



NHS Grampian Finance Report

August 2025



Update from the Director of Finance



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NHS Grampian continue to manage an extremely challenging financial position. Despite the Board's financial recovery plan outlining an ambitious savings target of savings of £62 million we anticipate to report a deficit of £45 million in 2025/26. This is anticipated to be the highest overspend across NHS Scotland in value terms for the second year running and reflects the scale of the challenge to return to financial balance.

Like all Boards across Scotland, NHS Grampian have a statutory requirement to deliver against our revenue resource limit. To date, brokerage has been available from Scottish Government which has allowed NHS Grampian to meet this obligation. Although brokerage will not be available in 2025/26, Scottish Government have confirmed the Board will be provided with deficit support funding up to a maximum level of £45 million. We welcome this funding and will continue to work closely with the Scottish Government as part of the level 4 escalation process to enable a return to financial sustainability.

Reporting has completed for the period to the end of August 2025, with a deficit of £25.7 million reported. During August we saw an improved operational overspend which totalled £2.3 million, in part due to the work undertaken to ensure compliant rotas were in place for NHS Grampian's Resident Doctors from the August rotation. A detailed review of reserves held centrally was also undertaken in month which resulted in an improved position.

The year to date overspend is made up of a £16.1 million operational overspend and a £9.6 million gap in centrally held reserves. This gap in part results from the Board being unable to set balanced budget for the last four financial years along with expected contributions to Integration Joint Board overspends which remain a significant pressure for the Board. This pressures are partially offset by non recurring sustainability funding totalling £24.3 million

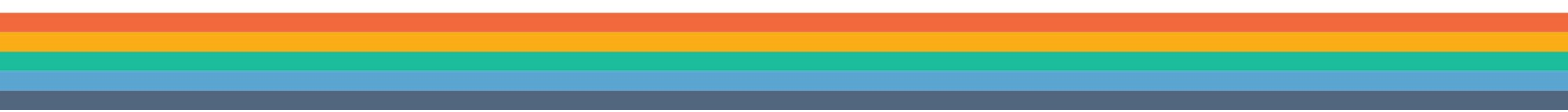
received from Scottish Government in 2025/26.

A detailed forecast has been prepared based on the August position, which outlines a deficit of £49.2 million. This forecast reflects a £4.7 million improvement from the July forecast however we remain £4.2 million above the £45 million outturn outlined in the financial recovery plan. This is the maximum level of overspend permitted in 2025/26. Detailed work was undertaken in August on the savings delivered to date and the forecast savings which highlight a remaining gap of £1.4 million to deliver against the £62 million savings target. Work is ongoing to identify new savings opportunities and maximise savings in current programmes to mitigate new cost pressures identified.

High level planning assumptions have been shared for 2026/27 and work is underway to refresh the three year financial plan with a significant budget gap expected. Our budget Strategy for 2026/27 will be presented to the Board in October which will outline the approach we will take to develop the three year financial plan. The Board have managed to deliver significant savings in 2024/25 and expect to do the same in 2025/26. Significant savings will continue to be required to support the Boards return to financial balance. The Value and Sustainability Programme to support the delivery of the financial plan will be launched in October to support this work.

Alex Stephen

Director of Finance



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Executive Summary



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Background

NHS Grampian continues to face a significant financial challenge. The Board has been escalated to stage 4 on the NHS Scotland Support and Intervention Framework due to concerns over the financial sustainability of the Board. The Board has been supported through brokerage from Scottish Government, totalling £90 million, over the last two years, which is repayable on return to financial balance. This has allowed the Board to achieve its statutory duty to deliver within its revenue resource limit.

The Scottish Government have confirmed that the Board will be provided with non recurring deficit support funding up to a maximum level of £45 million in 2025/26. Alongside the non recurring sustainability funding, the total non recurring support provided to NHS Grampian in 2025/26 to £69.3 million. It is vital that NHS Grampian deliver against its Financial Recovery Plan in 2025/26 and continue to identify and implement recurring savings across the system to support the Board's financial recovery.

The Grampian region continue to face challenging economic conditions in recent years, driven by a contraction in the energy sector and growing pressure on public sector funding. Economic growth is expected to remain low in the coming years. The area is also experiencing a stagnation in its overall population size, with an ageing population reflecting the increase in the proportion of people aged over 65. These factors are resulting in increasing pressure on the public services delivered by NHS Grampian and its three Integration Joint Boards.

The Board also continues to manage ongoing recruitment challenges leading to the use of higher cost supplementary staffing and inflationary pressures impacting on non pay costs such as energy and medical supplies.

Context of this report

This report provides an update on NHS Grampian's financial position for the five months to the end of August 2025. The report includes details of:

- The revenue position at August 2025.
- The forecast outturn for 2025/26 as produced based on August outturn including an update on the Integrated Joint Board financial positions.
- Further information on the financial position in key portfolios.
- Further information on areas of deterioration.
- An update on NHS Grampian's savings programme for 2025/26.
- An update on the infrastructure and backlog maintenance programme at August 2025.
- Financial risks

Executive Summary



Summary of Findings

The revenue results to the end of August 2025 show an overspend of £25.7 million with a £2.3 million overspend reported in month. The table below shows the breakdown of the financial position for July and August along with the YTD position.

