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Chief Executives, NHS Scotland

Copy to: NHS Chairs
NHS Directors of Finance
Integration Authority Chief Officers
Integration Authority Chief Finance Officers

Issued via email

13 January 2026

Dear Chief Executives

Scottish Government Budget 2026-27

Following the announcement of the draft Scottish Government Budget for 2026-27 by the Cabinet Secretary for Finance and Local Government in Parliament today, I am writing to provide details of the indicative funding settlement for NHS Boards. A breakdown of the total is provided in **Annex A** to this letter.

The budget aligns to and supports our improvement and reform priorities across the Operational Improvement Plan, Service Renewal Framework and Population Health Framework. We must continue to work as a whole system and across boundaries to improve outcomes and deliver the best possible care within our available resources.

As in previous years, the budget announced will be subject to any amendments agreed through the Scottish Parliament's Budget Bill process.

Budget Uplift

NHS Boards will receive a 2% uplift on baseline funding in 2026-27. This will provide funding towards the costs of the 2026-27 pay deals and provides a 2% uplift for non-pay costs to support inflationary pressures. Additional funding will be provided to meet the costs of the 2026-27 pay deals where uplifts exceed 3% in line with public sector pay policy, and full funding has been included for the agreed Agenda for Change pay settlement. Pay funding should cover all staff including those delegated to Integration Authorities (IAs). Funding of £32.8 million ensures no Board is further than 0.6% from NRAC parity in 2026-27.

A further £150 million of recurring funding has been included to support territorial boards' continued implementation of the reforms committed to as part of the 2023-24 Agenda for Change (AfC) pay deal, including the additional one hour reduction from 1 April 2026. Together with the £150 million recurring funding issued in 2024-25, this increases total available recurring funding to £300 million for territorial boards. This funding covers all staff under AfC terms and conditions, including those staff working in functions delegated to IAs. For territorial boards this will be allocated on an NRAC basis and work will continue with national boards to understand the impact of the AfC reforms as in previous years. This level of funding should be assumed to continue in future years and will remain under review.

2026-27 Financial Support and Approach to Brokerage

Continuing from 2025-26, brokerage will not be available to support overspends, and NHS Boards must work towards a break-even position which remains the statutory responsibility of the Accountable Officer. Historic brokerage remains repayable and has not been written off.

Non-recurring sustainability funding of £150 million will be provided to territorial boards on an NRAC basis. This funding must be used in full to reduce pressures and the reported deficit. NHS Boards at stage two and above on

the NHS Scotland Support and Intervention Framework for finance will receive additional support in 2026-27 to improve financial sustainability, including non-recurring deficit support funding as notified in early September 2025. Further assumptions on longer term sustainability funding and deficit support funding will be shared in due course.

Discussion will be held with each Board to review their three-year financial plans and what support is required to improve their financial position. Overspends in excess of available funding will be reflected in annual accounts.

Three-year Financial Planning

A commission was issued on 12 December 2025 for three-year financial plans, and this budget announcement should be factored into those plans. To account for the later 2026-27 Scottish Budget date, an abridged plan is required on 2 February 2026 before final plans are submitted on 16 March 2026.

Planning assumptions have already been shared with Directors of Finance, including the continued requirement to achieve 3% recurring savings against baseline budgets. NHS Boards should ensure they undertake appropriate impact assessments prior to implementing financial savings.

In line with the sub-national planning guidance outlined in DL(2025)25, it is important for financial plans to align with sub-national structures. Further information is set out below.

Financial Savings

The 15 Box Grid (the Grid) sets out areas of focus for NHS Boards to support delivery of 3% recurring savings and improve the financial sustainability of NHS Scotland. It collates various national programmes of work, and has been effective through sharing best practice and benchmarking across the finance community and beyond.

The Grid will be refreshed for 2026-27 with a renewed focus on tangible actions that underpin reform priorities set out in the Operational Improvement Plan, Service Renewal Framework and the Population Health Framework. Opportunities for efficiency improvements in relation to shifting the balance of care, value based health and care, and prevention will feature in 2026-27.

The 15 Box Grid is effective due to continued collaboration across NHS Scotland, which is increasingly important as we implement sub-national structures. The Finance Delivery Unit will continue to support NHS Boards to implement savings and deliver the 3% recurring savings target.

