

 <p> GIG CYMRU NHS WALES </p> <p> Iechyd Cyhoeddus Cymru Public Health Wales </p>	<p> Name of Meeting Board </p> <p> Date of Meeting 26 March 2026 </p> <p> Agenda item: 5.2 </p>
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<h2>Budget Strategy and Financial Plan 2026/27 – 2028/29</h2>	
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Approval/Scrutiny route:	Business Executive Team

Purpose
<p>The purpose of this report is to outline to the Executive Team and the Board the Public Health Wales revenue and capital financial plan for 2026-29 along with the budgetary strategy which will be applied for the financial year.</p>

Recommendation:				
APPROVE <input checked="" type="checkbox"/>	CONSIDER <input type="checkbox"/>	RECOMMEN D <input type="checkbox"/>	ADOP T <input type="checkbox"/>	ASSURANC E <input type="checkbox"/>
<p>The Board is asked to approve the Financial Plan and Budgetary Strategy 2026/27 – 2028/29, noting the ongoing review and scrutiny process.</p>				



Public Health Wales has a Long-Term Strategy which identifies six strategic priorities.

This report contributes to the following:

Strategic Priority/Well-being Objective	All Strategic Priorities/Well-being Objectives
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Summary impact analysis

Equality and Health Impact Assessment	An EQIA is not required as the paper is an update on previously agreed strategies.
Risk and Assurance	Risks are included in the paper.
Health and Care Standards	This report supports and/or takes into account the Health and Care Standards for NHS Wales Quality Themes All themes
Financial implications	Financial implications are set out in the document
People implications	The paper takes account of the workforce planning activity.

Our Budget Strategy 2026/27 – 2028/29

1. Introduction

The IMTP, including our financial plan and budget strategy, serves also to meet Welsh Government planning requirements for 2026-29.

The figures within this strategy do not include income or expenditure relating to NHS Wales Performance and Improvement, which is hosted by the Trust. It is assumed that our hosted services will manage within their approved allocation and therefore the principles and approaches set out in our strategy do not apply to our hosted services.

2. Financial Planning and Budget Setting Principles

We are required by Standing Orders (SOs) and Standing Financial Instructions (SFIs) to approve an Annual Budget for the financial year ahead before the year commences. In addition, we have a statutory duty to break even over a 3-year period and therefore a balanced budget has been set for each of the three years in the period 2026/27 – 2028/29.

Our budget strategy is committed to supporting the delivery of our refreshed long-term strategy by enabling sustainability, improvement, and value across the organisation.

Several underlying key themes will need to be maintained to ensure that we continue to deliver against these financial duties: -

- Budgets will be set within our total income.
- There will be no automatic right to receive a budget at the same level as previous years.
- Budget holders will need to demonstrate how resources are being spent and how value for money is being achieved.
- Any budgeted funds not required for their designated purpose(s) revert to the immediate control of the Chief Executive.
- Existing Organisational efficiency saving schemes will continue to result in budget amendments to reflect the savings delivered e.g. VERS, salary sacrifice schemes.
- Actual staff in post will not be permitted to exceed funded establishments.

- Clear accountability of budget by delegated budget holders will be required and evidenced through formal budget sign off.
- The accountable budget holder may delegate the management of a budget to a named delegated budget holder; however, the budget holder remains accountable for the performance of the budget(s) under their control.
- Directorate spending plans including procurement workplans to be drafted by 31 March 2026.

