

# **Welsh Government Draft Budget 2026-27**

December 2025

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# Recommendations

**Recommendation 1.** We recommend that the Welsh Government prioritises securing additional funding for the Health and Social Care Main Expenditure Group in the Final Budget. This is essential to maintain core NHS services and deliver statutory functions, given the Cabinet Secretary’s assessment that the draft budget falls significantly short of forecast pressures.....15

**Recommendation 2.** The Welsh Government should provide a short written update to this Committee on the work of the Value and Sustainability Board, including key efficiencies implemented and opportunities identified, no later than one week before the Final Budget 2026-27 debate. This update should be provided even if the full annual report is not yet available. .... 16

**Recommendation 3.** The Welsh Government highlights preventative spending as a core principle in health policy, with investment in early intervention and public health programmes, but accountability and impact measurement remain poor. We recommend that the Welsh Government scopes the feasibility of establishing a national preventative health outcomes dashboard. This scoping exercise should assess: .....21

- The potential benefits of tracking key indicators such as reductions in avoidable hospital admissions, improvements in mental health and lifestyle outcomes, and long-term cost savings linked to prevention; .....21
- The costs and practical implications of developing such a dashboard, including the extent to which existing data sources could be utilised to minimise additional burden.....21

**Recommendation 4.** In his response to this report, the Cabinet Secretary should indicate when he expects work on the preventative spend analysis to resume, and details of any timelines or key milestones.....21

**Recommendation 5.** Ahead of the debate on the Final Budget, the Cabinet Secretary should provide a short update on the external NHS analysis that is being undertaken in relation to preventative spending, including details of the work that has been commissioned and who is undertaking it. ....21

**Recommendation 6.** Our successor committee should consider undertaking post-legislative scrutiny of the Health Impact Assessment (HIA) regulations to

assess how effectively government departments are embedding prevention in policy and budget decisions.....21

**Recommendation 7.** The Welsh Government should ensure that the ring-fenced allocation for spending on mental health is accompanied by a set of clearly defined, measurable outcomes that reflect the Welsh Government's strategic priorities. ....22

**Recommendation 8.** By the end of February 2026, the Minister for Mental Health and Wellbeing should write to us with details of the findings of the evaluation of the sanctuary model pilots, including any possible next steps.....22

**Recommendation 9.** The Minister for Children and Social Care should write to the Committee with details of:.....23

- the findings of the stage 1 work on the National Care Service, including the information she intends to publish following the completion of stage 1, and when she will do this; and .....23

- information about the work that will be undertaken at stage 2, including the timescales and milestones for this. ....23

**Recommendation 10.** Given the lack of contingency in the draft budget, the Cabinet Secretary should set out the actions the Welsh Government plans to take in the event that health boards fail to meet their financial expectations for 2026-27, including how patient safety and service continuity will be safeguarded. .... 26

**Recommendation 11.** The Cabinet Secretary should provide details of discussions with health boards about any areas or services being considered for possible future reduction as a consequence of the current draft budget allocation. This should include details of criteria used to prioritise services, the timeline for any decisions and information about how the outcomes of these decisions will be communicated publicly..... 26

**Recommendation 12.** In his response to this report, the Cabinet Secretary should set out:..... 28

- the specific measures that will be taken to sustain any gains in planned care recovery and to prevent further deterioration, especially in those health boards struggling with long waits and pressured specialties; ..... 28

- whether he intends to make the case for additional funding in the Final Budget to respond to sudden increases in demand for specific services or

specialties. This should include timelines, accountability mechanisms, and how regional collaboration and clinical optimisation frameworks will be embedded to secure long-term sustainability..... 28

**Recommendation 13.** By the end of February 2026, the Cabinet Secretary should update the Committee on the findings of the Resilience Survey into the NHS estate, including details of any actions the Welsh Government plans to take as a result of it.....31

**Recommendation 14.** In his response to this report, the Cabinet Secretary should set out the Welsh Government’s view on the matter of digital maintenance contracts and, in particular, the reliance by some health boards on long-term internationally-based contracts and the effect of such contracts on digital integration and connectivity across the NHS in Wales.....32

**Recommendation 15.** The Cabinet should publish the workforce risk and mitigation plan alongside the Final Budget, setting out how potential pay review body outcomes above current assumptions will be funded or managed. This plan should include contingency options and timelines for implementation.....33

**Recommendation 16.** In her response to this report, the Minister for Children and Social Care should outline how the draft budget will deliver the Welsh Government’s objectives and priorities for social care.....37

**Recommendation 17.** By the end of February 2026, the Minister for Children and Social Care should:..... 38

- update us on the findings of the independent evaluation of the Real Living Wage (due to be published this autumn), and provide details of the steps the Welsh Government intends to take as a consequence of that evaluation;..... 38
- set out her response to the suggestion that the Welsh Government should consider ringfencing the funding for the Real Living Wage for social care workers, given the ongoing concerns about inconsistent implementation and funding shortfalls..... 38

**Recommendation 18.** In her response to this report, the Minister for Children and Social Care should set out her anticipated timescales for publication of the social care checkpoint data..... 38

**Recommendation 19.** The Welsh Government should provide increased, sustainable funding for respite care in recognition of the demand and level of unmet need identified by unpaid carers.....41

**Recommendation 20.** In his response to this report, the Cabinet Secretary should set out:.....43

- the contingency measures that will be implemented if the £16m funding gap created by increased employer National Insurance Contributions is not resolved; .....43

- how the Welsh Government will support NHS bodies and third sector providers to manage these additional costs without compromising service delivery; and .....43

- whether further engagement with the UK Government or alternative funding options are being pursued. ....43

**Recommendation 21.** We believe there is a compelling case for additional funding for vital palliative and end-of-life care services, and we recommend that the Cabinet Secretary makes the case for this in his negotiations on the Final Budget.....44

# 1. Introduction

**1.** This report sets out the views of the Health and Social Care Committee on the Welsh Government's draft budget for 2026-27.

## Background

**2.** The Welsh Government has published the Draft Budget<sup>1</sup> in two stages:

- Stage 1 – Outline Draft Budget<sup>2</sup>: Published on 14 October 2025, this sets out high-level strategic allocations across departments.
- Stage 2 – Detailed Draft Budget<sup>3</sup>: Published on 3 November 2025, this includes Budget Expenditure Line (BEL) details and supporting impact assessments.

**3.** This Draft Budget outlines spending plans for one year only, reflecting the Welsh Government's decision to adopt a “responsible” approach ahead of the May 2026 Senedd election.<sup>4</sup>

**4.** In his foreword to the Detailed Draft Budget, the Cabinet Secretary for Finance and Welsh Language (FWL) states:

*“In setting their draft spending plans for 2026-27, each Cabinet Secretary has built on the solid foundations of 2025-26 when the Welsh Budget received a considerable uplift in both resource and capital funding. These allocations have been rolled over and departmental allocations increased by around 2% in the first stage of the Draft Budget.*

*These are initial spending plans. The Draft Budget is the start of the budget process – it is not the end point. It allows our public services to begin their own planning for the next financial year. The Draft Budget allocates 98.6% of all the funding available for 2026-27. That means that more can – and will – be done to*

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<sup>1</sup> [Draft Budget 2026-27, Welsh Government](#)

<sup>2</sup> [Welsh Government Outline Draft Budget Report 2026-27, October 2025](#)

<sup>3</sup> [Welsh Government Detailed Draft Budget Report 2026-27, November 2025](#)

<sup>4</sup> [Welsh Government sets out 2026-27 budget approach](#)



*invest in the vital needs of Wales, by the time of the Final Budget in January.”<sup>5</sup>*

**5.** In the report, the Cabinet Secretary FWL confirms that “around £380 million” of funding remains unallocated in the draft budget, consisting of £231m resource, £136m general capital, and £13m financial transactions capital. He states:

*“(…) it remains the ambition of the Welsh Government to find areas of shared interest with other Members of the Senedd to enable a more ambitious Final Budget to be presented in January 2026.”<sup>6</sup>*

**6.** The Cabinet Secretary FWL has stated that the Draft Budget for 2026-27 is designed to provide certainty and stability as the final budget of the sixth Senedd term. He emphasised that it builds on the 2025-26 budget, maintaining investment in key public services, and that the Welsh Government’s priorities (shaped by the First Minister’s listening exercise in summer 2024) remain unchanged.<sup>7</sup> One of these priorities is ‘A healthier Wales’, focused on:

- Reducing NHS waiting times;
- Improving access to mental health services;
- Improving access to social care; and
- Improving services for women’s health.

