



Health and Social Care Committee

Evidence Paper on Draft Budget 2026-27 – Health and Social Care Main Expenditure Group (MEG)

27/11/2025

Summary

This document is a response to the Health and Social Care Committee's request for information to inform scrutiny of the Draft Budget 2026-27.

Note for the reader - The Health, Social Care and Early Years Group, and portfolio, will be referred to as HSCEY throughout this paper. The budgets for the HSCEY Group are represented by the Health and Social Care Major Expenditure Group, this will be referred to as the HSC MEG throughout this paper.

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1. NHS Planning Framework

Based on the priorities set out in the NHS Wales planning framework 2025 to 2028 can the Cabinet Secretary provide an update on the following:

Examples of how the 2025-26 Budget was used to prioritise partnerships with social care, and how these investments are being sustained, scaled, or adapted in the 2026–27 draft Budget to support integrated care and long-term system transformation.

Response

- We have sustained the **£146.8 million Health and Social Care Regional Integration Fund (RIF)**, which continues to play a pivotal role in enabling health, social care, and third sector partners to collaborate in developing integrated models of care. These integrated care models are designed to empower individuals to manage their own health and wellbeing, live independently at home, avoid unnecessary hospital admissions, and return home swiftly following secondary care interventions.
- In addition to the RIF, other allocated funding to further and strengthen integrated care and partnership working includes:
 - **£11.95 million through the 'Further Faster' programme**, enhancing weekend district and end-of-life nursing capacity, and supporting proactive identification and care planning for individuals at greater risk of urgent care needs.
 - **The Integration and Rebalancing Capital Fund**, providing **£70 million annually** to support the co-location and integration of health and social care services within communities.
 - **£5 million to expand allied health professional capacity**, ensuring timely and effective support across care settings.
 - A **£30 million** allocation to local authorities across Wales to support improvements in hospital discharge processes and strengthen community capacity to prevent avoidable admissions. This funding is being delivered through the **Pathways of Care Transformation Grant**, which supports activity focused on timely assessments and the provision of care packages to ensure individuals can leave hospital when they are clinically optimised. This is helping to reduce the level of delayed hospital discharges, whilst also supporting people to stay well at home through strengthened community-based support services. This investment will be sustained in 2026-27.
- Together, these investments underpin the development of the Integrated Community Care System (ICCS) for Wales, aligned with the ambitions set out in A Healthier Wales: the long-term plan for health and social care. The ICCS builds on proven models of good practice across Wales, scaling what works to deliver meaningful transformation.
- **Regional Partnership Boards (RPBs)** remain central to this work, driving the development of ICCS at a regional level. They play a vital role in aligning

funding, fostering synergy, and maximising the impact of partnership working. The RPBs continue to serve as a key mechanism through which health, social care, housing, the third sector, and wider partners come together to plan, commission, and deliver integrated services, supporting long-term, sustainable system change.

- Our **Families First programme** promotes partnership working through its multi-agency approach that brings together health, education, social services, and third sector organisations. This collaborative way of working is reflected in its alignment and shared planning of support for families, particularly those with complex needs. To further embed integrated care and drive long-term system transformation, we have provided a three-year budget commitment (2024-25 to 2026-27) through the **Children and Communities Grant**, providing stability for planning, delivery, and partnership working. This funding underpins efforts to strengthen links between social care and wider community services, helping to ensure seamless support pathways and delivering improved outcomes for children and families across Wales.

An update on progress against all 16 delivery expectations (the specific outcomes and improvements the Welsh Government expects NHS organisations to deliver) set out in Annex 1 of the NHS Wales Planning Framework 2025–2028, under each of the strategic priorities: timely access to care, population health and prevention, building community capacity, mental health access, and women's health. In the framework, the Cabinet Secretary outlined specific areas where he expected to see measurable improvements in performance and outcomes during year 1 (2025–26). As part of the 2026–27 budget scrutiny, it is essential to assess whether these expectations have been met, what impact they have had, and how learning from year 1 is informing investment decisions and delivery priorities for year 2.

Response

As the committee acknowledges, this is a three-year framework. We are part way through the first year of the framework (2025-26) and therefore we have only partial year results.

Timely access to care:

- An **additional £120m investment has been made to cut waiting times in Wales by March 2026**. This will eliminate two-year waits; reduce the overall waiting list by 200,000 and restore the maximum eight-week target for tests.
- In September 2025, an extra 15,000 outpatient appointments are being provided across Wales, over and above normal, core NHS activity which shows how we are delivering on our promise that people will be seen faster.
- We expect to see fluctuations in the figures for the longest waits from month to month as the NHS deals with the most complex cases. While just over 8,000 pathways were waiting more than two years in July in Wales (a slight increase compared to June), this is the second lowest figure since April 2021.

- The overall planned care waiting list continues to fall and while there was a small increase in the number of people waiting more than two years for treatment in August, this was in line with predictions over the summer months.
- Cancer performance continues to improve with performance at 61.8% against the 62-day cancer target. This was above 60% for the seventh month in a row. In August, 13,524 people were told the good news they did not have cancer.
- No one is waiting more than two years for treatment or more than one year for an outpatient appointment in Swansea Bay and Powys health boards. Four health boards – Hywel Dda, Aneurin Bevan, Cwm Taf Morgannwg, and Cardiff and Vale – have fewer than 1% of pathways waiting more than two years for treatment
- For diagnostics, across Wales there has been mixed progress in achieving the strategic aims. In some health boards, waits for diagnostics of more than eight weeks have not yet reduced, while in some health boards – for example, Aneurin Bevan UHB – diagnostics waits over eight weeks have fallen by 57.8% over the last 12 months.
- Over the last four years, we have made £100m in ‘Six Goals for Urgent and Emergency Care’ funding available to health boards to improve urgent and emergency care. All health boards have local plans in place, each **supported by £2.7m in additional funding for 2025-26** and aligned to urgent and emergency care priorities.
- This six goals programme funding is part of **wider funding of £200m in 2025-26** to support health boards and Regional Partnership Boards to safely manage more people in the community; to avoid ambulance transport and admission to hospital; and deliver integrated solutions with social care services to improve patient flow through hospitals.
- In September 2025, the median response times for the new ‘purple arrest’ and ‘red emergency’ ambulance calls were 7 minutes 15 seconds and 8 minutes 37 seconds respectively. The ‘purple’ category was introduced in July 2025 but it is encouraging to see the Welsh Ambulance Service responding quickly to people suffering a cardiac arrest.
- For people in cardiac arrest where resuscitation was attempted, 23.7% had a return of spontaneous circulation (ROSC) at the time of arrival to hospital. This is 4.3 percentage points higher than September 2024. Higher ROSC rates can lead to increased chances of survival following a cardiac arrest.
- Through targeted and concerted efforts, September 2025 saw the lowest total of lost hours as a result of ambulance patient handover delays since July 2021, and a reduction of 40% compared to September 2024. Although there is more to do to ensure we are maximising ambulance availability, early indications show our targeted focus on handover performance is reducing the

longest community waits for an ambulance in the amber category. The average response time to reach people in the amber category in September 2025 was 25 minutes faster compared to September 2024.

- Improved ambulance patient handover is a result of targeted local strategies; the work of the 'Six Goals for Urgent and Emergency Care' programme, and the Wales-wide focus on reducing delayed hospital discharges driven by the clinically-led national Handover-45 Taskforce. These approaches are being shared across NHS Wales organisations and used by the taskforce to support spread and scale of effective practice to sustain improvement as we move into the challenging winter months.
- In major emergency departments, the average time of 16 minutes people spent waiting for triage was the joint best recorded since February 2021. This is a quality and safety marker which supports clinical prioritisation and provides opportunities for people to be signposted elsewhere to receive the care they need when appropriate.
- In August 2025, 4.6% fewer people were admitted to hospital following emergency department attendance compared to July 2025. This is an indication that local 'Six Goals for Urgent and Emergency Care' initiatives are having an impact on our system and people are returning home for care and onward treatment when required.

Population Health and Prevention

- For diabetes, our expectations were set out in the Quality Statement and through the NHS Planning Framework. Monitoring is carried out through accountability meetings and all health boards are making progress against the strategic objective, albeit at different levels. The all-Wales picture is improving with an overall increasing trajectory in the percentage of people receiving the recommended key care processes.
- Our continued investment in vaccination and the focus under the population health and prevention strategic priority in the NHS Planning Framework signifies its importance.
- Health boards are continuing their efforts to maximise uptake of vaccination to meet the performance framework targets and have made some encouraging progress. The most recent Public Health Wales (PHW) update data cover report for childhood immunisation reports slight increases in children who were up to date with routine immunisations by their fifth birthday and in HPV vaccine uptake by 15.
- Further targeted work has been undertaken to increase HPV vaccination rates in schools with lower uptake rates compared to the Wales average.
- The winter vaccine programmes for Covid-19 and flu started in earnest for all eligible groups on 1 October. Planning has focused on increasing uptake and

access to vaccinations, following declining uptake rates in previous years, which have been seen across the UK since the pandemic. The focus on bridging equity gaps, particularly for older people and those in deprived areas has been highlighted in planning and directions, with guidance stressing accessible appointments and clear public information.

- We recognise the need to improve uptake, continuing to adapt to the changing vaccine landscape through targeted catch-up activity and engagement with eligible groups to improve equitable access and offer tailored support to encourage under-served groups to take-up vaccinations.

Building Community Capacity

- Developing an Integrated Community Care System (ICCS) for Wales is our initiative to strengthen community health and social care services to better address the needs of the increasing number of people in our population living with frailty. It is part of our wider strategy to integrate services across health and social care targeted at the population group where the level of demand for services is increasing at the fastest rate.
- This work is a response to the state of the current health and care system, which finds organisations are struggling to provide timely health and care interventions in the community and in hospital. More importantly, it ensures we are focusing on what matters to this population group.
- The ‘Integrated Quality Statement for Older People Living with Frailty’ was published in January 2024 and sets out what a frailty-attuned and outstanding place-based system of care looks like.
- To accelerate this work, £8.24m was provided in 2023-24, £11.95m in 2024-25 and £11.95m in 2025-26 to focus on three key priorities:
 - Identify the at-risk populations and facilitate future care planning and proactive care monitoring and management of that population
 - Increase community care capacity to be able to respond with ‘step up’ provision at crisis known as ‘Enhanced Community Care’ (virtual wards)
 - Increase district nursing capacity and specialist palliative care nursing capacity particularly at weekends
- It is proposed to maintain this budget at **£11.95m** in 2026-27.
- This should not be seen in isolation to other funding that has also been allocated in relation to delivering ‘care closer to home’ – some of which is set out on p4-5. Implementing an ICCS to build community capacity will benefit from joint planning and commissioning across all health, social care and third sector partners and full alignment of all investment in this space to deliver it.
- We will continue to drive forward our work to develop an ICCS for Wales that builds capacity in our communities to help people maintain their own health and wellbeing, prevent any unnecessary admission to hospital and to help

people who have needed to be admitted to hospital to return home quickly to recover. It is important that people can access hospital when they medically need to, but when they no longer need medical care, recovery is best supported at home or in the community.