2025/26 Outturn	July	August	5 months to August
Operational Deficit	£3.7m	£2.3m	£16.1m
Reserves Deficit	£2.3m	(£0.2m)	£8.8m
Sustainability Funding	(£2.0m)	(£2.0m)	(£10.1m)
Outturn (non delegated services)	£4.0m	£0.1m	£14.8m
Provision for IJB overspends	£2.2m	£2.2m	£10.9m
NHS Grampian Outturn	£6.2m	£2.3m	£25.7m

The year to date financial position assumes contributions to Integration Joint Board (IJB) overspends totalling £26 million. The financial performance of the IJBs continues to be closely monitored to assess any potential risks to the NHS Grampian position from movement in IJB budgets. Meetings to discuss IJB forecast positions indicate a likely contribution of £21 million towards IJB overspends however, this remains reliant on the delivery of savings. A £2 million risk provision has been provided for alongside the likely contribution, with the forecast

contribution required for IJB overspends totalling £23 million.

A detailed forecast has been completed based on the August outturn which highlights a £49.2 million forecast overspend for the 2025/26 financial year. This is an improvement of £4.7 million from the July forecast outturn. The forecast remains adrift from the £45 million deficit, despite a high level of anticipated savings, with risk noted around some identified savings schemes. It is anticipated that this forecast will improve as we gain further assurance on savings delivery for higher risk schemes through the remainder of the financial year.

Key changes to highlight during August are:

- An increase of c. 65 WTE within medical pay lines due to increased Dentist and Doctors in Training numbers. This will result in an additional cost pressure of c. £1.3 million.
- Reduced costs associated with rota non compliance in August following the review of rotas. There remains a risk of adverse monitoring outcomes which is being closely monitored.
- Nursing budgets within Mental Health were re-based during August to reflect the output of the CSM review with a £2.2 million budget increase. This has been offset within the position by increased costs associated with the Rohallion Medium Secure Unit.

NHS Grampian's 2025/26 Infrastructure and Backlog Maintenance Programme has total funding of £104.3 million. Spend against the programme at August is £17.7 million, predominantly on the Baird Family Hospital and Anchor Centre.

Further detail on NHS Grampian's financial performance can be found in the remainder of this report.

High Level Financial Position



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Key Points:

Pay is overspent by £18.2 million year to date (6%) including a number of key overspends:

- A £3.9m overspend on medical pay driven by resident doctor rota non compliance and supplementary staffing costs. The reduced spend in month reflects the reduced cost of rota non compliance following the August rotation.
- £6.6m overspend against nursing budgets. Budgets within Mental Health have been rebased to reflect the staffing requirement as evidenced by the Common Staffing Tools. This has improved the operational position but increased the financial gap held in central reserves.

Non Pay budgets are overspent by £9.8 million year to date (8%) with the following key overspends:

- Medical supplies and equipment (£3.1m) in part linked to increased planned care activity.
- Maintenance and Service contracts (£1.0m) due to inflationary pressure.
- Historical unachieved efficiency savings are also impacting on the non pay position.

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2025/26 Forecast



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2025/26 Financial Plan	Original Financial Plan	Financial Recovery Plan	Forecast outturn 2025/26 (at August)
Projected overspend before savings	£93.7m	£89.3m	£89.3m
Savings, other cost reductions and technical adjustments	(£39.0m)	(£46.0m)	(£44.1m)
New pressures			£5.3m
Forecast overspend as per 2025/26 Financial Plan	£54.7m	£43.3m	£50.5m
Sustainability Funding	(£24.3m)	(£24.3m)	(£24.3m)
Outturn (non delegated services)	£30.4m	£19.0m	£26.2m
Anticipated funding provided to Integration Joint Boards	£38.0m	£26.0m	£23.0m
NHS Grampian 2025/26 Outturn	£68.4m	£45.0m	£49.2m
Gap to Financial Recovery Plan outturn			(£4.2m)
Financial Recovery Plan outturn			£45.0m

Staff



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	August Funded Establishment	August Staff in Post	August Variance
Medical	1,804	1,780	24
Nursing	6,543	6,775	(232)
Administrative Services	2,277	2,171	106
AHPs	1,193	1,136	57
Health Scientists	505	502	3
Medical & Dental Support	272	271	1
Other Therapeutic	560	567	(7)
Personal & Social Care	64	60	3
Management	34	32	2
Support Services	1,756	1,682	74
Other	(24)	4	(28)
Total	14,983	14,979	4