3. Welsh Government Allocations

Welsh Government Core Allocation

Our Welsh Government Remit Letter dated 16 February 2026 confirmed the indicative core allocation of £157.719m. The additional allocations agreed for 2026/27 are included in **Table 1** below:

Table 1

Item	£m
Core funding allocation as per draft budget 2025/26 and letter	145.002
Baseline Adjustments during 2025/26	
M365 licence budget associated with QSI staff transferred to NHS Performance and Improvement	-0.041
Pay inflationary uplift 2024/25	6.604
Draft Budget 2025/26	151.565
New Allocations 2025/26	
National Insurance Uplift	1.973
Pay inflationary uplift 2025/26	3.957
Medical and Dental Training Posts	0.224
Genomics Allocation uplift	TBC
Pay inflationary uplift 2026/27	TBC
Core Allocation 2026/27 as per Mandate Letter	157.719

Welsh Government Non-Core Funding

Table 2 sets out the remaining non-core allocations agreed by Welsh Government. For 2026/27 this includes the COVID laboratory testing allocation (non-pay).

Table 2

Non-Core Allocations 2026-27	£m
Covid - Laboratory Testing (non-pay)	6.560
Early Years Prevention	1.028
Healthy Weight Healthy Wales Delivery Plan	1.200
Healthy Weight Healthy Wales: Children and Families Intervention	0.600
Health Weight Healthy Wales: Diabetes Prevention	0.600
Healthy Weight Behaviour change	0.200
AMW Awareness Campaign	0.020
ACE Hub Wales	0.900
Healthy Working Wales	TBC
Whole School Approach to Mental health	TBC
Lung Cancer Screening	TBC
Gambling Prevention	TBC
Women's Health	TBC
Total Additional Income	11.108

Public Health Wales have made recurrent staffing commitments against a number of these non-core funded programmes. This will be a financial risk if funding ceases. Plans will be developed to include future funding options in conjunction with Welsh Government during 2026/27.

Anticipated Welsh Government funding not yet confirmed

There are several anticipated allocations included in our financial planning assumptions. These are summarised in **Table 3** below.

Table 3

	2026/27 £m	2027/28 £m	2028/29 £m	Recurrent £m
Expected Core Allocations not confirmed				
Pay Award Uplift VSM 2025/26	0.044	0.044	0.044	0.044
Pay Award Uplift A4C 2026/27	3.426	3.426	3.426	3.426
Future Years Inflationary Uplift	-	1.209	2.441	2.441
Health Working Wales	0.100	0.100	0.100	0.100
Total Core Allocations	3.570	4.779	6.011	6.011
Expected Non-Core Allocations not confirmed				
Whole School Approach to Mental Health	0.745	0.745	0.745	0.745
Lung Cancer Screening	2.745	5.515	10.116	10.116
Smoking Cessation	0.140	0	0	0
Total Non-Core Allocations	3.630	6.260	10.861	10.861
Total Allocations not confirmed	7.200	11.039	16.872	16.872

Recurrent funding for the 2025/26 Pay award for Very Senior Managers (VSM) has not yet been agreed. This is expected to be agreed and added to the Public Health Wales core allocation during 2026/27.

The estimated impact of the 2026/27 Agenda for Change Pay award of 3.3% has been included in the plan, along with an equivalent anticipated allocation from Welsh Government. 2026/27 Pay awards for all other staff have not yet been agreed but are expected to be fully funded.

Non-pay inflation and growth funding from Welsh Government is assumed to be equal to anticipated inflation costs for 2027/28 onwards. We are concerned that whilst it is recognised in our Remit Letter, and statutory functions, that we deliver core public health clinical services it has not been recognised through our inflationary uplifts in recent years. In 2025/26 inflation and growth funding of 0.5% was received, and this is zero for 2026/27. This level of inflationary funding is also lower than some other NHS organisations, who received a 1.11% uplift in 2026/27.

There is a risk that our future years inflationary funding assumptions will be insufficient to cover our inflation and growth pressures, with the potential for additional savings requirements to mitigate.

Welsh Government included a recurrent core allocation of £400k for Healthy Working Wales during 2025/26. An additional £100k Healthy Working is anticipated to provide a total allocation of £500k.

In addition, we are anticipating non recurrent funding for the following non-core allocations:

- Whole School Approach to Mental Health £0.745m, in line with 2025/26 allocation.
- Gambling circa £3.300m to fund a programme working in partnership with Welsh Government and NHS.
- Women's Hub £0.100m, in line with 2025/26 allocation.

