



# Welsh NHS Confederation response to the Finance Committee's scrutiny of the Welsh Government's 2026-27 Draft Budget proposals

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## Introduction

1. The Welsh NHS Confederation welcomes the opportunity to respond to the Finance Committee's scrutiny of the Welsh Government's Draft Budget 2026-27 proposals.
2. The Welsh NHS Confederation represents the seven Local Health Boards, three NHS Trusts (Velindre University NHS Trust, Welsh Ambulance Services University NHS Trust and Public Health Wales NHS Trust), and two Special Health Authorities (Digital Health and Care Wales and Health Education and Improvement Wales). The twelve organisations make up our membership. We are part of the NHS Confederation and host NHS Wales Employers.
3. NHS leaders welcomed the increase to the health and social care budget at a time where public finances across the UK are extremely challenging. NHS leaders acknowledge the need to maximise available resources to focus on achieving the best outcomes for patients and the additional funding has supported the NHS to respond to increasing demand on services. However, the lack of long-term financial certainty continues to present challenges to effective planning and delivery of quality health and care services. The priority for NHS leaders, especially within local health boards, is to return to normal financial arrangements where they are operating within financial allocations, with approved Integrated Medium-Term Plans (IMTPs).
4. As highlighted in our recent [report](#) following a survey of NHS leaders, the Welsh NHS Confederation believe it is imperative there is a fundamental shift in the health and social care system over the next decade. At its heart, this is about moving from a reactive model (treating people when they are unwell) to a proactive one (focusing on prevention and early intervention). Creating a sustainable system requires a cross-sector effort to build healthier and more prosperous communities, reducing demand well into the future. To this end, services that support people's health and reduce inequalities should be considered across all government departments. It is vital the whole public service ensures that any policy implementation and spending decisions make the biggest impact on the lives of the communities they serve. Therefore, concerted and coordinated effort is needed to reduce the unfair health gap in Wales and create an economy and society

orientated toward health, wellbeing and equality, to put Wales on a stronger footing for the challenges that lie ahead.

5. The Budget also plays a pivotal role in advancing the goals of the Well-being of Future Generations (Wales) Act 2015, by directing resources towards initiatives that align with its seven well-being goals. A Budget focused on these goals fosters long-term sustainability while promoting health, equality and prosperity for future generations. The decisions made now by the Welsh Government and NHS leaders will have a long-term impact on the health and wellbeing of the population.

## Key priorities for NHS leaders

6. As the membership body representing NHS leaders in Wales, we ask that the Welsh Government Budget for 2026-27 supports the following areas:
  - **Investing in prevention:** Increased investment in prevention is vital to shift the focus from treating illness to promoting health, reducing inequalities, and addressing wider determinants of health for long-term wellbeing and economic growth. This is a whole-government issue, as the building blocks of health include housing, transport, energy, the arts and education among other sectors. For example, spending on key determinants of health such as fuel poverty, housing quality and public health programmes will reduce future healthcare costs by improving population health and reducing the burden of preventable disease.
  - **Longer-term funding cycles:** Both the UK and Welsh Governments must move from short-term to long-term budget setting to give sectors increased financial certainty. Across the UK, the NHS's ability to meet its long-term plans to transform services and prevent more illness is being hindered by short-term funding constraints and annual budgets.
  - **Capital:** The NHS requires a long-term capital strategy that invests in buildings, equipment, and digital systems, while also leveraging technological advancements to improve efficiency, patient outcomes, and staff environments. This includes examining how fiscal rules might be amended to allow for the recycling of capital. This would make NHS estates more sustainable, boost productivity and support the NHS to tackle the elective care backlog, reduce its environmental impact, maximise public assets, regenerate the local economy and ultimately improve patient outcomes.
  - **Workforce:** Support the development of an overarching long-term workforce plan and sustainably increase investment in the NHS workforce, so we continue to see an increase in the number of students and trainees across a range of professional groups. This includes investment in alternative training and education pathways, including apprenticeships and in education and training to upskill existing staff and enable the adoption of innovative ways of working.
  - **Social care:** Increase funding for local authorities to ensure the sustainability of the social care sector. Ring-fenced funding should have clearly defined outcomes to ensure spend drives the change needed.
  - **Digital investment:** Further investment in digital infrastructure to maximise the potential of digital innovations within the NHS, strengthening digital functionality across patient pathways for improved care delivery, data capture, and greater efficiency. Opportunities include enhanced self-care; connecting parts of our health, care and wider public services; enabling organisations to work in partnership to support the highest risk citizens first and deploying scarce staffing resources efficiently.
  - **NHS and the economy:** Recognise the NHS's role as a key driver of economic activity and employment when allocating budgets. As large employers, purchasers, and capital asset holders, NHS organisations are well positioned to use their spending power and resources to address the adverse social, economic, and environmental factors that widen inequalities and contribute to poor health outcomes. A well-resourced NHS is vital to the running of the economy, including supporting people to get work. [Research](#) by the

NHS Confederation demonstrates that for every £1 invested in the NHS, the economy gets £4 back in gross value added (GVA). Furthermore, for every £1 spent on [primary and community care](#), there could be increased economic output (GVA) by £14.