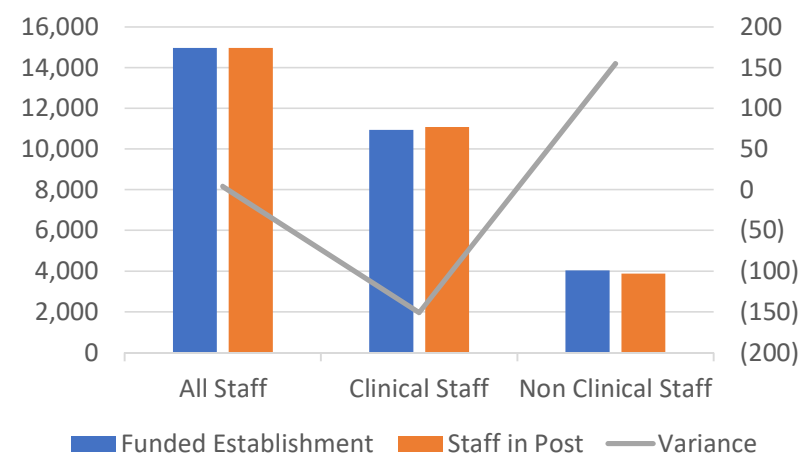
Nursing Budgets remain over historical budgeted levels with staff use driven by the need to ensure safe and appropriate care as per the duties of the Health and Care Staffing (Scotland) Act. It has been agreed to re-baseline nursing budgets for non delegated services to match the output of the Common Staffing tools ensuring budgets match current service requirements. This has been actioned for the MUSC portfolio and non delegated Mental Health services to date. Work is ongoing for the remaining portfolios. Once complete, this will reduce the variance on nursing staffing budgets. Once actioned, it is vital that budgets are managed within the realigned levels.

This is expected to improve the financial position of the Board through the use of sustainable staffing models and enhanced grip and control. It must be noted that this approach will increase the funding gap in centrally held reserves which will require the Board to deliver savings elsewhere in the system to return to financial balance.

The staff in post and funded establishment increased by c. 65 WTE during August due to increase in Doctor and Dentist in Training (DDIT) numbers following the August rotation. This increase was due to new expansion posts alongside increased fill rates for existing posts.

This will result in an additional cost pressure of c. £1.3 million for the Board, who are required to cover the cost of banding payments for DDIT posts with NES providing funding for basic salary costs. Additional savings will be required to manage this pressure.

There are circa 155 vacancies within non clinical services, which will be partly due to the current vacancy controls in place.

