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# CYLCHLYTHYR IECHYD CYMRU

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**Angen gweithredu erbyn:** *Ar unwaith*

Prif Weithredwyr

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**Dogfennau amgaaedig:** *Llythyr Dyraniad, tablau Cyllid a nodiadau esboniadol.*

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Rydym yn croesawu gohebiaeth a galwadau ffôn yn Gymraeg

# 2026-27

# Health Board

# Allocations

**Issue Date: 19<sup>h</sup> December 2025**

**Finance Directorate**

**Health Social Care & Early Years Group**

## Health Board Allocation 2026-27

### Introduction

1. This document details the Health Boards revenue & discretionary capital allocations for 2026-27.
2. The allocation reflects the Cabinet Secretary for Health and Social Care's decisions about the distribution of resources to Health Boards.
3. This allocation is made under:
  - Section 174 of the National Health Service Act 2006 and the amounts payable to the Assembly in respect of depreciation charges under section 174(10). The powers are conferred directly on Welsh Ministers.
  - Section 70 of the Government of Wales Act 2006

### Action

4. Health Boards are expected to develop robust plans to deliver against the priorities for 2026-27 set out in the NHS Wales Planning Framework from within this allocation. The deadline for submission of the plans for 2026-27 is 31<sup>st</sup> March 2026. This is the baseline allocation and any additional funding if available for key priorities will be allocated as appropriate on an in-year basis. Funding for the following issues is being held centrally until the amounts required for 2026-27 are confirmed:
  - Revenue funding for SIFT and Research and Development will be issued as direct funding to the relevant Health Boards and NHS Trusts. Depreciation funding for these funding streams is included in this allocation.
  - Allocations for accelerated depreciation, AME depreciation for donated assets, IFRS 16 depreciation, and DEL and AME impairments will be issued as direct funding to the relevant Health Boards, SHAs and NHS Trusts. This also applies to any increases in depreciation related to approved schemes with confirmed strategic support.
  - IFRS16 will continue to be managed on an in-year basis, to include the revenue recoveries, depreciation adjustments and any associated capital funding. Organisations are expected to strengthen their plans and delivery of IFRS16 schemes.
  - Funding will be held centrally to recognise the impact of NICE mandated Advanced Therapeutic Medicinal Products (ATMPs).
  - Funding will continue to be held centrally to fund the costs of purchasing cystic fibrosis medicines Orkambi and Symkevi and to maintain access to Kalydeco.
  - Funding for education and training in 2026-27 will continue to be provided directly to Health Education and Improvement Wales (HEIW).

- As in previous years, funding for NHS pay awards in 2026-27 will be held centrally and allocated to employers once awards are agreed. As agreed in the Draft Budget for 2026-27, plus the budget deal agreed with Plaid Cymru (as part of the Final Budget for 2026-27) funding for a pay award assumption is being centrally held in Welsh Government, based on the latest OBR forecasts of pay growth in 2026-27.
- Genomics spend will be monitored centrally and any additional impact for 2026-27, over and above 2025-26 baseline allocations will be dealt with as an in-year matter.
- Hospice funding of £3 million will be retained centrally pending the outcome of the Hospice Commissioning phase 2 work which is scheduled to be completed by April 2026.
- Where applicable, funding for the NHS Wales Shared Services Partnership will be met from Welsh Government central budgets in 2026-27. Adjustments have been made to this allocation for agreed transfers (as set out in Table 3).
- Funding remains centrally held to support the system for standardising CHC information and intelligence on all Wales basis.
- As in 2025-26, funding to cover the increased 9.4% employer's contribution for the NHS Pension Scheme will be held centrally in 2026-27.
- £20 million is being retained centrally within Welsh Government to support access targets once stipulated criteria has been met in 2026-27.

## GENERAL POLICY FRAMEWORK

### Unified budgets

5. This document sets out the revenue & discretionary capital allocations to Health Boards for 2026-27.
6. Health Boards are responsible for managing the totality of their budget and making the best use of all available resources. The only restrictions to virements between different allocations relate to ring fenced HCHS services (see Table B), the totality of the GMS contract and elements of the Dental Contract (see Table C and F and the explanatory notes enclosed).
7. The 2026-27 allocation comprises:
  - Summary: Revenue
  - Hospital and Community Health Service (HCHS) and Prescribing Revenue Discretionary Allocation (Tables A1, A2 and A3)
  - HCHS Protected and Ring-fenced Services (Table B1)
  - HCHS Directed Expenditure Allocations (Table B2)
  - General Medical Services Contract Allocation (Table C)

