Financial Sustainability, Infrastructure and Climate Action

Alan Morrison

Deputy Director,
Scottish Government



Financial Sustainability, Infrastructure and Climate Action

Current Position – Key Financial Messages

- £22.5 billion total portfolio budget, with 80% allocated to NHS Boards
- £1.1 billion underlying funding gap.
- Since 2018-19 funding increased by £10 billion but spend increased by £11 billion.
- 60 per cent of spend on workforce, with limited short-term flexibility
- £0.7 billion pa central funding used to balance in prior years

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More Funding has not fixed the problem



- Resource funding has increased by over £8 billion in the last eight years
- Including budget baselined to Local Government for Social Care, funding growth increases to £10 billion.
- In practice, new funding is largely absorbed by prior year pay pressures and unfunded policy commitments, many of which were previously managed through in year funding
- Cost pressures are growing faster than funding meaning the underlying financial gap is not being reduced

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Why This Matters for Sustainability

Traditional Model	**Future Model**
More buildings	Better Buildings
More Travel	Digital Pathways
More Activity	Prevention
Higher Energy Use	Efficient Estate
Growing Costs	Sustainable Costs

Financial sustainability and environmental sustainability increasingly point towards the same solutions.

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The NHS estate is not just where care is delivered. It is a major driver of cost, productivity and carbon emissions.

Ageing Estate

- High energy consumption
- Growing maintenance burden
- Asset failure risk
- Less flexible clinical space
- Higher operating costs

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Strategic Investment

- Heat decarbonisation
- Energy efficiency upgrades
- Estate rationalisation
- Digital-enabled facilities
- Modern infrastructure

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Sustainable NHS

- Reduced emissions
- Lower running costs
- Improved productivity
- Better environments
- Greater resilience

Key Message: Decarbonisation can reduce operating costs, improve productivity and support the long-term sustainability of NHS Scotland.

Build the investment case around total value

Carbon is an outcome — not the only benefit

Carbon	tCO_2e avoided / cumulative emissions avoided
Revenue	energy demand, maintenance, operating-cost reduction
Resilience	heat, power, water, flooding, extreme-weather readiness
Clinical	continuity, capacity, environment, reliability
Asset	condition, obsolescence, flexibility, future adaptability
Strategic	service redesign, place-based planning, net-zero pathway

Use capital to unlock revenue headroom

Energy efficiency can become a source of recurring value

Capital
Efficient plant, controls, fabric, sub-metering

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Lower demand
Less energy, less avoidable loss

→

Revenue headroom
Lower bills + maintenance pressure

→

Reinvestment
Fund the next phase

In 2025-26, more than £10 million of Scottish Government capital funding was allocated to health boards for energy efficiency and heat/power decarbonisation measures.

This increased to £20 million in this financial year and is expected to increase by a further £10 million next year.

Closing Thought

We often discuss these as separate agendas

Financial Sustainability	Infrastructure Modernisation	Service Transformation	Climate Action

Increasingly, they are the same agenda

- ✓ More preventative
- ✓ More digital
- ✓ More productive
- ✓ Lower carbon
- ✓ Supported by modern infrastructure

Our task is not simply to reduce emissions. Our task is to build a health service that is sustainable in every sense of the word.