**7.** The Cabinet Secretary FWL has also set out that the Welsh Government’s approach to setting the draft budget for 2026-27 is intended to preserve flexibility for the next Welsh Government following the upcoming election, avoiding decisions that could limit future options. There are uplifts for:

- inflation (2% applied to non-pay fiscal (or ‘revenue’) resource, general capital and Financial Transactions Capital allocations); and
- pay growth forecasts (2.2% applied to the public sector pay elements for each department).<sup>8</sup>

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<sup>5</sup> Welsh Government Detailed Draft Budget Report 2026-27, November 2025

<sup>6</sup> Welsh Government Detailed Draft Budget Report 2026-27, November 2025

<sup>7</sup> [Welsh Government sets out 2026-2027 budget approach](#), Welsh Government media release, 1 July 2025

<sup>8</sup> Welsh Government Outline Draft Budget Report 2026-27

## Scrutiny approach

**8.** Our scrutiny of the draft budget 2026-27 has been informed by:

- Consideration of the cross-cutting themes outlined in our Sixth Senedd Strategy<sup>9</sup>;
- Written evidence from the Cabinet Secretary for Health and Social Care (“the Cabinet Secretary”), the Minister for Children and Social Care (“CSC”) and the Minister for Mental Health and Wellbeing (“MHW”);
- Oral evidence<sup>10</sup> from the Cabinet Secretary, Minister CSC and Minister MHW, and their officials’;
- Consideration of the evidence gathered by the Finance Committee during its scrutiny, including its consultation and engagement on potential areas of priority.<sup>11</sup>

**9.** In the time available to us, it has not been possible to cover all areas of the health and social care budget. Instead, we have focused on a number of key priorities.

## Note about this report

**10.** This report relates to the Welsh Government’s draft budget documents published on 14 October and 3 November 2025.

**11.** On 9 December 2025, the Welsh Government announced that it had reached a budget agreement with Plaid Cymru to secure the passage of the Final Budget 2026-27 in January 2026. The three elements of the agreement are reported as follows:

- “Additional funding for local government in 2026-27 – an extra £112.8m, which provides an overall 4.5% increase to the local government settlement. All councils will receive increases above 4%.

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<sup>9</sup> Health and Social Care Committee: Sixth Senedd Strategy

<sup>10</sup> Record of Proceedings (RoP), Health and Social Care Committee, 27 November 2025. NB: all references to RoP in this report are to the Record of Proceedings for the Health and Social Care Committee, unless otherwise stated

<sup>11</sup> Finance Committee, Welsh Government draft budget 2026-27

- Additional funding for the health and social care budget – an extra £180m, which, taken with the funding in the Draft Budget, is equivalent to a 3.6% increase in 2026-27.
- £120m of capital funding will be available to the next government after the Senedd election to allocate.”<sup>12</sup>

## 2. Funding for health and social care

### Overview

**12.** The Health and Social Care Main Expenditure Group (the “HSC MEG”) contains core revenue and capital funding for NHS Wales, and funding for public health, social care and supporting children.

**13.** In the 2026-27 draft budget, the HSC MEG has been allocated £12.7bn in revenue funding – up by £261m from 2025-26. This equates to an inflationary uplift for day-to-day health spending of 2.1 per cent and, at more than 50 per cent of the total Welsh Government spending, is the largest share of the budget.

**14.** The Cabinet Secretary’s written evidence states that the revenue budget has been uplifted to reflect inflation (a 2 per cent increase) and public sector pay pressures (a 2.2 per cent increase). The Wales Governance Centre has said that, once inflation is taken into account, this amounts to a real-terms increase of just 0.5 per cent; historically low for the NHS:

*“It’s below the 3.6 per cent real-terms annual increase that we’ve seen in the NHS. It’s below the 2.1 per cent real-terms increase we’ve seen since 2010, which includes, of course, the austerity budget years.*

*So, that kind of additional level of funding for the NHS would be significantly lower than what we have seen, and also what we’re seeing as planned for the NHS in England over that period.”<sup>13</sup>*

**15.** The Cabinet Secretary described this as:

<sup>12</sup> *Budget agreement reached*, press release, Welsh Government, 9 December 2025

<sup>13</sup> RoP, Finance Committee, 22 October 2025, para 15

*"(...) an exceptionally challenging position, at this stage, for the main NHS allocation and the wider MEG."*<sup>14</sup>

**16.** The paper confirms there is no additional investment planned for other budgets outside of pay, and no contingency funding within the MEG currently to deal with pay negotiations that exceed current allocations. It also confirms the creation of a £16m shortfall in funding for the HSC MEG, which it says is the result of a shortfall in funding for increased employer National Insurance Contributions. NHS Organisations are expected to absorb the cost of the shortfall.

**17.** In his paper, the Cabinet Secretary stated that, at this level, the draft budget:

*"(...) falls far short of the estimated pressures and issues we are forecasting for the NHS, and the wider MEG, for 2026-27.*

*It will be essential the HSC MEG is able to secure further funding as part of the Final Budget to recognise the pressure the NHS and the wider MEG is facing in 2026-27."*<sup>15</sup>

**18.** During our scrutiny session with the Cabinet Secretary, we pressed him on whether this was the strongest deal he could have secured for health and social care in the budget round, given the significant pressures on the health service. He told us that the Welsh Government regards the draft budget as "the first stage in the process",

*"and although it allocates the overwhelming majority of the budget, and although obviously it builds in the significant Welsh Government increase across the board last year, there is money that remains to be allocated, and we want to see as much of that allocated to public services, in our case to health and social care, so that we can meet those additional pressures that the current settlement would not enable us to meet."*<sup>16</sup>

**19.** He told us that, whilst there were opportunities for the NHS to be more efficient and effective in delivering some services,

*"equally, there is a need for an appropriate level of funding to make sure that the core service is able to be discharged, which*

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<sup>14</sup> 'Evidence Paper on Draft Budget 2026-27... Health and Social Care Main Expenditure Group (MEG)', 27/22/2025, Welsh Government written submission

<sup>15</sup> 'Evidence Paper on Draft Budget 2026-27... Health and Social Care Main Expenditure Group (MEG)', 27/22/2025, Welsh Government written submission

<sup>16</sup> RoP, 27 November 2025, para 13

*is why (...) we are making the case for additional funding in those negotiations.”<sup>17</sup>*

**20.** We asked him how, within the current settlement, health boards would manage rising costs and pressures. He told us that, as with last year, he had worked to simplify the planning framework to make more easily identifiable the areas where the Welsh Government wanted the health service to maximise its focus. He also confirmed that the planning framework would include the priorities set by him following the report of the Ministerial Advisory Group<sup>18</sup>.

## Funding for NHS Wales

**21.** A substantial portion of the HSC MEG is allocated directly by the Welsh Government to health boards and NHS Trusts to address the specific needs of their respective populations. As part of this, the Welsh Government issues the NHS Wales Planning Framework and Health Board Allocation letter. These documents outline strategic directions and expectations, and guide health boards and trusts in their decision-making to ensure alignment with national health priorities.

**22.** These documents have not been published alongside this draft budget 2026-27. The Cabinet Secretary’s written evidence does, however, provide information on the progress against the three year NHS Wales planning framework 2025-28.

**23.** During our scrutiny session, we challenged the Cabinet Secretary on the availability of these documents. He told us that, in the previous year, the Welsh Government had published the planning framework and financial allocation letters at the same time, and that this had been welcomed by health organisations. He confirmed he was working to the same ambition and time frame this year, and expected to issue those documents together, before Christmas.<sup>19</sup>

## Funding for social care

**24.** The majority of funding for social services, including social care, is delivered through the un-hypothecated local government revenue support grant (RSG), from non-domestic rates, from revenue raised directly by local authorities including council tax and from other income. The Welsh Government states that

<sup>17</sup> RoP, 27 November 2025, para 14

<sup>18</sup> [A report from the Ministerial Advisory Group on NHS Wales Performance and Productivity](#), April 2025

<sup>19</sup> RoP, 27 November 2025, para 22

“control and direction of this investment is determined by individual local authorities”.<sup>20</sup>

**25.** Direct investment in social care by the Welsh Government comes in the form of grants and allocations for specific aspects of service development and improvement.<sup>21</sup> The Minister CSC’s written evidence states that in 2025-26, more than £175.2m revenue funding was allocated to deliver social care and integration policy goals, and that this is being maintained in 2026-27 with the same focus.<sup>22</sup>

**26.** The Minister CSC highlighted the Social Care Reform Fund as an example of funded delivery of Welsh Government policy goals and Programme for Government commitments, including the reform of social care for looked-after children, the provision of services for vulnerable people and for unpaid carers, and the establishment of a National Care and Support Service. On the last point, the Minister CSC stated that the stage 1 initial implementation plan is due to complete in early April 2026, and stage 2 is scheduled for 2026-28. She further stated that she envisages “stage two will need to be funded at least to the same level as this year.”<sup>23</sup>

**27.** In relation to children’s residential care, the Minister CSC stated that “a further £75m” has been awarded between 2025-26 and 2027-28 via the now-combined eliminating profit and radical reform grant. This, she stated, would break down evenly across each financial year, with approximately £24.9m allocated in 2026-27.<sup>24</sup>

**28.** Outside the HSC MEG, social care is directly supported by local authorities via the RSG. The provisional settlement provides £6.4bn from the Welsh Government Revenue Support Grant (RSG) and Non-Domestic Rates (NDR) to spend on delivering key services. This is an average increase of 2.7% on a like-for-like basis. The Welsh Government says this figure includes an additional £5.5m (on top of the £8.6m allocated at draft budget) to ensure no authority receives an increase of less than 2.3%.