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

#### Equality Impact Assessments

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

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

##### Recurrent Discretionary Allocation (Tables A1, A2 and A3)

13. This provides the total discretionary funding available to Health Boards to fund hospital and community healthcare services and primary care prescribing costs. The distribution of the allocation is derived from the 2025-26 recurrent baseline, with Table A2 for baseline adjustments from 2025-26, and A3 for additional recurrent funding for 2026-27.
14. In the 2025-26 allocation letter, conditionally recurrent funding allocations of £182.1 million remained for Aneurin Bevan £64.5 million / Betsi Cadwaladr £74.6 million / Hywel Dda £43 million, as target control totals were yet to be delivered. The conditions set out in the letters from Judith Paget 20<sup>th</sup> October 2023 were achieved for the organisations for 2024-25 and as such this funding has now been built in on a recurrent basis in 2026-27.
15. £62 million specific organisational funding as a result of a review of distance from target, were issued in the 2025-26 allocation letter (as per the letters issued from Judith Paget to Health Boards on 2 December 2024), with clear and specific conditions attached to

these specific funding streams. The conditions have not yet been delivered, therefore this funding remains conditionally recurrent in 2026-27.

16. £40 million conditionally recurrent (organisation specific) funding was included in the allocation tables in 2025-26 for Betsi Cadwaladr. Given the conditions specified have not been achieved to date, this funding remains conditionally recurrent in 2026-27.
17. 2024-25 Pay mapping allocations have been built in on a recurrent basis (£329.9 million: £298.3 million Health Board funding and £31.6 million for Joint Commissioning Committee (JCC)). The recurrent amounts built in are as per communication from Richard Dudley dated 28<sup>th</sup> August 2025.
18. Recurrent 2025-26 Pay mapping allocations have been included in the 2026-27 allocation letter in line with the Welsh Government commission issued 3<sup>rd</sup> December 2025. (£204.345 million: Health Boards funding of £184.401 million / JCC £19.944 million). Funding issued in 2025-26 for Employers NI has also been mapped on a commissioner basis and included on a recurrent basis for 2026-27 (£88.838 million: £80.229 million Health Boards / £8.609 million JCC).
19. Funding has been included for the impact of the 2025-26 Cost Uplift Factor (CUF) for NHS England, which were issued as in year allocations, over and above the core cost inflation (1.77%) in the 2025-26 allocation letter (£4.405 million: £2.133 million Health Board funding and £2.272m for JCC).
20. Allocations issued in year during 2025-26 for Welsh Government policy position on Real Living Wage (Social Care) of £17.918 million, have been baselined for 2026-27. Any financial pressure for the difference between the recently announced National Living Wage and the Real Living Wage, will need to be identified by Health Boards through the 2026-27 planning process.
21. Additional Optometry Contract funding of £1.302 million has been built in on a recurrent basis for the negotiated agreed increase for 2025-26.
22. Previously held ring fenced funding (previously within Table B1) for Planned and Unscheduled Care Sustainability / Planned Care Recovery / Critical Care funding (including JCC and PACU) / Value Based Recovery funding have been moved to discretionary funding based on policy advice to remove the ring-fenced status. This will support an increased focus on core delivery and increasing productivity and outcomes.
23. Recurrent transfers have been built in for the 2026-27 costs of both the Shingles (£6.319 million HCHS & £0.634 million GMS) and Respiratory Syncytial Virus (RSV) immunisation programmes (£0.530 million HCHS & £0.318 million GMS).
24. Further to the top slice adjustments actioned in 2025-26 for the agreed central procurement of Flu vaccines, a further top slice of £0.405 million has been actioned for the additional procurement of vaccines in 2026-27. This procurement continues to be centrally managed by NWSSP in 2026-27.
25. The recent budget deal with Plaid Cymru secured £100m for frontline services for 2026-27. Health Board discretionary allocations have been increased by £90.916m for core cost inflation and unavoidable demand pressures for 2026-27. This equates to a 1.11% increase on the recurrent discretionary allocation, ring fenced (excluding mental health and depreciation) and directed expenditure.

26. This core funding increase is to support health boards with the impact of unavoidable inflationary pressures and inescapable demand growth that are forecast for 2026-27. It is assumed that this funding is applied in full to evidenced inflationary pressures and inescapable demand growth only. There is no discretionary investment reflected within this uplift, and organisations will need to make significant savings in order to deliver and implement financially sustainable plans for 2026-27.
27. As in previous years, Health Boards should continue to take action to reduce all unnecessary and inappropriate variation and reduce waste. Health Boards are expected to implement the actions of national priorities on value and efficiency, implementing the agreed outputs of the national Value & Sustainability Board. Health Boards are also expected to fully implement the priority enablers set out by the Cabinet Secretary in the NHS Wales Planning Framework 2025-2028.
28. The Welsh Government will continue to hold a budget for the Cross Border flow (the difference between the cost of prescribing drug costs via Prescribing Audit Reports (PAR) and the cost of drugs dispensed (excluding WP10 (HP), as this was included in the recurrent discretionary allocation in 2016-17 (supplementary allocation)).