Other Non-Welsh Government Income

As part of the agreed NHS Wales financial principles for 2026/27 Public Health Wales will be uplifting its income SLAs by 1.11% equating to £0.276m. Other non-NHS income will also be uplifted in line with this, with the additional income being used to contribute to funding our new 2026/27 cost pressures.

4. Cost Pressures and Inflation

2025/26 Cost Pressures

£0.560m of non-recurrent cost pressure funding was allocated out to directorates in 2025/26. The recurrent element of this funding was held centrally pending review of requirements and will therefore be allocated to directorates in 2026/27. The 2025/26 cost pressures covered by this funding are detailed in **Table 4** below:

Table 4

2025/26 Cost Pressure Held Centrally	£m
E-Rostering	0.010
Rota Management	0.024
SPR Training Costs	0.040
Energy/Fuel Increases	0.192
Rent/Service Charge Increase	0.200
Certificate of Sponsorship	0.059
LINC and RISP	0.035
Total 2025/26 Cost Pressure Funding to Allocate	0.560

2026/27 Cost Pressures

A few national and local cost pressures have been identified as part of the 2026/27 – 2028/29 plan. National cost pressures have followed national financial modelling assumptions and are set out along with local cost pressures in **Table 5**:

Table 5

Item	2026/27 £m	2027/28 £m	2028/29 £m
<u>National Cost Pressures</u>			
Non-pay Inflation	1.255	2.464	3.696
NHS SLA Inflation (if we are required to increase by 1.1%)	0.221	0.221	0.221
Welsh Risk Pool	0.812	1.165	1.291
Employer NI Shortfall	0.074	0.074	0.074
ESR Transformation	-	0.229	0.219
Microsoft Contract	0.152	0.156	0.167
LIMS	0.120	0.100	0.100
Datix			0.050
Total National Cost Pressures	2.634	4.409	5.818

Local Cost Pressures

BTW Review	0.500	-	-
Power BI/Automate	0.100	0.100	0.100
Sexual Health	0.200	0.200	0.200
Allocate - Job Planning	0.030	0.030	0.030
Incremental Pressures	0.500	0.500	0.500
Other		0.750	0.750
Total Local Cost Pressures	1.330	1.580	1.580
Total Cost Pressures	3.964	5.989	7.398

A contingency has been built into the 2027/28 and 2028/29 plans given the level of uncertainty around anticipated allocations, cost pressures, and investments for future years. This is reflected in the other cost pressures line above and amounts to an additional £0.750m from 2027/28.

Funding for all cost pressures will only be provided to directorates when actual costs are incurred. If cost pressures do not materialise as planned, then a further prioritisation exercise will be undertaken by the Executive Team. This position will be reviewed and reported monthly.

2026/27 Inflationary Impacts

Our plan includes the following approach to modelling inflationary pressures for 2026/27 and beyond:

- Incorporating the national inflation modelling approach agreed by NHS Wales Directors of Finance.
- Uplifting NHS expenditure SLAs by 1.11% despite not receiving this funding uplift from Welsh Government.
- Developing a robust methodology to internally allocate inflation funding within Public Health.

Following the modelling described above, **Table 6** demonstrates the inflationary uplifts anticipated for Public Health Wales:

Table 6

Commitments	%	Inflation £m
SLAs	1.11%	0.221
Grants (Includes NERS)	3.18%	0.199
Other non-pay	3.18%	1.056
Total		1.476

Funding for inflationary pressures will be made available on evidence of the additional increased costs within the Directorates. This will be monitored closely throughout 2026/27.

5. Efficiency Savings and Utilisation of Savings

Savings

Welsh Government have set a requirement for all NHS Wales organisations to identify sufficient recurrent financial savings to deliver a breakeven financial plan. The Public Health Wales plan requires £3.195m savings to deliver a breakeven position. This equates to 2.03% of our £157.719m core allocation provided in our Remit Letter.

