



Ein cyf/Our ref: MA/JMHSC/11086/24

Health Board Chairs

20 December 2024

Dear Chairs,

I am writing to inform you of the 2025-26 allocation for health boards. This allocation letter sets out the detail of the funding for your organisation for 2025-26. It should be used to develop plans within available resources and that deliver the priorities I have set out in my letter on the NHS Wales Planning Framework 2025-28.

You will be aware of the recent Welsh Government draft budget announcement confirming a planned increase the Health & Social Care budget of £435m revenue and £175m capital funding. This is welcomed and provides a platform on which I expect to see continued progress in delivery for the financial year ahead. Whilst this additional funding is essential to meet inescapable demand growth, unavoidable inflationary pressure, and deliver progress on our capital requirements, there remains an absolute requirement to deliver actions that contain costs, deliver ongoing stretching savings expectations, improve productivity, and address unwarranted variation. The financial pressures across Health and Social Care remain challenging, but we have worked to ensure a good settlement for the NHS and deliver a framework that enables progress on our collective ambition to deliver continuous improvement.

In 2024-25, we set a clear path and improvement expectation for health boards and issued reset Target Control Totals. Some health boards are forecasting to deliver the plans that they themselves have committed to, and others are forecasting deteriorating from this position - this is unacceptable. It is imperative that each health board delivers financial improvement, meets the expectations that are set, and delivers on their commitments.

Judith Paget will be writing to Chief Executives setting more context on the expectations and process for organisations, but in issuing this allocation to you I want to personally ensure certain key messages are clear:

- The new funding provided supports inescapable demand growth and unavoidable inflationary pressure. This, in addition to savings in this financial year and actions being taken to deliver target control totals on a recurrent basis, and new savings required in 2025-26, provides a basis for organisations to deliver a sustainable financial position against the expectation that has been set.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

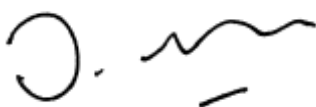
We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

- As set out in the planning framework and correspondence, I am expecting a significant step-up in the achievement of key priority delivery expectations and enabling actions. These are actions that will deliver productivity improvements, improving outcomes for our population and improving how our resources are utilised. There should be less tolerance of inefficiency and unwarranted variation, and I am expecting greater progress by health boards on this agenda.
- I am expecting savings in non-core areas and overheads to prioritise front-line services. In addition to delivering effective savings plans I expect actions to control overall workforce expenditure consistent always with our commitments to fair pay, and to contain costs through being more efficient and productive as organisations.
- You will need to ensure that actions to deliver financial improvement in 2024-25 are maintained, and you will require as a minimum savings delivery in 2025-26 of at least 2% of total baseline expenditure, and consistent with what has been achieved in the current financial year.
- I am concerned by some of the challenges that some health boards have faced in reaching agreement with each other on commissioning and providing services across organisational boundaries, and at the slow progress on regional working. This strikes to the heart of demonstrating how organisations can work effectively on a collaborative regional and national basis. I expect organisations to be proactive in reaching local agreements on relevant areas through the frameworks that have been set. Where these are not delivered, this will be regarded as a failure to develop a clear plan for the year ahead.
- You must ensure that your organisations continue to have the highest levels of strong and effective financial management arrangements, that support cost control, in support of financial delivery in 2025-26.
- Finally, in setting clear delivery expectations I recognise that there will be difficult choices, requirements to deprioritise, and there may be areas where greater flexibility may be required to support delivery of the expectations that have been set. As you develop your plans, I think it would be helpful to have an open dialogue with you as you consider the options and choices open to you.

I am keen to support health boards to deliver on our key priorities. I am also expecting you to ensure that your organisation operates within the funding set out in this allocation letter, and any further notification of funding as referred to above on an in-year basis. And as you would expect, I will be holding you to account for the development and delivery of an agreed plan for 2025-26 and beyond that to reflect your statutory requirements and responsibilities.

I will be kept apprised of progress on the above by my officials and I look forward to having ongoing discussions with you during the year ahead through our regular meetings.

Yours sincerely,



**Jeremy Miles AS/MS**

Ysgrifennydd y Cabinet dros Iechyd a Gofal Cymdeithasol  
Cabinet Secretary for Health and Social Care

**Cyfarwyddwr Cyffredinol Grŵp Iechyd, Gofal Cymdeithasol a'r  
Blynyddoedd Cynnar / Prif Weithredwr GIG Cymru**

**Director General Health, Social Care & Early Years Group / NHS  
Wales Chief Executive**



**Llywodraeth Cymru  
Welsh Government**

Chief Executives – NHS Local Health Boards  
Chief Executives – NHS Special Health Authorities  
Chief Executives – NHS Trusts  
Managing Director – NWSSP

Our Ref: JP/JB/SB

20 December 2024

Dear Colleagues

## **2025-26 HEALTH BOARD ALLOCATIONS**

Please find attached the Cabinet Secretary for Health & Social Care's letter to NHS Chairs formally issuing the 2025-26 Revenue Allocations. This allocation letter specifies the initial funding settlement for health boards in 2025-26. It should be considered in conjunction with and used to develop plans to deliver against the priorities set out in the NHS Wales Planning Framework 2025-28.

In confirming the initial revenue allocations for 2025-26 I want to draw your attention to some key issues for clarity on the expectation and approach for next financial year which compliments the letter from the Cabinet Secretary to the Chairs, and the technical detail of the allocation letter that has been issued.

In doing so, I want to emphasise the importance of organisations taking the actions required to support financial improvement and delivering to the agreed parameters set by the Cabinet Secretary. You will be aware of the approach set out in 2024-25, alongside additional allocations issued during the year and resetting Target Control Totals. Whilst the additional funding received by the Health & Social Care budget is of course welcome, this will largely support the assessed cost of inescapable demand growth and unavoidable inflationary pressure. It is essential that organisations continue to deliver actions to mitigate expenditure growth, deliver savings and efficiency, alongside an increase in productivity. This context has informed the approach to the allocations set for NHS bodies.