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

29. The second component of the HCHS allocation is the funding allocated for ring fenced allocations. There is no flexibility about the use of this funding, although Health Boards are free to invest additional funding in these services to meet national priorities.
30. The DEL depreciation budget remains ring fenced and is a non-cash allocation, and reflects the detail issued to health boards 10<sup>th</sup> May 2023. There are no changes to the recurrent baseline allocations from 2026-27. In year allocation adjustments will be considered as part of the regular non-cash submission process.
31. As advised above, previously held ring fenced funding (previously within Table B1) for Planned and Unscheduled Care Sustainability / Planned Care Recovery / Critical Care funding (including JCC and PACU) / Value Based Recovery funding have been moved to discretionary funding based on policy advice to remove the ring-fenced status.
32. The ring-fenced Palliative Care funding includes £3.208m for Hospices across Wales. This funding should be provided directly to hospices delivering core NHS services. The ring-fence also includes £0.060 million per Health Board for bereavement co-ordination.
33. £42m remains as a conditionally recurrent ring-fenced organisation specific allocation for performance and transformation for Betsi Cadwaladr, until such time that the conditions in the letter issued from Judith Paget to Health Boards on 2 December 2024 are met.
34. Funding for Mental Health has increased by £32.586 million; see section below for detail.
35. Genomics allocations have been increased by £3.263 million to baseline 2025-26 approved funding levels.
36. £18.382 million has been built into the ring-fenced allocation for Urgent & Emergency Care Fund (Six Goals funding) (£17.515 million HB funding / £0.867 million for Velindre Trust SDEC funding), which has previously been issued on an in-year basis.

37. As advised in paragraph 25, the £90.916 million uplift includes an equivalent 1.11% uplift on the ring-fenced allocations (Table B1) (excluding Mental Health and Depreciation amounts) and the Directed Expenditure Analysis (Table B2).

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

38. Funding allocation adjustments have been made to the Directed Expenditure table, for agreed items:
- Velindre NHS Trust LTA (Historic Pay Award);
  - Save a Life Cymru (JCC / WAST);
  - Genomics funding for C&V (up to agreed 25-26 levels);
  - Value Based Healthcare recurrent schemes (HB funding / JCC Elements / Velindre Trust element);
  - Postgraduate Medical & Dental (PGMD) funding (HB funding and Velindre Trust element).

All of the above funding has previously been allocated on an in-year basis.

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

39. Health Boards and the Joint Commissioning Committee are expected to pass on an appropriate level of funding for relevant cost increases in Healthcare Agreements for services provided by other Boards and NHS Trusts, equivalent to the additional funding provided to commissioners. With the exception of centrally funded services and any agreed in-year funding, Welsh Government will not be allocating funding for underlying pressures and new cost growth directly to provider organisations, as this is an appropriate requirement for commissioning organisations to discharge.
40. A letter was issued 1<sup>st</sup> March 2024 from Hywel Jones to all Health Boards setting out the Welsh Government's expectations of the funding flows of funding that supports unavoidable demand and inflationary pressures from commissioners to providers; this principle and expectation continues to apply in 2026-27. The financial values of agreements should be confirmed promptly to enable provider organisations to confirm their Integrated Medium-Term Plans. You are reminded that organisations are expected to reach agreement without the need for arbitration as a key measure of effective relationships between NHS Wales organisations. Given the expectation of system progress on strengthened regional and collaborative working, any arbitration requirement will be seen as a failure of organisations ability to plan and deliver effective service arrangements. Organisations are to report on the status of obtaining signed agreements via the Financial Monitoring Return process. For the avoidance of any doubt, the 1.11% uplift for demand and inflation agreed for 2026-27 is expected to unequivocally pass through from commissioners to providers.
41. Welsh Government will not be able to accept 2026-27 plans for consideration by the Cabinet Secretary for Health & Social Care if any funding agreements have not been finalised and agreed between commissioners and providers. Health Boards will not be able to assume the 'Core Cost and Demand Uplift for 2026-27' allocation as available funding within final submitted plans without confirmation that agreements are in place with other Health bodies within NHS Wales. You are required to confirm in writing to Jacqueline Totterdell by Friday 27<sup>th</sup> February 2026 that agreements are in place with other Health bodies for 2026-27 in order to assume this funding as part of final plan submissions.