## Consultation questions

### 1. What, in your opinion, has been the impact of the Welsh Government's 2025-2026 Budget?

7. The significant increase in the 2025-26 Budget allocation to health services is appreciated and recognised. It provided additional financial support to NHS organisations, especially local health boards, to respond to health needs of their local populations as they continued to respond to increasing demand and system-wide challenges. While the additional funding was welcomed, NHS leaders acknowledge that this has caused pressures elsewhere for a number of Welsh Government departments and other sectors.
8. Like other public services across the UK, the NHS in Wales has been significantly impacted by a range of external drivers, leading to increased financial uncertainty and deficits. With a significant gap between the growth in healthcare demand and the inability to respond fully in the short to medium-term, within certain fiscal constraints, the financial health and sustainability of several organisations within the NHS in Wales is of concern. In 2025-26, four out of the seven health boards submitted deficit annual plans, which include a financial deficit amounting to £173m. This is a reduced number of organisations than in previous years. Furthermore month 4 of the NHS Wales finance report shows that the majority of health boards are struggling to achieve their financial plans for 2025-26, therefore managing expenditure within the resources available will continue to be challenging into 2026-27 and beyond.
9. Some positive developments following the increase in resources include:
  - Access times for treatment, longer than before the pandemic, continue to reduce.
  - Urgent care pathways in primary and secondary care for mental and physical illnesses have been redesigned.
  - New technologies and treatments continue to be introduced.
  - Funding the pay award for the workforce; invest in attracting and training future workforce and retaining the current workforce.
10. While there have been positive developments and additional funding welcomed, health organisations in Wales, like other parts of the UK have struggled to increase the proportion of funding being used for primary and community care in comparison to secondary care.
11. Factors contributing to the increased deficits over recent years include:
  - **Underlying deficits from 2024-25:** In 2024-25 all seven health boards failed to achieve financial balance and their deficits from 2024-25 were carried forward to 2025-26, acting as the starting point for 2025-26 budgets. The overall deficit for 2024-25 was £187m.
  - **Workforce:** A sustainable workforce is essential for a sustainable NHS. Workforce costs have increased in both the NHS and social care. Pay costs accounts for around 45 per cent of local health board revenue spend and are currently around £6.5bn with agency/locum spend of £125m. Workforce pay pressures are due, in part, to high levels of vacancies and sickness, which drive up the use of variable pay expenditure, such as agency costs. As highlighted by [Audit Wales](#), expenditure on agency staff

has grown steadily from 2019-20 to 2022-23 but did reduce by 19% in cash terms in 2023-24. Whilst the majority of this spend covers workforce vacancies, some also supports additional activity to help meet demand. Investment in education and training is key to supporting greater recruitment into NHS Wales, improving retention and developing new workforce roles to support service transformation.

- **Workforce planning:** The Welsh Government 2025-26 investment in education and training of the NHS workforce was maintained at the same level as the two previous financial years. Whilst this enabled the number of commissioned places to be maintained, this was significantly lower than the recommended levels in Health Education and Improvement Wales (HEIW) Education & Training Plan 2025-26 submitted to Welsh Government. Investment in education and training is key to supporting recruitment into NHS Wales, improving retention and developing new workforce roles to support service transformation.
- **Social care:** Social care services play a crucial role in care pathways by keeping people well at home, preventing hospital admissions, and enabling faster, safer discharges home. There continues to be a significant number of patients, on average [1,300](#), waiting to be discharged from hospital at any one time due to capacity challenges in the social care sector, costing the NHS hundreds of millions of pounds every year. The average rate of a hospital bed is £250 - £350 per night, meaning with 1,300 people medically fit for discharge, it costs an average of £325,000 – £455,000 per night to the NHS in Wales. This is a significant driver of financial pressure. The imperative to come together has never been greater, but there are organisational challenges to this. The care market is a particular challenge, with underinvestment in the number and quality of facilities in rural communities in particular.
- **New treatments and technology:** New treatments and technologies provide great opportunities, but the improvements we can make at high cost for small numbers of people needs to be weighed against the significant challenge for chronic conditions more broadly.
- **Maintenance of outdated estates and infrastructure:** The cost of running NHS estates and infrastructure continues to increase. The NHS is faced with an ageing estate, including digital infrastructure, which was not designed for current demands and therefore fails to meet modern standards. Many hospitals in Wales were built in the 1960s or earlier, with [11 per cent](#) of the estate built pre-1948 and only 6 per cent post-2015. For many NHS organisations, there are significant ongoing costs to repair estates and undertake essential maintenance. It is also key to invest in digital infrastructure, which is becoming increasingly important to mitigate cyber security risks and connect the health and care system.

12. While there have been higher deficits in recent years, NHS bodies are driving significant financial efficiencies in an attempt to contain costs.

## 2. How financially prepared is your organisation for the 2026-27 financial year, how confident are you that you can deliver planned objectives, and how robust is your ability to plan for future years?

13. The financial health and sustainability of several organisations within the NHS in Wales continues to be challenging. In 2025-26, four out of the seven local health boards' annual plans projected financial deficits, amounting to £173m (Cardiff and Vale University Health Board, Hywel Dda UHB, Swansea Bay UHB and Powys Teaching Health Board). This is a reduced number of organisations than in previous years, but managing expenditure within available resources will continue to be challenging into 2026-27 and beyond.