To achieve this target Directorates have developed plans to deliver savings against their total directorate baseline expenditure budgets. The savings target has been met for 2026/27.

The resource released through efficiency savings will be used to cover cost pressures identified in the plan to deliver a breakeven financial position.

Table 7 summarises our cash releasing savings delivery across directorates. All cash releasing savings schemes are RAG rated green with high delivery confidence.

Table 7

Directorate	Recurrent Savings £m
Board and Corporate	0.053
Health & Wellbeing	0.198
Health Protection and Screening Services	2.257
Nursing, Quality & Integrated Governance	0.119
Operations and Finance	0.154
People & Organisational Development	0.059
Policy and International Health	0.104
Research, Data and Digital	0.250
Grand Total	3.195

6. Our 2026-29 Revenue Plan

Our 2026-29 Revenue Plan is detailed in Table 8. This demonstrates that our financial plan is balanced. It is based on the resource allocation and planning parameters set out in the Public Health Wales Remit Letter dated 16 February 2026 which include:

- Zero Inflation and growth funding uplift provided to Public Health Wales by Welsh Government for 2026/27
- Organisations to generate sufficient recurrent financial savings to deliver a balanced financial plan.

Table 8

	2026/27 £m	2027/28 £m	2028/29 £m	Recurrent £m
Income				
2025/26 Core Income	145.002	145.002	145.002	145.002
WG Core Allocations	12.717	12.717	12.717	12.717
Non-Core WG Income	11.108	11.108	11.108	11.108
Anticipated WG Allocations	7.200	11.039	16.872	16.872
Other Income	38.307	38.307	38.307	38.307
Savings - Income Generation	0.115	0.115	0.115	0.115
Total Income	214.449	218.288	224.121	224.121
Expenditure				
2026/27 Expenditure	183.034	183.034	183.034	183.034
Expenditure Changes (Funded in Mandate Letter)				
M365 licence budget associated with QSI staff. Transfer to NHS Performance and Improvement	-0.041	-0.041	-0.041	-0.041
2024/25 Pay Award Funding A4C & M&D	6.604	6.604	6.604	6.604
Pay Award Uplift 2025/26	3.957	3.957	3.957	3.957
National Insurance Uplift 2025/26	1.973	1.973	1.973	1.973
Medical and Dental Training Posts	0.224	0.224	0.224	0.224
Early Years Prevention	1.028	1.028	1.028	1.028
Obesity Plan	1.200	1.200	1.200	1.200
Obesity Strategy: Children and Families Intervention	0.600	0.600	0.600	0.600
Obesity Strategy: Diabetes	0.600	0.600	0.600	0.600
AMR Awareness Campaign	0.020	0.020	0.020	0.020
Healthy Weight Behaviour change	0.200	0.200	0.200	0.200
ACE Hub Wales	0.900	0.900	0.900	0.900
COVID Laboratory Testing (Non-Pay)	6.560	6.560	6.560	6.560
Expenditure Changes (Funded in Anticipated Allocations)				
Whole School Approach to Mental Health	0.745	0.745	0.745	0.745

Healthy Working Wales	0.100	0.100	0.100	0.100
Pay Award Uplift VSM 2025/26	0.044	0.044	0.044	0.044
Pay Award Uplift 2026/27	3.426	3.426	3.426	3.426
Lung Cancer Screening Business Case	2.745	5.515	10.116	10.116
Smoking Cessation	0.140	0.000	0.000	0.000
Genomics Allocation	TBC	TBC	TBC	TBC
Women's Health Hub	TBC	TBC	TBC	TBC
Gambling	TBC	TBC	TBC	TBC
Recurrent Impact of Investments	-0.493	-1.309	-1.486	-1.486
New/Unfunded Cost Pressures	3.964	5.989	7.398	7.398
Savings	-3.081	-3.081	-3.081	-3.081
Total Anticipated Expenditure	214.449	218.288	224.121	224.121

Planned Variance	0.000	0.000	0.000	0.000
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We manage our financial risk on a monthly basis, which includes scrutiny of Directorate budgets and spending plans. These are risk assessed and reviewed at Directorate performance reviews as part of the ongoing governance and assurance framework.