## **PRIMARY CARE REVENUE**

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

42. Contract negotiations have been finalised for 2026-27, as the agreement reached in 2025-26 was a multi-year deal, including a 5.8% increase to provide financial certainty for practices to invest in workforce expansion, service redesign, and administrative support. This underpins the community-by-design transformation programme, which is being led by the Chief Medical Officer for Wales to deliver and develop more care and services in local communities closer to people's homes and will ensure GPs continue to play a central role in supporting and developing integrated care models.
43. The community-by-design transformation work is a central feature of this year's agreement. The funding for 2026-27 will enable GPs to actively participate in this innovative programme, which aims to reshape primary care services around the needs of local communities. Through collaborative working, we will develop new service models that enhance access, improve outcomes, and ensure care is delivered locally where it is needed most.
44. The allocation tables include all agreed recurrent allocations agreed up to 2025-26, plus the agreed 5.8% increase for 2026-27.
45. A supplementary allocation will be issued when the 2026-27 DDRB negotiations are confirmed.

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

46. Contract negotiations have not been finalised for 2026-27. The Pharmacy allocation is issued at this stage on the same basis as the recurrent 2025-26 allocation.
47. A supplementary allocation will be issued when the 2026-27 contract agreement is confirmed. Details of the total contractual Community Pharmacy Contractual Framework (CPCF) funding and the distribution of funding between core services, enhanced services, quality and workforce elements will be clarified after the supplementary allocation is issued.

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

48. Contract negotiations have not been finalised for 2026-27. The Dental allocation is issued at this stage on the same basis as the recurrent 2025-26 allocation.
49. The allocation will be re-issued for 2026-27 when contract negotiations have been concluded, and agreement is given for a contractual uplift.
50. Health Boards are reminded that in terms of the ring-fenced Dental Contract budget arrangements will continue as follows for the next year:
  - for Health Boards without two consecutively approved IMTPs, the ring fence will continue for 2026-27;
  - for those Health Boards with two consecutively approved IMTPs, the ring-fence is removed provided they continue to have their IMTP approved; and
  - to continue to ring-fence the Designed to Smile and Gwên am Byth oral health improvement programmes for all Health Boards in 2026-27.

51. We will continue to monitor and review the expenditure analysis provided by Health Boards, and we will make adjustments to ring fenced dental contract allocations should explanation on expenditure be considered inadequate.
52. Dental patient charges were increased 1<sup>st</sup> of April 2024. No changes were made to dental contract patient charge targets as a result of the increase, and any increased patient charge revenue have been utilised by health boards to offset the current shortfall against the targets set in baseline dental contract allocations. No adjustments have been actioned for 2026-27.

## **OTHER ISSUES**

### **Capital**

53. NHS infrastructure investment comprises strategic schemes delivered through the NHS All Wales Capital Programme. Investments include land and buildings as well as other physical assets including vehicles, medical and digital technology equipment. The investments cover all healthcare settings including acute, primary, community and social care.
54. Discretionary capital is that allocated directly to NHS organisations for the following priority areas:
- meeting statutory obligations, such as health and safety and firecode;
  - meeting the fabric of the estate; and
  - the timely replacement of equipment.

See Table 6 for values of baseline discretionary capital funding for 2026-27. Total discretionary capital funding will increase by £12.3m, an increase of 12%.

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

### **Mental Health**

56. Mental health services will continue to be ring fenced in 2026-27. Compliance of individual organisations with the ring-fencing requirement will be monitored on an annual basis. Any organisation whose expenditure on mental health services falls below the ring-fenced quantum will be required to account for the shortfall in expenditure. Table 2 details the total amount of the mental health ring fence, shown by relevant allocation stream. This funding forms a floor, below which expenditure on core mental health services must not fall. This does not exclude mental health services from making efficiencies, but these savings must be re-invested in these services to meet cost increases and new developments.

57. £8.825 million has been added to the ring-fenced mental health allocation in the HB revenue allocation for core costs and demand uplift (equivalent to 1.11%), which provides health boards with additional funding.

58. Funding of £23.761million has been transferred from central budgets for:

- CAMHS In-reach £5.634 million;
- Tier 4 CAMHS £1.250 million;
- 111 Press 2 funding £2.077 million;
- DoLS & Mental Capacity Act (MCA) funding £2.101 million; and
- £12.700 million for Regional Partnership Board funding for Dementia Action Plan.

59. The mental health elements that are included in the total ring-fenced allocation (primary care prescribing, GMS (QAIF and Supplementary Services) and Other primary care) have been updated (based on the 2023-24 WCR13 (NHS Programme Budgeting detail)).