### **Allocation uplifts**

Welsh Government will again retain funding for NHS pay awards in 2025-26 centrally pending recommendations from pay review bodies and any decisions on pay uplifts.

On wider allocation uplifts, Welsh Government has assessed where the impact of inescapable demand growth and inflationary pressure is greatest. This has informed the 1.77% uplift to health boards, (and DHCW), and the 0.5% uplift to PHW, HEIW, and NWSSP.

As set out in the allocation letter you will note it is assumed that the 1.77% uplift is passed through unequivocally for healthcare agreements between commissioners and providers. Health boards will not be able to assume this uplift in final plans due to be submitted on 31<sup>st</sup> March 2025, unless I receive confirmation in writing by 28<sup>th</sup> February 2025 that agreements are in place with other health bodies within NHS Wales. I would strongly emphasise the importance attributed to this being an indication of the effectiveness and strength with which organisations are working across boundaries with other health bodies.

## Policy Funding

In addition to the baseline uplift outlined, funding aligned to policy commitments are set out in detail in the allocation letter. It continues to be our intention to provide certainty and clarity on allocations, and any areas of clarification should be raised at the earliest opportunity.

I wanted to draw your attention to three issues, namely:

- **Hospices** - £3m has been retained to support the hospice sector in recognition of the challenges that we have discussed and would recognise. It is crucial that additional funding is provided within a clear commissioning framework that is implemented by the system. This has been retained in anticipation of the new Hospice commissioning framework being developed for 2025-26 which is being led by the NJCC.
- **Waiting Times** - You will be aware of additional funding issued within this financial year to support eradicating the waiting list backlog, whilst action is ongoing to transform pathways and support sustainable planned care services. It is vital that organisations undertake robust demand capacity assessments and set out plans to maintain the 104-week target as a minimum having addressed and delivered the key priority enablers set out in the planning framework which will improve productivity and efficiency. Consideration will be given to how existing funding is utilised, future recommendations from the Ministerial Advisory Group, and organisations plans as to what further targeted high impact actions will be required to deliver further progress in 2025/26.
- **CHC** – we have considered at length at the Value & Sustainability Board the actions required to improve standardisation across the system on the intelligence and addressing variation in quality and efficiency associated with packages of care. There is an expectation that progress is made on this agenda to include a consistent system and baseline intelligence across organisations to support improvement.

## Capital

The Health & Social Care budget has received £175m of additional capital through the draft budget, of which £115m is routine capital, and £60m IFRS 16.

Through the allocation letter and other correspondence, you will receive clarity of an approach that sets out in combination:

- An increase to health bodies discretionary capital allocation
- A Targeted Estates Fund, which has been developed to sit alongside Health bodies discretionary allocation to support investment in key targeted areas such as infrastructure risks, fire safety, and infection prevention control.
- Funding to support equipment and diagnostic replacement
- Digital infrastructure and cyber investment
- A targeted investment fund to support capital enabling productivity schemes that can support delivery of the productivity agenda and expectation set out.

In addition, greater work is required having received baseline recognition of IFRS16 on ensuring that robust plans are in place that maximise the utilisation of IFRS16 as a vehicle to support our delivery agenda.

There is significant opportunity to realise a significant investment in our estate to support all the areas outlined above, and I would encourage you to ensure your organisation is on the front foot with robust plans and responsive to the support and governance mechanisms that are in place.

### **Savings, Productivity & Efficiency**

The savings delivery over the last two financial years, and efforts being made across the system in this regard, supported by the Value & Sustainability agenda is notable, with forecast savings delivery in 2024-25 of £267m. These efforts need to be maintained going into next year, and further savings delivered to ensure we achieve sustainable financial positions.

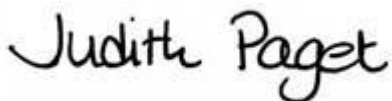
I am aware that a minimum savings delivery of more than 2% (and greater for some health boards who will need to recover their positions having not delivered on target control totals in 2024-25), will present challenges. Delivering a material level of saving will support moving towards a more sustainable financial position, and you will note the step change in expectation of delivery in addressing unwarranted variation, and improvements in those areas that can increase productivity, value, and outcome with no additional cost. As a package, the combination of additional revenue funding, actions to control workforce expenditure growth, delivering savings, and increasing productivity, with enabling capital investment provides a strong platform for organisations to meet the expectations that have been set.

### **Summary**

In summary, I expect you to ensure that your organisation operates within the funding set out in this allocation letter, and any further notification of funding as detailed in the Cabinet Secretary's letter. I would urge you to consider the additional context set out above and consider the recognition from the Cabinet Secretary of difficult choices, de-prioritisation, and flexibility being required to deliver on this agenda, as you set out your plans.

I will be holding you to account for the development and delivery of an agreed plan including firm delivery commitments, to reflect your statutory requirements and responsibilities.

Yours sincerely

A handwritten signature in black ink that reads "Judith Paget". The script is cursive and fluid, with the first letters of each name being capitalized and prominent.

**Judith Paget CBE**



# WELSH HEALTH CIRCULAR

**Status:** Compliance

**Category:** Finance

**Title:** 2025-26 Health Board allocation

**Date of Expiry / Review:** Not applicable

**Action by:** Chief Executives  
Directors of Finance

**Required by:** Immediate

**Sender:** Julie Broughton

**Welsh Government Contacts:** (Julie Broughton, Finance Directorate, 0300 025 5747)

**Enclosures:** Allocation letter, revenue tables and explanatory notes



# 2025-26

## Health Board

## Allocations



## **Health Board Allocation 2025-26**

### **Introduction**

1. This document details the Health Boards revenue & discretionary capital allocations for 2025-26.
2. The allocation reflects the Cabinet Secretary for Health and Social Care's decisions about the distribution of resources to Health Boards.
3. This allocation is made under:
  - Section 174 of the National Health Service Act 2006 and the amounts payable to the Assembly in respect of depreciation charges under section 174(10). The powers are conferred directly on Welsh Ministers.
  - Section 70 of the Government of Wales Act 2006

