strategic assistance funding.

We also identified some concerns in this year's structured assessment about delays in the revised agreement of the use of this funding. This affected the Health Board's ability to commence transformation projects in a timely fashion during 2025-26 and is something the Health Board will need to reflect on for subsequent years.

Collectively therefore, the work we have done has highlighted a strengthening of assessment of use of the funds moving forwards. However, the historical picture is unclear in relation to benefits realisation. We do take some assurance from the fact that current arrangements to oversee the use of the funding are stronger. However, there is still very limited evidence to indicate that the funding has supported genuine service transformation or can be attributed to improved performance.

We would suggest that this letter is included within the papers of the next available Audit Committee meeting so that Committee members are sighted of our work in this area and can take appropriate assurance from relevant members of the Executive.

To assist that, it would be helpful to receive a written response from yourself which can be shared with the Audit Committee, and which includes the following information:

- whether the Health Board has any plans to describe in more detail how the strategic assistance funding has been used to date and the benefits that have been realised, and if so, what those plans are;
- what the Health Board's plans are to provide prospective updates to the relevant committee and Board on use and impact of the strategic assistance funding; and
- given that the continued receipt of the £42 million a year to support improvements to planned care, unscheduled care and mental health services is contingent on the achievement of financial balance, what arrangements are in place to mitigate the risk of that funding no longer being provided by Welsh Government.

I look forward to receiving your response to above.

Kind regards



Andrew Doughton  
**Performance Audit Manager**

## Annex: Further information

**By the end of March 2026, the Health Board will have received an additional £461 million of strategic assistance funding to support service transformation, improved performance and achievement of financial balance**

In November 2020, the then Minister for Health and Social Care announced a package of financial assistance to the Health Board. This strategic financial assistance was to cover the historic deficit position, to improve performance in planned care and unscheduled care, to support transformation of services and to strengthen mental health services. The additional allocation was initially £297 million for a three-and-a-half-year period ending March 2024, but the funding has continued into subsequent years and total £461 million to the end of the 2025-26 financial year. The table below summarises our understanding of how the strategic assistance funding was intended to be used.

Financial Year	Cover historical deficit	Planned care, unscheduled care improvement and transformation	Mental health service improvement	Total
	£m	£m	£m	£m
<b>Initial Welsh Government allocation</b>				
October 2020-March 2021	40	10.3	0.7	51
2021-22	40	30	12	82
2022-23	40	30	12	82
2023-24	40	30	12	82
<b>Sub total</b>	<b>160</b>	<b>100.3</b>	<b>36.7</b>	<b>297</b>
<b>Subsequent ongoing Welsh Government allocation</b>				
2024-25	40	30	12	82
2025-26	40	30	12	82
<b>Grand total</b>	<b>240</b>	<b>160.3</b>	<b>60.7</b>	<b>461</b>

**The additional funding initially helped achieve financial balance, but the Health Board recorded year-end deficits in 2023-24 and 2024-25 and was predicting a £17.4 million deficit for the end of 2025-26**

The provision of £40 million each year helped the Health Board achieve financial balance for the years 2020-21, 2021-22 and 2022-23. However, there was a deficit position of £24.3 million in 2023-24 and although the position improved for 2024-25 the Health Board still recorded a deficit of £7.65 million. For 2025-26, the Health Board was forecasting a year-end deficit of £17.4 million, having initially committed to a break-even position.

**The quality of planning for the use of the additional funds varied significantly between 2021-22 and 2023-24 but has improved from 2024-25 onwards**

In 2021, we reviewed the Health Board's initial plans for using the strategic financial allocation. That work was able to provide assurance that the Health Board had broadly clear plans for how it intended to spend the additional funding, although we did identify some concerns around the pace of business case development.

The plans for how the funding was to be used in 2022-23 were clearly set out in the Integrated Medium-Term Plan the Health Board had developed at the time. No details were produced on how the strategic assistance funding would be used during 2023-24 but from 2024-25 onwards there is evidence of an improved position with more detailed proposals being developed.

**The Health Board is unable to evidence whether a significant portion of the strategic support funding was spent in line with expectations**

We asked the Health Board for details on how it spent the funding. It provided information on how the money was recorded in its accounts. We then tested 14 schemes to check whether the funding was used as intended.

The Health Board was able to provide extra detail for three of these, but for the other 11, the way spending was recorded means there is no reliable evidence that the money was used as planned. This was partly because the extra funding was absorbed into wider service budgets during 2022-23 and 2023-24.

Accounts information provided to us also indicates that some of the additional funding that was intended to be used for planned care, unscheduled care and transformation was actually used for funding existing commitments and core posts in other areas including digital, HR and in the corporate governance team.

### **The Health Board cannot demonstrate that it has monitored the use or impact of the Welsh Government strategic support funding**

We found no evidence that the Health Board and Welsh Government had clearly set out expectations for monitoring and reporting the use of the strategic support funding at the outset. While we identified that the Board and committees have overseen plans for how the Health Board intended to use the funding, we also found no evidence of oversight of whether the funding was used as planned and whether it has had the impact intended.

### **The extent to which the funding has supported service improvement is variable**

The strategic assistance appears to have had little impact on the Health Board's unscheduled care performance with key metrics continuing to show the significant pressure these services are under. There have been some notable improvements in some areas of planned care, including patients with the longest waits and a reduction in 104-week Referral to Treatment waiting times and 52-week first outpatient waiting times. However, performance in other key areas remains worrying and overall demand remains high. It should also be noted that for the period 2022-23 to 2025-26, the Health Board has received £149 million of planned care recovery funding in addition to the strategic assistance funding.

Funding to support mental health service transformation and improvement appears to have been more successful. Improvements can be seen in timeliness of assessments provided by local primary mental health services where national standards are now consistently being achieved, and with the most adults and children seen by secondary care services now having a treatment plan. There is also an improving position on therapeutic interventions for adults and children.