14. Inflationary pressures have had a significant impact in recent years. Whilst NHS Wales organisations have welcomed the additional funding from the Welsh Government, increasing costs as a result of inflation has had a significant impact on NHS delivery against government priorities. Historically, health services have required above inflation funding increases to meet growing demand and the needs and expectations of the public.
15. The significant risk and uncertainty of key funding streams makes financial planning increasingly difficult. For example, the current gap in funding digital programmes, with uncertainty surrounding the Digital Priorities Investment Fund, could disrupt progress on key digital programmes. Consequently, this presents a material risk specifically for Digital Health and Care Wales (DHCW). Digital maintenance contracts are a particular concern, especially given the reliance on contracts based in the US and the impact of inflationary pressures and exchange rates.
16. In relation to workforce, HEIW Education & Training Plan for 2026-27 has been submitted to Welsh Government. It recommends an increase in education and training based on policy and service priorities, workforce challenges raised by NHS Wales bodies, as well as workforce intelligence gained which recognises the changing nature of the future workforce. The NHS workforce needs to adapt and change over the next few years to recruit and retain its staff and effectively respond to the demand for healthcare in Wales. In addition, HEIW has developed a range of programmes and actions to improve recruitment / attraction into NHS Wales, improve retention of the existing NHS workforce and enable reform through workforce transformation, such as new workforce roles. This work recognises the importance of shaping the right culture in NHS organisations and developing leadership through organisations. Securing sustainable funding to deliver this work will enable a productive workforce to deliver the improved healthcare required.
17. The tight financial settlements over a period of years necessitates the ever-growing cost reduction programmes, which will require a fundamental rethink of the sustainability of some service areas in present service model configurations. NHS organisations are concerned that the focus on financial requirements could drive short-term decision making, shelving efficiency investment such as digital and service reconfiguration, and in some cases false economies. The severe constraints on capital will also hold up the delivery of cost-efficient service reconfigurations. The current state of many NHS facilities and the cost of the estate maintenance backlog also hampers the ability to meet decarbonisation and sustainability targets and capitalise on digital opportunities. Increased capital investments would be welcome and could be used to improve productivity and address the backlog of buildings maintenance and reduce environmental impact.
18. Finally, while it is well documented that the NHS accounts for around 50 per cent of the Welsh Government's budget, there must be recognition of the significant [contribution](#) the NHS makes to local and national economies, its influence on the health and wellbeing of local populations and its role in addressing regional inequalities. The NHS directly employs over [110,000](#) people across Wales to quality and stable jobs, is a purchaser of local goods and a commissioner of local services, which are used for social benefits, while its buildings and spaces support communities. Interventions designed to improve health, inclusive growth and wellbeing in Wales should be a shared priority in the interests of all local, regional and national partners, businesses and communities.

### **3. What action should the Welsh Government take to:**

- **help households cope with cost-of-living issues;**

19. Financial wellbeing is a building block of health and has a significant impact on the current and future demand on health services. The cost-of-living crisis is an ongoing public health issue that will have negative impacts on the health and wellbeing of the Welsh population both now and into the future. It is likely that those making the difficult decision to eat or heat their homes will require the support of the NHS, and so preventative action is required to alleviate any potential demand and to ensure inequalities are not exacerbated.
20. We must shift the focus from public health initiatives delivered through the NHS and local authorities to addressing factors that cause ill-health such as education, poor housing, transport and food quality. As highlighted in the Welsh NHS Confederation Health and Wellbeing Alliance report, '[Mind the gap: what's stopping change?](#)', addressing the factors that cause ill-health in the first place should be a central focus for the Welsh Government, supported by a cross-government approach to inequalities.
21. Harnessing a renewed focus on health inequalities has the potential to reap vital benefits in the longer-term as well as in the current crisis. Making progress involves thinking and planning for the long-term and translating the evidence on tackling health inequalities into practice. It also involves rethinking the approach to decision-making in policy areas that shape the building blocks for a healthy life, such as employment, education, income, housing, environment and community factors.

### **Address the needs of people living in urban, post-industrial and rural communities, including building affordable housing and in supporting economies within those communities?**

22. Urban, post-industrial and rural communities are impacted by leaving the EU, the COVID-19 pandemic and climate change (the 'triple challenge'), as well as the cost-of-living crisis, in a myriad of interconnected and compounding ways that will affect the health and wellbeing of people living in those communities. The factors that lead to different impacts for different people need to be carefully considered if the Budget is to address the needs of all people living in Wales.

#### **Post-industrial communities**

23. Job loss and unemployment has particularly scarring effects on mental health and wellbeing, and [evidence](#) focusing on the 2008 recession highlighted financial and job insecurity and unemployment as major risk factors for mental illness, suicide, substance misuse and food insecurity. Job loss also has a negative effect on the physical health of individuals, including via increases in unhealthy behaviours such as smoking and excess drinking. This [results](#) in increased risk of death from suicide, alcohol-related diseases, heart attack and stroke.
24. Coastal and post-industrial towns were found to be most at risk and disproportionately affected by the COVID-19 pandemic in terms of employment. According to the Welsh Index of Multiple Deprivation (WIMD), the local authorities identified as having the most workers in at-risk industries are also home to some of the most deprived areas of Wales.

#### **Rural communities**

25. [Evidence](#) suggests that rural communities in Wales are being harder hit by the cost-of-living crisis due to higher energy, housing and transport costs compared to those living in towns and cities. As a result, they are more likely to experience poor health and wellbeing outcomes.
26. If the Budget seeks to tackle poverty and support all those in Wales experiencing it, it will need to take account of the frequently 'hidden' nature of rural poverty, which is not easily captured by geographically focused programmes where eligibility is defined by WIMD (in contrast with post-industrial areas). Currently, people living in rural areas receive less

funding despite increased needs. It is therefore important for Budget decisions to recognise the specific context of rural areas, whether that be investment aimed at supporting people in Wales through the cost-of-living crisis; increasing employment opportunities; supporting small businesses and the self-employed (including farmers); improving access to health and care services; or responding to climate change.