### **Action**

4. Health Boards are expected to develop robust plans to deliver against the priorities for 2025-26 set out in the NHS Wales Planning Framework from within this allocation. The deadline for submission of the plans for 2025-26 is 31<sup>st</sup> March 2025. This is an initial allocation and any additional funding for key priorities will be allocated as appropriate on an in-year basis. Funding for the following issues are being held centrally until the amounts required for 2025-26 are confirmed:
  - GMS and GDS contractor allocations, which are issued at this stage at 2024-25 recurrent levels (excluding any 2024-25 pay agreement funding).
  - Revenue funding for SIFT and Research and Development will be issued as direct funding to the relevant Health Boards and NHS Trusts. Depreciation funding for these funding streams is included in this allocation.
  - Allocations for accelerated depreciation, AME depreciation for donated assets, IFRS 16 depreciation, and DEL and AME impairments will be issued as direct funding to the relevant Health Boards, SHAs and NHS Trusts. This also applies to any increases in depreciation related to approved schemes with confirmed strategic support.
  - Where applicable, funding for the NHS Wales Shared Services Partnership will be met from Welsh Government central budgets in 2025-26. Adjustments have been made to this allocation for agreed transfers (as set out in Table 3).
  - Funding will be held centrally to recognise the impact of NICE mandated Advanced Therapeutic Medicinal Products (ATMPs).
  - Funding will continue to be held centrally to fund the costs of purchasing cystic fibrosis medicines Orkambi and Symkevi and to maintain access to Kalydeco.

- Funding for education and training in 2025-26 will continue to be provided directly to Health Education and Improvement Wales (HEIW).
- Funding for NHS pay awards in 2025-26 will be held centrally and allocated to employers once awards are made.
- NHS Wales Pay Award funding for 2024-25 will be allocated in-year once the annual pay mapping exercise has been completed as outlined below.
- Funding for the difference between Real Living Wage and the National Living Wage in line with Welsh Government policy (the impact of the policy on Social Care) will be dealt with outside of this allocation.
- Genomics spend will be monitored centrally and any additional impact for 2025-26, over and above 2024-25 baseline allocations will be dealt with as an in-year matter.
- Hospice funding will be retained centrally until its allocation to Health Boards, once the Hospice Commissioning Framework is finalised.
- Funding to support a system for standardising CHC information and intelligence on all Wales basis will be centrally held. Further advice will follow on this.
- As in 2024-25, funding to cover the increased employer's contribution for the NHS Pension Scheme will be held centrally in 2025-26.

## **GENERAL POLICY FRAMEWORK**

### **Unified budgets**

5. This document sets out the revenue & discretionary capital allocations to Health Boards for 2025-26.
6. Health Boards are responsible for managing the totality of their budget and making the best use of all available resources. The only restrictions to virements between different allocations relate to ring fenced HCHS services (see Table B), the totality of the GMS contract and elements of the Dental Contract (see Table C and F and the explanatory notes enclosed).
7. The 2025-26 allocation comprises:
  - Summary: Revenue
  - Hospital and Community Health Service (HCHS) and Prescribing Revenue Discretionary Allocation (Tables A1, A2 and A3)
  - HCHS Protected and Ring-fenced Services (Table B1)
  - HCHS Directed Expenditure Allocations (Table B2)

- General Medical Services Contract Allocation (Table C)
  - Community Pharmacy Contract (Table E)
  - Dental Contract (Table F)
  - Memorandum Tables (Tables 1 to 6)
8. For Hospital and Community Health Services (HCHS) and prescribing costs, Health Boards are responsible for commissioning services for their resident population for HCHS, with the exception of some cross border flows, (referred to in paragraphs below) and on the basis of registered population for the prescribing element. The GMS Contract allocation is issued on the basis of registered populations, and the Community Pharmacy allocation is issued primarily on the basis of numbers of scripts dispensed within Health Board areas.

### **Equality Impact Assessments**

9. You are reminded of the requirement to ensure you undertake integrated impact assessments of all major spending decisions, including the implementation of efficiency programmes.
10. Health Boards are reminded to ensure compliance with the Welsh Government Code of Practice for Funding the Third Sector, and the requirements of the Well-Being of Future Generations (Wales) Act.
11. You should ensure that any changes in service provision are impact assessed to ensure the Welsh language is fully considered and you should keep a record of the cost of delivering the service in Welsh.
12. Health Boards are reminded that any funding decisions take account of the population needs assessments for care and support needs that were published in 2017, as part of the requirements of the Social Services and Wellbeing (Wales) Act 2014.

## **HOSPITAL AND COMMUNITY HEALTH SERVICES AND PRESCRIBING REVENUE (HCHSP)**

### **Recurrent Discretionary Allocation (Table A1, A2 & A3)**

13. This provides the total discretionary funding available to Health Boards to fund hospital and community healthcare services and primary care prescribing costs. The distribution of the allocation is derived from the 2024-25 baseline, adjusted in Tables A2 (baseline adjustments) and A3 (additional recurrent funding).
14. The £336.1 million conditionally recurrent funding (as per the letter from Judith Paget 20<sup>th</sup> October 2023) was included in the 2024-25 allocation letter. The tables have been updated for 2025-26 to show these allocations as recurrent for those organisations that made sufficient progress in delivering target control totals set in 2023-24, through the

2023-24 accounts process (Cardiff & Vale / Cwm Taf Morgannwg / Powys / Swansea Bay). The allocations for the other organisations (Aneurin Bevan / Betsi Cadwaladr / Hywel Dda) will remain conditionally recurrent for 2025-26, as target control totals are yet to be delivered. For those three organisations, **allocations remain recurrent in principle, conditional on progress Health Boards make in delivering the target control totals set out to organisations** (as per the letters from Judith Paget 2<sup>nd</sup> December 2024).