Sub-National Planning

DL(2025)25 and the Ministerial Direction issued on 13 November 2025 outlined key requirements for NHS Scotland to improve outcomes and financial sustainability through two sub-national structures.

East and West structures are responsible for designing their approach to delivering the requirements of the DL, including improving financial sustainability. Local NHS Board financial plans should be developed in tandem with sub-national work, particularly around delivering Part 2 objectives as set out within the Ministerial Direction. Each structure has discretion to include relevant information regarding the financial challenges arising from these plans and potential efficiencies that can be delivered over the course of the three year period. Accountable Officers for individual NHS Boards remain responsible and accountable for their financial position throughout sub-national planning. All Boards will be continually assessed against the NHS Scotland Support & Intervention Framework.

Sub-national plans addressing the Part 2 objectives, as set out in the Co-operation and Planning Directions 2025, are to be submitted to the NHS Scotland Chief Operating Officer by 31 March 2026. These plans should be consistent with individual NHS Board financial plans submitted on 16 March 2026.

The Scottish Government will continue to work with Boards and sub-national structures during the course of 2026-27 to understand progress with sub-national planning and its financial implications and efficiencies. This will extend to all objectives as set out in the DL.

Operational Improvement Plan

The Scottish Government's Operational Improvement Plan (OIP) set out a focused programme of work to improve waiting times performance across the system in 2025-26. This focussed on reducing unscheduled care pressures, improving flow through hospitals, and tackling long waits in planned care.

In 2026-27, the OIP will continue as a core framework for delivery, with renewed focus on reforming the services to work towards prevention and delivering improved access to treatment through digital innovation. Non-recurring funding of £100 million will be provided for the OIP in 2026-27, and further information on this will be provided in due course. This replaces the value in 2025-26 rather than being additional.

Policy Funding

In addition to the baseline uplift, funding aligned to policy commitments will be allocated to Boards in 2026-27. Scottish Government remain committed to continuing to rationalise the in-year allocation process by reducing the number of in-year allocations and issuing as early as possible within the financial year.

Health and Social Care Integration

The Health and Social Care Portfolio will transfer additional funding of £167 million to Local Government to support social care and integration for 2026-27, this includes funding towards the uplift for pay for adult social care workers to the Real Living Wage of £13.45 per hour (£160 million) and inflationary uplift on Free Personal Nursing Care rates (£7 million).

There is also additional investment to support improvements to wider terms and conditions for Adult Social Care workers and support for advocacy within social care, as well as investment to support a digital telecare pilot as part of commitment to remove non-residential charges. Further information around these will be provided in due course.

The funding allocated to IAs should be additional and not substitutional to 2025-26 budgets for services which are delegated. Therefore, Local Authority social care budgets for allocation to IAs must be at least £167 million greater than 2025-26 recurring budgets.

While funding for reform and improvement measures will be routed through NHS Boards, elements will support activity in the community and delivered via IAs. Part of this package will be used to directly support our shared ambition to alleviate pressure across the health and social care system.

Capital

The Budget will provide capital investment for the Portfolio's priority projects of the University Hospital Monklands, Princess Alexandra Eye Pavilion, the Belford Hospital, the Barra and Vatersay Community Campus, as well as contractual commitments relating to our construction programme. Out with these priorities, the capital programme will continue under the Whole System Infrastructure Planning (WSIP) process as outlined per [DL \(2025\) 15](#) with all Boards required to submit strategic assessments in 2026-27, although any decision on which priority projects can be supported within the Portfolio's capital funding envelope will not take place before 31 March 2027.

Approved projects from the Business Continuity Plans (BCP) will continue to be supported alongside funding made available for BCP Equipment and Sustainability programmes. NHS Boards' formula capital will remain in line with 2025-26 levels.

Alongside capital spending plans, as set out in [DL \(2025\) 15](#) and aligned to the Service Renewal Framework, a revenue funded primary and community care infrastructure investment programme is being developed. Work is underway to explore use of modern Public Private Partnership structures to support delivery and it is our expectation that, through a Mutual Investment Model, a significant programme of community health and wellbeing centres can be delivered over the coming decade, with initial construction anticipated from 2029-30 following establishment of the revenue funding model.

Considering suitability for revenue funding, along with community need, demand pressures and estate issues, twelve areas (**Annex B**) have been identified for pilot and first phase projects and meetings will be arranged with those local Health Boards to discuss this further. Following successful completion of the initial phase, it is intended that there will be further tranches, including smaller projects that are not suitable candidates for revenue funding, subject to funding availability and aligned to the overarching WSIP work.