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<sup>20</sup> Written evidence, Welsh Government

<sup>21</sup> Written evidence, Welsh Government

<sup>22</sup> Written evidence, Welsh Government

<sup>23</sup> Written evidence, Welsh Government

<sup>24</sup> Written evidence, Welsh Government

## Our view

**29.** In the words of the Cabinet Secretary, this draft budget is “exceptionally challenging” for health and social care and “falls far short of the estimated pressures and issues being forecast for the NHS” for 2026-27.

**30.** With uplifts of only around 2 per cent for non-pay elements and public sector pay respectively, it amounts to a real-terms increase of just 0.5 per cent once inflation is accounted for. This would be an historic low for the NHS, which has traditionally required an above-inflation funding increase to meet growing demand and public expectation. At this level, even maintaining current services will be extremely difficult, leaving little scope for expanding provision or investing in reforms.

**31.** The approach taken by the Welsh Government with this draft budget is to preserve flexibility for the next Welsh Government following the forthcoming election and to leave room for further investment in the Final Budget following discussions with other Senedd parties. Even allowing for this, however, it is notable that the Cabinet Secretary considers it to be “essential” for the HSC MEG to secure further funding as part of the Final Budget in order for the health service to deliver the functions that it is required to deliver.<sup>25</sup>

**Recommendation 1.** We recommend that the Welsh Government prioritises securing additional funding for the Health and Social Care Main Expenditure Group in the Final Budget. This is essential to maintain core NHS services and deliver statutory functions, given the Cabinet Secretary’s assessment that the draft budget falls significantly short of forecast pressures.

**32.** In our report on the previous draft budget (2025-26), we raised concerns about NHS planning and transparency, particularly the absence of key documents such as the NHS Wales Planning Framework and Health Board Allocation Letter, which were not published ahead of the Committee’s budget scrutiny session. Whilst the Cabinet Secretary previously indicated that planning, performance, and quality guidance would be integrated into a single, streamlined approach in future years - a move that we welcomed - these documents have not been published alongside this draft budget 2026-27. This is disappointing.

**33.** These documents have a central role in guiding how health boards plan and deliver services. They set strategic priorities for NHS Wales; guide the preparation

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<sup>25</sup> Written evidence, Welsh Government

of integrated medium term plans, and detail funding allocations, which directly influence the services that can be delivered and where resources are focused.

**34.** Without sight of them, it is difficult to assess how the draft budget aligns with actual service delivery needs. Their absence means that the Welsh Government is setting a draft health budget without publicly available information on priority areas for investment; expected service delivery outcomes; and distribution of funding across health boards.

**35.** We note that the Cabinet Secretary expects to be able to issue these documents together before Christmas, and that he will share them with us once they have been issued to health boards. We ask that these documents are sent to the Committee as soon as they are available.

**36.** Related to this, the Value and Sustainability Board is intended to drive improvements in operational efficiency and financial sustainability. We ask that the Cabinet Secretary provides us with a short written update on the work of the Board, no later than one week before the Final Budget debate. That update should include the key efficiencies implemented and the opportunities identified to support financial improvement.

**Recommendation 2.** The Welsh Government should provide a short written update to this Committee on the work of the Value and Sustainability Board, including key efficiencies implemented and opportunities identified, no later than one week before the Final Budget 2026-27 debate. This update should be provided even if the full annual report is not yet available.

## 3. Policy priorities

### Prevention

**37.** In relation to prevention, the Welsh NHS Confederation have stated that the “intense pressure on health and care services makes investing in preventative measures a significant challenge”. They argued that resources should be allocated to provide the best outcomes for the population, and called for the Welsh Government to “mandate that a nominal proportion of health and social care funds should be spent on preventative and early intervention activities, with spending bodies held to account for the use of these monies”<sup>26</sup>.

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<sup>26</sup> WGDB26-27 34, [Written evidence from Welsh NHS Confederation to Finance Committee](#)



**38.** As part of last year’s draft budget report, we said we had found it difficult to gain a clear understanding of the Welsh Government’s overall spending on prevention, including the contribution made by Public Health Wales. The Cabinet Secretary informed us that work was underway to establish a mechanism to track and measure the impact of preventative investments. As part of this year’s draft budget, we asked him to update us on the progress of this work.

**39.** In his written evidence, he stated that some work had been undertaken in this area, including a project to analyse the 2023-24 budget and spend, and the development of a proforma to support directorates within the Health and Social Care and Early Years Group to identify preventative spend within their budgets. However, he confirmed that efforts to quantify preventative spending have been “temporarily paused” due to resource constraints and other competing priorities, although external NHS analysis is ongoing and a new costing system may support future tracking.<sup>27</sup>

**40.** He did, however, give a number of examples of specific interventions, including vaccinations for Respiratory Syncytial Virus (which had reduced hospital admissions in under-6s by around 33 per cent, and 13.7 per cent in over-75s); and the lung cancer screening programme.<sup>28</sup>

**41.** We challenged the Cabinet Secretary on how the Welsh Government is ensuring that investment in prevention is not being pushed aside in favour of other initiatives. He told us that the health service “has to be able to focus on more than one thing”, and that the fundamental challenge is how to measure preventative impact more broadly.<sup>29</sup>

**42.** More broadly, the Cabinet Secretary recognised the need for a ‘health in all policies’ approach<sup>30</sup> to government, which would ensure that different MEGs

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<sup>27</sup> Written evidence, Welsh Government

<sup>28</sup> RoP, 27 November 2025, para 66

<sup>29</sup> RoP, 27 November 2025, para 69-71

<sup>30</sup> The Welsh Government’s adoption of a ‘health in all policies’ approach is intended to ensure that health outcomes are shaped by more than healthcare services alone. Many of the root causes of ill health (poverty, poor housing, and inequality) sit within other policy areas. To make prevention effective, every department must recognise its role in improving health and wellbeing, ensuring that decisions on housing, education, transport, and social care contribute to reducing illness and health inequalities. A whole-system approach is required to embed prevention across government. Preventative health spending should be linked not only to primary care and public health programmes but also to housing, education, and social care. Collaboration between sectors ensures that policies address the broader factors influencing health, from safe homes to active travel and community support.

delivered more than the sum of their parts, and he highlighted the commitment to make Wales a Marmot nation.<sup>31</sup>

## Women's health

**43.** In this draft budget, a £3m budget has been provided to support the rollout of a 'pathfinder women's health hub' in every health board by March 2026. The Minister MHW told us that these hubs "will be based in the community" and are intended to "improve equitable access to services, enhance the patient experience and ensure that women receive holistic care tailored to their individual needs".

**44.** The Minister MHW's written evidence states that three priority areas for hubs have been determined for 2025-26, focusing on menstrual health; contraception; and menopause care. She confirmed the plan for a national evaluation to be commissioned following the establishment of the hubs to "gather the learning and evidence to support the case for sustainability and expansion of the hubs".<sup>32</sup>

**45.** She also confirmed that, whilst the focus in 2025-26 was the establishment of the hubs, further expansion of the hubs would require the development of a business case. She stated that the Women's Health Network is "supporting health boards to develop their business cases", and she expected that health boards will include the wider roll-out of hubs in their IMTP 2026-29.

