

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

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



**Llywodraeth Cymru  
Welsh Government**

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

Our Ref: JP/JB/SB

20 December 2024

Dear Colleagues

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

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

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

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

### **Allocation uplifts**

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

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

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

## Policy Funding

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

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

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

## Capital

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

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

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

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

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

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

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

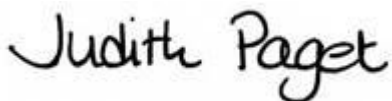
I am aware that a minimum savings delivery of more than 2% (and greater for some health boards who will need to recover their positions having not delivered on target control totals in 2024-25), will present challenges. Delivering a material level of saving will support moving towards a more sustainable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

### **Summary**

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

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

Yours sincerely

A handwritten signature in black ink that reads "Judith Paget". The signature is written in a cursive, slightly slanted style.

**Judith Paget CBE**