60. This increases the total Mental Health ring fenced allocation to £863.614 million (in 2026-27). The detail is shown in Table 2 of the allocation, and the corresponding explanatory notes.

### **Infrastructure SIFT**

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

### **Substance Misuse**

62. The Substance Misuse allocation remains ring fenced in 2026-27 and the table shows an agreed increase of £0.259 million (equivalent to 1.11%). Funding will be withheld from Health Boards (HB) until confirmation is received from the Chair of the relevant Area Planning Board (APB) that the use of these resources complements the delivery of the Welsh Government Substance Misuse Delivery Plan 2019-22 (and any subsequent Plan), this should happen no later than 30th June 2026. Welsh Government expects to see evidence of clear joint planning across the HB ring fence and the Substance Misuse Action Fund monies, with HBs taking due regard for their statutory duties and ensuring they contribute to areas of relevant pressures, including prescribing costs and meeting waiting list targets. Further detail is included in the explanatory notes accompanying the allocation.

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

63. Core funding for the above bodies for 2026-27 are not being issued with this allocation. Separate funding letters will be issued from policy leads in due course, alongside a mandate and remit letter for 2026-27.

### **Cross Border Financial Flows**

64. To reflect cross border commissioning responsibility, Health Boards in Wales have been funded for English residents registered with their GPs and vice versa, in line with the Protocol agreed with the Department of Health & Social Care.
65. The impact of the 2026-27 uplift, above the core uplift provided in this paper, on Health Board plans will be considered once the tariff is published by NHS England.

### **Queries**

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

## HEALTH BOARDS REVENUE ALLOCATIONS 2026-27 – EXPLANATORY NOTES

### Table A1: HCHSP: Discretionary Allocation

#### **Column 1 – 2025-26 Recurrent Allocation**

This column is carried forward from the 2025-26 Health Board Revenue Allocation.

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

These are adjustments to the discretionary HCHSP allocation, sub-totalled at column 26, Table A2.

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

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

#### **Column 4 – 2026-27 Recurrent HCHS and Prescribing Discretionary Allocation (sum of Columns 1, 2 & 3)**

This is the sum of Columns 1 to 3 and is the recurrent discretionary HCHSP allocation for 2026-27. It is carried forward to column 1 of the Summary table.

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

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

The £336.1 million conditionally recurrent funding (as per the letter from Judith Paget 20<sup>th</sup> October 2023) was included in the 2024-25 allocation letter. For clarity, the conditional amounts have been removed from the tables and replaced in column 2 as appropriate.

#### **Column 2 Recurrent funding 2023-24: Underlying deficit contribution & Inflationary increase**

The allocations for Aneurin Bevan / Betsi Cadwaladr / Hywel Dda have now been built in on a recurrent basis, as conditions of the letters issued now achieved.

#### **Column 3 - Presentational: Removal of 'Conditionally recurrent funding from 2025-26**

£40m of the 2024-25 £82m ring fenced funding was transferred to the discretionary allocation for 2025-26. For clarity, the conditional amount has been removed from the tables and replaced in column 4 as appropriate.

#### **Column 4 - Presentational : Addition of 'Conditionally Recurrent funding for 2026-27**

Agreed conditionally recurrent funding for BCU, in line with Judith Paget's letter dated 2nd December. £40m was transferred to the discretionary allocation for 2025-26. **The allocation remains recurrent in principle in 2026-27, conditional on progress made in delivering the conditions.**

#### **Column 5 - Presentational: Removal of '2024-25 allocation: Conditional funding (as per Judith Paget's letters 2 December 2024)'**

£62m allocations to specific organisations as a result of the distance from target review, in line with Judith Paget's letters to organisations 2<sup>nd</sup> December 2024, were included as conditionally recurrent in 2025-26, as conditions were yet to be delivered. For clarity, the conditional amount has been removed from the tables and replaced in column 6 as appropriate.

#### **Column 6 - Presentational: Addition of '2024-25 allocation: Conditional funding (as per Judith Paget's letters 2 December 2024)'**

£62m allocations to specific organisations as a result of the distance from target review, in line with Judith Paget's letters to organisations 2<sup>nd</sup> December 2024, were included as conditionally recurrent in 2025-26, as conditions were yet to be delivered. **The allocations remain recurrent in principle in 2026-27, conditional on progress made in delivering the conditions.**

#### **Column 7 - In year: Pay Mapping 2024-25**

Funding adjustment issued in-year has been allocated on a recurrent basis, as per communication from Richard Dudley dated 28<sup>th</sup> August 2025.

**Column 8 - In year: Pay Mapping JCC 2024-25**

Funding adjustment issued in-year has been allocated on a recurrent basis, as per communication from Richard Dudley dated 28<sup>th</sup> August 2025.