- We will maintain a key focus this winter on how we can create additional capacity in the community across our health and social care system to help people stay well or recover at home, protecting our hospital beds for those who most need them.
- For access standards in general medical services (GMS), to ensure consistency in patient access, pre-qualifier Access Standards were mandated through the core GMS contract from 1 April 2023, forming an integral part of Unified Services.
- All practices are required to participate and achieve these standards. They have helped to improve transparency and accountability across the system, with practices now expected to provide consistent evidence of compliance throughout the year.
- Building on this progress, revised practice requirements for 2025–26, further reinforce these objectives with more frequent reporting intervals and sharing of data by practices to support a better understanding of demand and capacity.

Mental Health Access

- Across Wales, the mental health performance targets set out in the NHS planning framework are making mixed progress.
- In June 2025, 94.4% of Local Primary Mental Health Support Service (LPMHSS) assessments for under 18s were undertaken within 28 days of a referral. The 80% target has been achieved for the last 14 months.
- During the same period, 67.6% of therapeutic interventions started within 28 days of an LPMHSS assessment. While this is below the 80% target, it is 10% higher than the same month last year.
- In June 2025, 81.5% of LPMHSS assessments for over 18s were undertaken within 28 days of a referral. This figure has fluctuated over the last year; the 80% target has been achieved twice in the last 12 months (February and June 2025). During the same period, 87.7% of therapeutic interventions were started within 28 days of an LPMHSS assessment.
- In June 2025, 96.7% of under 18s in receipt of secondary mental healthcare services had a valid care and treatment plan. This was 2.6 percentage points higher than the previous month and 6.7 percentage points higher than the same month last year. The 90% target has been achieved for the last nine months.

- In June 2025, 78.4% of over 18s in receipt of secondary mental healthcare services had a valid care and treatment plan. This was 0.04 percentage points lower than the previous month and 3.2 percentage points lower than the same month last year. The 90% target has not been achieved since age-based reporting began in April 2020.

Women's Health

- The 'Women's Health Plan' was published in December 2024 and sets out how the NHS in Wales will improve healthcare services for women; women's experience of healthcare, and outcomes for women, ensuring their voices are heard.
- A budget of £3m was allocated in 2025-26 to deliver the actions in the Women's Health Plan with a focus on the establishment of a pathfinder women's health hub in every health board area in Wales by March 2026. **This funding will continue into 2026-27.**
- The objective of the women's health hubs is to improve equitable access to services, throughout the life course, enhance the patient experience, and ensure that women receive holistic care tailored to their individual needs, bringing care closer to home.
- Models for the hubs are being finalised. They are not a 'one-size-fits-all'. A number of different approaches are being considered, determined by local context and informed by local population. However, each hub will include services for menopause, menstrual health, and contraception as a minimum.
- They will be based in the community and work at the interface between primary and secondary care and/or the voluntary sector. They are expected to deliver more than a single service or demonstrate plans to do so. They should also have more than one organisation involved in design, commissioning and/or provision of care.
- Action has also commenced in respect of education and training around women's health. Health Education and Improvement Wales (HEIW) and PHW are developing e-learning modules to upskill the workforce. Where training cannot be provided by HEIW, health boards are providing specialist training according to locally determined priorities.

An update on progress made in delivering the system-wide changes outlined in Annex 2 of the Planning Framework (Enabling Actions), including improvements in data quality, strengthened workforce planning, enhanced digital infrastructure, and leadership and governance development. As part of the 2026–27 budget scrutiny process, it is important to assess how these enabling actions have supported delivery of key priorities in 2025–26, and whether sufficient investment is being maintained to embed and scale these foundational improvements in year 2.

Response

- Health boards are making progress towards delivering the enabling actions set out in the 2025–28 NHS Wales Planning Framework. While there is variation across the health boards, officials continue to monitor and review progress regularly through the Integrated Quality, Planning and Delivery (IQPD) meetings, supported by NHS Performance and Improvement teams.
- As anticipated, each health board began the cycle from a different baseline, reflecting their unique operational contexts and challenges. This variation is evident in the differing levels of progress observed to date; however, the expectation remains that health boards will deliver all the enabling actions.
- Five months into the delivery phase following plan submission, health boards have made strides in several areas. These early achievements demonstrate momentum and commitment to the framework’s strategic objectives, despite the complexity and scale of the transformation required. Notable achievements include:
 - Cardiff and Vale University Health Board has consolidated cataract services at University Hospital Llandough and following a pathway redesign are achieving the required number of cataract operations per list.
 - Through the implementation of the remote clinical assessment services framework, Cwm Taf Morgannwg University Health Board has reduced the average number of care home conveyances to emergency department in quarter one 2025-26 compared to the March 2025 baseline.
 - All health boards have advanced the implementation of the digital Maternity Cymru system. It is live in Aneurin Bevan and Cardiff and Vale university health boards and the other health boards are on track to implement the system by the end of the financial year. Maternity Cymru will allow expectant mothers to track and monitor their progress and raise concerns with their midwives from their smart phones. It will also improve the quality of care from midwives by ensuring continuity and easy access to medical records during pregnancy.
 - Aneurin Bevan University Health Board has taken action to ensure at least 90% of planned theatre capacity is protected from unscheduled care pressures.
 - All health boards are progressing their estate utilisation plans. For example, Cardiff and Vale University Health Board has closed Denbigh and Carmarthen house resulting in significant savings each year.
 - A focus on reducing locum and agency expenditure has seen a year-on-year reduction, from £325m in 2022/23, to forecast expenditure in 2025/26 of £123.5m. All health boards are forecasting expenditure reductions in this area in 2025/26.

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Further information on work undertaken with health boards and trusts to gather their suggestions on areas that could be deprioritised. What was the outcome of those discussions, and how have they influenced the Welsh Government's approach to prioritisation and resource allocation in the 2026–27 draft Budget?

Response

- Following meetings with NHS chairs and chief executives as part of the 2025-26 planning cycle, discussions about priorities and resources use have taken place. The insights gathered have directly informed the development of the Cabinet Secretary for Health and Social Care's strategic priorities, delivery expectations and enabling actions, which are set out in the 2025-26 NHS Wales Planning Framework.
- This year's framework marked a deliberate shift toward a more focused set of objectives, reflecting the imperative to deliver a smaller number of high-impact priorities. This approach contrasts with previous years, where broader goals were pursued. The refined focus underscores the need for measurable progress in areas of greatest strategic importance.
- As highlighted in the Cabinet Secretary's letter to chairs, the priorities embedded in the framework were "consistently raised through the First Minister's conversations and engagement with the public and staff since the summer [of 2024]." The Planning Framework also emphasised that several of the enabling actions relate to activity which must be deprioritised and stopped where there is evidence of waste, harm or variation resulting in no (or low) clinical value or effectiveness.
- To support this, the Welsh Government and NHS Wales continue to drive improvements in operational efficiency and financial sustainability through the Value and Sustainability Board, which is chaired by the chief executive of NHS Wales/Director General of the Health, Social Care and Early Years Group in Welsh Government, and attended by chief executives and executives from across NHS Wales. The board identifies areas of inefficiency and opportunities for increased efficiency, such as the review of high-cost, low-reward clinical interventions.
- As part of the enabling actions within the framework, health boards are reviewing Interventions Not Normally Undertaken (INNUs). These are interventions that are deemed to be of low clinical value. The All-Wales Clinical Effectiveness Group is supporting this by ensuring there is a consistent and evidence-based approach to identifying and managing these procedures across the system.

2.Social care

1.Planned allocation for social care

Additional funding identified for 2026-27, and how such funding will be targeted;

Response

- The majority of funding for social services, including social care is delivered through the un-hypothecated local government revenue settlement grant (RSG), from non-domestic rates and from revenue raised directly by local authorities through council tax, fees and charges and other income. Control and direction of this investment is determined by individual local authorities.
- The Welsh Government's direct investment in social care, via grants and allocations, is intended to support local authority mainstream spending, by investing in specific aspects of service development and improvement.
- In 2025-26 we allocated more than £175.2m revenue funding to deliver our social care and integration policy goals. An example of funded delivery is the Social Care Reform Fund. This was introduced in April 2022 to support activity to promote reform and improvement in social care and complements the funding provided in the local government settlement.
- The Social Care Reform Fund is used to support the reform of social care, to improve delivery and increase the sustainability of services across the social care sector. This fund also supports the delivery of the first stage of the implementation of 'Towards a National Care and Support Service for Wales' part of our longer-term ambition for a care and service which is ultimately free at the point of need.
- The funding is used to help deliver the Programme for Government commitments to reform social care for looked-after children and to protect, re-build and develop our services for vulnerable people and for unpaid carers and establish a National Care and Support Service, which is being led by the new National Office for Care and Support.
- The stage one initial implementation plan is due to complete in early April 2026 and, in line with the Minister for Children and Social Care's agreement, stage two is scheduled for 2026-28. This will draw from the 26 recommendations made by the expert group within its report. This initial implementation plan was compiled of activity and research which could be undertaken within the current financial envelope. It is envisaged stage two will need to be funded at least to the same level as this year.
- The planned budget allocations to support the delivery of social care policy are being maintained in 2026-27 at 2025-26 levels, with the same focus being maintained as in 2025-26.

How the allocations will help to ensure the ongoing viability and stability of social care services, including residential and domiciliary care;

Response

- As noted, above, the majority of local authority social services funding is delivered through the un-hypothecated local government revenue settlement grant, non-domestic rates and revenues directly raised by local authorities, such as council tax, fees, charges and other income. Control and direction of this investment (including in relation to stabilising and supporting domiciliary and residential care) is determined by individual local authorities, based on local needs and circumstances.
- The Welsh Government's direct investment in social care is intended to support local authority mainstream spending, by investing in relation to specific aspects of service development and improvement.
- An example of the latter would be the Social Care Reform Fund, which was introduced in April 2022 to support activity to promote reform and improvement in social care, to complement the funding provided in the Local Government settlement.
- The Social Care Reform Fund is used to support the reform of social care, to improve delivery and increase the sustainability of services across the social care sector. The funding is used to help deliver the Programme for Government commitments to reform social care for looked after children and to protect, re-build and develop our services for vulnerable people and for unpaid carers and establish a National Social Care Office which is leading on the longer-term vision towards a national care and support service for Wales.
- Regarding children's residential care, £68m was awarded to local authorities and regions between 2022-23 and 2024-25 via the eliminating profit and radical reform grants. This supported local authorities to deliver the commitment to eliminate profit and help reduce the number of children in care and support children who are looked after and their families.
- A further £75m has been awarded between 2025-26 and 2027-28 via the now-combined eliminating profit and radical reform grant. This breaks down broadly equally across each financial year with approximately £24.9m allocated in 2026-27. Many local authorities are intending to use some of their allocation to support the revenue costs of new in-house children's residential provision.
- The two schemes for unpaid carers provided via the Social Care Reform Fund are extremely well received by carers and stakeholder partners, and there is evidence to indicate positive impact on carers as a disadvantaged group. These schemes provide urgent financial assistance and financial advice – and opportunities for unpaid carers to have a short break from their caring role.