#### **4. Have Welsh Government business support policies been effective, given the economic outlook for 2026-27?**

27. While we don't have any specific comments about the effectiveness of Welsh Government business support policies, having a vibrant economy and workforce is key to the health and wellbeing of the nation. A physically, psychologically and socially healthy population results in a more economically active population.
28. Interventions designed to improve health, inclusive growth and wellbeing are in the interests of all local, regional and national partners, businesses and communities and act as a key driver for economic activity and employment. NHS organisations are well positioned to use their spending power and resources to address the adverse social, economic, and environmental factors that widen inequalities and contribute to poor health outcomes.
29. Poor health outcomes negatively impact the economy and reducing the number out of work due to health problems would benefit the economy and prosperity of Wales. The UK Government commit to support new ways of getting people back to work is positive. The NHS Confederation recent [report](#) showed since 2020 economic inactivity in the UK has risen by 900,000, with 85% of the increase those on long-term sick. The NHS Confederations analysis with Boston Consulting Group found reintegrating half to three-quarters of these people could deliver a £109-177 billion boost to the UK's GDP (2-3 per cent in 2029) and unlock £35-57 billion in fiscal revenue over the next five years.
30. Therefore, investing in the NHS enables economic growth by getting people back into work and reduces the gap in healthy life expectancy (HLE), which currently [stands](#) at 13.3 years for men and 16.9 years for women between the richest and poorest. Beyond decreasing NHS and social care costs, recent research shows a one-year increase in HLE in the UK's working population could generate an annual boost of £60 billion in aggregate lifetime earnings.

#### **5. Are Welsh Government plans to build a greener economy clear and sufficiently ambitious? Do you think there is enough investment being targeted at tackling the climate change and nature emergency? Are there any potential skill gaps that need to be addressed to achieve these plans?**

31. The green agenda is important both for the health of the population and for the organisations within NHS Wales. However, further investment, including capital funding, is required to support public bodies to reach the Net Zero target by 2050, set by the Welsh Government. The pressures on capital resource will make it challenging to transition to a more energy efficient estate within the given timeframes, however consideration should be given to the development of blended financial programme as suggested by the [Wales Net Zero 2035 report](#).
32. NHS organisations have a substantial impact on the environment, as delivering high-quality health and care places numerous demands on natural resources and the environment. This includes the use of energy, water and consumables, including single-

use plastics; waste production and waste management; and travel, which requires fossil fuels and contributes to air pollution.

33. In response, the Welsh Government is investing in digital technologies, which reduce travel, and into the estate and the NHS's fleet of vehicles to reduce energy usage. NHS Wales organisations are also looking at establishing local supply chains using their buying powers, to help shorten the supply chain and reduce emissions.
34. Bringing the workforce with us on the sustainability journey is key. Education and training the NHS workforce includes delivering sustainable healthcare within curricula, including recognising the impact that climate change has on the health of the population. HEIW leads on recruiting climate smart champions within the NHS and provides training resources to staff, such as the Climate Smart Community platform. In addition, Green Health Wales is an all-Wales network for professionals and organisations to make health and care services "climate smart" by spreading innovative sustainable practice across the NHS in Wales.

## **6. Is the Welsh Government using the financial mechanisms available to it around borrowing and taxation effectively?**

35. While we have no specific comments on financial mechanisms available to the Welsh Government, our members support increases to public health taxation. At a UK level, we support the increase in the soft drinks levy in line with inflation, the increases in tobacco duties as well as bringing in duties on vaping products given the potential health impacts of vaping. These measures will help tackle the key public health challenge of obesity, and other harms caused by high sugar intake, and support progress towards a smoke-free generation.

## **7. The Committee would like to focus on a number of other specific areas in the scrutiny of the Budget. Do you have any specific comments on any of the areas identified below?**

- **Is enough being done to tackle the rising costs of living and support those people living in relative income poverty?**

36. While the rising cost-of-living has affected most households across Wales, it is disproportionately impacting and widening health inequalities for the most disadvantaged. Those already in relative income poverty in Wales have been hardest hit, with certain groups or households more likely to be in relative income poverty, including women.
37. The worsening scale and severity of poverty in Wales has been exacerbated by the cost-of-living crisis, which negatively impacts the scale and severity of poor health and wellbeing. The health needs of the most deprived groups are likely to increase further, while others are likely to find their worsening financial situation negatively impacting their health for the first time.
38. Addressing the wider determinants of health would help ease the impact of the cost-of-living crisis and relieve pressure on the NHS in the longer term. A key determinant is the quality of housing and the [impact of cold homes](#), especially on respiratory conditions and also enabling a food system that would provide affordable and accessible nutritious food for children.

- **How could the budget further address gender inequality in areas such as healthcare, skills and employment?**

39. Continued focus on delivering equitable health and public services would support reducing gender inequality. Women's health is one of the priority areas for the NHS, with the First Minister making women's health a priority which is being reflected in the focus on services to women with some targeted use of investment.
40. Women's health is influenced by more than access to healthcare. For the women of Wales to be healthy, we need the right building blocks of health and wellbeing in place. These include warm homes, good jobs, enough money to pay bills, safe childhoods and connections with people in our communities. In addition, a [large percentage](#) of unpaid carers are women, and having caring responsibilities can impact people's health and wellbeing. Therefore, whilst the Budget should focus on reducing inequalities and target support for those most in need, understanding people's multiple and overlapping disadvantages (and their underlying causes) will be crucial to reduce poverty and other forms of inequality in the long-term.
41. Currently the UK health and social care system, like across the globe, was designed around a white, cis-gender, heterosexual, male prototype. However, the UK stands out as the country with the [largest female health gap](#) in the G20 and the 12th largest globally, with women spending [three more years in ill health and disability](#) when compared to men. The 'male default' permeates research, clinical trials, education and training, as well as the design of policies and services.
42. Women make up a disproportionate percentage of those out of work and economically inactive due to long-term conditions, a trend that has been consistent since 2014. While sickness absence rates have been on the rise for both women and men since 2020, they are 1 percentage point higher in women than in men. The recent NHS Confederation report, [Women's health economics: investing in the 51 per cent](#) evidences that for every additional £1 of public investment in obstetrics and gynaecology services per woman in England, there is an estimated ROI of £11. If an additional £1 per woman in England were invested in these services, the economy could benefit from an additional £319 million in total gross value added (GVA). The report also considers the economic cost of absenteeism due to severe period pain and heavy periods alongside endometriosis, fibroids and ovarian cysts is estimated to be nearly £11 billion per annum and unemployment due to menopause symptoms has a direct economic impact of approximately £1.5 billion per annum with approximately 60,000 women in the UK not being in employment due to menopause symptoms.

