Non-core Funding: Health Improvement

Internal Audit Report

2025/26

Public Health Wales NHS Trust

Reasonable Assurance

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Executive Summary

Purpose

Our audit review in relation to the non-core funding arrangements was completed in line with the 2025/26 Internal Audit Plan for Public Health Wales NHS Trust (the 'Trust').

Overview

Non-core funding plays a vital role in enabling NHS bodies to deliver targeted, often innovative, public health programmes that sit outside of core statutory services. This funding supports initiatives such as mental health in schools and healthy lifestyle campaigns.

Non-core funding supports a range of public health programmes across NHS bodies, including initiatives such as Healthy Weight Wales and Early Years and Prevention, among others. In total, around £5.5 million is allocated annually to the Trust and distributed to Welsh health boards and trusts.

NHS bodies should have robust governance, monitoring, and reporting mechanisms to ensure transparency, accountability, and value for money. Strong controls safeguard public funds and enhance the sustainability and impact of the programmes supported. We have concluded reasonable assurance on this area. The key matters requiring management attention are:

- Manual grant administration processes are more resource-intensive, inefficient and increase the risk of error compared to a digital approach.
- Annual funding cycles create workforce uncertainty and delivery gaps, despite long-standing programme continuity.
- Grant allocations levels that have not increased over time fail to reflect inflation and pay pressures, leading to financial shortfalls and inconsistent delivery.

Full details of matters arising are detailed within the Findings & Agreed Action Plan.

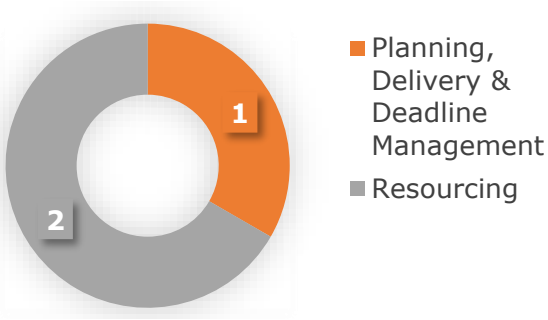
Scope & Assurance Summary

Objectives (The objectives and associated assurance ratings are not necessarily given equal weighting when formulating the overall audit opinion.)		Related Findings	Assurance
1	The non-core funding processes, including allocation mechanisms.	1	**Reasonable**
2	Review the governance, escalation, monitoring and reporting arrangements to ensure assurance is obtained on agreed outcomes/milestone and that risks, delays, and inconsistencies are appropriately and proportionally managed and resolved.	2,3	**Reasonable**
3	Evaluate the impact of annual funding cycles on workforce stability, continuity and effective programme/service delivery across the Trust and health boards.	2,3	**Limited**

Management Actions

1	2
High Priority	Medium Priority

Themes



Risk Types

Quality or Safety Issues

Financial Loss

Findings & Agreed Action Plan

Objective 1: The non-core funding processes, including allocation mechanisms.	Reasonable

Overview / Summary of Observations

The Trust has a structured and documented process for allocating non-core funding received from various Welsh Government (WG) departments. The allocation mechanisms are underpinned by internal procedures, with clear documentation which provide transparency in how funding is distributed across programmes and to health boards and other delivery partners.

The funding cycle is an annual process. Funding confirmations are typically received late in the prior financial year which limits the Trust's ability to forward plan allocations, issue timely contracts, and manage workforce risks for the forthcoming year. We understand that this timing may also affect partner organisations, who may be reluctant to recruit or commit to delivery plans without confirmation of funding.

The Business Support Team (BST) chase outstanding claims and documentation across the programmes. For example, at the time of our fieldwork, some 2024/25 claims were unresolved, and several 2025/26 claim forms and delivery plans were outstanding, which takes time for staff to follow up and resolved.

The administrative time to manage non-core funding is considerable. The grant management process is largely manual, involving multiple approvals, extensive documentation, and short deadlines. While the Trust has made efforts to streamline processes, such as using SharePoint for document management and standardising templates, there is no integrated digital system for grant administration. This increases the risk of error, duplication, and inefficiency. Staff across the Health and Wellbeing Directorate spend a significant amount of time on grant-related tasks, often without dedicated finance or administrative support.

SharePoint and spreadsheet-based finance logs are used but grant management is not an integrated digital system. A more automated approach, particularly for smaller grants, could improve the time taken to administer grants. In addition, through a more manual process there is an increased risk of administrative error.