**Column 9 - In Year: Revised 25-26 Cost Uplift Factor (CUF) England**

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

**Column 10 - In Year: Revised 25-26 Cost Uplift Factor (CUF) England JCC**

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

**Column 11 – Real Living Wage (Social Care)**

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

**Column 12 - In year: Pay Mapping 2025-26**

Funding adjustment issued in-year has been allocated on a recurrent basis, in line with Welsh Government commission 3<sup>rd</sup> December 2025.

**Column 13 - In year: Pay Mapping JCC 2025-26**

Funding adjustment issued in-year has been allocated on a recurrent basis, in line with Welsh Government commission 3<sup>rd</sup> December 2025.

**Column 14 - In year: Employers NIC funding from 2025-26**

Funding adjustment issued in-year has been allocated on a recurrent basis, in line with Welsh Government commission 3<sup>rd</sup> December 2025.

**Column 15 - In year: Employers NIC funding from 2025-26 (JCC)**

Funding adjustment issued in-year has been allocated on a recurrent basis, in line with Welsh Government commission 3<sup>rd</sup> December 2025.

**Column 16 - Optometry contract reform (2025-26 pay agreement)**

This is the 2025-26 pay agreement funding (issued in year), which is to be built in on a recurrent basis.

**Columns 17 to 21 - Transfers from Ring Fenced to Discretionary**

Funding for Planned and Unscheduled Care Sustainability for 23-24 onwards (£120m)

Recurrent impact of funding for Planned Care Recovery (£49.985m)

Critical care funding (including JCC funding and PACU) (18.704m)

Critical care funding (JCC funding (was for EASC)) (£1.7m)

Value based Recovery (£14m)

Previously held ring fenced funding (previously in Table B1) has been moved to discretionary funding based on policy advice to remove the ring fenced status. This will support an increased focus on core delivery and increasing productivity / outcomes.

**Column 22 - Shingles (recurrent transfer of in year funding)**

Funding adjustment issued in-year has been allocated on a recurrent basis at 26-27 levels.

**Column 23 - RSV (recurrent transfer of in year funding)**

Funding adjustment issued in-year has been allocated on a recurrent basis at 26-27 levels.

**Column 24 - Topslice for Central Procurement of Flu Vaccines**

A further amount has been topsliced from Health Boards has been actioned for the additional procurement in 2026-27 This procurement will continue to be centrally managed by NWSSP in 2026-27.

**WG Contact: Vaccination policy team**

**Column 25 - NHS Wales Shared Services adjustments (Table 3)**

Agreed transfer between health boards and NHS Wales Shared Services.

**Column 26 – Total Adjustments (Carried forward to Table A1, Column 2)**

This is the total of columns 1 to 25 and is carried forward to Column 2 in Table A1.

**Table A3: Additional recurrent funding (Column 3, Table A1)****Column 1 – Core Cost and Demand Uplift for 2026-27 (1.11%)**

£90.916 million is being allocated to meet core cost and demand pressures for 2026-27. This equates to a 1.11% increase on the recurrent discretionary allocation, the ring-fenced allocation (excluding mental health and depreciation) and directed expenditure. The HCHS funding is distributed using the updated 2026-27 needs-based allocation formula. (See Table 2 for Mental Health Uplift at an equivalent percentage application).

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

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

**Table B1: HCHS Protected and Ring-fenced Revenue Allocations for 2026-27**

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

**Column 1 – Learning Disabilities**

This funding remains ring fenced in 2026-27 on the same basis as 2025-26. No additional funding or adjustments have been made.

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

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

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

This funding remains ring-fenced in 2026-27 on the same basis as 2025-26, plus agreed additional funding. Details of which are included in Table 2.

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

This funding remains ring-fenced in 2026-27 on the same basis as 2025-26. This funding should be provided directly to hospices delivering core NHS services.

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

This funding remains ring-fenced in 2026-27. The allocation has been increased by £3.263 million to baseline 2025-26 approved plan recurrent funding.

Health Boards will continue to direct this allocation through JCC in support of the strategy for 2026-27.

**Column 6 - Organisation specific funding for performance and transformation**

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

**Column 7 – Regional Integration Fund (RIF)**

This funding remains ring fenced in 2026-27 on the same basis as 2025-26. Breakdown of allocation:

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

#### **Column 8 – Further Faster Funding**

This funding remains ring fenced in 2026-27 on the same basis as 2025-26. No additional funding or adjustments have been made.

#### **Column 9 - Urgent & Emergency Care**

This funding (previously issued in year) has been built into the ring fenced allocation for 2026-27. Conditions on the use remain as in previous years.