Table 9 shows the 2026/27 expenditure budgets by directorate. Several funding streams are retained in Central Budgets at this stage and will be issued out to directorates during 2026/27. These include:

- ❖ 2026/27 cost pressure funding, including inflation.
- ❖ 2026/27 Agenda for Change wage award and
- ❖ Public Health Wales Capital Charges.

Table 9

Directorate	2026/27 Budget prior to Savings £m	2026/27 Savings £m	Total £m
Board and Corporate	2,438	-53	2,386
Central Budgets	14,318		14,318
Covid 19	6,560	0	6,560
Operations and Finance	8,711	-154	8,557
Health & Wellbeing	22,186	-198	21,989
Research, Data and Digital	12,861	-250	12,611
Nursing, Quality & Integrated Governance	4,382	-119	4,263
Health Protection and Screening Services			0
Health Protection Division	22,368	-453	21,915
Infection Division	54,155	-172	53,982
HPSS Corporate Division	2,277	0	2,277
Screening Division	55,706	-1,569	54,137
SPRs Division	1,812	0	1,812

Health Protection and Screening Services Total	136,318	-2,195	134,123
People & Organisational Development	3,399	-59	3,340
Policy and International Health	6,356	-52	6,304
Total	217,529	-3,080	214,449

Public Health Wales retains a directorate based financial governance structure and budgets have been set on a directorate structure basis for 2026/27. However, a resource mapping exercise has been undertaken to provide an indicative resource apportionment across our strategic priorities:

Strategic Priority	2026/27 £m
Influencing the Wider Determinants of Health	5.336
Promoting Mental and Social Wellbeing	9.397
Promoting Healthy Behaviours	9.972
Supporting the development of a sustainable health and care system focused on prevention and early intervention	17.662
Delivering excellent public health services to protect the public and maximise population health outcomes	168.907
Tackling the public health effects of climate change	3.175
Total	214.449

7. Capital Plan

Strategic Capital

Public Health Wales has received a strategic allocation of up to £7.502m in respect of the Lung Screening Programme 2026-29. The funding will be used to deliver this service using mobile CT scanning units operating across the whole of Wales.

Public Health Wales has submitted three strategic business cases into Welsh Government, Phase 2 of DESW van replacement, Replacement of Temperature monitoring system and Digital Health Protection Programme. There may be potential to access slippage funding later in the financial year if strategic schemes across Wales slip. **Table 10** summaries our strategic capital priorities in 2026/27 and over the next two years.

In addition, Public Health Wales are working on several business cases, which will require All Wales Capital Funding, details of which can be found in **Table 10**.

In 2022/23 the Minister for Health and Social Services asked Welsh Government to develop a 10-year infrastructure plan in respect of Estates and Digital requirements. We have now reviewed and prioritised the requirements for 2026/27 and included updated values in Table 10.

The estates plan has been amended to reflect the need to scope the significant laboratory modernisation work required. An estimate of £6m funding has been included over 2027/28 and 2028/29. However, the scoping work will provide more detail on this during 2026/27.

Welsh Government continue to provide additional capital funds for 2026/27, namely.

- ❖ Targeted Estates Fund (TEF) - An NHS Wales total of £40m has been agreed for 2026-27. The Welsh Government's contribution to approved projects through TEF will be 70% with organisations required to support 30% out of discretionary capital.
- ❖ Equipment and Diagnostic Replacement Programme - To support waiting times, sustainability, and fragility in the system, it has been agreed that £15m will be prioritised in 2026-27.
- ❖ Digital Prioritisation Investment Fund – £40m will be available to bid against for transformational change.