15. Agreed recurrent 2023-24 Pay mapping allocations have been built in recurrently (£286.1 million: £256.7 million Health Board funding and £29.3 million for Joint Commissioning Committee (JCC)). Due to timing issues, 2024-25 Pay allocations for A4C / DDRB / VSM have not been included in the 2025-26 allocation letter, and will be a supplementary allocation, once the pay mapping has been undertaken on an All-Wales basis.
16. Funding of £50 million to support ongoing specific inflationary pressures, and £62 million specific organisational funding as a result of a review of distance from target, have been reflected in the allocation as per the letters issued from Judith Paget to Health Boards on 2 December 2024. The clear and specific conditions attached to these specific funding streams are set out in the individual letters to NHS organisations of 2<sup>nd</sup> December 2024 and apply on an ongoing basis in setting out plans for 2025-26. In addition, adjustments have been made to the allocation for Betsi Cadwaladr organisation specific funding for the £82 million (moving £40m as conditionally recurrent funding, and £42m remaining as a ring fenced allocation for performance and transformation).
17. Additional Optometry Contract funding of £13.0 million has been built in to include the centrally held funding from 2024-25 (£9.1 million), plus a negotiated agreed increase for 2024-25 (£3.9 million).
18. Top slice adjustments for the agreed central procurement of Flu vaccines have been actioned to both Table A2 (£-2.2 million) and Table C GMS (£-9.0 million), in line with the detail confirmed with the Welsh Government Vaccination team. This procurement will be centrally managed by NWSSP in 2025-26.
19. Funding has been included for the impact of the 2024-25 Cost Uplift Factor (CUF) England, which were issued as in year allocations, over and above the core cost inflation (3.67%) in the 2024-25 allocation letter.
20. Health Board discretionary allocations have been increased by £130.9 million for core cost inflation and unavoidable demand pressures for 2025-26. This equates to a 1.77% increase on the recurrent discretionary allocation, ring fenced (excluding mental health and depreciation) and directed expenditure.
21. This core funding increase is to support NHS organisations with the impact of unavoidable inflationary pressure and inescapable demand growth that are forecast for 2025-26. It is recognised that there is no discretionary investment reflected within this uplift, outside of those outlined in this allocation letter, and organisations will need to make significant savings in order to deliver and implement financially sustainable plans for 2025-26. Along with expected efficiencies, which as a minimum expectation should be set at levels of at least 2% of total baseline expenditure, and consistent with what has been achieved in the current financial year, this increase will provide support for new non-pay inflationary growth in particular for areas such as medicines.

22. Baseline C19 adjustments have been actioned for Swansea Bay, Betsi Cadwaladr and Cwm Taf to closer align allocations to population distribution, whilst also reflecting both projected 2024-25 costs and future plans. All Covid related national costs will need to be met from the funding in this allocation. Whilst this funding is not within the ringfenced tables, it is anticipated that all organisations deploy this funding on these areas to ensuring recurrent sustainable services and this will subject to regular monitoring and scrutiny to ensure this progress is delivered.
23. As in previous years, Health Boards should continue to take action to reduce all unnecessary and inappropriate variation and reduce waste. Health Boards are expected to implement the actions of national priorities on value and efficiency, implementing the agreed outputs of the national Value & Sustainability Board. Health Boards are also expected to fully implement the priority enablers set out by the Cabinet Secretary in the NHS Wales Planning Framework 2025-2028.
24. The Welsh Government will continue to hold a budget for the difference between the cost of prescribing and the cost of dispensing (excluding (WP10 (HP) funding, as this was included in the 2016-17 supplementary allocation).

### **HCHS Ring Fenced Services (Table B1)**

25. The second component of the HCHS allocation is the funding allocated for ring fenced allocations. There is no flexibility about the use of this funding, although Health Boards are free to invest additional funding in these services to meet national priorities.
26. The DEL depreciation budget remains ring fenced and is a non-cash allocation, and reflects the detail issued to health boards 10<sup>th</sup> May 2023. There are no changes to the recurrent baseline allocations from 2024-25. In year allocation adjustments will be considered as part of the regular non-cash submission process.
27. The ring-fenced Palliative Care funding has been increased by an additional £1.000m for Hospices across Wales, previously issued on an in-year basis. This additional funding should be provided directly to hospices delivering core NHS services.
28. Funding for Mental Health has increased, see section below for detail.
29. Genomics allocations have been increased by £5.472 million to baseline 2024-25 approved recurrent funding.
30. As advised in paragraph 20, the £130.9 million uplift includes an equivalent 1.77% uplift on the ring-fenced allocations (Table B1) (excluding Mental Health and Depreciation amounts) and the Directed Expenditure Analysis (Table B2).

### **HCHS Directed Expenditure (Table B2)**

31. Funding allocation adjustments have been made to the Directed Expenditure table, for agreed items (realignment of National Lymphedema funding between Aneurin Bevan and Swansea Bay / recovery from Aneurin Bevan for Training of Medical Emergency Response Incident Teams (MERIT) as work no longer being undertaken by the health

board / additional Genomics funding for Cardiff & Vale / SPR funding previously allocated on an in year basis).

## **Healthcare Agreements between Health Boards and with NHS Trusts**

32. Health Boards and the Joint Commissioning Committee are expected to pass on an appropriate level of funding for relevant cost increases in Healthcare Agreements for services provided by other Boards and NHS Trusts, equivalent to the additional funding provided to commissioners. With the exception of centrally funded services and any agreed in-year funding, Welsh Government will not be allocating funding for underlying pressures and new cost growth directly to provider organisations, as this is an appropriate requirement for commissioning organisations to discharge.
33. A letter was issued 1<sup>st</sup> March 2024 from Hywel Jones to all Health Boards setting out the Welsh Government's expectations of the funding flows of funding that supports unavoidable demand and inflationary pressures from commissioners to providers; this principle and expectation continues to apply in 2025-26. The financial values of agreements should be confirmed promptly to enable provider organisations to confirm their Integrated Medium-Term Plans. You are reminded that organisations are expected to reach agreement without the need for arbitration as a key measure of effective relationships between NHS Wales organisations. Given the expectation of system progress on strengthened regional and collaborative working, any arbitration requirement will be seen as a failure of organisations ability to plan and deliver effective service arrangements. Organisations are to report on the status of obtaining signed agreements via the Financial Monitoring Return process. For the avoidance of any doubt, the 1.77% core uplift for demand and inflation is expected to unequivocally pass through from commissioners to providers.
34. Welsh Government will not be able to accept 2025-26 plans for consideration by the Cabinet Secretary for Health & Social Care if any funding agreements have not been finalised and agreed between commissioners and providers. In addition, Health Boards will not be able to assume the 'Core Cost and Demand Uplift for 2025-26' allocation as available funding within final submitted plans without confirmation that agreements are in place with other Health bodies within NHS Wales. You are required to confirm in writing to Judith Paget **by Friday 28<sup>th</sup> February 2025** that agreements are in place with other Health bodies for 2025-26 in order to assume this funding as part of final plan submissions.