- **Is the Welsh Government's approach to preventative spending represented in resource allocations (Preventative spending = spending which focuses on preventing problems and eases future demand on services by intervening early).**

43. Currently, the intense pressure on health and care services makes investing in preventative measures a significant challenge. Resources must be allocated to provide the best outcomes for the population, and it is important the Welsh Government mandate that a nominal proportion of health and social care funds should be spent on preventative and early intervention activities, with spending bodies are held to account for the use of these monies.
44. [Analysis](#) by the Future Generations Commissioner of the 2025-26 draft budget highlighted that about 15% of the budget is focused on actions with a preventative dimension, with less than 10% going towards actions that provide enough evidence to contribute to primary prevention, the highest level of prevention. This disparity between

overall preventative spending and spending on evidence-based primary prevention highlights a pressing need to improve resource allocation to maximise the long-term health and wellbeing of the population.

45. Affordability versus long term value and sustainability must be delivered in tandem. It is important to recognise that the NHS is already investing significantly in preventative services, including vaccinations, public health teams, community services to support people to manage their condition at home and primary care services, such as dentistry, GPs and pharmacies. In addition to specific preventative measures, there is a focus on early / differing interventions space, including in relation to pre hospital and emergency and urgent care, dealing with the increasing demand for this in a different way, investing upstream to allow for more patients to avoid ED, and be either managed successfully in the community or access directly the care pathways they need. Furthermore, one of the focuses in HEIW Education and Training Plan is investment in areas of the NHS workforce which support prevention. This includes investing in training and educating GPs and other primary care professionals, community nursing and public health professionals. When it comes to primary care, it is important that there is equality of funding across all parts of Wales. As highlighted in the [Cardiff University research](#) and by [Deep End Wales](#), general practices in Wales in more deprived areas receive discernibly less funding per patient than those in less deprived areas. Given that primary care can affect population health outcomes, this underinvestment may be contributing to existing health inequalities.
46. The whole public sector needs to be appropriately resourced to aid prevention, including social care, housing and education. There is considerable evidence that demonstrates preventing, rather than treating ill-health, is financially preferable. Within the health and care system, preventative actions should be taken at different levels (known as primary, secondary and tertiary prevention). There is strong [evidence](#) that secondary prevention can substantially reduce disease incidence and progression.
47. A Public Health Wales [report](#) on the return on investment of public health interventions demonstrated that, on average, for every £1 invested in public health, £14 is returned to health services or the wider system. Examples include spending on increasing cycling and walking in urban areas could save £0.9 billion for the NHS in Wales over 20 years and a return of £1.35 is possible for every £1 spent on targeted flu vaccination.
48. Investment can mitigate the negative impact that current challenges are having on health and wellbeing. For example, [research](#) shows that poor housing in Wales has an estimated cost to society of around £1 billion per annum, with a significant proportion of that cost being felt by the NHS through treatment for falls and respiratory illnesses. Public health interventions such as falls prevention and housing improvements, costing £584 million, offer positive returns over the short to medium term (1-6 years). If the most severe hazards were removed from housing in Wales, there would be an estimated £95m saved per year in treatment costs.
49. Investments can be made now to create a healthier, more equal society and increase resilience for future challenges. We know that those living in the most deprived areas use hospital services more than those in less deprived areas. [Public Health Wales](#) estimated that higher use of hospital services due to deprivation, or poverty-driven poor health, costs the NHS in Wales an extra £322 million per year, equivalent to around £1 in every £12 (8.7%) spent on Welsh hospitals.
50. Taken together, addressing immediate health concerns should be balanced with tackling the underlying structural causes of poor health and wellbeing to prevent avoidable ill-health and create a healthier and more equal society. PHW have developed the [Prevention-Based Health and Care \(PBHC\) Framework](#), which identifies fundamental

components needed to shift the health and care system towards a prevention-based approach.

51. Finally, NHS leaders recognise that services across the public sector, who play a key role in prevention and supporting the health and wellbeing of the population, are facing acute financial challenges. NHS leaders therefore support an approach to further protect funding for preventative measures, recognising the importance of improving population health outcomes and the sustainability of services in the longer term. However, funding allocated for preventative services, including for social care, needs to have clear levers imposed by the Welsh Government to ensure the desired outcomes are achieved.

- **How should the Welsh Government explain its funding decisions, including how its spending contributes to addressing policy issues?**

52. It is vital that the Welsh Government, and all politicians, explain the financial uncertainty and challenges faced and the impact this could have on NHS and wider public services.

53. As highlighted in our briefing, [The NHS at 75: How do we meet the needs of future generations?](#), the scale of the challenge must be communicated to the public and an honest conversation is needed about what the NHS can be expected to provide in the future. Without transparency from the government on how funding decisions are made, it is challenging for NHS and wider public sector leaders to explain to local populations the reasons behind difficult decisions around service change. We must better engage with the public on service change, as long-term service transformation will take time to implement, meaning short-term measures must be established to deliver higher priority services.