**46.** During our scrutiny session, we questioned the Minister MHW as to whether the £3m allocation would be sufficient to deliver the policy in this area. She confirmed that the £3m would be "allocated for every year of the 10-year strategy, so totalling £30 million". She told us:

*"The £3 million is appropriate for what we're trying to achieve in a relatively short amount of time, up until the end of this financial year. And then, of course, there will be an evaluation done of what's worked well and what more is needed to do."*<sup>33</sup>

## Mental health

**47.** In her written evidence, the Minister MHW confirmed that mental health funding for the NHS will continue to be ringfenced and is expected to increase

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<sup>31</sup> ~~Wales to become world's first 'Marmot nation' to tackle health inequalities.~~ Welsh Government press release, 16 June 2025

<sup>32</sup> Written evidence, Welsh Government

<sup>33</sup> RoP, 27 November 2025, para 173

beyond £840m in 2026-27. She also confirmed that the allocation of that ring-fenced funding would be a matter for individual health boards, based on their own local priorities.<sup>34</sup> However, she emphasised the importance of shifting towards prevention and early intervention, aiming to reduce reliance on acute and crisis services.

**48.** She further confirmed a focus on mainstreaming services like NHS 111 press 2, and improving performance through the Strategic Programme for Mental Health. On the latter, she stated that the Welsh Government “continue to invest £2.2m annually” in the programme.<sup>35</sup> The Minister also stressed the importance of third sector partnerships in delivering mental health services and indicated a desire for longer-term funding arrangements to support sustainability.

**49.** While assessments are being met for under-18s in Local Primary Mental Health Support Services, only two-thirds of children are starting therapeutic treatment within the target timeframe (67.6% within 28 days). We asked the Minister MHW what steps were being taken to close this gap and ensure timely access to care for children and young people, and how the 2026-27 budget was supporting this. She told us about “a pilot that we’ve run that came out of the children’s grant (...)—£2.6 million for pilots for the sanctuary model”. She said that an evaluation was about to be completed, and noted early evidence suggests positive outcomes, including reduced pressure on CAMHS and improved educational attainment for young people.<sup>36</sup>

**50.** In relation to the Mental Health and Wellbeing Strategy and the Suicide Prevention and Self-harm Strategy published in April 2025, the Minister MHW stated that these strategies were developed “in the current financial context” and are “not dependent on new or additional funding”.

## **Social care reform and a National Care Service**

**51.** Introduced in April 2022, the Social Care Reform Fund is intended to support activity to promote reform and improvement in social care. It complements funding provided as part of the local government settlement.

**52.** The Minister CSC stated that the Fund continues to support the development of a National Care and Support Service for Wales. She told us that stage 1 of that work, which involved the commissioning of research to understand

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<sup>34</sup> RoP, 27 November 2025, para 209

<sup>35</sup> Written evidence, Welsh Government

<sup>36</sup> RoP, 27 November 2025, para 217

the financial implications of transitioning to a system free at the point of need, including international comparisons and modelling, had now been completed. That work will inform stage 2, which is scheduled for 2026–28.

## **Integration of health and social care**

**53.** The Welsh Government will continue funding the £146.8m Regional Integration Fund (RIF) to support integrated health and social care models.

**54.** It will also continue to invest in the Integrated Community Care System (ICCS), which aims to strengthen community-based health and social care, particularly for people living with frailty, with £11.95m allocated for enhanced nursing and care planning.

## **Our view**

**55.** The Welsh Government state that health and social care remain top priorities for them, 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, and it is crucial that longer-term investment in prevention is not lost in short-term decision-making.

**56.** Investment in prevention is vital in order to change the focus from treating illness to promoting health and reducing inequalities. The Welsh Government continues to emphasise the importance of shifting future spending towards prevention, but has still not been able to demonstrate a significant shift in this area in its health spending allocations. It is disappointing to hear that the work being undertaken on preventative spend analysis has had to be paused due to competing priorities and resource constraints. We ask the Cabinet Secretary to give an indication of when work in this area will resume, as well as any timelines or key milestones.

**57.** In May 2025, both the Future Generations Commissioner and the Auditor General for Wales published statutory reports required under Well-being of Future Generations (Wales) Act 2015. Prevention and preventative spending were key themes in both reports. The Auditor General for Wales found that, while public bodies “recognised the need to work preventatively,” most were “struggling to make a more systematic shift towards prevention.” In his view the health service in

particular “has some way to go in applying future generations thinking across its planning and delivery”.<sup>37</sup>

**58.** Whilst we recognise the significant pressures that health bodies are facing, it is vital that progress is being made in the shift to prevention envisaged by the Well-being of Future Generations Act.

**Recommendation 3.** The Welsh Government highlights preventative spending as a core principle in health policy, with investment in early intervention and public health programmes, but accountability and impact measurement remain poor. We recommend that the Welsh Government scopes the feasibility of establishing a national preventative health outcomes dashboard. This scoping exercise should assess:

- The potential benefits of tracking key indicators such as reductions in avoidable hospital admissions, improvements in mental health and lifestyle outcomes, and long-term cost savings linked to prevention;
- The costs and practical implications of developing such a dashboard, including the extent to which existing data sources could be utilised to minimise additional burden.

**Recommendation 4.** In his response to this report, the Cabinet Secretary should indicate when he expects work on the preventative spend analysis to resume, and details of any timelines or key milestones.

**Recommendation 5.** Ahead of the debate on the Final Budget, the Cabinet Secretary should provide a short update on the external NHS analysis that is being undertaken in relation to preventative spending, including details of the work that has been commissioned and who is undertaking it.

**Recommendation 6.** Our successor committee should consider undertaking post-legislative scrutiny of the Health Impact Assessment (HIA) regulations to assess how effectively government departments are embedding prevention in policy and budget decisions.

**59.** In relation to women’s health, whilst we note the Minister’s evidence that £3m will be allocated each year for the next ten years, future years’ funding allocations will be subject to the priorities of the next Welsh Government. We remain of the view as stated in last year’s report on the draft budget, that a more

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<sup>37</sup> *No time to lose: Lessons from our work under the Well-being of Future Generations Act*, Audit Wales, April 2025

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comprehensive, sustainable funding commitment is needed to meet the health needs of women. We are concerned that the current level of funding, targeted specifically at hubs, may not be sufficient to deliver the systemic cultural change and training required to address gender health inequalities.

**60.** The evaluation of these pathfinder hubs, and decisions about any future expansion of the model by health boards, will take place during the term of the next Senedd. We wish to draw this to the attention of our successor committee, and suggest it is a matter that they consider at the appropriate time.

**61.** In relation to mental health spending, we welcome the continued protection of funding via the ringfence, and we welcome the Minister's evidence that she expects the allocation of £840m to increase. We note her evidence that the distribution of the ring-fenced funding will be a matter for health boards according to their own local priorities. While we understand the principle behind this, we believe there is merit in ensuring that this ring-fenced funding is accompanied by clearly defined outcomes, particularly in light of the Welsh Government's strategic focus on prevention and early intervention to reduce reliance on acute and crisis services.

**Recommendation 7.** The Welsh Government should ensure that the ring-fenced allocation for spending on mental health is accompanied by a set of clearly defined, measurable outcomes that reflect the Welsh Government's strategic priorities.

**62.** In relation to local primary mental health support services, we are concerned that, while assessments are being met for under-18s, only two-thirds of children are starting therapeutic treatment within the target timeframe. We are keen to see steps taken to close this gap and ensure timely access to care for children and young people. We note that evaluation of a pilot for the sanctuary model is about to be completed. We ask the Minister to update us on the findings of this pilot in due course.

**Recommendation 8.** By the end of February 2026, the Minister for Mental Health and Wellbeing should write to us with details of the findings of the evaluation of the sanctuary model pilots, including any possible next steps.

**63.** As regards social care reform and the National Care Service, we note the Minister's evidence that stage 1 has been completed, and that the findings from the commissioned research will inform the stage 2 work. We would welcome further information from her on the findings of the stage 1 work, as well as details

of the work that will be undertaken at stage 2 and the timescales and milestones for this. Further, we believe that our successor Committee should continue to monitor progress with National Care Service developments.

**Recommendation 9.** The Minister for Children and Social Care should write to the Committee with details of:

- the findings of the stage 1 work on the National Care Service, including the information she intends to publish following the completion of stage 1, and when she will do this; and
- information about the work that will be undertaken at stage 2, including the timescales and milestones for this.