This supports unpaid carers to continue in their caring role, which contributes to the overall stability of the health and social care sector. Both schemes significantly exceeded their delivery targets for the period 2022-25 (although demand continues to exceed the capacity of the schemes) and were extended until March 2026, at a combined annual cost of £5.25m. A decision on the future of both schemes has not yet been made.

Pathways of Care Transformation Grant

- The £30 million investment into the Pathways of Care Transformation Grant in 2025-26 will be maintained in 2026-27. This will be allocated to local authorities, enabling them to shape and invest in services which respond to the growing complexity of need in hospital and community settings.
- To ensure targeted impact, the grant is structured around four key priority areas which local authorities were asked to address in their investment proposals:
 - Assessment
 - Domiciliary Care and Reablement
 - Care Homes
 - Workforce Support
- Local authorities have detailed investment proposals for 2025-26 outlining how they will use their allocations to tackle key challenges and areas of delay within these areas. Many have opted to invest in enhancing capacity and efficiency within their social care teams, particularly through recruitment, to strengthen service delivery and workforce sustainability. Officials will be using the individual funding proposals to steer reviews on progress throughout the year with each local authority. Regions will be asked to submit updated proposal plans for any 2026-27 allocations ahead of the new financial year which will be used as part of the scrutiny process for next year's funding. The 2026-27 funding proposals will be expected to draw heavily on performance in 2025-26 against areas such as hospital discharge delays.

What support the draft budget will provide for unpaid carers, including evidence of any new support schemes and specific spend on respite care and financial support for carers;

Response:

- The **Carers Support Fund** (£1.75m in 2025-26) has provided support to unpaid carers since 2022 to help with financial hardships via the provision of grants to buy basic essential items, such as food, household and electronic items. Carers Wales estimate 26% of carers are living in poverty and 9% in deep poverty. The fund has supported more than 29,000 carers between 2022 and 2025, nearly double the original target of 15,000. There is strong evidence for the continuation of this fund, which has been successfully delivered from the Social Care Reform Fund over the past four years. It is

proposed to maintain this commitment at the same level in 2026-27.

- Respite care (breaks for carers) remains a major need voiced by carers, who consistently describe an insufficiency provided by local authorities. The **Short Breaks Scheme** (£3.5m in 2025-26) is funded from the Social Care Reform Fund and provided more than 50,000 opportunities for unpaid carers to have a break, significantly exceeding the original target of 30,000. Eighty percent of carers accessing the scheme are providing more than 50 hours a week of care and most have not had any other form of break in the last 12 months, evidencing the targeting of those most in need.
- Almost half of applicants to these two schemes are not previously known to statutory services. This illustrates the added value of these two funds – these also act as gateways for carers where they can be signposted to other sources of advice and support.
- In addition, there is a requirement within the fund parameters for £7.35m from the Regional Integration Fund to be used to support unpaid carers (5% of the total). Within this, £1m is ringfenced for health boards to support carers where the cared-for person is admitted to hospital or being discharged. This support should contribute to the agenda to reduce delayed hospital discharges.
- £717,500 has been allocated from the Sustainable Social Services Third Sector Grant Scheme to provide services and support to unpaid carers and to deliver the objectives of the Welsh Government strategy for unpaid carers. We are redrafting the national strategy for the new financial year. We will ensure revised grant funding arrangements for 2026-27 will enable delivery of new strategic objectives and action identified through our engagement and public consultation process that will result in the final published strategy.
- No other new support schemes are planned.

Measures in the draft budget that will improve the sustainability of the social care workforce, particularly domiciliary care staff shortages.

Response

- Welsh Government continues to invest to support the foundations for a sustainable and professional social care workforce, with significant funding of approximately £28m through Social Care Wales. This supports Social Care Wales to lead on recruitment, retention, and workforce development, to encourage and highlight the opportunities for social care to be considered as a career for life, with a range of progression opportunities.

Real Living Wage (RLW) for Social Care Workers

- The local government revenue support grant (RSG) will continue to include funding to cover the difference between the National Living Wage and Real Living Wage (RLW) for social care workers. This policy aims to improve pay for our social care workers, as part of our wider commitment to protect

frontline public services and the Programme for Government commitment to pay social care workers in Wales the RLW. The policy applies to registered workers in care homes and domiciliary care (both adults and children's services) and registered domiciliary care workers in supported living settings. It will also be received by all personal assistants funded through a local authority direct payment.

- The RLW for the social care workforce is further supported by the work of the Social Care Fair Work Forum to address fair pay in the sector, which includes the commitment to develop a pay and progression framework for the sector, to provide more consistent pay, progression and development opportunities to attract more people to work in social care.

Social Worker Bursary

- Funding for the social worker bursary is provided to students taking up the social work degree and offers additional financial support. This makes the social work degree more financially attainable and ensures we have a sustainable supply of future social workers who carry out a vital role within our communities. The increase to the bursary of £10m over three years was announced in 2022 and has been available to students who took up the course since 2021-22. The enhanced financial support is available for undergraduate and postgraduate students in Wales, and we are continuing our commitment to fund the social worker bursary at the increased levels in 2026-27.
- The £10.9 million Social Care Wales Workforce Development Programme is a long-established grant programme to support training and workforce development across social care in Wales. The annual grant through Social Care Wales is match-funded by local authorities, distributed regionally and is used by local authorities to support training and workforce development activity in both their own organisations and for providers in the independent and voluntary sector. It funds training initiatives such as the successful 'Grow Your Own' scheme where participation in this scheme continues to grow year on year, and we are currently considering how we can build on these opportunities.

Workforce and Sustainable Social Services grant (workforce grant)

- We recognise the role local authorities play in delivering core social services and we will therefore continue our commitment to provide £45 million via the Workforce and Sustainable Social Services Grant to all 22 local authorities in 2026–27. This recurrent funding to local authorities supports pay increases and other measures to strengthen service delivery and meet rising demand.

3. Building on previous report recommendations

3.1 Budget priorities

Health and social care remain top priorities, particularly the need to reduce NHS waiting times, address workforce pressures, and modernise services. However, the challenge lies in balancing short-term demands with long-term transformation—especially in the context of rising pay pressures, ageing infrastructure, and growing public expectations. How is the Welsh Government ensuring that the 2026–27 draft Budget balances the need for short-term service stability with long-term transformation in health and social care?

Response:

- The Draft Budget is the starting point of the Welsh Government’s budget process – not the end of it. The Draft Budget 2026-27 is built on the strong foundation of last year’s budget, which included £1.6bn of new spending commitments, enabling public services to start planning for the 2026–27 financial year. It allocates 98.6% of available funding, leaving room for further investment in Wales’ priorities and public services by the Final Budget in January.
- It is our firm ambition to secure a Final Budget which uses all the resources available for 2026-27. The government remains open to collaboration with other Senedd parties to agree a budget, emphasising the shared responsibility to pass a budget to benefit Welsh citizens.
- The Health Social Care and Early Years (HSCEY) portfolio has had a recurrent fiscal resource baseline increase of £186m in relation to 2025-26. This reflects the additional allocation towards the impact of the increase to employers’ National Insurance Contributions (NICs) and public sector pay funding from 2025-26. The allocation for NICs leaves a shortfall in funding of circa £16m for the HSC MEG – this is in line with the approach taken across the Welsh Government and is the result of Wales not receiving the same level of funding to recognise increased public sector employers’ NICs costs as England.
- The new budget allocations made in 2025-26 which provided an additional £30m for pathways of care in social care and £30m for childcare, have both been made recurrent and baselined in the HSC MEG in 2026-27.
- The revised fiscal resource baseline for HSC MEG is £12.162 billion. The approach being taken in this Draft Budget means the MEG will receive an inflationary uplift for 2026-27 of £259m, this gives a total budget of £12.422m of fiscal resource.
- This additional budget allocation provides for a 2.2% increase for the public sector pay elements within the MEG and a 2% uplift on non-pay fiscal resource. This is an exceptionally challenging position, at this stage, for the

main NHS allocation and the wider MEG. The additional funding will be held for the NHS pay uplift for 2026-27, the other pay commitments within the MEG and the recurrent impact of existing commitments which are largely workforce related.

- As in previous years, we have worked with colleagues in NHS Performance and Improvement to make an assessment of the likely inflation and demand growth pressures the NHS will face next year. Coupled with the other known pressures across the wider MEG it is clear that a budget settlement at this level falls far short of the estimated pressures and issues we are forecasting for the NHS, and the wider MEG, for 2026-27.
- The Draft Budget allocation does not provide additional funding to continue the 2025/26 planned care plan on a recurrent basis – in 2025-26 an additional £100m was provided. None of the options considered for allocating the additional funding for 2026-27 include planned care initiatives, however the £20m agreed at the outset of 2025-26 from within the MEG is still available.
- At this stage, all the additional revenue funding for the HSC MEG has been allocated to the main NHS BEL.
- The Integrated Medium Term Planning framework will be issued to the NHS, and, at this stage, NHS organisations will be asked to plan on no uplift for any issues outside of pay inflation for 2026-27. This will be extremely challenging for NHS Wales given its current position, the expected levels of inflation in healthcare, the costs of new treatments and the general demand growth for services.
- While we are planning to meet the impact of pay uplifts for directly funded staff across the MEG, up to 2.2%, we are also currently planning on no other investment for any other budgets.
- As the Cabinet Secretary for Finance stated at the publication of the first stage of the Draft Budget, this is the start of the budget process and it is the government's intention to secure a Final Budget, which uses all the resources available for 2026-27, which will support public services and all those who rely on them. It will be essential the HSC MEG is able to secure further funding as part of the Final Budget to recognise the pressures the NHS and the wider MEG is facing in 2026-27.
- For planned care recovery, over the course of this Senedd term, we have provided an annual investment of £170m since the recovery plan was published April 2022. The scale of the challenge has meant the speed of recovery has not met the initial challenging ambitions set out in the plan. In recognition of this, and First Minister's priority to improve timely access to care, in April 2025, an additional, non-recurrent £100m was secured on top of the initial £20m of funding set aside for waiting times in the 2025-26 budget.
- The £100m non-current funding is supporting a year-long plan to:

- Eliminate 104-week waits by the end of March 2026
- Reduce the overall size of the waiting list by 200,000 by March 2026
- Restore the maximum eight-week diagnostic waiting time.
- The achievement of these delivery targets will support a more robust and sustainable planned care position for 2026-27.
- We have committed to continue the planned care transformation fund and the clinical planned care programme into 2026-27, to ensure the clinical design and implementation focus continues to drive planned care delivery. The transformation fund will continue to build on models of care that build sustainability and national consistency in approach. This is supported by the modernisation plans to transform the planned care system and reset the outpatient model.
- The transformation aims are:
 - Target the appropriateness of referrals with clinical directed pathways to appropriate outcomes. This ensures that referrals are assessed as clinically appropriate based on clinically designed pathways which deliver valued outcomes. In the national optimisation plans, they highlight clinical pathways which have no clinical value and unless they meet specific clinical criteria, should not be expected and should be redirected to the appropriate place.
 - Resetting the traditional practice of post-treatment follow-up appointments with clinical guidance based on see-on-symptoms or patient-initiated follow-up.
 - Theatre and treatment productivity improvements to increase core capacity.
 - Ensuring clinical pathways add value to patient outcomes.
 - Redesign to produce a more effective and efficient system, community integrated pathways to reduce variation, investment in digital support where appropriate.
- The development of regional services can lead to the better use of staff and facilities, which in turn can reduce waiting times and improve productivity. Regional services have been put in place for cataracts this year and, alongside securing additional independent sector capacity, we have seen a doubling in capacity in 2025-26, which has greatly reduced treatment times and modernised the pathway, delivering a more stable and consistent approach to cataract waits. Redesigning the pathway to deliver straight-to-treatment has further reduced the demand for first outpatient appointments.
- The planned care programme has now developed clinical optimisation plans across seven key specialities. These provide the blueprint for a more

sustainable delivery model, implementing all the transformation projects tried and tested through the programme across the integrated clinical pathways.