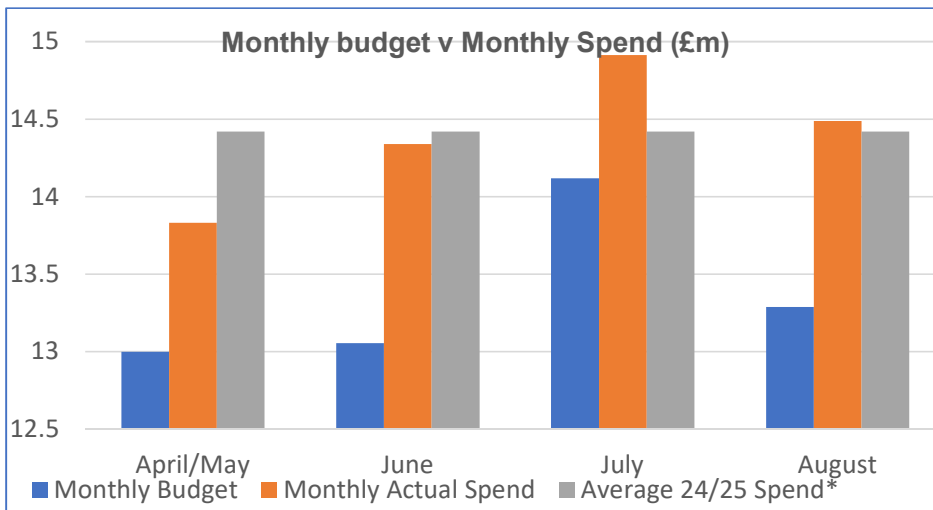


Medicine and Unscheduled Care



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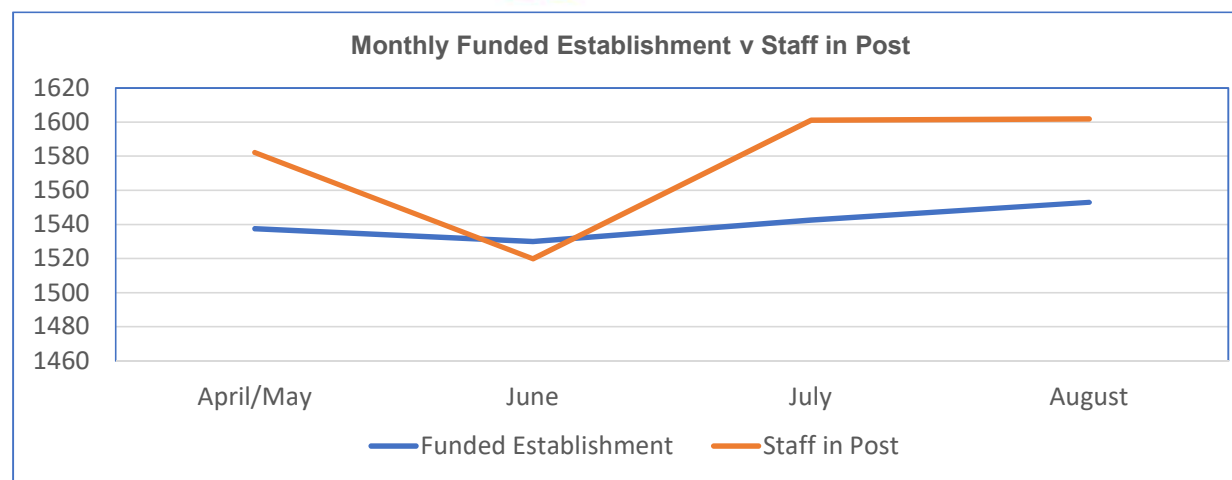
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*2024/25 average spend has been adjusted to reflect funding relating to the 25/26 pay awards and national insurance increase. It should be noted that arrears relating the pay award were paid in July.

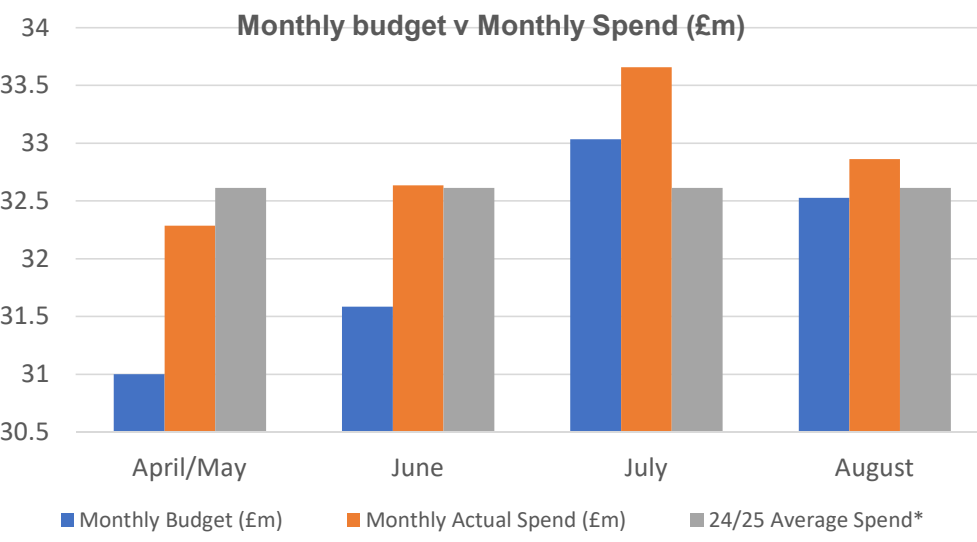
The Medicine and Unscheduled Care Portfolio continues to report a significant overspend driven by ongoing system pressure:

- Hospital bed occupancy remains at very high level with many areas near or above 100%.



- The portfolio is reporting a year to date overspend of £4.94 million.
- The forecast year end overspend for the portfolio is £12.36 million. This is a c. £0.5 million deterioration from the extrapolated August position due to costs associated with the boarding medical workforce model. Work is ongoing to move to a more sustainable workforce model with oversight provided via the value and sustainability programme.
- Savings are not yet being delivered by the Portfolio at the level outlined in the financial plan. Attention is required to ensure the delivery of savings in key areas including resident doctor rota compliance for the remainder of the financial year.
- Following the rebasing of nursing budgets the Portfolio are expected to manage within funded nursing budgets. Nursing staff in post during August exceed funded budget levels by 33 wte.