#### **Column 10 - Urgent & Emergency Care (Velindre Trust SDEC element)**

This funding (previously issued in year) has been built into the ring fenced allocation for 2026-27. Conditions on the use remain as in previous years.

#### **Column 11 - Total 2026-27 HCHS Ring Fenced Allocation**

This is the summary of columns 1-10. This amount is taken forward to Column 2, Summary Table.

#### **Transfers from Ring Fenced to Discretionary**

Funding for Planned and Unscheduled Care Sustainability for 23-24 onwards (£120m)

Recurrent impact of funding for Planned Care Recovery (£49.985m)

Critical care funding (including JCC funding and PACU) (18.704m)

Critical care funding (JCC funding (was for EASC)) (£1.7m)

Value based Recovery (£14m)

Previously held ring fenced funding (previously in Table B1) has been moved to discretionary funding based on policy advice to remove the ring fenced status. This will support an increased focus on core delivery and increasing productivity / outcomes.

#### **Table B2 – HCHS Directed Expenditure Analysis**

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

#### **Columns 1 to 44 - Various**

These remain as Directed Expenditure Allocations in 2026-27 on the same basis as 2025-26.

#### **Exceptions are:**

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

The allocation to C&V has been increased by £0.323m million to baseline 2025-26 approved plan recurrent funding.

##### **Column 45 – Velindre Trust - LTA adjustment (Historic Pay award)**

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

##### **Column 46 – Save a Life Cymru programme (JCC / WAST)**

Funding adjustment issued in year have been allocated on a recurrent basis, at agreed 26-27 levels.

##### **Column 47 - Value Based Healthcare recurrent schemes (HBs)**

Funding uplifts issued in year have been allocated on a recurrent basis, at 26-27 levels.

**Column 48 – Value Based Healthcare recurrent schemes (JCC Element)**

Funding uplifts issued in year have been allocated on a recurrent basis, at 26-27 levels.

**Column 49 - Value Based Healthcare recurrent schemes (Velindre Trust element)**

Funding uplifts issued in year have been allocated on a recurrent basis, at 26-27 levels.

**Column 50 - Postgraduate Medical & Dental : HB funding**

Funding issued relates to new Medical & Dental training posts approved through annual education and training commission plans from 2017 to 2024. These amounts maybe subject to change for further approved posts agreed via future education and training commissioning plans.

**Column 51 – Postgraduate Medical & Dental : VT Element**

Funding issued relates to new Medical & Dental training posts approved through annual education and training commission plans from 2017 to 2024. These amounts maybe subject to change for further approved posts agreed via future education and training commissioning plans.

**Column 52 - Total 2026-27 HCHS Directed Expenditure Allocation**

This is the summary of columns 1-51. The amount is taken forward to Column 3, Summary Table.

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

Contract negotiations have been finalised for 2026-27, as the agreement reached in 2025-26 was a multi-year deal, including a 5.8% increase to provide financial certainty for practices to invest in workforce expansion, service redesign, and administrative support. This underpins the community-by-design transformation programme, which is being led by the Chief Medical Officer for Wales to deliver and develop more care and services in local communities closer to people's homes and will ensure GPs continue to play a central role in supporting and developing integrated care models.

The community-by-design transformation work is a central feature of this year's agreement. The funding for 2026-27 will enable GPs to actively participate in this innovative programme, which aims to reshape primary care services around the needs of local communities. Through collaborative working, we will develop new service models that enhance access, improve outcomes, and ensure care is delivered locally where it is needed most.

The allocation tables include all agreed recurrent allocations agreed up to 2025-26, plus the agreed 5.8% increase for 2026-27.

A supplementary allocation will be issued when the 2026-27 DDRB negotiations are confirmed.

The GMS contract funding envelope remains ring fenced, although Health Boards may invest discretionary funding in GMS Services.

**Column 1 – Provisional allocation 2025-26**

This column has been carried forward from the 2025-26 allocation letter.

**Column 2 – 2023-24 GP Pay / Expenses**

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

**Column 3 – 2024-25 GP Pay / Expenses**

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

**Column 4 – In year: Global Sum / PSP List Size Increase 2025-26**

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

**Column 5 – Shingles (recurrent transfer of in year funding)**

Recurrent funding issued in year (at 26-27 agreed level)

**Column 6 – RSV (recurrent transfer of in year funding)**

Recurrent funding issued in year (at 26-27 agreed level)

**Column 7 – 2025-26 GP Pay & Expenses agreement**

Recurrent funding issued in year.

**Column 8 – 2026-27 agreement - 5.8% increase**

Agreement to allocate 5.8% as part of the multi-year agreement reached for investment in workforce expansion, service redesign, and administrative support.