## **PRIMARY CARE REVENUE**

### **GMS Contract (Table C)**

35. Contract negotiations have not been finalised for 2024-25. The GMS allocation is issued at this stage on the same basis as the recurrent 2024-25 allocation which excludes any contract uplift for 2024-25.
36. As advised in paragraph 18, a top slice adjustment for the agreed central procurement of Flu vaccines have been actioned.
37. A supplementary allocation will be issued when the 2024-25 contract agreement is confirmed.

## **Community Pharmacy Contract (Table E)**

38. Contract negotiations have not been finalised for 2025-26. The Pharmacy allocation is issued at this stage on the same basis as the recurrent 2024-25 allocation.
39. A supplementary allocation will be issued when the 2025-26 contract agreement is confirmed. Details of the total contractual funding and the distribution of funding between core services, enhanced services, quality and workforce elements will be clarified after the supplementary allocation is issued.

## **Dental Contract (Table F)**

40. Contract negotiations have not been finalised for 2024-25. The Dental allocation is issued at this stage on the same basis as the recurrent 2024-25 allocation, which excludes any contract uplift for 2024-25.
41. The allocation will be re-issued for 2025-26 when contract negotiations have been concluded, and agreement is given for a contractual uplift.
42. Health Boards are reminded that in terms of the ring fenced Dental Contract budget arrangements will continue as follows for the next year:
- for Health Boards without two consecutively approved IMTPs, the ring fence will continue for 2025-26;
  - for those Health Boards with two consecutively approved IMTPs, the ring-fence is removed provided they continue to have their IMTP approved; and
  - to continue to ring-fence the Designed to Smile and Gwên am Byth oral health improvement programmes for all Health Boards in 2025-26.
43. We will continue to monitor and review the expenditure analysis provided by Health Boards, and we will make adjustments to ring fenced dental contract allocations should explanation on expenditure be considered inadequate.
44. Dental patient charges were increased 1<sup>st</sup> of April 2024. No changes were made to 2024-25 dental contract patient charge targets as a result of the increase, and any increased patient charge revenue have been utilised by health boards to offset the current shortfall against the targets set in baseline dental contract allocations. No adjustments have been actioned for 2025-26.

## **OTHER ISSUES**

### **Capital**

45. NHS infrastructure investment comprises strategic schemes delivered through the NHS All Wales Capital Programme. Investments include land and buildings as well as other physical assets including vehicles, medical and digital technology equipment. The investments cover all healthcare settings including acute, primary, community and social care.

46. Discretionary capital is that allocated directly to NHS organisations for the following priority areas:

- meeting statutory obligations, such as health and safety and firecode;
- meeting the fabric of the estate; and
- the timely replacement of equipment.

See Table 6 for values of baseline discretionary capital funding for 2025/26

47. Whilst there is a significant uplift to the Health & Social Care capital budget in 2025/26, against a challenge backlog position and service development requirements continued pressures are anticipated against the programme for 2025-26 which will likely require choices and decisions to be made.

48. In addition to discretionary capital, capital funding will also be made available specifically as part of the Targeted Estates Fund, and All Wales Capital programme. In addition, ring-fenced funding has also been identified for the continuing delivery of digital investment programmes, equipment & diagnostic replacements, IFRS 16 requirements, and to support delivering improvements in productivity. The detail of these funding streams will be set out outside of this allocation letter. All approved funding amounts will be agreed with individual organisations based on scheme delivery profiles.

## **Mental Health**

49. Mental health services will continue to be ring fenced in 2025-26. Compliance of individual organisations with the ring-fencing requirement will be monitored on an annual basis. Any organisation whose expenditure on mental health services falls below the ring-fenced quantum will be required to account for the shortfall in expenditure. Table 2 details the total amount of the mental health ring fence, shown by relevant allocation stream. This funding forms a floor, below which expenditure on core mental health services must not fall. This does not exclude mental health services from making efficiencies, but these savings must be re-invested in these services to meet cost increases and new developments.

50. £13.46 million has been added to the ring-fenced mental health allocation in the LHB revenue allocation for core costs and demand uplift (equivalent to 1.77%), which provides health boards with additional funding. This funding will contribute to funding unavoidable cost and demand growth in mental health services.

51. Funding of £27.469 million has been transferred from central budgets for Service Improvement Funding (SIF) from 2022-23 and 2023-24, and the mental health elements that are included in the total ring fenced allocation (primary care prescribing, GMS (QAIF and Supplementary Services) and Other primary care) have been updated (based on the 2022-23 WCR13 (NHS Programme Budgeting detail)).

52. This increases the total Mental Health ring fenced allocation to £830.6 million (in 2025-26). The detail is shown in Table 2 of the allocation, and the corresponding explanatory notes.

## **Infrastructure SIFT**



53. Funding for infrastructure SIFT has been included as a Directed Expenditure Allocation. This funding must be used to support medical undergraduate education, and recipients of this funding will still be required to account for its use as part of the annual SIFT accountability agreements.

### **Substance Misuse**

54. The Substance Misuse allocation remains ring fenced in 2025-26 and the table shows an agreed increase of £0.4 million (equivalent to 1.77%). Funding will be withheld from Health Boards (HB) until confirmation is received from the Chair of the relevant Area Planning Board (APB) that the use of these resources complements the delivery of the Welsh Government Substance Misuse Delivery Plan 2019-22 (and any subsequent Plan), this should happen no later than 30th June 2025. Welsh Government expects to see evidence of clear joint planning across the HB ring fence and the Substance Misuse Action Fund monies, with HBs taking due regard for their statutory duties and ensuring they contribute to areas of relevant pressures, including prescribing costs and meeting waiting list targets. Further detail is included in the explanatory notes accompanying the allocation.