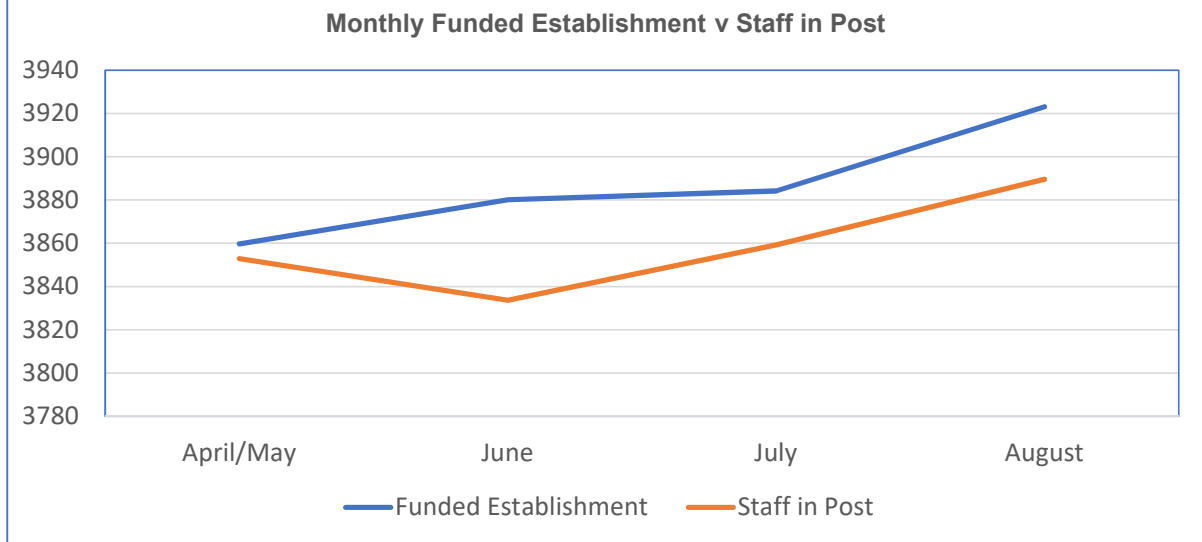
Integrated Specialist Care Services



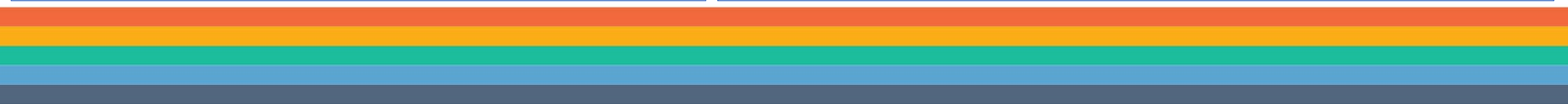
*2024/25 average spend has been adjusted to reflect funding relating to the 25/26 pay awards and national insurance increase. It should be noted that arrears relating the pay award were paid in July.

The Portfolio continues to manage ongoing demand challenges:

- The list size for Consultant led Outpatient appointments continues to increase.
- Elective care waiting lists have continued to decrease, supported by Planned Care funding allocated by Scottish Government to address patients with the longest waits across Scotland.



- The portfolio is reporting a year to date overspend of £4.58 million.
- The forecast year end overspend for the portfolio is £13.82 million which reflects a c. £2.8 million deterioration from the extrapolated month 5 position. Deteriorations are anticipated for the remainder of the financial year due to the expected increase in activity aligned to Planned Care improvement plan and expected seasonal increases in spend (including the annual Vaccination programme).
- A commission to undertake a focused piece of work to look at planned care activity growth and the impact on non pay budgets will be agreed with work to be undertaken by November.