54. Individuals must feel personally invested in their wellbeing and our health and care service to help ensure its long-term sustainability, which will only be possible through public involvement and co-production of services. This will allow people to feel supported, empowered and informed to take more responsibility for their health and wellbeing, manage their conditions and use services responsibly. Now is the time to galvanise the Welsh public to engage in how the health and care system can innovate and transform to meet the needs of future generations, enabling patients to be navigators of their care.

- **How can the documentation provided by the Welsh Government alongside its Draft Budget be improved?**

55. Given the uncertainties of budgeting at a national level, it might be appropriate to scrutinise the application of Barnett consequentials received after the main annual budget motion has been completed.

56. There must be improved transparency around the level of funding held in reserve at the centre and for all-Wales projects. This will help paint a clear picture of what is required and the funding available to enable the NHS to plan for services, programmes and the workforce and skills required.

- **How should the Welsh Government prioritise its resources to tackle NHS waiting lists for planned and non-urgent NHS treatments. Do you think the Welsh Government has a robust plan to address this issue?**

57. NHS leaders welcomed the additional resources that Welsh Government made available in 2025-26 to tackle NHS waiting lists for planned and non-urgent NHS treatments.

However, it is important that such funding is recurrent as there is greater opportunity to deliver value by implementing recurrent solutions.

58. It is clear the effects of the pandemic continue to have a significant and lasting impact on healthcare systems. This includes the ability to achieve the level of activity needed to eradicate clinical treatment delays, with rising demand on services and more patients presenting with higher acuity, and the ability to recruit and retain the workforce needed across health and care services.
  59. Reducing the elective backlog will take sustained investment over many years. While the provision of funding to address waiting list backlogs was welcomed, plans to reduce the elective backlog must consider all parts of the health and social care system, not just acute hospital settings. Mental health services, allied health professionals, primary and community care form an eco-system that helps patients wait well before elective treatment, sometimes resulting in the patient no longer needing the planned treatment. Ambulance services, for instance, play a critical role in supporting communities. They have a unique role in connecting with all parts of the NHS and other emergency services and can play a big role in supporting the pump priming of 'upstream/out of hospital' transformation and long-term service development. Social care has a big impact on NHS capacity by keeping people well at home and in their communities, as well as the ability to discharge medically fit patients from hospital, to free up beds to treat more patients. Unless the challenges of demand and capacity across the whole health and care system are addressed, specific, non-recurrent funding for schemes won't be enough to achieve a sustainable health and care system in the long term.
  60. In the short-term, waiting lists present a clear starting point for identifying individuals and groups in need of care. By using the available data, we have the opportunity to prioritise and design tailored communications and service interventions such as waiting well and prehabilitation, to achieve optimum positive impact. However, consideration should be given to how Wales can take an equitable approach to address the challenges and impact of waiting times. Healthcare needs are not equal across the population, and in Wales the greatest burden of disease is closely linked to socio-economic disadvantage. We [know](#) that across the UK, those with socioeconomic disadvantages face longer waiting times.
  61. In addition, we need to simultaneously seek ways to reduce future demand on health and care services through a variety of prevention approaches. This will help reduce new additions to waiting lists and have longer-term benefits on service resilience. Approaches include upscaling preventative interventions and providing extra support and capacity to social care and primary and community care services. Digitally enabled and behaviourally informed health improvement interventions (including services, support and communications) could be effectively used to connect people with services they want and need.
- **Is the Welsh Government providing adequate support to the public sector to enable it to be innovative and forward looking through things like workforce planning.**
62. A sustainable workforce is essential for a sustainable NHS. The introduction of Health Education and Improvement Wales and Digital Health and Care Wales have created capacity and an ability to focus on innovation and driving through improvements in these areas.
  63. Investment in student education and staff training across a range of professional groups should continue to be a priority if the healthcare system is to respond to future demands and deliver improved outcomes for patients. In addition to traditional routes, investment

in alternative training and education pathways, including apprentices, is important. Investment in educating and training existing staff to acquire new skills and expertise is essential to support the NHS' drive to deliver new ways of working and adopt innovative technology and digital advancements.

64. Strategic workforce solutions should be developed to actively encourage recruitment from local communities, to study, train and work in the NHS across Wales, including increased promotion of [Train Work Live](#). This should include developing new roles and skills which align with the use of innovative technologies to provide greater resilience.
  65. Robust long-term workforce planning must be in place to maintain a sustainable workforce and enable the best use of resources. Given the lead times, this would need a 10–15-year approach to change the shape of care, the shape of work and the shape of education. This would provide the opportunity for a radical rethink of how we work.
  66. Further support is required to consider future opportunities such as in Artificial Intelligence and the emerging work of the AI Commission for Health and Social care. Digitisation is critical to improving productivity in the NHS, but there is a severe digital and data skills shortage in the workforce. This impacts the NHS's ability to fully develop, deliver, and scale the digital transformation required to realise real productivity gains.
- **Has there been adequate investment from the Welsh Government in basic public sector infrastructure.**
67. Capital resources have been constrained, which limits the ability to invest in infrastructure. In addition to the lack of capital investment, there is also constraint on revenue to be able to fund the revenue consequences of capital investment. Therefore, even if there was additional capital funding without associated increase in revenue funding full benefits may not be realised.
  68. The ongoing lack of capital funding and investment is a major barrier to service delivery now and in the future. At a [UK level](#), the health and social care capital budget will increase by 9.8 per cent and 12.1 per cent (or £3.1 billion overall) this year and next. However, this extra money cannot alone help fix the capital process and the overall system requires reform to make it easier to plan and execute capital projects. Also, additional capital funding without an associated increase in revenue funding means the full benefits of capital investment may not be realised.
  69. For more than a decade, the NHS across the UK has underinvested in capital compared to other OECD countries, resulting in an estate in desperate need of extensive repairs and long-term investment. [Low capital investment](#) stands as one of the leading barriers to treating patients efficiently and effectively and various independent think tanks identify poor capital investment as an impediment to further productivity growth. As highlighted by the [Health Foundation](#), the UK has a long history of underinvesting in health capital compared to its peer nations, spending approximately 55% less than the EU-14 and £33 billion less between 2010 and 2024 than comparable OECD countries. This chronic underinvestment has left the NHS with an ageing estate not designed to meet current demands.
  70. The NHS is faced with an ageing estate, including digital infrastructure, which was not designed with current demands and risks in mind. NHS leaders share the government's commitment to boost NHS productivity and are doing all they can to tackle the elective care backlog, however the lack of capital funding is a major barrier. We need a funding solution from the Welsh Government for major capital infrastructure work required to keep services running in their current configuration. We have called on the Welsh Government to develop a ten-year investment plan for service change to reshape NHS