	Key Findings	Risk & Impact	Agreed Management Action
1	**Grant administrative burden** The grant administration process is largely manual and is resource intensive. Key performance information data confirms that the grants team processed 290 claims across six major programmes during 2024/25, including 90 claims for National Exercise Referral Scheme (NERS). Each claim involves validation, coordination with programme leads, and submission to Accounts Payable. Our review of the Grants Administration Flowchart and Grants Finance Log identified multiple layers of approval, short deadlines, and reliance on a team of three business support staff responsible for processing claims and ensuring compliance across multiple programmes. Programmes like NERS and	Excessive administrative burden may lead to delays, errors, or reduced capacity for strategic oversight.	**Agreed Action:** Work will be undertaken to review existing processes and identify opportunities in the short and medium term to streamline the grants administration process, building on the existing improvements. Engagement with Directors of Public Health has commenced and a proposal for consideration will be developed. Upon agreement of the proposal, a plan will be developed, and improvements will aim to be implemented by 01 April 2026 ready for the 2026/27 grants cycle where appropriate. **Expected Evidence of Implementation:** Updated and simplified grant management flowchart which takes into account the feedback/suggestions from partners

	WNHWPS require extensive quarterly submissions and over 60 individual reports annually. This volume places a significant strain on the central team and increases the risk of delay or error. For example: • In Q4 of 2024/25, over 20 grant claims were processed manually. Highlight reports show that delays in claim validation directly impacted invoice payment timelines, with some outside the 30-day target. • Several 2025/26 claim forms and delivery plans remained outstanding as of July 2025, requiring repeated follow-up and coordination. The Health Improvement Directorate has made improvements to grant administration in recent years and actioned recommendations that we made in 2023/24, which included the introduction of standardised KPIs, improved risk registers, and the integration of grants into the Trust's budget-setting process. The Directorate leadership team recognises the need for a digitally enabled grant management system but also emphasises that this is a longer-term ambition requiring strategic investment. In the interim, there is a shared commitment to explore short-term solutions.		Revised SOPs or guidance documents showing standardised templates and aligned reporting timelines. Development of an implementation plan or proposal for a digital grant management solution, informed by partner feedback. This may include SharePoint-based enhancements or automation features, subject to feasibility and strategic investment decisions
	Theme: Resourcing	**Medium Priority** Control Design	**Officer:** Health and Wellbeing Directorate Leadership Team **Target Implementation Date:** 01 April 2026

Objective 2: Review the governance, escalation, monitoring and reporting arrangements to ensure assurance is obtained on agreed outcomes/milestone and that risks, delays, and inconsistencies are appropriately and proportionally managed and resolved.	Reasonable

Overview / Summary of Observations

The Trust has established a comprehensive governance, escalation, monitoring, and reporting framework to ensure alignment with WG priorities and delivery of agreed programme outcomes.

Standardised documentation, such as delivery plans, claim forms, and quarterly monitoring templates facilitate consistent reporting across health boards and local authorities. These tools capture key deliverables, financial data, and performance metrics, and are supported by structured quarterly updates and risk mitigation reporting.

Oversight is maintained through regular assurance meetings and a clear internal reporting hierarchy, where programme leads escalate issues via monthly highlight reports to the health and wellbeing directorate, which in turn informs strategic decisions at committee and board level. Risks and delays are actively monitored through the monthly highlight reports and quarterly reviews. Programme milestone targets are discussed and amended when milestones are at risk, and mitigation actions are tracked via programme dashboards. This ensures proportionate escalation and resolution.

Funding decisions are escalated to the BET, and there is evidence of internal scrutiny and risk assessment. However, the lack of multi-year funding agreements and the reliance on manual processes limit the overall efficiency and resilience of the allocation arrangements.

Funding decisions and approvals are well-documented and supported by a structured internal process. The use of formal letters and internal governance procedures ensures transparency and accountability. However, the effectiveness of these controls is impacted by the timing of WG confirmations **(See key finding 2 & 3)**, which delays internal approvals and increases operational risk.

Objective 3: Evaluate the impact of annual funding cycles on workforce stability, continuity and effective programme/service delivery across the Trust and health boards.	Limited

Overview / Summary of Observations

We found that the annual funding cycle impacts on workforce stability, programme continuity, and administrative efficiency. The Trust and its delivery partners face recurring challenges due to the timing of the funding confirmation, which often arrives in quarter four of the preceding financial year. This timing affects recruitment, retention, and the ability to plan and deliver services effectively.

Often posts funded through non-core grants are fixed term, and staff are reluctant to remain in roles without assurance of continued funding. In some cases, the Trust has appointed staff to permanent contracts, but this creates financial risk if funding is not renewed. Health boards, by contrast, often employ staff on fixed-term contracts, which we understand has led to higher turnover and operational gaps.