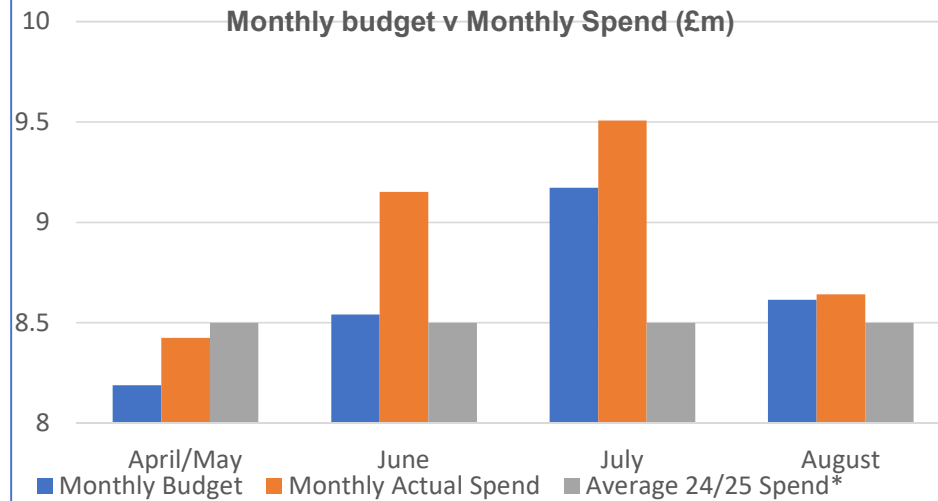
Family Portfolio



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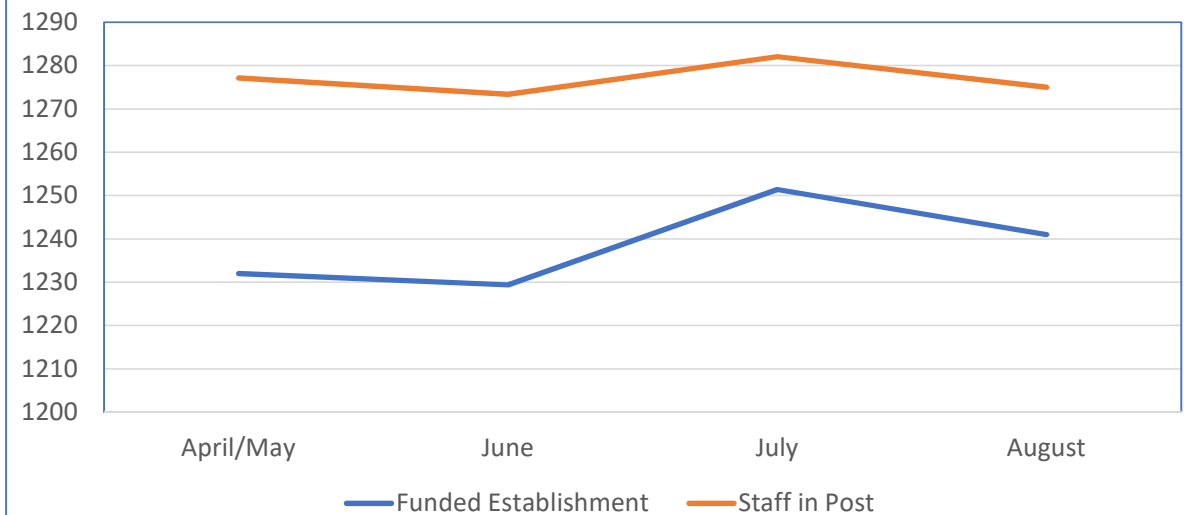
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Monthly budget v Monthly Spend (£m)



*2024/25 average spend has been adjusted to reflect funding relating to the 25/26 pay awards and national insurance increase. It should be noted that arrears relating the pay award were paid in July.

Monthly Funded Establishment v Staff in Post



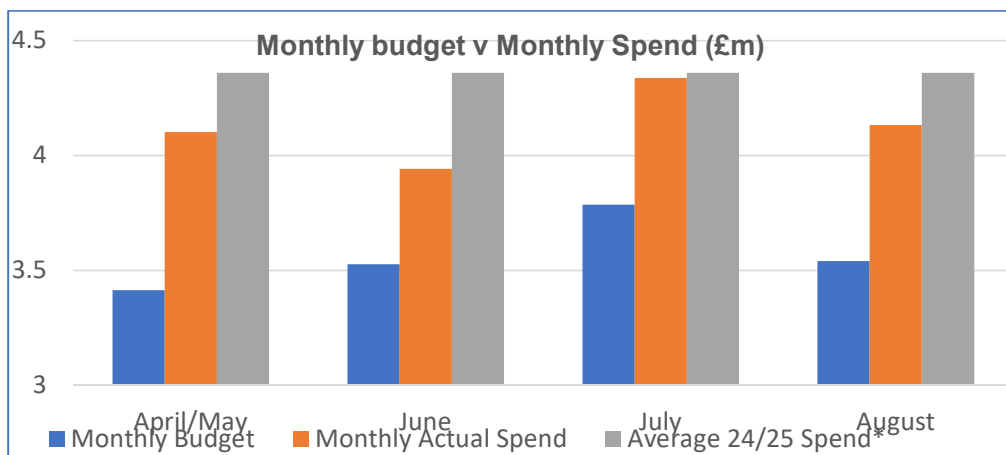
- The portfolio is reporting a year to date overspend of £1.44 million.
- The forecast year end overspend for the portfolio is £3.36 million which reflects an improvement from both the July forecast outturn and the extrapolated month 5 position.
- The improvement is partly due to savings from rota compliance which will be seen in full from August onwards. Additionally enhanced controls around medical supplies will be put in place within the portfolio and we expect the spend to hold for the remainder of the financial year.
- The underlying overspend within the portfolio is driven by staff in post exceeding funded establishment, unachieved historical savings and overspends on medical supplies costs.
- Continued attention is required on the identification and delivery of savings within the Portfolio for the remainder of the financial year.

Dr Grays Hospital



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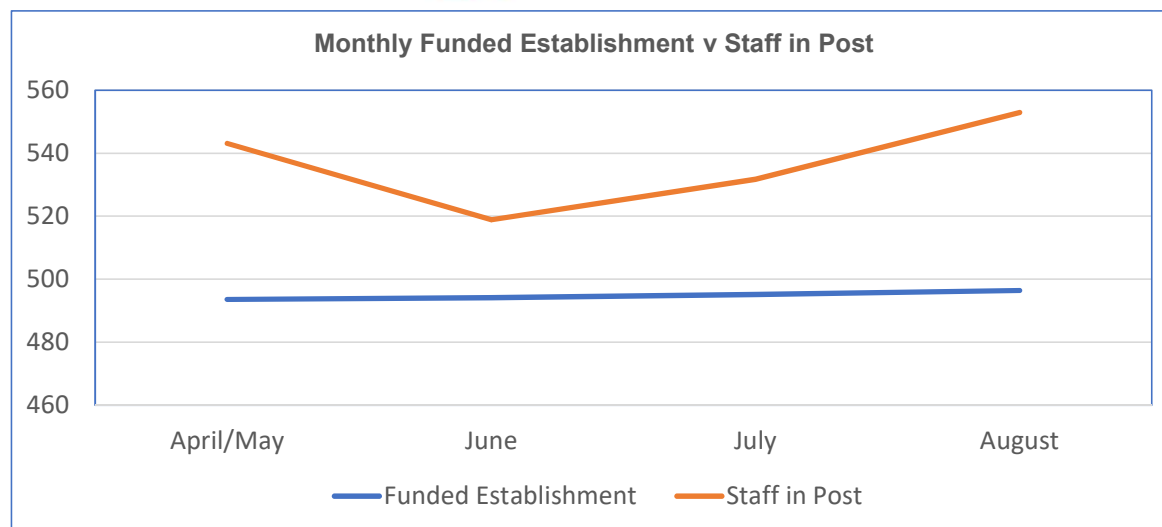
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*2024/25 average spend has been adjusted to reflect funding relating to the 25/26 pay awards and national insurance increase. It should be noted that arrears relating the pay award were paid in July.