Public Health Wales have not submitted bids against these funds for 2026/27.

TABLE 10

Scheme/Funding Stream	FY 26-27 £000s	FY 27-28 £000s	FY 28-29 £000s	Comments
Lung Cancer Screening Programme	91	3,906	3,506	Funding letter received
Approved Strategic Capital	91	3,906	3,506	
DESW Van replacement - phase 2	734	624	0	Business Case Submitted
Digital Health Protection Programme	3,579	2,297	0	Business Case Submitted
Anticipated Strategic Capital	4,313	2,921	0	
Automation Workstream		3,000		Business Case to be drafted
Temperature monitoring system for microbiology laboratories across network	350			Business Case Submitted
Various laboratory developments/modernisation:		3,000	3,000	Business Case to be drafted
Replacement of Immutable Storage (Cybervault)	300			Business Case to be drafted

Replacement of Screening Virtual Infrastructure Platform	200			Business Case to be drafted
Replacement of Virtual Infrastructure Platform at main Disaster Recovery & DESW Sites	350	80		Business Case to be drafted
Seegene Equipment	0	1,270	0	Business Case to be drafted
Sexual Health Management System	0	0	0	TBC
Digital Health Improvement	0	0	0	TBC
Strategic Approach to Screening Digital	0	0	0	TBC
Total Unapproved Strategic Capital	1,200	7,350	3,000	
Total Strategic Capital	5,603	14,176	6,506	

Discretionary Capital

The Public Health Wales discretionary capital allocation has increased by £109k from £1.700m to £1.809m for 2026/27. The main purpose of our discretionary allocation is to fund our replacement programme.

The draft plans for the discretionary capital are set out in **Table 11** below.

TABLE 11

Service Area	FY 26-27 £000s	FY 26-27 £000s	FY 26-27 £000s
Digital	290	290	290
Digital Prioritisation	350	350	350
Estates	331	331	331
HPSS - Infection	363	363	363
HPSS - Screening	160	160	160
LIMS	30	30	30
Contingency	285	285	285
Total Discretionary	1,809	1,809	1,809

There remains an element of discretionary capital, which is yet to be allocated of £285k. This will be held urgent repairs and replacements.

Discretionary capital plans for 2026/27 have been submitted to Board for approval in March 2026.

8. Financial Risk

We are currently anticipating a breakeven position, in line with the 2026/27 budget setting process and detailed work of the IMTP. However, it is worth noting that there are risks, as set out below.

Our key financial risks identified for 2026/27 include:

- Zero Welsh Government funding uplift for inflation and growth in 2026/27 continues for 2027/28 and beyond. Current assumption is that inflation and growth will be funded from 2027/28 onwards.
- Impact on inflation due to conflict in the Middle East
- The Supreme Court ruling in February 2026 in relation to children injured by medical negligence is likely to result in increased NHS costs for clinical negligence liabilities. This impact has not yet been quantified and will likely increase future years' Welsh Risk Pool Contributions.
- Recurrent commitments against Welsh Government time-limited grants.
- Several assumed Welsh Government allocations have not yet been confirmed.
- COVID-19 testing costs exceed the 2026/27 funding provided.
- Management of COVID-19 testing costs beyond March 2027.
- Availability of strategic capital funding to support the capital plan.

We manage our financial risk through monthly scrutiny of the financial position and forecast expenditure plans. Finance Business Partners will work with Directorate and Divisional senior management teams to ensure that any changes to forecast plans are included in the detailed projections and that assumptions and risks associated with the figures are captured. This ensures that monthly changes to plans can be monitored closely and reported to each senior management team as part of routine financial performance reporting.

9. Recommendation

The Board is asked to approve the 2026/27 – 2028/29 Budget Strategy and Financial Plan noting the ongoing review and scrutiny process.