## 4. Health boards' financial position

**64.** The Cabinet Secretary's written evidence confirms that for 2025-26, the in-year position (as at September 2025) is a "forecast deficit of £191 million; which is underpinned by assumed delivery of £291m of savings". He noted that this savings requirement is in addition to the £296m savings delivered in 2024-25. He states:

*"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".<sup>38</sup>*

**65.** He confirms that NHS bodies will again need to deliver a material level of savings and efficiency for 2026-27, saying:

*"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."<sup>39</sup>*

**66.** He noted that, at month six, against the planned savings of £291m, NHS organisations "can describe confidence in delivery of £260.7m with further action

<sup>38</sup> Written evidence, Welsh Government

<sup>39</sup> Written evidence, Welsh Government



required to close the residual gap”. As such, he stated, there remains risk to delivery of this forecast position.<sup>40</sup>

**67.** He also confirmed that, 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”, described by the Cabinet Secretary as “extremely challenging” given health boards’ current position, the expected levels of inflation in healthcare, the costs of new treatments and the general demand growth for services.<sup>41</sup>

**68.** The Cabinet Secretary states that “the draft budget, at this stage, falls far short of the estimated pressures and issues being forecast for the NHS”, but that the draft budget is the “starting point” of the process, not the end, and ‘leaves room’ for further investment by the Final Budget in January.<sup>42</sup>

**69.** The Cabinet Secretary has confirmed that the main NHS health board allocation letter has not yet been completed and will be shared with the Committee once issued to the NHS.<sup>43</sup> He also confirmed that the only funding which will be retained by the Welsh Government through the HSC MEG is £86m to off-set 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.<sup>44</sup>

## **Health boards’ financial performance and planning**

**70.** The Cabinet Secretary’s written evidence updates the overall financial performance of health boards, including the projected end-of-year position for 2025-26. He noted that all Trusts and special health authorities have submitted balanced IMTPs, along with three health boards. The remaining four health boards submitted plans which failed the statutory duty, and were not recommended for approval.

**71.** He stated that the cumulative position of health boards’ IMTP submissions was a “forecast deficit of £187m”, which, in month six, was £190.9m. He further stated that 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

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<sup>40</sup> Written evidence, Welsh Government

<sup>41</sup> Written evidence, Welsh Government

<sup>42</sup> Written evidence, Welsh Government

<sup>43</sup> Written evidence, Welsh Government

<sup>44</sup> Written evidence, Welsh Government



position.” He noted that this funding was retained within the MEG to offset target control totals set in 2024-25.<sup>45</sup>

**72.** We challenged the Cabinet Secretary on the Welsh Government’s long-term strategy for reducing health boards’ reliance on centrally retained funding, and the lessons being learned to strengthen budget-setting, oversight and accountability. Hywel Jones, Director of Finance for Health, Social Care and Early Years, Welsh Government, told us that a “very clear control framework” had been put in place in 2023-24, and the Welsh Government had sought to build on that. He said:

*over the last four-year period, the [health] service would have delivered around £1 billion in savings, around £600m of which is recurrent.”*<sup>46</sup>

**73.** He told us that, in terms of transparency and accountability, that consistent and equitable framework had been important, along with a ‘no bail-out’ approach and an expectation that plans and commitments are met.<sup>47</sup>

**74.** He set out that the £86 million retained this year was funding that directly offset the target control totals that were set last year. He confirmed there was some variation across the seven health boards, and that the Welsh Government would “retain that funding centrally until we’ve got a clear route-map”.<sup>48</sup>

**75.** In terms of learning lessons, he said that the Welsh Government’s approach was “looking to provide an appropriate level of funding to the system to meet inflation and demand, driving a high ambition in terms of addressing variation and savings, and having a route-map for organisations in deficit that can be supported.”<sup>49</sup>

**76.** Given the £86m held centrally with the MEG and the forecast £190m NHS deficit, we asked the Cabinet Secretary what criteria would be used to allocate this funding. He confirmed that the target control totals were an interim arrangement to get health boards back into balance and that the Welsh Government was providing support based on health boards’ respective profiles and their ability to perform against their financial challenges.<sup>50</sup>

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<sup>45</sup> Written evidence, Welsh Government

<sup>46</sup> RoP, 27 November 2025, para 41

<sup>47</sup> RoP, 27 November 2025, para 42

<sup>48</sup> RoP, 27 November 2025, para 42

<sup>49</sup> RoP, 27 November 2025, para 43

<sup>50</sup> RoP, 27 November 2025, para 59-60

## Our view

**77.** Despite additional allocations, NHS Wales faces a forecast deficit of £191 million for 2025-26. This relies on health boards making significant savings of £291m in addition to those already made in 2024-25, described by the Cabinet Secretary as “more than the NHS has achieved historically and greater proportionately than the historic evidence base of what health care systems are assessed as being able to deliver”. On top of this, health boards will be required to deliver a “material level of savings and efficiency for 2026-27”.

**78.** In addition to the significant savings expected of health boards, they have been told to plan for no uplift outside of pay inflation in 2026-27. This makes financial sustainability a major challenge.

**79.** The Cabinet Secretary has told us that health organisations are “not confident” they will be able to deliver the savings required for the current financial year. Given this position, we question the decision not to put in place any contingency plans if health boards fail to meet the expectations set for 2026-27.

**Recommendation 10.** Given the lack of contingency in the draft budget, the Cabinet Secretary should set out the actions the Welsh Government plans to take in the event that health boards fail to meet their financial expectations for 2026-27, including how patient safety and service continuity will be safeguarded.

**80.** The Cabinet Secretary has told us that 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”. Whilst we recognise that the draft budget is not the final financial picture, we believe it is important that the Cabinet Secretary provides information publicly about the areas or services that are being considered for possible future reduction, and how the Welsh Government intends to measure the impact of these on health outcomes and financial sustainability.

**Recommendation 11.** The Cabinet Secretary should provide details of discussions with health boards about any areas or services being considered for possible future reduction as a consequence of the current draft budget allocation. This should include details of criteria used to prioritise services, the timeline for any decisions and information about how the outcomes of these decisions will be communicated publicly.

## 5. NHS waiting times

**81.** In relation to planned care recovery, the Cabinet Secretary's written evidence confirms that the draft budget does not provide additional funding (beyond the existing £20m) to continue the 2025/26 planned care plan on a recurrent basis. He stated:

*"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."*<sup>51</sup>

**82.** The additional £100m had been allocated as part of a year-long plan to eliminate two-year waits; reduce the overall waiting list by 200,000; and restore the eight-week diagnostic target by March 2026. The Cabinet Secretary's written evidence states that the achievement of these delivery targets "will support a more robust and sustainable planned care position for 2026-27".<sup>52</sup>

**83.** He confirmed the commitment to continue the planned care transformation fund and the clinical planned care programme into 2026-27. He stated that the transformation fund will "continue to build on models of care that build sustainability and national consistency in approach".<sup>53</sup>

**84.** During our scrutiny session, we questioned the Cabinet Secretary as to whether the existing £20m would be sufficient to meet the recovery targets. He said the Welsh Government was taking a two-track approach; providing some additional funding to get the system "back into balance", and also ensuring that health boards were delivering on their 'clinical network optimisation frameworks' - clinically led reforms to individual services. He described these as "fundamental to the sustainability of the health service".<sup>54</sup>

**85.** We also asked him about the measures being taken by the Welsh Government to prevent further deterioration in access to planned care. He referred to additional funding provided to the two health boards with the longest waits, as well as some additional clinically-led support being provided for service improvements. He also referred to the increase in regional collaboration for

<sup>51</sup> Written evidence, Welsh Government

<sup>52</sup> Written evidence, Welsh Government

<sup>53</sup> Written evidence, Welsh Government

<sup>54</sup> RoP, 27 November 2025, para 149-151

service delivery, “partly as a result of ministerial direction”, saying this presented a “real opportunity” in relation to planned care.<sup>55</sup>

## Our view

**86.** In 2025-26, the allocation of an additional £100m aimed to bring the system back into balance, with a target of March 2026 to eliminate two-year waits, reduce the waiting list by 200,000 and restore the eight-week diagnostic target. That target deadline is not far away, and it will soon be possible to judge the results of that investment to determine whether it has delivered, as the Cabinet Secretary intends, a more robust and sustainable planned care position for 2026-27.

**87.** Looking ahead, the 2026-27 Draft Budget does not include additional funding for planned care recovery beyond the existing £20 million. With the overall waiting list still high and the budget settlement falling short of forecast pressures, we are concerned about the potential for any gains in planned care to be lost, and for the situation to deteriorate further. We acknowledge the work that has been undertaken to date by the Welsh Government to prevent this, including the increase in regional collaboration for service delivery, which we welcome. However, we believe the Cabinet Secretary should set out in greater detail what specific measures will be taken by the Welsh Government to sustain any gains in planned care recovery and prevent further deterioration, especially in those health boards struggling with long waits and pressured specialties.

**Recommendation 12.** In his response to this report, the Cabinet Secretary should set out:

- the specific measures that will be taken to sustain any gains in planned care recovery and to prevent further deterioration, especially in those health boards struggling with long waits and pressured specialties;
- whether he intends to make the case for additional funding in the Final Budget to respond to sudden increases in demand for specific services or specialties. This should include timelines, accountability mechanisms, and how regional collaboration and clinical optimisation frameworks will be embedded to secure long-term sustainability.