In line with continued operational challenges, Dr Grays Hospital Portfolio continues to report a significant overspend :

- Hospital occupancy (excluding maternity/paediatric wards) remained high increasing above 110% during the final two weeks in August.



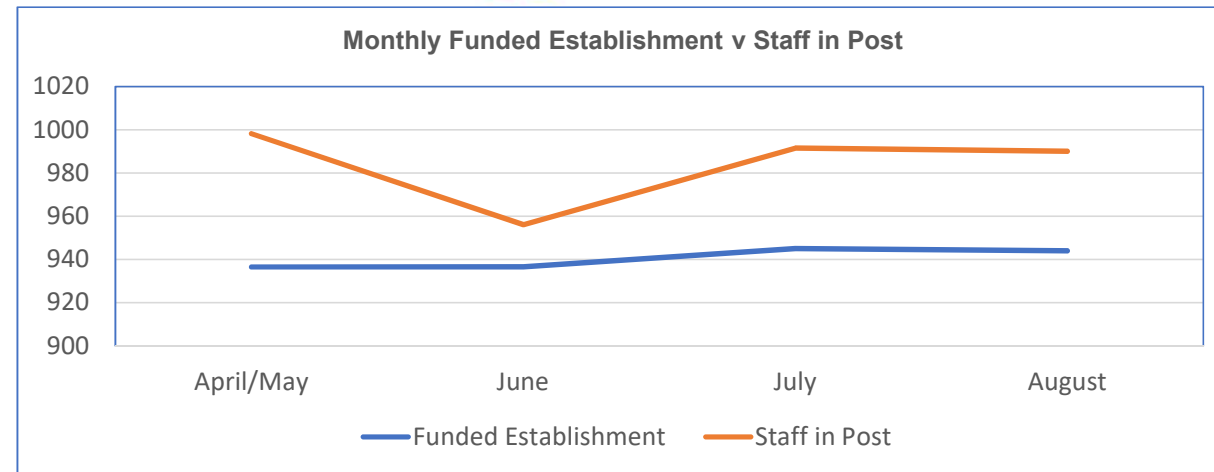
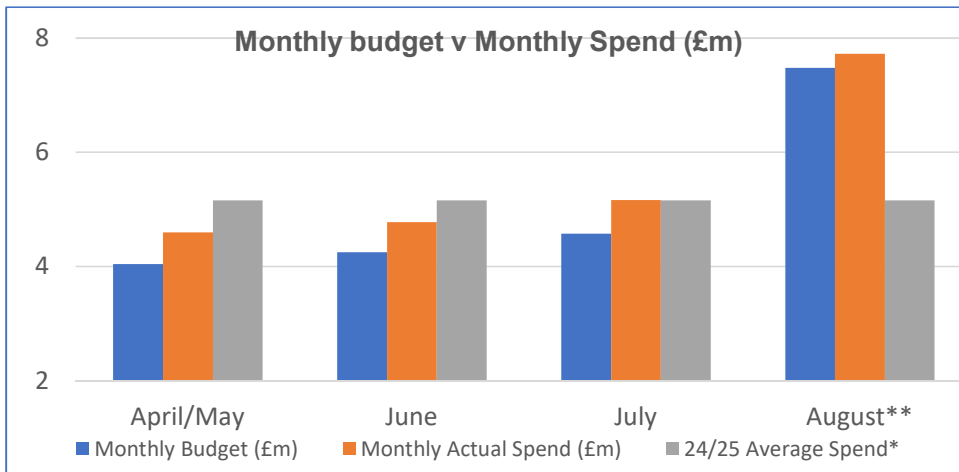
- The portfolio is reporting a year to date overspend of £2.93 million.
- The forecast year end overspend is £7.16 million. a minor deterioration from the extrapolated August position.
- The forecast overspend for 2025/26 reflects a significant improvement from the 2024/25 overspend which totalled £9.9 million. The main area of improvement is within Medical pay budgets driven by the use of Direct Engagement for all agency medical locum engagements. Despite this, pressure remains on budgets due to the ongoing reliance on supplementary staff to deliver service.
- During August, nursing staff in post exceeded funded establishment by c. 50 WTE with the highest level of nursing staff used since September 2024. This increase is linked to surge capacity. Meetings have been arranged to review nursing levels and consider whether there is scope to reduce staffing levels without impacting on patient care.