estates and infrastructure, including digital infrastructure, making it more sustainable, reducing carbon emissions and maximising public assets.

71. Capital investment is key to continuing to deliver high-quality, safe healthcare, as well as reaching longer-term goals to decarbonise and integrate care. Having a multi-year capital funding settlement for the entire NHS would help reduce the backlog, ensure the safety of the NHS estate, improve patient outcomes and the working environment for NHS staff, and truly make inroads to reducing inequalities by transforming models of care and improving access to health and care services.
72. Many NHS organisations have significant estates maintenance backlogs, with high costs even just for essential maintenance. One health board has an estimated £150m of maintenance costs, with many organisations needing to replace expensive equipment well past its effective working life. This is expensive and prevents NHS organisations from using funds for new services and infrastructure.
73. Capital and associated revenue funding is needed to invest in digital infrastructure and capitalise on digital innovations, which are increasingly important to mitigate cyber security risks, improve productivity, enable enhanced self-care and connecting parts of health, care and the wider public sector to enable people to keep safe and healthy at home for longer. COVID-19 highlighted the opportunities afforded by digital technology across the health and care system. Its availability, dependency, access, resilience and security are now essential to ensure the continuity of services and NHS organisations are committed to building on the progress made. The Track Trace Protect system demonstrated the art of delivering a product on a national scale safely, quickly and efficiently. There are future opportunities to accelerate the shift to data driven, value-based and locally delivered models of care.
74. The NHS Confederation estimates that in England the [NHS needs an additional £6.4 billion per year in capital](#), while investment has been made by the UK Government the NHS Confederation estimate a £3.3bn capital funding gap for the next two years. This is why they recently published a [paper](#) investigating different models to fund local health leaders' capital needs. It suggests that the UK Government, and devolved Governments, should learn from international and domestic models to consider innovative approaches to use private capital to invest in NHS estate, including:
  - Government borrowing (including Treasury borrowing and the Public Works Loan Board)
  - Leveraging existing assets (including cash reserves and existing estate)
  - Private investment (including private finance initiatives/PFI, third-party development and buy-back, mutual investment models, infrastructure and investment partnerships and others that learn from previous experience)
  - Third-party ownership (classic third-party development, shared ownership and pay per use).

### • **How should the Budget support young people?**

75. Young people are the future of Wales. Investment in supporting early years development can help to [break cycles of poverty](#) and the return on investment could see reduced pressure on NHS resources in the long term. Giving every child the best start in life is fundamental for achieving a healthier and more equal society, recognising that disadvantage can start before birth and accumulate over the life-course. Consequently, the building blocks that shape the mental and physical health of children and young people, including education, their living environments and social relationships, should be prioritised for investment. Investment in early years development can help to break cycles of poverty and the return on investment could see reduced pressure on NHS resources in the long term.

- **How is evidence and data driving Welsh Government priority-setting and budget allocations, and is this approach clear?**

76. There is an opportunity to further improving evidence-based decision making by continuing to invest in key digital and data infrastructure, such as the National Data Resource, to provide a source of insight for priorities and budget allocations.

- **Is the support provided by the Welsh Government for third sector organisations, which face increased demand for services as a consequence of the cost-of-living crisis and the pandemic, sufficient?**

77. NHS leaders recognise the significant financial challenges many third sector organisations in Wales currently face, at a time of increased demand on their services. NHS leaders have always valued the significant contribution the third sector makes to supporting the health and wellbeing of the population. They recognise that third sector organisations are mutual partners who have the skills and expertise to improve patient and service user experience and outcomes. All NHS organisations in Wales work in partnership with the third sector by commissioning organisations to deliver services, in effect bolstering capacity and reducing demand on the NHS.

78. The influence and reach of third sector organisations are not limited to supporting the delivery of health and care services. The sector also plays a vital role in the prevention and wellbeing agenda by providing health and care information; patient and service user advocacy; enabling people to maintain their independence, health and wellbeing in their own home and in their community outside of NHS settings; and improving quality of life and community cohesion by supporting volunteers and volunteering opportunities.

79. Harnessing the upsurge in community-led action during the pandemic response is key to building more resilient communities throughout Wales, who are better able to respond to the ongoing impacts and to adapt to future crises (be that infectious disease, climate change, or economic challenges). However, communities need resource to continue to deliver these kinds of services.

80. Connecting citizens to community support, often provided by the third sector, can enable people to better manage their health and wellbeing. Social prescribing is holistic approach to connecting people to non-medical services and community resources, such as mental health support, physical activities, and social groups, to help improve their health and wellbeing. The all-Wales social prescribing framework provides a standardised approach, ensuring that people across Wales have equitable access to quality social prescribing services, regardless of where they live. Its implementation is key to consistency in social prescribing.