**88.** More broadly, reducing the backlog of planned care will take sustained investment over a period of years. The allocation of additional funding to reduce

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<sup>55</sup> RoP, 27 November 2025, para 156-157

waiting lists cannot be a routine measure. Any long-term plan to tackle the backlog must consider health and social care as a whole, inter-dependent system and seek to address the demand and capacity challenges across the board.

## 6. Capital investment

**89.** The Draft Budget 2026-27 allocates £625.8m in general capital funding to Health and Social Care. This is an increase of £6.3m compared to the 2025-26 Final Budget. Although this capital budget includes a 2 per cent inflationary uplift (£12.3m), the baseline was reduced by £5.45m due to one-off funding not being repeated.

**90.** In our scrutiny session, the Cabinet Secretary confirmed that £566m of that capital funding is available to be allocated. He went on to confirm:

*“We've got £116 million for estates infrastructure and equipment, and £112 million as discretionary funding for health boards to invest as they see fit locally.*

*We've got £60 million for digital transformation, £113 million for the all-Wales programme, which is around cyber security Wi-Fi upgrades, the more conventional IT kit questions.*

*Then there's a further £115 million that is in the process of being agreed, but that will be a mix of new-build activity and refurbishment.”<sup>56</sup>*

**91.** He told us there was a “multicriteria decision-making framework for what gets invested in”.<sup>57</sup>

### NHS Estate

**92.** The NHS estate maintenance backlog is estimated at £1.34 billion. The Targeted Estates Fund (£40m) will support high-risk estate issues, including fire safety, mental health, decarbonisation and infection control.

**93.** An indicative £566m capital budget for 2026-27 will support new builds, maintenance, digital infrastructure, and equipment. Key projects include Prince

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<sup>56</sup> RoP, 27 November 2025, para 132

<sup>57</sup> RoP, 27 November 2025, para 132

Charles Hospital refurbishment, Velindre Cancer Centre, and community diagnostic hubs.

**94.** In his evidence, the Cabinet Secretary stated that, due to the age of the estate and infrastructure, “conditions are likely to continue to deteriorate”. He further stated:

*“Without a significant programme of new build developments or large-scale redevelopment of existing sites, it is unlikely there will be a substantial or sustained reduction in the backlog maintenance liabilities.”<sup>58</sup>*

**95.** He also noted that, 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.”<sup>59</sup>

**96.** In relation to diagnostic equipment, the Welsh Government is “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”.<sup>60</sup>

**97.** Given the scale of the maintenance backlog, we asked the Cabinet Secretary why more of the unallocated capital funding had not been allocated towards this. He told us that the discretionary funding was available to health boards to get to grips with some of the backlog, and that they were being told by health boards that targeted interventions, such as roof works at the Princess of Wales hospital, were starting to make a difference.<sup>61</sup>

**98.** On decarbonisation of the estate, the Cabinet Secretary confirmed “that's one of the criteria that we already apply for making investment decisions”, and that a Resilience Survey, covering all elements of building adaptation, was due to report in the next couple of weeks. He also cited examples of innovation in this area, including a solar farm at Morriston hospital.<sup>62</sup>

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<sup>58</sup> Written evidence, Welsh Government

<sup>59</sup> Written evidence, Welsh Government

<sup>60</sup> Written evidence, Welsh Government

<sup>61</sup> RoP, 27 November 2025, para 134

<sup>62</sup> RoP, 27 November 2025, para 142

## Digital transformation

**99.** The Welsh Government plans to maintain the £40m Digital Priorities Investment Fund to support strategic digital transformation.

**100.** Alongside this, in 2026-27, the Welsh Government plans to introduce a targeted digital fund to “support investments in IT equipment, hardware refresh and cyber security”.

## Our view

**101.** As regards capital, the draft budget is fairly tight. While we were pleased to see that the Welsh Government has been able to maintain last year’s uplift and provide for a 2 per cent inflationary uplift, the overall increase in capital budget for 2026-27 of £6.3m leaves limited scope for new infrastructure projects, unless additional funding is provided later in the budget process.

**102.** The cost of running an ageing NHS estate and infrastructure continues to increase, and NHS organisations have to balance the ongoing costs of repair and maintenance against the need to invest in improved buildings, equipment and digital provision. We are concerned that the current capital allocation could constrain the delivery of service reconfigurations and hamper decarbonisation and long-term resilience measures, including upgrading buildings to cope with future climate challenges. We note the Cabinet Secretary’s evidence that a Resilience Survey is due to report shortly, and we ask him to update us in due course about the findings of that survey and any actions the Welsh Government plans to take as a result of it.

**Recommendation 13.** By the end of February 2026, the Cabinet Secretary should update the Committee on the findings of the Resilience Survey into the NHS estate, including details of any actions the Welsh Government plans to take as a result of it.

**103.** More broadly, and given the sheer scale of the estate maintenance backlog, we believe there is a need for a clear, long-term capital strategy which addresses that backlog and invests in buildings, equipment and digital systems. Given the proximity of the next Welsh general election, however, we recognise that such a strategy will be a matter for the next Welsh Government, and should be of interest to our successor committee.

**104.** In relation to the digital infrastructure, we note the £60m allocation for digital transformation and £113m for the all-Wales programme. Of particular



concern to us is the matter of digital maintenance contracts, especially a reliance on long-term contracts based in the US and the impact of inflationary pressures and exchange rates, and the effect of such contracts on digital integration across the NHS in Wales. We ask the Cabinet Secretary for his response to these concerns.

**Recommendation 14.** In his response to this report, the Cabinet Secretary should set out the Welsh Government's view on the matter of digital maintenance contracts and, in particular, the reliance by some health boards on long-term internationally-based contracts and the effect of such contracts on digital integration and connectivity across the NHS in Wales.

## 7. The NHS workforce

**105.** The draft budget includes a 2.2 per cent uplift for public sector pay and maintains funding for the Real Living Wage for social care workers.

**106.** In his written evidence, the Cabinet Secretary confirms that Welsh Government has remitted two independent pay review bodies – the NHS Pay Review Body and the Doctors and Dentists Review Body. He states that affordability will “need to be considered once recommendations from those bodies are known, but that,

*“at this stage in the budget process, we are not in a position to hold any contingency within the MEG” [to accommodate potential outcomes of NHS pay negotiations].”<sup>63</sup>*

**107.** We challenged the Cabinet Secretary on the lack of provision of contingency arrangements in the draft budget. He told us:

*“in putting the budget together, we've looked at a number of elements, so the Office for Budget Responsibility's forecast for inflation and pay growth in the wider economy, and then an uplift, obviously, as you know, has been provided to each MEG. But staffing is one of the largest items of expenditure in the health service, for obvious reasons, and we want to make sure that we're balancing fair pay for hard-working health and care workers with the ability to deliver the service overall.”<sup>64</sup>*

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<sup>63</sup> Written evidence, Welsh Government

<sup>64</sup> RoP, 27 November 2025, para 189



## Agency and locum staff

**108.** The Welsh Government's evidence paper confirms a significant reduction in agency and locum expenditure, from £325 million in 2022-23 to a forecasted £123.5 million in 2025-26, with all health boards expected to continue this downward trend.

**109.** During our scrutiny session, the Cabinet Secretary told us that, whilst there was still further to go, there had been a "pretty good level of success in a short period of time". He said that work in this area had led to "better retention, fewer vacancies" and greater flexibility for permanent staff. "The other thing that has been beneficial is encouraging people to go on the bank, because they're on 'Agenda for Change' terms and conditions, and that is obviously preferable overall."<sup>65</sup>

## Our view

**110.** As it currently stands, the 2026-27 draft budget does not include any contingency funding to accommodate potential outcomes of NHS pay negotiations. We believe the Cabinet Secretary should provide further information about how any pay review body outcomes above current assumptions will be funded or managed.

**Recommendation 15.** The Cabinet should publish the workforce risk and mitigation plan alongside the Final Budget, setting out how potential pay review body outcomes above current assumptions will be funded or managed. This plan should include contingency options and timelines for implementation.

**111.** More broadly, we welcome the significant reduction in spending on agency and locum staff. This progress is starting to deliver better retention of existing staff and fewer vacancies. However, agency and locum costs remain substantial, and sustaining this improvement will depend on continued efforts to boost retention and expand the use of NHS staff banks.