We found that without multi-year funding agreements the Trust is less able to plan across years. Opportunities to optimise delivery, invest in innovation, or build long-term capacity are constrained by the need to operate within a 12-month funding window. This leads to reactive commissioning, and more spending towards the latter end of the year and missed opportunities for impact. We saw that:

- The WSAEMWB programme experienced significant delivery gaps due to fixed-term contracts and delayed recruitment. We saw highlight reports identifying that health boards were reluctant to recruit into vacancies, including maternity cover, without formal confirmation of funding. This led to unused grant allocations and reduced programme reach.
- Similarly, the Children and Families Pilot (CFP) showed poor compliance in Q1–Q3, with only 33% of claims submitted on time and programme delivery slippage due to capacity constraints.
- In the NERS programme, the March 2025 highlight report confirmed that the data dashboard development had to be deferred due to delays in securing analyst time and data interface delays. This reactive commissioning approach delayed the implementation of a key improvement project and required an extension for delivery into the next financial year.

As such, it appears that the annual funding model imposes constraints on the Trust's ability to deliver non-core programmes efficiently and sustainably.

	Key Findings	Risk & Impact	Agreed Management Action
2	**Annual funding cycle creates workforce instability** Annual non-core means that health boards cannot be sure there will be funding for staff working on grant projects for mor than one year. We understand that this has led to resignations and secondments due to a lack of job security. Health boards are reluctant to recruit late in the year, resulting in delivery gaps and unused funding. Notably, majority of the 'non-core' programmes have received consistent annual approval from Welsh Government for several years (albeit late into the year). The lack of multi-year commitments disrupts continuity and planning, despite the	Short-term funding cycles prevent the Trust and wider health system from offering long-term employment security leading (but not limited to) staff turnover, loss of knowledge, and reduced morale.	**Agreed Action:** The Trust will continue to engage with Welsh Government to influence the programme funding cycle and highlight the existing and future challenges, similar to work that has been undertaken in previous years. **Expected Evidence of Implementation:** <u>Documented Engagement</u> • Meeting minutes or correspondence between PHW and Welsh Government discussing funding model reform.

	apparent long-term policy alignment and delivery milestones for these programmes. Highlight reports from Q4 (2024/25) show that several programmes, including JUSTB and WSAEMWB, experienced delivery gaps due to delayed recruitment and staff turnover. In one case, a maternity cover post was unfilled for two months, affecting school engagement targets.		• A formal proposal or business case submitted to WG outlining the rationale for multi-year funding.
		Medium Priority	**Officer:** Health and Wellbeing Directorate Leadership Team **Target Implementation Date:** 31 December 2025
	Theme: Planning, Delivery & Deadline Management	Control Design	
3	**Inflationary impact on grants** The real term value of funding has decreased as non-core grant allocations have not increased, despite rising salary costs and inflation. This funding shortfall is absorbed by delivery partners, often without clarity on whether top-up funding will be provided. As such, there is a risk of under-delivery, budget overspends, or the need to scale back programme activities. In the Healthy Working Wales programme alone, leaving only 10% of the budget for non-pay activities. Similarly, in the Whole School Approach to Mental Health, health boards use non-pay allocations to cover staffing shortfalls. We understand that these pressures have led to staff leaving, reduced programme flexibility, and inconsistent delivery across regions.	The real-term value of funding is reduced when grant allocations do not account for inflation or rising delivery costs, increasing the likelihood of under-delivery or financial strain on delivery partners.	**Agreed Action:** Work with Welsh Government to establish a formal mechanism for reviewing and adjusting non-core grant allocations in line with NHS pay awards and inflation. This should include clear guidance on how top-up funding is calculated, routed, and communicated to delivery partners to ensure equitable and sustainable programme delivery.
			Expected Evidence of Implementation: • Documentation of requests to Welsh government to address inflationary impact on grants
		High Priority	**Officer:** Health and Wellbeing Directorate Leadership Team **Target Implementation Date:** 31 December 2025
	Theme: Resourcing	Control Design	

Appendix A

Assurance Opinion

	**Substantial**	Few matters require attention and are compliance or advisory in nature. **Low impact** on residual risk exposure.
	**Reasonable**	Some matters require management attention in control design or compliance. **Low to moderate impact** on residual risk exposure until resolved.
	**Limited**	More significant matters require management attention. **Moderate impact** on residual risk exposure until resolved.
	**Unsatisfactory**	Action is required to address the whole control framework in this area. **High impact** on residual risk exposure until resolved.
	**Advisory**	Given to reviews and support provided to management which form part of the internal audit plan, to which the assurance definitions are not appropriate. These reviews are still relevant to the evidence base upon which the overall opinion is formed.

Prioritisation of Findings

Priority	Explanation
High	Significant risk to achievement of a system objective OR evidence present of material loss, error, or misstatement. Poor system design OR widespread non-compliance.
Medium	Some risk to achievement of a system objective. Minor weakness in system design OR limited non-compliance.

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