Summary

It remains our collective duty and responsibility to ensure the funding allocated is used effectively to deliver the best possible care for the population of Scotland. This requires us to work collectively across organisations, using the new sub-national planning arrangements to make the best possible use of our resources.

I am grateful for your support to date and your continued engagement moving into the next financial year.

Yours sincerely,

A handwritten signature in cursive script that reads "fbennett".

Fiona Bennett

Interim Chief Finance Officer Health and Social Care

Annex A – Board Funding Uplifts

	2025-26 Allocation (£m)	Recurring Allocations* (£m)	Updated Allocation (£m)	Uplift** (£m)	Transfer to NHS Delivery*** (£m)	2026-27 Total Allocation (£m)	NRAC Funding (£m)	Distance from NRAC Parity (%)
Ayrshire and Arran	1,006.6	45.5	1,052.1	42.7	N/A	1,094.8	0.0	-0.3%
Borders	303.7	16.2	319.9	13.0	N/A	332.9	0.0	-0.4%
Dumfries and Galloway	425.4	19.4	444.8	18.0	N/A	462.8	0.2	-0.6%
Fife	937.9	40.8	978.8	54.1	N/A	1,032.8	13.7	-0.6%
Forth Valley	751.7	34.9	786.6	32.1	N/A	818.7	0.0	-0.5%
Grampian	1,346.8	61.8	1,408.7	68.8	N/A	1,477.5	11.4	-0.6%
Greater Glasgow and Clyde	3,123.5	141.1	3,264.5	100.2	N/A	3,364.7	0.0	1.4%
Highland	940.2	40.3	980.5	39.6	N/A	1,020.0	0.0	-0.6%
Lanarkshire	1,713.0	72.9	1,785.9	72.9	N/A	1,858.8	0.0	-0.4%
Lothian	2,113.0	96.6	2,209.5	91.0	N/A	2,300.5	1.7	-0.6%
Orkney	74.9	5.0	79.8	5.1	N/A	84.9	1.9	-0.6%
Shetland	74.8	4.8	79.6	7.0	N/A	86.6	3.8	-0.6%
Tayside	1,094.3	48.4	1,142.7	45.9	N/A	1,188.5	0.0	0.1%
Western Isles	106.8	6.1	112.9	4.3	N/A	117.2	0.0	6.2%
Territorials Total	14,012.6	633.6	14,646.2	594.5	N/A	15,240.7	32.8	
National Waiting Times Centre	98.0	9.8	107.8	3.1	N/A	110.9		
Scottish Ambulance Service	437.2	18.7	455.9	15.7	N/A	471.5		
The State Hospital	49.0	1.6	50.6	1.7	N/A	52.4		
NHS 24	118.3	5.6	124.0	4.3	N/A	128.3		
NHS Education for Scotland	648.9	135.1	784.0	24.8	(808.7)	0.0		
NHS National Services Scotland	428.5	25.3	453.8	12.6	(466.4)	0.0		
Healthcare Improvement Scotland	37.6	3.3	40.9	1.4	N/A	42.3		
Public Health Scotland	67.8	8.7	76.5	2.5	N/A	78.9		
NHS Delivery	0.0	0.0	0.0	0.0	1,275.1	1,275.1		
Nationals Total	1,885.3	208.1	2,093.4	66.1	0.0	2,159.5		
Total NHS Boards	15,897.9	841.7	16,739.6	660.6	0.0	17,400.2		

* Includes recurring allocations from 24-25

** Includes NRAC parity adjustments.

*** NHS Delivery to be formed via merger of NES & NSS.

Annex B – Revenue funded primary and community care infrastructure investment programme

The three pilot projects, selected for their health, population demographic and estate needs, will be in the following areas:

1. Port Glasgow
2. East Calder and East Livingston
3. Cowdenbeath and Lochgelly

Other projects identified for the first tranche of this primary and community care investment programme include:

- West Edinburgh
- Edinburgh City
- Cumbernauld area of Lanarkshire
- Hamilton area of Lanarkshire
- South Glasgow, Langside
- East Dunbartonshire
- West area of Ayr
- Inverness and Nairn
- Dunfermline and Kincardine (including intervening areas)