- We have also launched another major transformation programme to move the healthcare system from a hospital-by-default setting to a community-by-design model. This is being led by the Chief Medical Officer for Wales and supports our long-held ambition to move more healthcare and services from secondary to primary and community care. This will involve moving resources and services; using multidisciplinary teams; improving local co-ordination through primary care clusters and modernising GP contracts to focus on community-based care and reducing hospital demand. Key strategies include introducing new diagnostic technologies to enable earlier care in primary settings, empowering citizens, and redesigning services around local needs and relational continuity of care.

What mechanisms are in place to ensure that budget decisions made in an election year do not delay or dilute progress on key reforms, such as reducing waiting times or modernising planned care?

Response

- We have committed to continue the planned care transformation fund and the clinical planned care programme into 2026-27, to ensure the clinical design and implementation focus continues to drive planned care delivery. The transformation fund will continue to build on models of care that build sustainability and national consistency in approach.
- We will build on and look to develop a growing set of national enablers to support the focus on transformation. The aim being to improve productivity and efficiency. The national steer on investment opportunities will support a consistent approach to delivery. This approach will reflect the policy direction of prudent health and sustainability to reduce harm and waste.
- We will continue to set targets that build on improvements achieved in 2025-26. These targets will be set out in the performance framework for 2026-27 supported by the planning guidance for the same period.

3.2 NHS Workforce and Pay Pressures

How is the Welsh Government factoring in future NHS pay awards and contract negotiations particularly for doctors, dentists, and pharmacists into its 2026–27 budget planning?

Response:

- As set out in previous answers, the revised fiscal resource baseline for the HSC MEG is £12.162 billion. The approach being taken in this Draft Budget means the MEG will receive an inflationary uplift for 2026-27 of £259m, giving a total budget of £12.422m of fiscal resource.

- This additional budget allocation provides for a 2.2% increase for the public sector pay elements within the MEG and a 2% uplift on non-pay fiscal resource. This is an exceptionally challenging position, at this stage, for the main NHS allocation and the wider MEG. The additional funding will be held for the NHS pay uplift for 2026-27, the other pay commitments within the MEG and the recurrent impact of existing commitments which are largely workforce related.

What contingency plans are in place if pay negotiations exceed current allocations, and how will this affect funding for service transformation and workforce expansion?

Response:

- We have remitted the two independent pay review bodies – the NHS Pay Review Body and the Doctors and Dentists Review Body. The affordability will need to be considered once recommendations from the pay review bodies are known.
- At this stage in the budget process, we are not in a position to hold any contingency within the MEG.

3.3 Preventative spend

Can the Welsh Government provide an update on the progress of its project to analyse preventative spending across the Health and Social Care and Early Years (HSCEY) Group, including any emerging findings, timelines for completion, and how this work is informing the 2026–27 budget allocations and future spending reviews?

Response

- Following the publication of Science, Research and Evidence's *NHS in 10 Years* paper and the refresh of 'A Healthier Wales', Science, Research and Evidence was tasked with how to provide evidence of what is currently spent on prevention in Wales.
- The ambition was to undertake scoping work to ascertain whether we can quantify spend on prevention and look to exemplar pathways of care (for example, diabetes care, immunisations and screening) to provide evidence for the benefits of prevention. The findings could then be used as a baseline from which to monitor spending on prevention within Welsh Government and to track progress against the aims of 'A Healthier Wales'.
- We reviewed the preventative spend mapping exercise, which was originally conducted in 2018, with a view to repeating and updating it.
- The project commenced at the end of 2024 with a view to analyse the 2023-24 budget and spend. Several discussions have taken place with Public

Health Wales and the Office of Future Generations Commissioner about similar activity considering preventative spend.

- It became clear we do not have the systems and staff resource in place to easily support the production of this information with a high level of robust analysis; both from a retrospective review and to support a proactive approach when it comes to budget planning.
- We have produced a pro-forma to support directorates within the HSCEY group to identify the level of preventative spend within their budgets. The importance of this work was recognised at the recently convened Preventing Ill Health Advisory Group under the Chief Medical Officer in May 2025 with a plan to discuss findings in September 2025.
- Unfortunately, we have not been able to progress this work as far as we had hoped due to other competing priorities and this work has been temporarily paused. However, the external NHS analysis has continued to be developed. It is likely the work with NHS partners will take some time to identify information, data flows and structures to help develop methods to capture relevant expenditure prior to analysing prevention spending.

Has a consistent methodology now been agreed for categorising NHS spending into preventative and acute categories, and will this be used to report on prevention spend in future budgets?

Response:

- The preventative spend analysis outlined above was a direct recommendation from the HSCEY Group's executive director team. This work supports this recommendation, by revisiting the 2018-19 Welsh Government budget analysis. The review work is ongoing with the aim of agreeing categorisation of NHS spending into preventative and acute categories.
- Work has progressed on agreeing methodology and approach but – as set out above – current systems in Welsh Government and in the NHS, are not geared up to easily support the production of this information with a high level of robust analysis; both from a retrospective review angle and to support a proactive approach when it comes to budget planning. The review process is a resource intensive exercise and needs to be considered in the context of other priority issues. The NHS has been implementing a new costing system this year which has paused our ability to use the current system to analyse NHS spend. However, we hope there will be flexibility within the new system to support a more robust analysis of NHS budgets and spending.

3.4 Women's Health

An update on the progress made in developing and implementing the specification for the Women's Health Hubs, including how the model has evolved to address a broader range of women's health issues beyond reproductive and gynaecological care.

- The objective of women's health hubs, as set out earlier in this evidence paper, is to improve access to women's health services, bringing care closer to home.
- By March 2026, we expect there to be a pathfinder women's health hub in each health board area in Wales, which will help to improve outcomes, access to and the experience of health care services for women. If successful, these will be rolled out more widely.
- The aim is to improve equitable access to services, enhance the patient experience, and ensure that women receive holistic care tailored to their individual needs. These hubs facilitate coordinated care and promote preventative health measures, ultimately aiming to improve health outcomes and reduce inequalities for women across different life stages.
- Three priority areas for the hubs have been determined for 2025-26:
 - Menstrual health, including dysmenorrhea, heavy menstrual bleeding, endometriosis, adenomyosis, premenstrual dysphoric disorder and polycystic ovary syndrome.
 - Contraception, including long-acting reversible contraception, abortion care and infertility.
 - Menopause care, including bleeding on hormone replacement therapy.
- Models for the hubs are being finalised. They will be based in the community and work at the interface between primary and secondary care and/or voluntary sector. They are expected to deliver more than a single service or demonstrate plans to do so. They should also have more than one organisation involved in design, commissioning and/or provision of care. They are not a 'one-size-fits-all'. A number of different approaches are being considered determined by local context.
- All health boards have appointed a clinical lead and senior responsible officer for the women's health hubs. They are engaging with the Women's Health Network to develop their detailed plans.
- HEIW and PHW are developing e-learning modules to upskill the workforce. Where training cannot be provided by HEIW, health boards are providing specialist training according to locally determined priorities.

How the 2026-27 budget will ensure the sustainability and expansion of these hubs beyond the pathfinder phase, particularly in light of the ambition to reduce the gender health gap and deliver holistic, preventative care;

Response

- The additional money allocated to women's health was for the delivery of the 'Women's Health Plan'. The focus in 2025-26 was the establishment of the women's health hubs. The funding allocated to health boards for the establishment of their pathfinder hubs requires the development of a business case for further expansion of the hubs. The Women's Health Network is supporting health boards to develop their business cases. It is expected health boards will include the wider roll-out of hubs in their IMTP 2026-29.
- Once the pathfinder hubs are established, a national evaluation will be commissioned to gather the learning and evidence to support the case for sustainability and expansion of the hubs.
- HEIW will be tasked with developing additional e-learning modules to further upskill the workforce, and Digital Health and Care Wales (DHCW) will further develop the women's health website which sits alongside the hubs as an information source to inform and empower women.
- Future allocations in the budget, including in 2026-27, will be used to deliver the other priority actions in the 'Women's Health Plan'.

What measurable outcomes or indicators have been developed to assess the impact of the hubs on women's health equity and access across Wales?

Response:

- Work is underway to develop a Theory of Change for the 'Women's Health Plan'. This will support the identification of the key metrics to monitor during the life of the plan.
- The Women's Health Network has established a task and finish group to explore and further develop Patient Reported Outcome Measures (PROMs) for women's health.
- An impact evaluation will be commissioned in 2026-27 for the pathfinder hubs.

3.5 Mental health

Given the cautious approach to the 2026–27 budget, with no major new spending commitments and a focus on stability ahead of the next Senedd election, it is assumed that the ring-fenced mental health budget will remain protected. In that context, can the Minister provide a detailed breakdown of how the £820+ million allocated to mental health is distributed across services—such as CAMHS, adult mental health, and neurodevelopmental services? Will there be any changes to these service allocations in 2026–27?

- We can confirm we are continuing to ringfence mental health funding for the NHS and for 2026-27, whilst the final figure is yet to be confirmed it will be increasing due to further baselining of funding within the NHS allocation and

we expect it to be more than **£840m**, thus sustaining our investment in mental health services.

- We are not planning significant changes to service allocations in 2026-27, but we are mainstreaming funding to health boards in relation to services such as 111 press 2, which is currently held in the programme budgets in the MEG and allocated in-year. This represents a move to this work becoming 'business as usual'.
- While the overall mental health funding allocation is separately identified and ringfenced within the main NHS allocation, we do not set budgets for the different areas of service provision. Health boards are responsible for assessing the needs of their local population and providing the appropriate services to meet those needs.
- The Mental Health and Wellbeing Strategy and the Suicide Prevention and Self-harm Strategy and associated delivery plans were published in April 2025. They set the policy direction for the next 10 years and we will be expanding our metrics as part of our implementation phase to better understand people's outcomes and experiences. As previously reported, the strategies have been developed in the current financial context and provide direction to the system to better target resources and are not dependent on new or additional funding.

Additionally, what accountability mechanisms are in place to ensure this funding is used as intended, and what additional resources or reforms are planned to support health boards that are currently underperforming?