### **Public Health (PHW), Health Education and Improvement Wales (HEIW), NHS Executive and Digital Health and Care Wales (DHCW)**

55. Core funding for the above bodies for 2025-26 are not being issued with this allocation. Separate funding letters will be issued from policy leads alongside a mandate and remit letter for 2025-26.

### **Cross Border Financial Flows**

56. To reflect cross border commissioning responsibility, Health Boards in Wales have been funded for English residents registered with their GPs and vice versa, in line with the Protocol agreed with the Department of Health & Social Care.
57. The impact of the 2025-26 uplift, above the core uplift provided in this paper, on Health Board plans will be considered once the tariff is published by NHS England.

### **Queries**

58. If you have any queries about this circular, please contact Julie Broughton (0300 025 5747).
59. Further information surrounding specific policy issues and contact details are provided in the explanatory notes.

## HEALTH BOARDS REVENUE ALLOCATIONS 2025-26 – EXPLANATORY NOTES

### **Table A1: HCHSP: Discretionary Allocation**

#### **Column 1 - 2024-25 Recurrent Allocation**

This column is carried forward from the 2024-25 Health Board Revenue Allocation.

#### **Column 2 - Baseline Adjustments (Table A2)**

These are adjustments to the discretionary HCHSP allocation, sub-totalled at column 17, Table A2.

#### **Column 3 - Additional Recurrent funding (Table A3)**

This is the additional recurrent funding to the discretionary HCHSP allocation, sub-totalled at Column 2, Table A3.

#### **Column 4 - 2025-26 Recurrent HCHS and Prescribing Discretionary Allocation (sum of Columns 1, 2 & 3)**

This is the sum of Columns 1 to 3 and is the recurrent discretionary HCHSP allocation for 2025-26. It is carried forward to column 1 of the Summary table.

### **Table A2: Baseline Adjustments (Column 2, Table A1)**

#### **Column 1 - Removal of 'Conditionally Recurrent funding 2023-24: Underlying deficit contribution'**

The £336.1 million conditionally recurrent funding (as per the letter from Judith Paget 20<sup>th</sup> October 2023) was included in the 2024-25 allocation letter. For clarity, the conditional amounts have been removed from the tables and replaced in columns 3 and 4 as appropriate.

#### **Column 2 - Removal of 'Conditionally Recurrent funding 2023-24: Inflationary increase'**

The £336.1 million conditionally recurrent funding (as per the letter from Judith Paget 20<sup>th</sup> October 2023) was included in the 2024-25 allocation letter. For clarity, the conditional amounts have been removed from the tables and replaced in columns 3 and 4 as appropriate.

#### **Column 3 - Recurrent funding 2023-24: Underlying deficit contribution & Inflationary increase**

The tables have been updated for 2025-26 to show these allocations as recurrent for organisations that made sufficient progress in delivering target control totals set in 2023-24, through the 2023-24 accounts process (Cardiff & Vale / Cwm Taf Morgannwg / Powys / Swansea Bay).

#### **Column 4 - Conditionally Recurrent funding 2023-24: Underlying deficit contribution & Inflationary increase**

The allocations for the other organisations (Aneurin Bevan / Betsi Cadwaladr / Hywel Dda) will remain conditionally recurrent for 2025-26, as target control totals are yet to be delivered. For those three organisations, **allocations remain recurrent in principle, conditional on progress Health Boards make in delivering the target control totals set out to organisations** (as per the letters from Judith Paget 2<sup>nd</sup> December 2024).

**Column 5 - Conditionally Recurrent funding: Transfer from ring fenced allocation**

Agreed conditionally recurrent funding for BCU, in line with Judith Paget's letter dated 2nd December. £40m of the 2024-25 £82m ring fenced funding has been transferred to the discretionary allocation for 2025-26.

**Column 6 - In year: Pay Mapping 2023-24**

Funding adjustment issued in-year has been allocated on a recurrent basis.

**Column 7 - In year: Pay Mapping JCC 2023-24**

Funding adjustment issued in-year has been adjusted on a recurrent basis.

**Column 8 - Optometry contract reform (additional activity over and above 2024-25 baseline allocations)**

2024-25 centrally held funding that will be issued in-year has been adjusted on a recurrent basis.

**Column 9 - Optometry contract reform (2024-25 pay agreement)**

This is the 2024-25 pay agreement funding, which is to be built in on a recurrent basis. Detail will be shared by Primary Care policy team.

**Column 10 - Topslice for Central Procurement of Flu Vaccines**

This funding has been topsliced from Health Boards in line with the detail confirmed by the Welsh Government Vaccination team. This procurement will be centrally managed by NWSSP in 2025-26.

**WG Contact: Paul Williams 0300 025 0015**

**Column 11 - 2024-25 allocation: evidenced inflationary pressures from 2024-25**

£50m to support ongoing specific inflationary pressures, in line with Judith Paget's letters to organisations 2<sup>nd</sup> December 2024.

**Column 12 - 2024-25 allocation: Conditional funding (as per Judith Paget's letters 2<sup>nd</sup> December 2024)**

£62m allocations to specific organisations as a result of the distance from target review, in line with Judith Paget's letters to organisations 2<sup>nd</sup> December 2024.

**Column 13 - In Year: Revised 24-25 Cost Uplift Factor (CUF) England**

Funding adjustment issued in year has been allocated on a recurrent basis.

**Column 14 - In Year: Revised 24-25 Cost Uplift Factor (CUF) England JCC**

Funding adjustment issued in year has been allocated on a recurrent basis.

**Column 15 - C19 HB allocation realignments**

Baseline C19 adjustments have been actioned for some organisations to closer align allocations to population distribution, whilst also reflecting both projected 2024-25 costs and future plans.

**WG Contact: Rob Griffiths 0300 025 9235**

**Column 16 - NHS Wales Shared Services adjustments (Table 3)**

Agreed transfers between health boards and NHS Wales Shared Services, plus other agreed transfers.