- **What are the key opportunities for the Welsh Government to invest in supporting an economy and public services that better deliver against the well-being goals in the Well-being of Future Generations (Wales) Act 2015?**

81. NHS organisations are committed to delivering on the vision set out in the Well-being of Future Generations (Wales) Act 2015. This supports new ways of working across the health and social care system and acts as a framework for considering how the decisions made in the here and now could impact the health and wellbeing of future generations.

82. While health boards make small financial contributions to Public Service Boards (PSBs) from their own budgets, health boards do not receive financial support or resources from the Welsh Government to support the implementation of the Act. Therefore, earmarked Welsh Government funding would support public bodies to make further progress. The expectation is that implementing the Act falls within an NHS organisation's core business responsibilities, so it is currently absorbed by the budgets of those who lead on the Act within each organisation. In recent years, many of these roles have had to be broadened to encompass significant reporting responsibilities to comply with the Act.
83. NHS leaders recognise that implementing the Act should be a key part of core business, both at an organisational and departmental level. However, developing the level of knowledge and robust partnerships needed to implement the Act takes time and workforce capacity, despite no allocated financial resource. In addition, some health boards are members of multiple PSBs that sit within their health board footprint. The strategic priorities of each PSB vary, which can lead to competing priorities for the health board. While RPBs align with health board footprints, PSBs align with local authority footprints, causing challenges with the governance arrangements for RPBs and PSBs. Further clarity is required on the relationship between RPBs and PSBs so they can work in a complementary way.
84. The Well-being of Future Generations Act does provide a clear mechanism for improving the building blocks for a healthy life that underpin health inequalities. Looking to the future, we know that unless action is taken now, there will be more challenges that have the potential to exacerbate existing inequalities. For example, research co-produced by Public Health Wales, the Future Generations Commissioner for Wales and Cardiff University examining the potential impacts of the ageing population, the changing nature of work with increased automation, and climate change, found that existing inequalities in Wales risk being carried into the future unless they are specifically addressed. This includes actively promoting health and equity across all areas of policy development.
85. Finally, investment in improving the food system with an ambition to enable all people to access affordable, healthy food in Wales could support the Act's objectives, environmental, decarbonisation and Foundational Economy policy. Support to public sector bodies to source food from Welsh, environmentally and globally responsible providers would enable alignment with the ambitions of [Cymru Can](#) focus area on food.

## Other comments

### Introduce longer-term funding cycles

86. Demand for healthcare has grown significantly across the UK and is projected to accelerate along with the ageing population, with more people living with multiple complex health conditions. Therefore, Welsh and UK Governments must move away from short-term thinking when setting budgets.
87. As highlighted in the '[NHS in 10+ years](#)' report, the proportion of those of state pension age in Wales is projected to increase faster than those of working age over the next ten years. Diagnoses of several long-term conditions, including dementia and some cancers, is also projected to increase. Therefore, we must consider longer-term funding cycles to allow health and care leaders to plan for, and invest in, projected long-term demand and service improvement.

### Social care

88. Whilst there may be some improvements in social care services that can happen to unlock pathway of care delays ultimately there needs to be significant additional

investment in social care to ensure the capacity and right type of social care is available to reduce delays. To enable the transformation of the social care sector, further investment is needed and an independent rapid review is required to develop a long-term agreement on the sustainability of the social care system. Within this, workforce pay and conditions, access to publicly funded care and transparency and consistency around the collection and reporting of social care data must be considered.

89. Health leaders have warned that the lack of funding for social care is one of the biggest risks to the future sustainability of the health and care system. Social care services play a crucial role in care pathways by keeping people well at home, preventing hospital admissions, and enabling faster, safer discharges home. However, 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. We need a stable provider market and a sustainable workforce that is properly valued, paid and respected for their important work.
90. As [highlighted](#) by the Welsh Local Government Association last year, councils are calling for urgent investment in social care to help meet huge funding pressures facing the sector. A WLGA survey of council budgets in 2024 identified £106m of in-year pressures in social services (2024-25) and additional £223m pressure was anticipated this year (2025-26), representing 40% of the overall pressure for local government (£559m) just to stand still. The WLGA warned that without further help, meeting care and support needs will become increasingly difficult, further impacting healthcare service delivery with residents waiting longer for care in the community. Councils are having to focus more on social care spend, leaving fewer and fewer resources available for preventative support to help people maintain independence and healthy lives and preventing individuals and their families from reaching crisis point.
91. We need to provide local authorities with ring-fenced allocations for social care to meet the needs of their population and to support system-wide sustainability. The variation in investment in social care across Wales needs to be addressed through a renewed collaboration between the Welsh Government and local government, with an independent assessment on local authorities' social care spending. The funding allocated to social care needs to have clearly defined target outcomes imposed by Welsh Government to ensure spending drives the change we need to see.

## Conclusion

92. NHS leaders understand the current budget limitations on the Welsh Government and believe we need to work together with the government, all political parties and public sector leaders to create innovative solutions across a streamlined set of priorities, which effectively balance short-term need with long-term vision. However, the scale of the challenge must be clearly communicated to the public.
93. NHS organisations across Wales are committed to doing the very best they can to deliver high-quality, timely and safe care to the people of Wales. Our members recognise the importance of improving population health and wellbeing by creating an environment that enables people to maintain good physical and mental health for as long as possible.
94. Building a sustainable system requires a cross-sector approach to creating healthier and more prosperous communities, ultimately reducing future demand. Therefore, population health must be a central consideration in all government department budgets. We cannot lose sight of the fact that this is not just about budgets, targets and deficits – it is about people's lives. They will bear the brunt of the impact, as will the staff who do their very best to care for them every day.