- We continue to invest £2.2m annually in NHS Performance and Improvement for the Strategic Programme for Mental Health (SPMH), which provides a dedicated resource to drive improvements in performance, quality and safety.
- Its work programme is aligned to the 'Mental Health and Wellbeing Strategy', specifically to vision statement four which commits us to ensuring there are seamless mental health services that are person-centred and needs-led where people are guided to the right support first time and without delay. The delivery plan is clear this means delivering open-access, same day support across Wales. This is the main delivery priority.
- The Strategic Programme for Mental Health has prepared guidance for health boards that sets out clear expectations for the remainder of the year and provides the groundwork for transformative change. We have been clear that executive directors with responsibility for mental health services are required to lead this work in close collaboration with their mental health teams.
- Mental health improvements are included in the accountability letters to health boards as part of their Integrated Medium-Term Plans (IMTPs)/annual plans. Officials routinely monitor and challenge progress through the individual health board Integrated Quality and Delivery Boards and JET (Joint Executive Team) process. NHS Performance and Improvement also meets health

boards monthly to discuss their performance against their planned performance trajectories.

3.6 Health inequalities

Evidence of a cross-government approach to tackling inequalities and the wider determinants of health, and that 'population health' is a consideration across government department budgets.

Response:

- A cross-government approach has been taken to ensure, where necessary health and social care budgets are aligned with Programme for Government priorities set out in the Welsh Government's national equality plans
- The Welsh Government has a longstanding commitment to embed a "health in all policies" approach to address the wider determinants of health. This acknowledges that a person's health is influenced by factors beyond healthcare services, such as social, economic, cultural, and environmental conditions.
- The draft Health Impact Assessment Regulations (Wales) 2025 were laid in the Senedd in September. If approved, they will place a duty on public bodies subject to the Wellbeing of Future Generations Act to consider the impact of their strategic decisions on an identified population's mental and physical health.
- Our families and parenting support initiatives, such as those delivered through the Families First and Flying Start programmes, play a significant role in addressing health inequalities. By providing targeted, early intervention services to families facing a range of social and economic challenges, they help to mitigate the impact of adverse circumstances on children's health and wellbeing.
- Families First support provided by local authorities can vary as it is based on a population needs analysis. It can include initiatives focused on nutrition, cooking skills, and the importance of physical activity, ensuring families have access to the resources and knowledge they need to make healthier lifestyle choices. It can also play a critical role in embedding health and well-being practices within schools, childcare settings, and community spaces, laying the foundation for lifelong healthy behaviours.
- Its holistic, multi-agency approach to supporting families, focuses on prevention and resilience by providing tailored parenting advice, mental health and wellbeing support, and assistance with challenges like financial hardship and housing. By reducing barriers to support, the programme helps address the wider determinants of health, promotes positive outcomes for children and young people, and helps reduce health inequalities for our communities.

Flying Start

- Our targeted early years programme Flying Start has an integrated approach and includes four core elements:
 - Funded, quality childcare for two-year-olds
 - Parenting support
 - Intensive health visitor support
 - Support for speech, language and communication.
- The promotion of key public health messages and of healthy lifestyles is a key part of the additional Flying Start health support offered by health visitors and the wider workforce.
- Flying Start delivery data for 2024-25 shows almost 41,000 children benefited from Flying Start services in the core programme, which is approximately 35% of children under four in Wales and 6.3% higher than the expected number.

Speech, Language and Communication

- It is estimated 10% of children in the UK have long-term, persistent speech, language and communication needs. Research shows children living in poverty suffer disproportionately from transient early language delay. Language skills are a critical factor in the intergenerational cycles that can perpetuate poverty as poor communication skills are passed down from parent to child. Our continued investment in speech, language and communication through Flying Start and our national approach to speech, language and communication through the 'Talk with Me' delivery plan demonstrates how we are addressing inequalities and wider determinants of health.

How the impact of funding allocations on different groups/communities has been taken into account during the development of the budget proposals.

Response:

- The health and social care budget is fundamentally aligned with the Well-being of Future Generations Act 2015, specifically the goals of 'A Healthier Wales' and a more equal Wales. As part of our strategy to deliver health and social care in Wales there is a fundamental focus on moving services into the community to support better access and bring care closer to home.

Children and Communities Grant

- We have protected funding for the Children and Communities Grant (CCG), which supports the needs of the most vulnerable babies, children, young people and their families in our communities through a range of early intervention, prevention and support mechanisms. This includes:
 - **Flying Start** which supports the First 1,000 days because the evidence shows this period significantly influences the outcomes for children and

their families. As outlined above, Flying Start includes intensive health visitor support and support for speech, language and communication to tackle health inequalities. Children and families living in Flying Start areas are all eligible for an enhanced level of health visiting support. Those families with the greatest level of identified need receive the most intensive support. Speech, language and communication development is fundamental to positive outcomes for children. Children's speech, language and communication skills have an impact on a wide range of outcomes including behaviour, mental health and employability.

- **Families First** supports improved outcomes for babies, children, young people and their families, particularly those living in poverty. Support is based on a population needs analysis which allows services to be tailored to meet the specific needs of communities. Through its comprehensive and multi-agency approach, Families First helps create healthier families and stronger communities, thereby reducing health disparities and promoting overall wellbeing.

3.7 Employer National Insurance Contributions

The extent to which concerns raised during last year's budget scrutiny about the increase in employer National Insurance Contributions have materialised, particularly for health and social care providers, including hospices and third sector organisations.

Response:

- The UK Government announced an increase in employers' National Insurance contributions (NIC) at the Autumn Budget 2024. It indicated it would provide funding to cover the rise for public sector employers. However, Wales subsequently received a Barnett consequential of the additional costs to devolved public sector employers in England, rather than the actual costs.
- The UK Government provided £184m recurrent funding for Wales, compared to the £257m cost. The Welsh Government provided £36m from its reserves in 2025-26 towards the additional employers' NICs costs. £220m of additional baseline funding has therefore been provided to meet the increased employer National Insurance contributions. All public sector employers will receive circa 85% of the estimated increased National Insurance costs they face in 2025-26.
- The Welsh Government continues to make the case to the UK Government to fully fund increased public sector employers' NICs costs in Wales in the same way it has in England.
- The HSC MEG's allocation was £98.5m and this element of budget has been made recurrent for 2026-27. The estimated impact of the NIC increase in the

NHS, and across the MEG, is circa £115m, so there is a £16m budget pressure impacting the HSC MEG.

- The NHS, arms-length bodies and internal Welsh Government programme funded staff budgets have all been required to manage the shortfall in the employers' NIC funding, circa 15% of their actual cost increase.
- The MEG has not been able to allocate any specific additional funding for the impact of employers' NICs to hospices or third sector partners. We have, however, allocated £3m recurrently to support the hospice sector, recognising the financial challenges it faces across a number of areas.

3.8 Social Care workforce

Confirmation of when the first report of the independent evaluation of the Real Living Wage will be published, and an update on work the Welsh Government is doing with local authorities to identify those who are experiencing challenges with implementation (following concerns raised by stakeholders).

- Welsh Government has led the way in supporting the social care sector to improve pay, committing to funding the Real Living Wage (RLW) for social care workers since 2022, which is not the case across the UK.
- As set out earlier in this evidence paper, we provide additional funding to local authorities to bridge the gap between the National Living Wage and the RLW through the local government settlement.
- An independent evaluation is due to be published later this autumn. Early findings suggest the RLW has reached the majority of the sector, however, we are expecting recommendations highlighting some challenges and the fact the funding is not ringfenced.
- We have now received responses from all local authorities in relation to their intentions for implementing the RLW in 2025-26, which we are currently analyzing. We will consider these alongside the findings and recommendations of the independent evaluation to consider next steps for future years.
- We are working with the UK Government to ensure fair pay agreements in social care, included as part of the UK Employment Rights Bill, are extended to Wales. In July, the Senedd passed the Legislative Consent Motion relating to the establishment of a Social Care Negotiating Body for Wales, which would agree fair pay agreements. We have already negotiated that for Wales, children's services will be included within the scope, where England is focused on adult social care only. Employment law is non-devolved, and therefore we have not had enforcement powers in relation to the RLW – fair pay agreements would change this, enabling enforcement by the new negotiating body in social care.

Clarification on whether the Welsh Government (or Social Care Wales) intends to publish further social care related data, including up-to-date figures on staff vacancies, and waiting times for social care assessments and services.

Response

- Social Care Wales has used a new and more accurate methodology to collect 2024 data which provided improved access to data, more accurate provider information and provided enhanced detail from the Care Inspectorate Wales annual returns.
- Social Care Wales and Care Inspectorate Wales (CIW) are working to merge their data collection processes from 2026, so providers will only need to submit one set of data via the CIW portal.
- To encourage higher response rates for the 2025 data collection, Social Care Wales is issuing a joint letter – co-signed by Welsh Government and Care Inspectorate Wales – urging providers to complete their returns. This collaborative approach aims to reinforce the importance of participation ahead of the planned integration of data collection processes from 2026.
- Over recent years, work has been undertaken to increase the level of social care data which is collected and a range of social care data is already published on the Stats Wales website.
- More recently, the social care checkpoint data has been developed, which is a monthly data collection from the 22 local authorities collated nationally to provide a picture about social care delivery. At present, this data is not published however, our ambition is to publish social care data. This development aligns with the longer-term vision to create a National Care and Support service for Wales and aligns with the establishment of the National Office for Care and Support and its national oversight function of social care in Wales.

Further information on how the Welsh Government intends to improve access to sick pay for social care workers, in the absence of additional funding.

Response

- We recognise sick pay provision is a priority for workers. Statutory Sick Pay is governed by UK employment law and therefore is a non-devolved matter. As such, Welsh Government has limited levers to influence change in this area without significant additional funding.
- We welcome the UK Government's Employment Rights Bill, which proposes important reforms to widen sick pay eligibility and improve fairness for workers. While these changes represent a step in the right direction, we

continue to encourage employers to adopt strong, supportive sickness policies that reflect the importance of workforce well-being and resilience.

- In 2026-27, we will continue our commitment to fund Canopi, the mental health support service that is free at the point of access for health and social care workers. It is important appropriate support is in place to promote the health and wellbeing of our workforce.
- Data from Canopi suggests its timely, high-quality support has resulted in more than 60% of clients feeling they are able to continue to work while they were receiving support, helping to build and maintain a sustainable and resilient workforce.

3.9 Respite care for unpaid carers

The Welsh Government rejected our recommendation for increased, sustainable funding for respite care, noting that respite remains the statutory responsibility of local authorities. Given the significant levels unmet need, what will the Welsh Government do to drive improvement in this area, particularly if the funding for the Short Breaks Scheme is due to end in 2026?