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<sup>65</sup> RoP, 27 November 2025, para 185

## 8. Social care services and workforce

### Pressures on social care services

**112.** According to the WLGA, “the financial outlook is increasingly precarious, shaped by rising demand, escalating costs, workforce fragility, and uncertain funding streams”. It has reported that social services continue to face acute and escalating financial challenges, with councils reporting significant in-year pressures and substantial overspends.<sup>66</sup>

**113.** Given the modest uplift in the budget, we challenged the Minister CSC on whether she was confident it would be sufficient to meet the growing demand for social care. She told us that social care is predominantly a local authority service and “the predominant amount of funding that goes into social care is through local government” with a “relatively small” contribution from the HSC MEG, mainly in the form of grants. She said:

*“I'm actually going through a series of regional accountability meetings at the moment with each of our regions—so, that's the chairs of RPBs, it's the health boards and local authorities—to report back to me as Minister, and, ultimately, to the Cabinet Secretary, as well, about their delivery and what they're doing in that space to ensure that the money that is being allocated to them is being (...) used, in a way that's delivering those objectives.*

*What sits alongside that, however, and which is particularly challenging, is the increasing demand, and the demand is something that you can't control.”<sup>67</sup>*

**114.** We asked the Minister CSC whether grant funding was a sustainable way of funding these social care services, given the repeated criticisms that such arrangements do not provide certainty. She emphasised that core social services are funded by local authorities via the RSG, whereas grant funding is primarily provided to third sector organisations. She highlighted the five-year grants made available for social services which, she said, were “quite unique” in terms of grant funding and recognised the need for stability in service delivery.

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<sup>66</sup> [WGDB\\_26-27\\_45.WLGA written evidence to the Finance Committee's consultation on the Welsh Government draft budget 2025-26](#)

<sup>67</sup> RoP, 27 November 2025, para 105-107

**115.** She told us that the Welsh Government had identified that significant grant-funded Programme for Government commitments were not always delivered consistently across Wales. In response to this, the Welsh Government will adopt a new approach of seeking delivery from third sector partners on an all-Wales basis.<sup>68</sup>

**116.** Domiciliary care is consistently cited as a key area experiencing increasing demand and overspend. According to the WLGA, one council reported a £2.7m pressure in domiciliary care alone<sup>69</sup>. The Homecare Association has said that providers are in significant budget deficit and only a budget increase above inflation would enable them to meet rising costs and maintain service standards.<sup>70</sup> They said that providers are left absorbing rising national costs, while commissioners continue to set fee rates that do not reflect true delivery costs. They and Care Forum Wales have said that fee uplifts from local authorities to purchase care have consistently fallen short of covering the combined impact of RLW and NICs.

*“When fee rates fall short, margins shrink, quality is put at risk and the workforce leaves for other sectors”.*

**117.** Local authorities and the WLGA continue to call for the maximum weekly charge to be raised for non-residential care services to ease cost pressures.<sup>71</sup> The Welsh Government announced in December 2024 that there would be no increase to the limit “at this time” following consultation.<sup>72</sup>

**118.** We asked the Minister CSC for her response to the continued calls from local authorities on this. She confirmed her decision not to raise the cap, saying this was guided by a desire to “protect the most vulnerable and the least able to pay those domiciliary care fees”, and to stand by the Programme for Government commitment not to raise the fee to more than £100 per week in this term of Government. She highlighted the additional financial support provided to local authorities “to compensate, in effect, for us not raising the cap.”<sup>73</sup>

<sup>68</sup> RoP, 27 November 2025, para 110-112

<sup>69</sup> [WGDB\\_26-27 45. WLGA written evidence to the Finance Committee’s consultation on the Welsh Government draft budget 2025-26](#)

<sup>70</sup> [WGDB\\_26-27 12. Homecare Association written evidence to the Finance Committee’s consultation on the Welsh Government draft budget 2025-26](#)

<sup>71</sup> [WGDB\\_26-27 45. WLGA written evidence to the Finance Committee’s consultation on the Welsh Government draft budget 2025-26](#)

<sup>72</sup> Written Statement: [Raising the weekly maximum charge for adult non-residential care and support](#), Welsh Government 6 December 2024

<sup>73</sup> RoP, 27 November 2025, para 125

**119.** We questioned the Minister CSC on the Welsh NHS Confederation's evidence calling for an independent assessment of local authorities' social care spending to address variation in investment in social care across Wales. She told us:

*"Our ambition is absolutely to have that national care service with a national fee methodology that will be consistently applied across the whole of Wales. So, in a sense, that is the work that we are doing. That is stage 1 of the move towards a national care service, and the work that we're doing on that will inform stage 2, which will be about how we can deliver that consistent fee methodology across the country."*<sup>74</sup>

## **Social care workforce**

**120.** The Minister's written evidence confirms that the draft budget will maintain funding for the Real Living Wage (RLW) for social care workers, with the local government RSG continuing to include funding to cover the difference between the National Living Wage (NLW) and the RLW.

*..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*

**121.** We continue to hear concerns about funding for the Real Living Wage (RLW). The WLGA has said that sufficient funding has not been made available in the settlement, and the independent sector said funding is not reaching providers. In her written evidence, the Minister CSC noted that an independent evaluation of the RLW (due to be published later this autumn) is expected to highlight some challenges, including the fact that funding is not ringfenced.<sup>75</sup>

**122.** In relation to the social worker bursary, a £10m increase over three years was announced in 2022. The Minister confirmed that funding for this bursary would be continued at the increased levels for 2026-27.<sup>76</sup> Additionally, the Workforce Development Programme (£10.9m) will continue to support recruitment and retention.

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<sup>74</sup> RoP, 27 November 2025, para 128

<sup>75</sup> Written evidence, Welsh Government

<sup>76</sup> Written evidence, Welsh Government

**123.** In relation to social care workforce data, the Minister's written evidence stated that Social Care Wales and Care Inspectorate Wales are working to merge their data collection processes from 2026 so providers will only need to submit one set of data. She also stated that Social Care Wales will be issuing a joint letter (co-signed by Welsh Government and Care Inspectorate Wales) urging providers to complete their returns.

**124.** She also referenced the development of social care checkpoint data; a monthly data collection from the twenty-two local authorities. She said that, whilst currently not published, "our ambition is to publish social care data."<sup>77</sup>

## **Our view**

**125.** We were concerned to hear reports from health leaders that the lack of funding for social care is one of the biggest risks to the future sustainability of the health and care system. They have stated that the last few years have "exposed deep cracks" in the social care system and have "exacerbated structural vulnerabilities, with devastating consequences for social care residents and their families".

**126.** Equally concerning are reports from local government that their financial outlook is increasingly precarious, with social services continuing to face acute and escalating financial challenges and councils reporting significant in-year pressures and substantial overspends.

**127.** We believe the Minister's response, that the HSC MEG provides a "relatively small" contribution to funding for social care, mainly in the form of grants, does not adequately address the issue, particularly given the repeated criticisms that such arrangements do not provide certainty. We believe the Welsh Government needs to do more to demonstrate that it continues to prioritise funding for social care alongside funding for the NHS.

**Recommendation 16.** In her response to this report, the Minister for Children and Social Care should outline how the draft budget will deliver the Welsh Government's objectives and priorities for social care.

**128.** On the matter of uncertainty with short-term grant funding, whilst we acknowledge the Minister's evidence that some grants have been made available on a 5-year basis, we believe that considerably more work is required to ensure more sustainable funding is made available to providers delivering proven and

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<sup>77</sup> Written evidence, Welsh Government

essential health and care services, and to reduce the uncertainty and disruption that short-term funding cycles cause

**129.** Further in relation to grant funding, we welcome the new approach being adopted by the Welsh Government to requiring delivery of services by third sector partners on an all-Wales basis in order to improve consistency. We suggest that the impact of this approach is a matter that may be of interest to our successor committee.

**130.** In relation to the social care workforce, we remain concerned by reports that funding for the Real Living Wage is insufficient and not reaching providers. We note the Minister's evidence that the independent evaluation of the RLW is due to be published later this autumn and is expected to highlight some challenges, including the fact that funding is not ringfenced. We ask the Minister to update us on the findings of that evaluation, including any steps the Welsh Government intends to take as a consequence.

**Recommendation 17.** By the end of February 2026, the Minister for Children and Social Care should:

- update us on the findings of the independent evaluation of the Real Living Wage (due to be published this autumn), and provide details of the steps the Welsh Government intends to take as a consequence of that evaluation;
- set out her response to the suggestion that the Welsh Government should consider ringfencing the funding for the Real Living Wage for social care workers, given the ongoing concerns about inconsistent implementation and funding shortfalls.

**131.** In relation to social care workforce data, the Minister referred to the development of social care checkpoint data - a monthly data collection from the twenty-two local authorities, saying that whilst not currently published, it was her ambition for this social care data to be published. We ask that she sets out her anticipated timescales for this.