**Column 17 – Total Adjustments (Carried forward to Table A1, Column 2)**

This is the total of columns 1 to 16 and is carried forward to Column 2 in Table A1.

### **Table A3: Additional recurrent funding (Column 3, Table A1)**

#### **Column 1 – Core Cost and Demand Uplift for 2025-26 (1.77%)**

£130.867 million is being allocated to meet core cost and demand pressures for 2025-26. This equates to a 1.77% increase on the recurrent discretionary allocation, the ring-fenced allocation (excluding mental health and depreciation) and directed expenditure. The HCHS funding is distributed using the updated 2025-26 needs-based allocation formula. (See Table 2 for Mental Health Uplift at an equivalent percentage application).

#### **Column 2 – Total Additional Recurrent funding (Carried forward to Table A1, Column 3)**

This is the total in column 1 and is carried forward to Column 3 in Table A1.

### **Table B1: HCHS Protected and Ring-fenced Revenue Allocations for 2025-26**

This table details the amounts of the HCHS Allocation which remain ring fenced. This funding must be used for the purposes intended.

#### **Column 1 – Learning Disabilities**

This funding remains ring fenced in 2025-26 on the same basis as 2024-25. No additional funding or adjustments have been made.

#### **Column 2 – Depreciation (Table 4 Column 1)**

The depreciation budget remains ring fenced. For clarity, the depreciation ring fence includes the allocation made here as well as for any non-recurrent funding that is issued in-year to cover accelerated depreciation, DEL impairments and further support for strategic schemes and baseline pressures. No additional funding or adjustments have been made.

#### **Column 3 – Mental Health Services (Table 2)**

This funding remains ring-fenced in 2025-26 on the same basis as 2024-25, plus agreed additional funding. Details of which are included in Table 2.

#### **Column 4 – Palliative Care/ Bereavement/ Hospice funding**

The ring-fenced allocation has been increased by £1.000 million for hospices across Wales, previously issued on an in-year basis. This funding should be provided directly to hospices delivering core NHS services.

#### **Column 5 – Genomics for Precision Medicine Strategy (inc new Genetic Tests)**

This funding remains ring-fenced in 2025-26. The allocation has been increased by £5.472 million to baseline 2024-25 approved recurrent funding. Health Boards will continue to direct this allocation through JCC in support of the strategy for 2025-26.

#### **Column 6 - Critical care funding (including JCC funding)**

This funding remains ring-fenced in 2025-26 on the same basis as 2024-25. No additional funding or adjustments have been made.

**Column 7 – Critical care funding (JCC funding (was for EASC))**

This funding remains ring-fenced in 2025-26 on the same basis as 2024-25. No additional funding or adjustments have been made.

**Column 8 - Organisation specific funding for performance and transformation**

Agreed organisation specific funding for performance and transformation for BCU, in line with Judith Paget's letter dated 2<sup>nd</sup> December. £40m of the £82m ring fenced funding has been transferred to the discretionary allocation for 2025-26.

**Column 9 – Funding for Planned and Unscheduled Care Sustainability for 23-24 onwards**

This funding remains ring fenced in 2025-26 on the same basis as 2024-25. No additional funding or adjustments have been made.

**Column 10 – Recurrent impact of funding for Planned Care Recovery**

This funding remains ring fenced in 2025-26 on the same basis as 2024-25. No additional funding or adjustments have been made.

**Column 11 – Funding Value Based Recovery.**

This funding remains ring fenced in 2025-26 on the same basis as 2024-25. No additional funding or adjustments have been made.

**Column 12 – Regional Integration Fund (RIF)**

This funding remains ring fenced in 2025-26 on the same basis as 2024-25. Breakdown of allocation:

- £50 million Transformation fund;
- £78.221 million previous ICF funding (including the £0.244 million)
- £2 million previously allocated Safe accommodation for children with complex high end emotional and behavioural needs;
- £0.280 million previously allocated Transformation programme Engagement funding; and
- £1.4 million previously allocated CYP Emotional Health & Wellbeing funding.
- £1 million Carers Funding.

**Column 13– Further Faster Funding**

This funding remains ring fenced in 2025-26 on the same basis as 2024-25. No additional funding or adjustments have been made.

**Column 14 - Total 2025-26 HCHS Ring Fenced Allocation**

This is the summary of columns 1-13. This amount is taken forward to Column 2, Summary Table.

**Table B2 – HCHS Directed Expenditure Analysis**

This table details Directed Expenditure allocations to specific Health Boards. These amounts are allocated for specific purposes which the Health Board provides on an agency basis etc. The amounts form part of the Health Boards resource limit but are not part of their population-based funding total.

**Columns 1 to 43 - Various**

These remain as Directed Expenditure Allocations in 2025-26 on the same basis as 2024-25.

**Exceptions are:**

**Column 23 – Genomics - Core Funding for AWMGS**

The allocation to C&V has been increased by £2.036m million to baseline 2024-25 approved recurrent funding.

**Column 24 – Training of Medical Emergency Response Incident Teams (MERIT).**

Funding has been removed (£0.025 million) as work is no longer being undertaken by Aneurin Bevan.

**Column 25 – National Lymphedema funding**

Realignment of allocation £0.064 million between Aneurin Bevan and Swansea Bay.

**Column 44 - SpR allocation**

Funding adjustment issued in year has been allocated on a recurrent basis.

**Column 45 - Total 2025-26 HCCHS Directed Expenditure Allocation**

This is the summary of columns 1-44. The amount is taken forward to Column 3, Summary Table.

**TABLE C: Revenue Allocation for GMS Contract (Ring fenced allocation)**

The ring-fenced GMS contract allocation for 2025-26 has been allocated based on the current 2024-25 allocation, which excludes any contract uplift for 2024-25. The GMS contract funding envelope remains ring fenced, although Health Boards may invest discretionary funding in GMS Services.

A supplementary allocation will be issued when the contract agreements are confirmed.

**Column 1 – Provisional allocation 2024-25**

This column has been carried forward from the 2024-25 allocation letter.