Response

- As referred to in an earlier section of this evidence, we are developing a new National Strategy for Unpaid Carers and have completed comprehensive engagement with stakeholders. Access to sufficient, suitable and timely respite, including overnight respite and shorter breaks for unpaid carers, has been identified as an ongoing, priority need for carers.
- The strategy will be out for public consultation before the end of the year and will be published in 2026. We will set out renewed expectations of local authorities to provide sufficient respite as part of their statutory responsibilities and, working with Care Inspectorate Wales, we will ensure we receive information about provision as part of their inspections processes.
- The **Short Breaks Scheme** (£3.5m in 2025-26) is funded from the Social Care Reform Fund and provided more than 50,000 opportunities for unpaid carers to have a break, significantly exceeding the original target of 30,000. Eighty percent of carers accessing the scheme are providing more than 50 hours a week of care and most have not had any other form of break in the last 12 months, evidencing the targeting of those most in need.

It is proposed to maintain this commitment at the same level in 2026-27.

3.10 Charging for care and National Care Service progress

Further information on work underway to explore an appeals process to give individuals the right to appeal a local authority decision on charging for care (mentioned in the annual report of the National Office for Care and Support).

Response

- Responses to the consultation on increasing the domiciliary care cap in spring 2024 indicated there were inconsistencies in social care charging policies across the 22 local authorities. Ministers asked officials to work with local government to understand how the charging codes are being applied and to consider a standard appeals process and a shared services approach to undertaking financial assessments.
- Work is underway to understand the nature and level of inconsistencies in practice and a shadowing exercise has been undertaken with the local authorities. It is anticipated that detailed advice about any proposed policy changes needed will be available in late spring 2026.

An update on progress made “to strengthen our national understanding of the financial impacts of moving towards a system, free at the point of need, as part of ambitions for a National Care and Support Service” (mentioned in the annual report of the National Office for Care and Support)

- In line with the recommendations of the expert group in its report ‘Towards a National Care and Support Service for Wales’, and the initial implementation plan, research is being undertaken to identify the local authority budget and annual spend on commissioned prevention and early intervention services over the last 10 years. This will also consider the funding required as part of wider social care funding to deliver sustainable preventative and early intervention services. An independent company is undertaking the research on behalf of Welsh Government.
- The National Office for Social Care has commissioned Welsh Government Library Services to undertake a literature review examining how other governments, such as the Scottish Government, have embedded care systems which are free at the point of need. The research also explores other countries, which have pursued or implemented similar models. This includes systems covering residential and non-residential care, either as an integrated package or as distinct services.
- A cross-government officials finance group has been established to review and enhance financial modelling for social care. This will develop a clearer understanding of the social care funding landscape and identify optimal points for targeted funding to support the long-term sustainability of the sector.
- The group will also undertake a financial analysis of the costs associated with the proposed pay and progression framework currently in development, it will develop financial modelling to support the understanding of current and

projected social care funding requirements and identify future modelling needs.

- To date mapping of current funding streams has been undertaken and current work includes updating modelling and projections previously undertaken through the work of the previous inter-ministerial group on paying for care and the LE Wales report.

4. Financial position of Health Boards and Trusts

Despite additional allocations, most health boards are still in deficit, and the system continues to depend on in-year top-ups and centrally retained funding. What assumptions underpin the 2026–27 health budget in terms of health board deficits and efficiency savings?

Response:

- As in previous years, we have worked with colleagues in the Financial Planning and Delivery team in NHS Wales Performance and Improvement, to develop modelling work and form an assessment of the likely inflation and demand growth pressures the NHS will face next year. The approach for 2026-27, builds on the modelling which has been developed in recent years that has proven to be robust and accurate in assessing both demand and inflationary pressures at a macro level.
- The output of this assessment, coupled with other known pressures across the wider MEG, result in a clear assessment that the draft budget, at this stage, falls far short of the estimated pressures and issues being forecast for the NHS, and the wider HSC MEG, at this stage, for 2026-27.
- The Integrated Medium Term Planning framework will be issued to the NHS, and, at this stage, NHS organisations will be asked to plan on the basis of no funding uplift for any issues outside of pay inflation, for 2026-27. This will be extremely challenging for NHS Wales given the current position, the expected levels of inflation in healthcare, the costs of new treatments and the general demand growth for services.
- Through the planning framework, consideration will be given on the alignment of planning and delivery priorities to the allocation being made available, and further consideration of supporting enabling actions in that context.
- At this stage, all of the additional revenue funding for the HSC MEG, £259m, has been allocated to the main NHS BEL. Whilst we are planning to meet the impact of pay uplifts for directly funded staff across the MEG, up to 2.2%, we are also currently planning on no other investment for any other budgets.
- Further work will be undertaken to stress test the system modelling undertaken, and NHS bodies will develop plans to respond to the planning and allocation framework that will be set, after taking into account the funding allocated for pay inflation the assessed pressure on NHS services for 2026-27 at this stage is in the region of £500m.
- Every financial year the NHS delivers material savings and efficiency programmes to support their financial position and increasing the sustainable use of resources. Savings delivery has been increasing in recent years, with the four financial years from 2022-23 to 2025-26 based on this year's current

forecast realising in-year savings delivery of c£1bn, of which c£600m is recurrent.

- For 2025-26, the in-year position as at month six (September 2025) is a forecast deficit in the NHS of £191m; which is underpinned by assumed delivery of £291m of savings. The savings requirement in 2025-26 is in addition to the £296m savings delivered in 2024-25. Delivering savings at this level on top of making previous savings recurrent, is more than what the NHS has achieved historically, and greater proportionately than the historic evidence base of what healthcare systems are assessed as being able to deliver.
- NHS bodies will again need to deliver a material level of savings and efficiency for 2026-27. Delivering the level of savings required to deliver financial balance based on the assessed inflationary and demand pressures, and proposed budget settlement would not be deliverable without reduction in service provision.
- The Cabinet Secretary for Finance has been very clear the Draft Budget is the starting point of the Welsh Government's budget process – not the end of it. The Draft Budget 2026-27 is built on the strong foundation of last year's budget, which included £1.6bn of new spending commitments, enabling public services to start planning for the 2026–27 financial year. It allocates 98.6% of available funding, leaving room for further investment in Wales' priorities by the Final Budget in January.
- It is the Welsh Government's firm intention to secure a Final Budget which uses all the resources available for 2026-27 and supports public services and all those who rely on them.

What is the overall financial position of health boards including projected end of year financial position for health boards for 2025-26.

Response:

- The consolidated forecast deficit on revenue for the NHS is £190.9m at month six (September 2025) as shown below, by organisation.

Month 6 - 2025/26	Year to Date			Reported Forecast EOY		
Organisation Surplus/-Deficit	Previous Month £000s	Current Month £000s	Movement £000s	Previous Month £000s	Current Month £000s	Movement £000s
Swansea Bay	-37,756	-43,038	-5,282	-58,660	-58,660	0
Aneurin Bevan	-10,225	-11,387	-1,162	-19,900	-19,900	0
Betsi Cadwaladr	-13,614	-15,056	-1,442	0	0	0
Cardiff & Vale	-27,809	-31,843	-4,034	-56,233	-56,233	0
Cwm Taf Morgannwg	-6,311	-4,296	2,015	0	0	0
Hywel Dda	-13,732	-15,761	-2,029	-27,800	-27,800	0
Powys	-15,731	-17,795	-2,064	-28,312	-28,312	0
HEIW	77	121	44	0	0	0
DHCW	145	141	-4	0	0	0
PHW	33	16	-17	0	0	0
Velindre	5	5	-0	0	0	0
WAST	-229	-186	43	0	0	0
NHS Wales	-125,147	-139,078	-13,931	-190,905	-190,905	0

- All NHS organisations submitted draft plans on 31 March 2025. Positively, all NHS trusts and special health authorities submitted Integrated Medium-Term Plans (IMTPs) which delivered financial balance. In addition, Aneurin Bevan, Betsi Cadwaladr and Cwm Taf Morgannwg University Health Boards submitted a financially-balanced IMTP.
- The remaining four health boards submitted plans which failed the statutory duty and were therefore not recommended for approval. Annual plans are subject to ongoing scrutiny and assessment to improve financial performance.
- The cumulative position of health boards' IMTP submissions was a forecast deficit of £187m – the deficit is being driven exclusively by four health boards (Cardiff and Vale, Hywel Dda, Powys and Swansea Bay health boards). This reduced in the early months of the year as we continued to challenge financial positions. The month four position was a forecast deficit of £173.2m. In month five, the forecast deficit was £190.9m, with no change being reported for month six.
- The current NHS forecast deficit should be considered against £86m unallocated funding being held centrally in the MEG to offset NHS deficits, therefore there is a £114.9m net shortfall on our planning assumption for the NHS position. This funding was retained within the MEG to off-set target control totals set in 2024-25 as a baseline to support the NHS planning approach for 2025-26.
- NHS organisations have faced challenges in delivering the plans and actions set out in their IMTPs and annual plans, which has resulted in significant in-year activity to achieve the level of savings required and mitigate financial risks.

- As at month six, against planned savings of £291m, NHS organisations can describe confidence in delivery of £260.7m, with further action required to close the residual gap. In addition, NHS organisations are assuming mitigating measures to off-set operational pressures over the remainder of this financial year. As such, there remains risk to delivery of this forecast position. Welsh Government officials, with support from the Financial Planning and Delivery Team in NHS Performance and Improvement continue to provide support and challenge to NHS organisations on an ongoing basis.

Will the Welsh Government continue to rely on in-year allocations to stabilise health board finances, or is a more sustainable funding model being developed?

Response:

- For 2025-26, the Welsh Government set out a clear allocation framework for NHS organisations, alongside clear delivery expectations, and expectations in terms of financial improvement. In doing so, £86m was retained within the MEG which reflected target control totals set in 2024-25.
- The actions set out, which were reflected in the 2025-26 planning framework and allocation letter, are part of the Welsh Government's work in supporting and working with health boards to return to financial balance. NHS organisations had clear expectations set in terms of financial delivery.
- The Integrated Medium Term Planning (IMTP) framework will be issued to the NHS, and, at this stage, NHS organisations will be asked to plan on the basis of no funding uplift for any issues outside of pay inflation, for 2026-27. This will be extremely challenging for NHS Wales given their current position, the expected levels of inflation in healthcare, the costs of new treatments and the general demand growth for services. Through the planning framework, consideration will be given on the alignment of planning and delivery priorities to the allocation being made available, and further consideration of supporting enabling actions in that context.
- The expectation is that each NHS organisation makes progress in sustaining their financially balanced position or delivers improvements with a trajectory for delivering sustainable financial positions and achieving their financial duties. This will be challenging in the context of the draft budget, however, we recognise this is a starting position.
- All NHS organisations are expected to make the best decisions possible to balance service, workforce, and financial risk within these delivery parameters, and delivering financial improvement while also meeting the needs of their local population.
- Organisations are expected to ensure decisions are robustly impact assessed in terms of quality, safety, risk, and deliverability, and that balance of risk judgement and decision making are optimised. Health boards will be best

placed to determine what actions are the most appropriate to deliver financial improvement whilst balancing all other variables and risks.