**Recommendation 18.** In her response to this report, the Minister for Children and Social Care should set out her anticipated timescales for publication of the social care checkpoint data.

## 9. Unpaid carers

**132.** The Minister’s written evidence states that the Carers Support Fund (£1.75m) and Short Breaks Scheme (£3.5m) will continue into 2026-27, providing financial assistance and respite care for unpaid carers. The Welsh Government has recently announced funding of £15.75m over the next three years (to 2029) to continue the two schemes.<sup>78</sup>

**133.** We heard from the Minister that 80 per cent of carers accessing the Short Breaks 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. She also told us that “almost half of applicants to the Carers Support Fund and Short Breaks Scheme are not previously known to statutory services”, which she said illustrated the value of those two funds.<sup>79</sup> The Minister’s evidence notes that both schemes “significantly exceeded their delivery targets for the period 2022-25, although “demand continues to exceed the capacity of the schemes”.<sup>80</sup>

**134.** The Minister confirmed the development of a refreshed, updated National Strategy for Unpaid Carers, to be published post-March 2026<sup>81</sup>. She told us:

*“£717,500 has been allocated (..) to provide services and support to unpaid carers and to deliver the objectives of the Welsh Government strategy for unpaid carers”.<sup>82</sup>*

**135.** The Minister CSC’s written evidence says that respite care remains a major need voiced by carers, and that it will set out renewed expectations of local authorities to provide sufficient respite as part of their statutory responsibilities. We asked the Minister what further action and funding support the Welsh Government was willing to provide to improve the implementation of the Social Services and Wellbeing Act and ensure carers rights are upheld.

**136.** She told us:

*“the starting point here is the statutory responsibility for unpaid carers in terms of their assessments and respite care sits directly with the local authority, and is funded by the local*

<sup>78</sup> ‘£15.75m Welsh Government funding to support unpaid carers’, press release, Welsh Government 5 November 2025

<sup>79</sup> Written evidence, Welsh Government

<sup>80</sup> Written evidence, Welsh Government

<sup>81</sup> RoP, 27 November 2025, para 206

<sup>82</sup> Written evidence, Welsh Government



*government settlement and not through the health and social care MEG. What we do through the health and social care MEG is to supplement that statutory provision”<sup>83</sup>.*

**137.** She told us she was “very concerned” by reports that not enough unpaid carers are getting their statutory entitlement to an unpaid carers assessment, and that she would be “writing directly to leaders of local authorities to impress upon them, politically, the need for them to be complying with their legal requirements to ensure that every unpaid carer that is identified is offered a carers' needs assessment.”<sup>84</sup> She continued:

*“Once they have a carers' needs assessment, if that assessment identifies that respite care should be delivered then the local authority have got a statutory responsibility to deliver it. So, I'm very clear about that, as is my colleague the Cabinet Secretary for Housing and Local Government..”<sup>85</sup>*

## **Our view**

**138.** Unpaid carers play a vital role in caring for and supporting their friends and family members. Without their dedication, health and social care services would be overwhelmed. It is so important that carers themselves receive the help and support they need to be able to continue caring. As such, we welcome the recent announcement of three-year funding for the Carers Support Fund and the Short Breaks Scheme. We note, however, that demand continues to exceed the capacity of the schemes.

**139.** Unpaid carers continue to stress the need for respite care. We note the Minister's evidence that she intends to set out renewed expectations of local authorities to provide sufficient respite as part of their statutory duties, and that she intends to write to local authority leaders to emphasise the need for them to comply with their legal requirements to offer a needs assessment to every unpaid carer who asks for one. However, we are not convinced this will be enough to deliver the level of change required.

**140.** As we stated in our report on last year's draft budget, we believe there is the case for increased, sustainable investment in respite care, particularly on the basis

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<sup>83</sup> RoP, 27 November 2025, para 201

<sup>84</sup> RoP, 27 November 2025, para 202

<sup>85</sup> RoP, 27 November 2025, para 202



that demand continues to outstrip supply. We believe the Minister should seek additional funding in the Final Budget for this purpose.

**Recommendation 19.** The Welsh Government should provide increased, sustainable funding for respite care in recognition of the demand and level of unmet need identified by unpaid carers.

## 10. Pressures on independent and third sector providers

### National Insurance contributions

**141.** In his written evidence, the Cabinet Secretary identified a £16m shortfall in the Health and Social Care MEG which, he stated, was due to a shortfall in funding for increased employer National Insurance Contributions:

*“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.”<sup>86</sup>*

**142.** The Cabinet Secretary stated that the NHS, arms-length bodies and internal Welsh Government programme funded staff budgets have all been required to manage the shortfall in NIC funding, “circa 15 per cent of their actual cost increase”. He confirmed that the Welsh Government “continues to make the case

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<sup>86</sup> Written evidence, Welsh Government

to the UK Government to fully fund increased public sector employers' NICs costs in Wales in the same way it has in England."<sup>87</sup>

**143.** Care Forum Wales and the Homecare Association have said that providers have been left to absorb the additional costs from National Insurance rises without adequate support, noting that they are dependent on commissioner set rates (which, they say, often do not reflect true delivery costs). Care Forum Wales said the Welsh Government's decision not to provide additional funding "threatens the stability of an essential sector that underpins the NHS"<sup>88</sup>.

**144.** In relation to hospices and third sector partners, the Cabinet Secretary's written evidence confirmed that no specific additional funding has been allocated in the MEG for the impact of employers' NICs. It does, however, state that £3m has been allocated recurrently to support the hospice sector, "recognising the financial challenges it faces across a number of areas."<sup>89</sup>

## **Palliative and end of life care**

**145.** In the draft budget, £3.17m will be allocated to support the hospice sector in 2026-27. This funding will be recurrent, maintaining the commitment made in 2025-26.

**146.** There is £9m of ringfenced funding within the main NHS allocation specifically for palliative care; bereavement support; and commissioned care from hospices. An additional £1m is allocated to Velindre Trust to support people nearing the end of their life.

**147.** We asked the Cabinet Secretary how confident he was that the current allocation would be sufficient to meet rising demand and ensure equitable access across Wales. He told us:

*"We've increased over this Senedd term investment very significantly in hospice care, with over £6.2 million annually in core funding and (...) £9.5 million in a one-off grant. So, the uplift that we put in in 2025-26 has been well received, but, obviously, there are ongoing pressures."*

**148.** He said that one of the challenges was how to create more stability in the sector and more visibility of funding, and highlighted the work being undertaken

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<sup>87</sup> Written evidence, Welsh Government

<sup>88</sup> WGDB26-27 43, Care Forum Wales, written evidence to the Finance Committee

<sup>89</sup> Written evidence, Welsh Government

on a new commissioning approach. He stated that phase 1 of that work had been completed, with the second phase now underway, “and that's about a national commissioning approach with core principles and a new model”. He said he expected that work to be completed by the end of this Senedd, with some further work still to be done in preparation for the 2027-28 financial year. He told us:

*“what we're trying to do is to move through the commissioning process into a more stable funding environment, where we can be clear about the expectations, make sure there's equitable access where those services are commissioned, and then those who provide them have the visibility of funding that goes with those contracting arrangements.”<sup>90</sup>*

## Our view

**149.** In relation to National Insurance Contributions, we note the Cabinet Secretary’s evidence that 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. Given the £16 million shortfall in the NHS alone created by increased employer National Insurance Contributions, and the ongoing request for UK Government support, we ask the Cabinet Secretary to set out what contingency measures are in place if the funding gap is not resolved, and what is the Welsh Government’s response to calls for target support.

**Recommendation 20.** In his response to this report, the Cabinet Secretary should set out:

- the contingency measures that will be implemented if the £16m funding gap created by increased employer National Insurance Contributions is not resolved;
- how the Welsh Government will support NHS bodies and third sector providers to manage these additional costs without compromising service delivery; and
- whether further engagement with the UK Government or alternative funding options are being pursued.

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<sup>90</sup> RoP., 27 November 2025, para 197-199

**150.** In relation to palliative and end-of-life care, there are ongoing concerns from the hospice and palliative care sector about financial pressures and long-term sustainability.

**151.** We note the work being undertaken on a new commissioning approach to provide a more stable funding environment, but this is some way off completion. In the meantime, we believe there is a compelling case for additional funding for this vital service, and we urge the Cabinet Secretary to make the case for this in his negotiations on the Final Budget.

**Recommendation 21.** We believe there is a compelling case for additional funding for vital palliative and end-of-life care services, and we recommend that the Cabinet Secretary makes the case for this in his negotiations on the Final Budget.