**Column 9 – Allocation 2026-27**

GMS allocation for 2026-27 (sum of columns 1-8). The amount is carried forward to Column 5, Summary Table.

**Contacts for Table C:**

<b>Julie Broughton, Finance Directorate</b>	<b>0300 025 5747</b>
<b>Steve Thomas, GMS Policy</b>	<b>0300 025 0757</b>

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

Contract negotiations have not been finalised for 2026-27. The Pharmacy allocation is issued at this stage on the same basis as the recurrent 2025-26 allocation.

A supplementary allocation will be issued when the 2026-27 contract agreement is confirmed. Details of the total contractual Community Pharmacy Contractual Framework (CPCF) funding and the distribution of funding between core services, enhanced services, quality and workforce elements will be clarified after the supplementary allocation is issued.

**Column 1 – Final allocation for 2025-26**

This column has been carried forward from the 2025-26 allocation letter.

**Column 2 – In year funding: 2025-26 agreed uplift Community Pharmacy Contractual Framework (CPCF)**

Agreed uplift issued in year on a recurrent basis.

**Column 3 – Allocation for 2026-27**

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

**Contact for Table E:**

<b>Julie Broughton, Finance Directorate</b>	<b>0300 025 5747</b>
<b>Andrew Evans, Chief Pharmaceutical Officer</b>	<b>0300 025 9260</b>

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

Contract negotiations have not been finalised for 2026-27. The Dental allocation is issued at this stage on the same basis as the recurrent 2025-26 allocation.

The allocation will be re-issued for 2026-27 when contract negotiations have been concluded, and agreement is given for a contractual uplift.

We will continue to monitor and review the expenditure analysis provided by Health Boards, and we will make adjustments to ring fenced dental contract allocations should explanation on expenditure be considered inadequate.

**Column 1 – Start position**

This column has been carried forward from the 2025-26 allocation.

### **Column 2 – In year funding: 24-25 agreed uplift DDRB Pay**

Agreed uplift issued in year on a recurrent basis.

### **Column 3 – In year funding: 2025-26 agreed uplift DDRB Pay (4%)**

Agreed uplift issued in year on a recurrent basis.

### **Column 4 – Allocation for 2026-27**

This is the total of columns 1 to 3. The amount is carried forward to Column 7, Summary Table.

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

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

**Andrew Pryse, Dental**                              **0300 062 8220**

## **MEMORANDUM TABLES**

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

The Substance Misuse allocation remains ring fenced in 2026-27, with an increase of 1.11% (£0.259m) to the 2025-26 level, totalling £23.578million.

The funding will be withheld from Health Boards (HB) until confirmation is received from the Chair of the relevant Area Planning Board (APB) that the use of these resources complements the delivery of the Welsh Government Substance Misuse Delivery Plan 2019-22 (and any subsequent Plan), **this should happen no later than 30th June 2026.**

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

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

This table sets out the ring-fenced funding for Mental Health for 2026-27, which is at the 2025-26 levels, plus additional agreed funding transfers.

Funding of £23.761million has been transferred from central budgets for funding previously allocated on an in year basis:

- CAMHS In-reach £5.634 million;
- Tier 4 CAMHS £1.250 million;
- 111 Press 2 funding £2.077 million;
- DoLS & Mental Capacity Act (MCA) funding £2.101 million; and
- £12.700 million for **Regional Partnership Board** funding for Dementia Action Plan.

In addition, £8.825 million increase (1.11%) for core cost and demand pressures for 2026-27.

The other mental health elements in the total ring fenced allocation (primary care prescribing, GMS (QAIF and Supplementary Services) and Other primary care) have also been updated (based on the WCR13 2023-24 detail).

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

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

**Table 3 – Shared Services Funding**

This table sets out the 2026-27 core funding baseline for the hosted Shared Services organisation. The amounts shown against Health Boards have been top sliced from discretionary HCHSP allocations. The NWSSP core allocation will be held as a central budget within HSC and paid directly to the NWSSP (co VT).

**Contact: Richard Dudley, Finance Directorate, 0300 025 1688**

**Table 4 – Depreciation funding**

This table sets out the Depreciation funding for 2026-27. This funding remains in the allocation on the same basis as 2025-26.

**Contact: Andrea Hughes, Finance Directorate**

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

This table reflects the recurrent primary care funding already included within the HCHSP discretionary baseline allocation. This funding remains in the allocation on the same basis as 2025-26.

**Table 6 - Baseline discretionary capital funding 2026-27**

This table reflects the baseline 2026-27 discretionary capital funding allocations for organisations. Formal letters will be issued by the HSC Capital team in due course.