- The Welsh Government has a robust framework of support, monitoring and escalation and intervention measures. We use the existing frameworks around intervention and have set clear de-escalation criteria to support organisational improvement as part of those frameworks, with the support of the Financial Planning and Delivery Team in NHS Performance and Improvement.
- In addition, the national Value and Sustainability Board agenda continues to support the system in identifying and delivering opportunities to deliver savings and improvements in resource use to deliver improved outcomes. This approach has supported NHS Wales to deliver a greater level of savings and improvement than in previous financial years.
- The main NHS health board allocation letter has not yet been completed. Further details and a copy of the letter, including financial tables will be provided to the committee once issued to the NHS.

Will the Welsh Government publish a detailed breakdown of how centrally retained NHS funds are used?

Response:

- There are three broad scenarios in which we would retain funding for the NHS centrally that are either outside of the main NHS allocation or the spending area (SPA) entitled Delivery of Core NHS Services in the published budget tables.
 1. To offset known NHS planning deficits – for example, in 2025-26 we started the year with £86m which was held back to underpin the deficit submitted in the IMTP planning process.
 2. Where there are material issues with variability, timing or uncertainty – for example, the approach we take with pay uplifts each year.
 3. For specific policy areas – for example, where new funding is allocated and programmes need to be established before the funding is moved into the main NHS. A good example of this is in mental health and the funding for NHS 111 press 2. These can be seen more clearly in the published BEL tables, see below.
- The majority of the direct NHS funding is contained within the main NHS allocation letter, the budget source for which is in BEL 20 – Core NHS Allocation. At this time each year we routinely review all funding flows to health boards with a view to adding as much as possible into their main allocation, either into the discretionary element or the ringfenced total.
- Our BEL tables provide further details about other central budgets which fund the NHS for specific programmes and other initiatives. These are being

published at stage two of the Draft Budget. An extract relating to those BEL lines supporting the NHS are provided below. The vast majority of budget lines in each BEL support the NHS in Wales either directly or indirectly via a delivery partner providing a support service.

*We have excluded BEL budget information for social service and integration, early years, CAFCASS, Food Standards Agency and the inspectorates.

HEALTH AND SOCIAL CARE			
RESOURCE BUDGET			
Action	BEL No.	BEL Description	2026-27 Draft Budget October 2025
Delivery of Core NHS Services	0020	Core NHS Allocations	10,645,696
	0020	Core NHS Allocations - Non cash	309,390
	0030	Other Direct NHS Allocations	241,157
	0035	Digital Health and Care Wales	74,259
	0035	Digital Health and Care Wales - Non cash	13,645
	0050	Health Education Improvement Wales	374,544
	0050	Health Education Improvement Wales - Non cash	1,076
	0045	NHS Performance & Improvement	53,245
	0250	Public Health Wales	151,565
Total Delivery of Core NHS Services			11,864,577
Delivery of Targeted NHS Services	0186	Workforce (NHS)	31,837
	0060	A Healthier Wales	70,264
	0682	Other NHS Budgets (Expenditure)	17,014
	0682	Other NHS Budgets - Non-cash	202
Total Delivery of Targeted NHS Services			119,317
Support Education & Training of the NHS Workforce	0140	Education and Training	34,240
	0185	Workforce Development Central Budgets	6,587
Total Support Education & Training of the NHS Workforce			40,827
Support Mental Health Policies and Legislation	0270	Mental Health	31,851
Total Support Mental Health Policies and Legislation			31,851
Deliver the Substance Misuse Strategy Implementation	1682	Substance Misuse Action Plan Fund	47,489
Total Deliver the Substance Misuse Strategy Implementation			47,489
Public Health Programmes	0233	Health Promotion	15,763
	0232	Targeted Health Protection & Immunisation	24,792
Total Public Health Programmes			40,555
Health Improvement	0231	Health Improvement & Healthy Working	5,592
Total Health Improvement			5,592
Effective Health Emergency Preparedness Arrangements	0230	Health Emergency Planning	9,010
Total Effective Health Emergency Preparedness Arrangements			9,010
Develop & Implement R&D for Patient & Public Benefit	0260	Research and Development	48,426
Total Develop & Implement R&D for Patient & Public Benefit			48,426

What contingency plans are in place if health boards fail to meet their 2026–27 financial targets?

Response:

- The Welsh Government is in the process of setting the financial framework for the NHS for 2026-27. This will be dependent on the final settlement for the HSC MEG, which will not be known until January 2026 when the Final Budget is published.

- The Integrated Medium Term Planning (IMTP) framework will be issued to the NHS, and, at this stage, NHS organisations will be asked to plan on the basis of no uplift for any issues outside of pay inflation, for 2026-27. This will be extremely challenging for NHS Wales given their current position, the expected levels of inflation in healthcare, the costs of new treatments and the general demand growth for services. Through the planning framework, consideration will be given on the alignment of planning and delivery priorities to the allocation being made available, and further consideration of supporting enabling actions in that context.
- NHS organisations have a statutory duty to provide Welsh Government with plans to meet the criteria set out in the IMTP framework and that fit within their financial allocation.
- The only funding which will be retained by the Welsh Government through the HSC MEG is the £86m which off-sets health board deficits in 2025-26, funding to support pay inflation, and specific policy funding for their intended purpose. No other funding will be retained by the MEG, and no contingency plans are in place if health boards fail to meet the expectations set for 2026-27.

5.Capital Investment in the NHS Estate

5.1 Funding streams

Can the Welsh Government provide a consolidated breakdown of all capital funding streams for NHS infrastructure (e.g. NHS All-Wales Capital Programme, Targeted Estates Fund, digital and equipment allocations), showing how much is allocated to:

- new builds;
- maintenance/backlog;
- equipment and vehicles;
- digital infrastructure.

Response

- The current assumption for the 2026-27 budget is that a 2% increase will be applied to the baseline for 2025-26. This provides for a gross budget of £626m which includes £60m of IFRS16 capital with the remainder available for general capital allocation £566m.
- Current budget planning is based on the following high-level table (please note this indicative and could change when the Final Budget is published in January 2026.

High level budget plan (indicative) – excludes IFRS 16

Description	£m	Comment
Budget	566	
Discretionary Capital	112	It is proposed the uplifted budget of £12.281m is provided as additional discretionary capital to NHS organisations specifically for backlog maintenance.
Targeted Estates Fund	40	Plans already established (and agreed by the Cabinet Secretary for Health and Social Care) through the Targeted Estates Fund.
Digital DPIF (Transformation)	40	Current planning assumption (not formally agreed) to support digital transformation.
Digital (infrastructure)	20	Consideration needs to be given to support IT equipment, hardware refresh, cyber security enhancements outside of transformation – a targeted fund.
Diagnostic Equipment	30	Current planning assumption is to increase the currently approved £15m to £30m to continue work on the diagnostic and screening programme across Wales

Vehicles	23	Ambulances and Emergency Medical Retrieval and Transportation Service (EMRTS)
Current capital projects – Approved	96	Includes on-going Prince Charles Hospital refurbishment, Fire Enforcement works, Nuclear Medicine development at Singleton Hospital and the equipment for the new Velindre Cancer Centre. This excludes TEF, DPIF and Diagnostic schemes.
Capital projects, mix of new, refurbishment, safety works , mental health (not approved)	114	Net funding available to support schemes.
IRCF	70	Programme budget linked to integrated community hubs (assuming full spend)
Other All Wales Programmes	10	Health Emergency Preparedness = £3.5m Substance Misuse = £2.5m Social Care Wales Capital = £0.020m Emergency Services Mobile Communication Programme (ESMCP) = £3.120m Pharmacy Grants = £0.700m Care Inspectorate Wales = £0.020m Healthcare Inspectorate Wales = £0.010m
Other policy schemes	11	Community Playgrounds £11m Waste = £1m Helicopter Landing = £2m Lung Cancer Screening = £3m
Indicative Plan Total	566	

The intention remains for funding to be directed towards the following priority areas:-

- **Discretionary funding** – We are seeking to increase the discretionary allocation available to NHS organisations to £112m to meet local priorities. This increase includes the uplifted budget allocation for 2026-27 of £12.281m, to support organisations in supporting backlog maintenance issues. Discretionary capital is allocated directly to NHS organisations for the following priority obligations:
 - Meeting statutory obligations, such as health and safety and fire code
 - Maintaining the fabric of the estate
 - The timely replacement of equipment
- **Strategic Capital (All Wales Capital Programme)** – We will be looking to provide additional funding support through the all-Wales capital programme

influenced by the work organisations have undertaken on the capital prioritisation framework.

The key schemes identified for 2026-27 (subject to approval) include:

- The final phase of the refurbishment of Prince Charles Hospital, in Merthyr Tydfil.
 - The replacement of the adult and older persons mental health unit at Ysbyty Glan Clwyd.
 - New build development at the Royal Alexandra Hospital
 - Llantrisant Health Park
 - Continued support for the new Velindre Cancer Centre
 - Further support for fire safety and business continuity in Hywel Dda University Health Board
 - Additional phases of work at Llandrindod Wells Hospital.
- **Targeted Estates Funding** – We have established and agreed proposals for the targeted estate fund for specific high-risk estate issues. This totals £40m Welsh Government support in 2026-27, matched by discretionary contributions from the NHS. This funding supports a range of activity across:

➤ General Infrastructure	£18m
➤ Fire Safety	£5m
➤ Mental Health	£5m
➤ Decarbonisation	£6m
➤ Infection, Prevention and Control	£3m
➤ Decontamination	£3m
 - This is a two-year programme established in 2025-26 and is focussed on supporting infrastructure risk, fire safety, infection prevention control, and **mental** health services. More than 275 projects are being supported over the two years with £80m of Welsh Government funding (£40m per year).
 - **Diagnostic investment** – We are looking to increase funding for diagnostic equipment and replacement from the already approved £15m to £30m, with an initial focus on updating out of date equipment with more modern kit. In addition, as part of the Wales lung cancer screening programme, announced in June 2025, a business case is being drafted for mobile units to support screening from 2027.
 - **Digital (transformation)** – We plan to maintain the £40m budget for Digital Priorities Investment Fund capital funding to support our digital ambitions. The DPIF plays a pivotal role in enabling strategic digital transformation across NHS Wales. It is essential that we continue to support national programmes to improve patient outcomes, modernise infrastructure and drive service innovation.
 - **Digital (infrastructure)** – Alongside transformation, in 2026-27 we plan to introduce a targeted digital fund to support investments in IT equipment,

hardware refresh and cyber security. This funding is important to align with operational resilience and delivery of services.

- **Vehicles** – To continue to support our ambulance fleet the proposal is to consider maintaining a £20m fund for replacement and improvement. Consideration is also to be given to the need to support the Emergency Medical Retrieval service. This is driven by the desire to maintain a reliable fleet but also to secure environmental benefits through electric vehicles.
- **Integration and Rebalancing Capital Fund (IRCF)** – To support the commitment to create integrated Health and Social Care community hubs, the Integration and Rebalancing Capital Fund (IRCF) was launched in 2022. Due to the cross-cutting nature of these integrated centres, funding is drawn from a range of budgets across different portfolios which could include IRCF, Transforming Towns and Housing with Care Funds.
- The integration of health and social care is central to our long-term plan. The IRCF capital £70m identified in 2026-27 works alongside the Regional Integration Fund which targets revenue expenditure at our national priorities for integration including community-based care, getting people home from hospital and supporting good emotional wellbeing.
- The combination of these actions will support our ongoing ambition to transform and modernise services. However, NHS Wales faces the challenges of an ageing estate and significant backlog maintenance requirements and our capital programme must also support our ambitions to transform and modernise services.