**Column 2 – In year: Global Sum/PSP List Size increases 2024-25**

Recurrent funding issued in year.

**Column 3 – Topslice: Central procurement of Flu Vaccine costs**

This funding has been topsliced from Health Boards in line with the detail confirmed by the Welsh Government Vaccination team. This procurement will be centrally managed by NWSSP in 2025-26.

**WG Contact: Paul Williams 0300 025 0015**

**Column 4 – Allocation 2025-26**

GMS allocation for 2025-26 (sum of columns 1-3). The amount is carried forward to Column 5, Summary Table.

**Contacts for Table C:**

<b>Julie Broughton, Finance Directorate</b>	<b>0300 025 5747</b>
<b>Catherine Malcolmson, GMS Policy</b>	<b>0300 025 1063</b>

### **TABLE E: Revenue Allocation for Community Pharmacy Contract**

The Pharmacy contract allocation for 2025-26 has been allocated based on the recurrent 2024-25 allocation.

A supplementary allocation will be issued when the 2025-26 contract agreement is confirmed.

Details of the total contractual funding and the distribution of funding between core services, enhanced services, quality and workforce elements will be clarified after the final allocation issued.

#### **Column 1 – Final allocation for 2024-25**

This column has been carried forward from the 2024-25 allocation letter.

#### **Column 2 – In year funding: 2024-25 agreed uplift Community Pharmacy Contractual Framework (CPCF)**

Agreed uplift issued in year.

#### **Column 3 – Allocation for 2025-26**

This is the total of columns 1 and 2. The amount is carried forward to Column 6, Summary Table.

#### **Contact for Table E:**

<b>Julie Broughton, Finance Directorate</b>	<b>0300 025 5747</b>
<b>Natalie Proctor, Pharmacy Policy Branch</b>	<b>0300 061 5919</b>
<b>Andrew Evans, Chief Pharmaceutical Officer</b>	<b>0300 025 9260</b>

### **TABLE F: Revenue Allocation for Dental Contract**

The Dental contract allocation for 2025-26 has been allocated based on the current 2024-25 allocation, which excludes any contract uplift for 2024-25.

A supplementary allocation may be issued when there is more clarity on the Dental pay and expenses agreement and detailed calculations available.

#### **Column 1 –Provisional allocation 2024-25 and 2024-25**

This column has been carried forward from the 2024-25 allocation as set out in Table F and is carried forward to Summary table (column 7).

#### **Contact for Table F:**

<b>Julie Broughton, Finance Directorate</b>	<b>0300 025 5747</b>
<b>Andrew Pryse, Dental</b>	<b>0300 062 8220</b>

## **MEMORANDUM TABLES**

### **Table 1 – Substance Misuse Funding**

The Substance Misuse allocation remains ring fenced in 2025-26 and the table shows an agreed increase of £0.407 million (1.77%).

£23.319 million funding will be withheld from Health Boards (HB) until confirmation is received from the Chair of the relevant Area Planning Board (APB) that the use of these resources complements the delivery of the Welsh Government Substance Misuse Delivery Plan 2019-22 (and any subsequent Plan), **this should happen no later than 30th June 2025.**

Welsh Government expects to see evidence of clear joint planning across the HB ring fence and the Substance Misuse Action Fund monies, with HBs taking due regard for their statutory duties and ensuring they contribute to areas of relevant pressures, including prescribing costs and meeting waiting list targets. Given the uplift in both HB ring fence and APB SMAF revenue your joint planning should focus on the reduction of waiting times and further enhancement of trauma informed services and support. HBs and APBs are reminded that the planning of both the HB ring fence and the APB SMAF revenue grant should be conducted in partnership and that the Welsh Government will expect this to happen in a timely manner. HBs and APBs should develop detailed spending plans with agreed performance and outcomes for all services before submitting this for approval by Welsh Government, these plans should have meaningful budget breakdowns and agreement for effective and transparent monitoring. Where HB request SMAF from the APB the rationale for this requirement over and above the ring fence allocation should be clearly outlined in the submission to the Welsh Government. For further information please refer to the APB SMAF revenue guidance.

### **Table 2 – Total Mental Health Ring-Fence**

This table sets out the ring-fenced funding for Mental Health for 2025-26, which is at the 2024-25 levels, plus additional agreed funding transfers.

- Funding of £22.287 million has been transferred from central budgets for 2022-23 Service Improvement Funding (2022-23 SIF), previously allocated on an in-year basis;
- Funding of £5.182 million has been transferred from central budgets for 2023-24 Service Improvement Funding (2023-24 SIF), previously allocated on an in-year basis;
- £13.460 million increase (1.77%) for core cost and demand pressures for 2025-26.

The other mental health elements in the total ring fenced allocation (primary care prescribing, GMS (QAIF and Supplementary Services) and Other primary care) have also been updated (based on the WCR13 2022-23 detail).

Health Boards are reminded that this funding forms a floor, below which expenditure on core mental health services must not fall. This does not exclude mental health services from making efficiencies, but these savings must be re-invested in these services to meet cost increases and new developments.

**Contact: Adult Mental Health – Sally Hewitt 0300 025 0397**



**Table 3 – Shared Services Funding**

This table sets out the 2025-26 core funding baseline for the hosted Shared Services organisation. The amounts shown against Health Boards have been top sliced from discretionary HCHSP allocations. The NWSSP core allocation will be held as a central budget within HSC and paid directly to the NWSSP (co VT).

**Contact: Julie Broughton, Finance Directorate, 0300 025 5747**

**Table 4 – Depreciation funding**

This table sets out the Depreciation funding for 2025-26. This funding remains in the allocation on the same basis as 2024-25.

**Contact: Andrea Hughes, Finance Directorate**

**Table 5 – Recurrent Primary Care Development Funding**

This table reflects the recurrent primary care funding already included within the HCHSP discretionary baseline allocation. This funding remains in the allocation on the same basis as 2024-25.

**Table 6 - Baseline discretionary capital funding 2025-26**

This table reflects the baseline 2025-26 discretionary capital funding allocations for organisations. Formal letters will be issued by the HSC Capital team in due course.