How is the Welsh Government ensuring transparency and accountability in tracking how capital funding is spent across these multiple programmes?

Response:

- Each NHS organisation is subject to detailed financial tracking with regular reporting against approved budget through monthly monitoring returns. In addition, bi-monthly capital review meetings are held with organisations where capital resource and expenditure limits are discussed in detail. This information is also considered alongside project progress report which are submitted on the 12th working day of every other month for review. Requirements are set out in the NHS Wales Infrastructure Investment Guidance [NHS Wales infrastructure investment guidance](#) from p16 onwards.
- Alongside these returns, there are separate monitoring and tracking arrangements for different programmes of work, for example, the Targeted Estates Fund (TEF) submits updates to NHS Shared Services – Specialist Estates Services, which are our technical advisers.
- Under the TEF programme, timely and accurate reporting is crucial for programme success. The key requirements include submission of bi-monthly trackers and six-monthly reviews and site visits on an organisation-by-

organisation basis. These reporting streams have been developed to support the effective management, monitoring, and reporting of project progress funded through the TEF programme. The financial trackers and are designed to facilitate the accurate recording expenditure against allocated budgets, the monitoring of key performance indicators and the streamlining of data submission processes. The uniformity of these reporting mechanisms ensure consistency in data collection across all participating NHS organisations in Wales.

- The Integration and Rebalancing Capital Fund (ICRF) also has arrangements with updates required through Regional Partnership Boards. The capital estates and facilities team regularly meets programme teams to track spend and profiling to ensure there is a clear oversight for central reporting against what is a complex multi programme of work.

5.2 Maintenance backlog

What is the current estimated cost of the NHS estate maintenance backlog, and how much of the 2026–27 capital budget is specifically allocated to address it?

Response:

- The latest Estates and Facilities Performance System (EFPMS) data published for 2023-24 reports total backlog maintenance £1.34bn.
- It is difficult to disaggregate the capital budget to identify a specific allocation solely for addressing the estates maintenance backlog. This is because multiple elements of the all-Wales capital programme contribute to backlog reduction, including discretionary capital, the targeted estates fund and individual refurbishment or redevelopment schemes. These investments often deliver broader service improvements alongside estates condition enhancements, making it difficult to isolate spend purely attributable to backlog maintenance.
- Due to the variability in quality and consistency of estates condition data across NHS organisations it is difficult to solely rely upon EFPMS data to accurately quantify the maintenance backlog. While the data provides a useful indication of trends, it is recognised that due to the age of the estate and infrastructure conditions are likely to continue to deteriorate. Without a significant programme of new build developments or large-scale redevelopment of exiting site, it is unlikely there will be a substantial or sustained reduction in the backlog maintenance liabilities.
- In 2026-27, officials are considering whether it would be appropriate to recommend increasing discretionary capital funding to organisations from £100m to £112m. However, this is set against what has been a trend of increasing backlog maintenance, so while it would be welcomed, it would not address the inflationary pressures in this area.

How are decisions made about which estate risks (e.g. fire safety, infection control, decarbonisation) receive targeted investment, and how is this prioritised across health boards?

Response:

- Decisions about the allocation of discretionary capital are the responsibility of individual health organisations, which are expected to assess and prioritise investment based on local risk profiles and service needs.
- The NHS Wales Targeted Estates Fund (TEF) which is a programme promoted by Welsh Government, takes a structured and risk-based approach to prioritising and approving capital investment against projects.
- The TEF is specifically designed to address high-risk estate issues that would traditionally be funded through discretionary capital but cannot be met due to funding constraints. The fund targets six key categories:
 - Infrastructure risks (including emergency department improvements, general building and engineering upgrades)
 - Fire safety
 - Mental health estate improvements
 - Decarbonisation
 - Infection prevention and control
 - Decontamination
- Each of these is allocated a specific portion of the fund, and bids must clearly demonstrate how the proposed project addresses critical infrastructure or safety risks.
- All bids must be signed off by both the director of finance and director of estates in the NHS organisation, ensuring senior-level accountability.
- The programme is jointly managed by Welsh Government and NWSSP Specialist Estates Services (SES). Bids are assessed centrally, and funding is awarded based on risk severity, deliverability, and alignment with national priorities.
- The broader NHS Wales Infrastructure Investment Guidance reinforces that all capital investment must:
 - Be aligned with strategic service needs and the Well-being of Future Generations (Wales) Act.
 - Demonstrate economic, efficient, and effective use of resources.
 - Be supported by robust business cases, including risk registers and benefits realisation plans

5.3 Digital Infrastructure and Equipment

What proportion of the capital budget is being invested in digital infrastructure and diagnostic equipment, and how is this aligned with the goal of reducing waiting times and improving productivity?

Response:

- In current planning with the proposed increase to diagnostic equipment and the addition of a digital infrastructure budget, separate to transformation, circa 16% of the budget will be targeted at diagnostic equipment and digital (excluding any element of discretionary).
- Based on past experience, organisations continue to spend a significant proportion of their discretionary budget on digital and equipment. In 2024-25, more than £39m of discretionary capital was targeted in this area.
- A major regional centre is being developed at Llantrisant Health Park, the first phase of which focuses on a community diagnostic hub with significant capital investment over two financial years (2026-27 and 2027-28). The key focus is on reducing waiting times by providing facilities away from main hospital sites, thereby improving patient and staff experience.
- Investing in digital infrastructure and diagnostic equipment is a key enabler for reducing waiting times and improving productivity across health services. By accelerating access to diagnostics, streamlining patient pathways, and enabling earlier interventions, these technologies help reduce delays and free up clinical capacity.
- Having the most up to date digital tools also supports monitoring, efficient use of resources to support rising service demand, support staff wellbeing and retention. At the same time, modern digital systems improve productivity by automating routine tasks, enhancing data sharing, and supporting better decision-making. Together, these investments create a more responsive, efficient, and patient-centred system.

How is the Welsh Government supporting health boards to modernise outdated IT systems, and is there a long-term digital transformation plan in place?

Response:

- Investment in digital funding portfolios, such as the Digital Priority Investment Fund (DPIF), virtual care and productivity funding continues to play a pivotal role in enabling strategic digital transformation across NHS Wales, with combined revenue and capital investment in the region of £100m, supporting national programmes that improve patient outcomes, modernise infrastructure, and drive service innovation.
- The Connecting Care programme will enable people across Wales to experience more joined-up and responsive care, as health and social care professionals will have timely access to the information they need. This will

help ensure that individuals receive safer, more coordinated, and personalised support, reducing duplication and delays, and ultimately improving outcomes for patients and service users.

- The Welsh Government has committed funding to the Welsh Local Government Association (WLGA) and to Digital Health and Care Wales in 2025-26 for Connecting Care, following support provided to WLGA in 2024-25.
- We have also funded regional pathfinder projects in Betsi Cadwaladr and Cwm Taf Morgannwg university health boards for mental health digital systems. In total, this represents investment in the region of **£40m** to date, supporting the delivery of integrated digital care across Wales.
- Investments have been made in technologies, remote monitoring platforms, and systems like EPMA (e-prescribing), LIMS (Laboratory Information Management System), RISP (Radiology Informatics System), Digital Maternity, and the Welsh Nursing Care Record have received funding and partial deployment.
- Investment in the NHS Wales App to provide people with access to a range of healthcare services digitally, transforming health and care for patients through improved and easier access to healthcare and support. It is now enabled across all GP practices, providing access to appointments, prescriptions, and health records. There have been more than half a million downloads and new functionality is coming online throughout 2025-26.
- Investment has been made in TEC enabled and virtual care, to use technology to support individuals in managing their health and wellbeing, enabling them to live independently and safely in their own homes.
- Investment to develop a unified National Target Architecture that provides a structured framework for integrating diverse systems, delivering electronic record systems, and ensuring safe and effective care for everyone in Wales.
- Investment to establish digital as a foundational layer in health and social care by developing an investment case and roadmap for the next generation of Electronic Health Records, enabling broader sharing of information across healthcare settings.
- Investment in the National Data Resource a secure, cloud-based platform that consolidates data from across NHS and social care organisations in Wales, supporting improved care, analysis and planning, research, and service delivery through accessible, consistent, and governed data.
- This investment ensures continuity of critical digital infrastructure and underpins the national ambition for integrated digital health and social care services across Wales.

5.4 Long-Term Planning

Given the Cabinet Secretary's estimate that £1 billion annually is needed, what is the Welsh Government's long-term capital investment strategy, and is it considering a 10-year NHS infrastructure plan as called for by stakeholders?

Response:

- NHS Wales has undertaken a significant piece of work to identify strategic priorities and has developed a prioritisation framework to support decision-making. This provides a structured approach to evaluating investment needs across the system.
- The NHS capital prioritisation exercise identified close to 200 schemes that organisations wished to progress. The indicative capital requirement over 10 years (excluding a new University Hospital Wales) was c£10bn over 10-year period. A £1bn-a-year ask is double the current NHS capital allocation – difficult decisions have been taken to identify which schemes to progress.
- Alongside this, managing expectations is essential, as further work is required to refine and understand the investment needs, particularly at the oldest hospital sites across Wales. This will ensure that future planning is both realistic and responsive to evolving service demands and financial constraints.
- Significant capital developments have been raised by organisations although these are not considered affordable from within the NHS capital programme. Large new or significant refurbishment programmes would likely need to be supported through alternative funding routes such as the Mutual Investment Model which is supporting the new Velindre Cancer Centre; other borrowing or through additional capital either from prioritising NHS over other areas or through further borrowing.
- All NHS organisations want to modernise their estate, as set out in the NHS capital prioritisation exercise and reflected in the backlog maintenance figures. It is essential that as we progress we consider digital and physical infrastructure plans together. This will ensure that the right-sized and specified buildings are developed, which support new ways of working aligned with clear digital strategies.

Details of specific funding for hospices and end of life care

Response:

- We are allocating £3.170m to support the hospice sector in 2026-27. This maintains the commitment we made in 2025-26 and the funding will be recurrent, because we recognise the important role they play in supporting the NHS and all those who need end-of-life care.

- There is already £9m of ring-fenced funding in the main NHS allocation that supports palliative care, bereavement support and commissioned care from hospices.
- We provide £1m through NHS Performance and Improvement for the National Programme for Palliative End-of-Life Care, which provides national leadership and support and acts as a forum to drive forward change and oversees health boards' efforts to deliver the Welsh Government's vision for improving end-of-life care in Wales.
- We provide £1m to Velindre University NHS Trust, to support people nearing the end of their lives. This helps fund palliative medicine consultants, specialist trainee doctors, and clinical nurse specialists who focus on improving quality of life through symptom management, psychological support, and patient-centred care planning.
- We also provide the £1m Bereavement Support Grant, which provides targeted funding to third sector bereavement organisations to improve bereavement care across Wales.