Mental Health



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*2024/25 average spend has been adjusted to reflect funding relating to the 25/26 pay awards and national insurance increase. It should be noted that arrears relating the pay award were paid in July.

**The increase in August budget and spend is due to receipt of earmarked Mental Health funding received from Scottish Government..

Royal Cornhill Hospital Occupancy – remains at very high levels

Royal Cornhill Hospital MHLd admitting wards occupancy remains at extremely high levels, exceeding 110% during August.

- Non delegated Mental Health services are reporting an overspend of £2.47 million at the end of August 2025.
- Funding has been allocated in month to re-baseline nursing budgets, with a £2.2 million increase in budget and a 6 wte increase in establishment (WTE budget). The mismatch between the increase in funding and establishment is due to incremental drift and historic unachieved efficiency savings.
- This benefit has been offset in the year to date position due to increased costs associated with the Rohallion medium secure unit hosted in NHS Tayside.
- The forecast year end overspend is £4.55 million. This is an improvement from the extrapolated August position due to information regarding the Rohallion expected charge received post ledger close. Despite this small improvement the service are reporting a deterioration from the 2024/25 outturn, which in part is driven by increased costs associated with the provision of the Medium Secure Unit and ongoing nursing use in excess of funded establishment levels.

Non Clinical Services

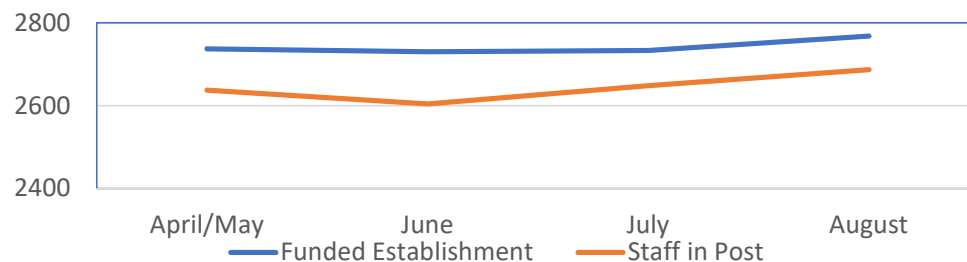


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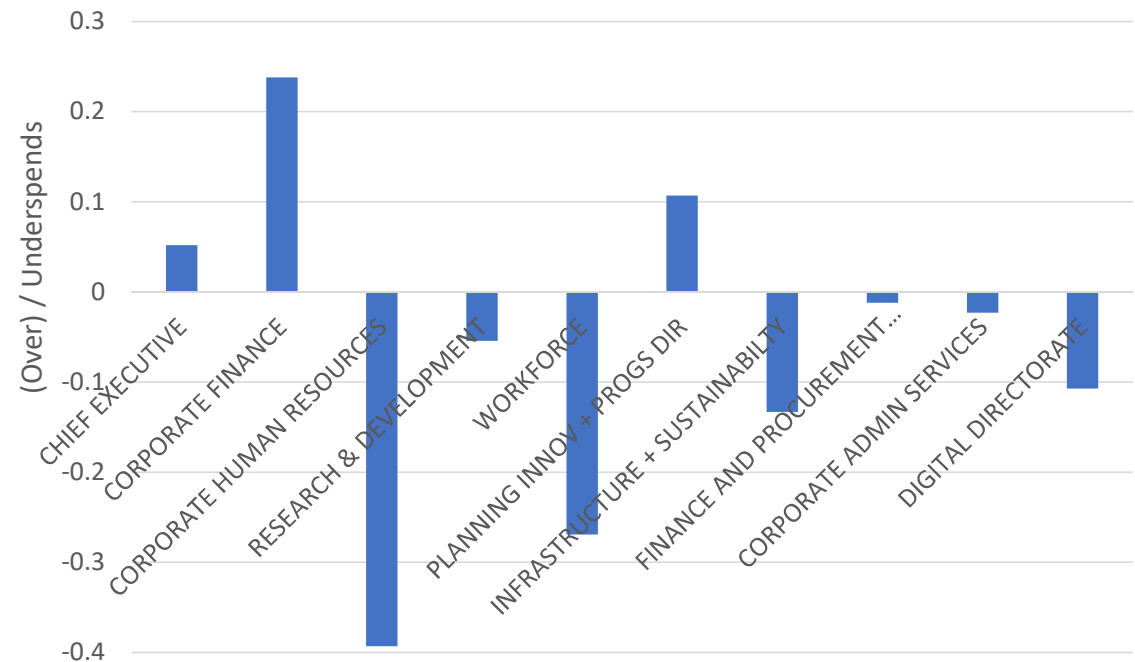
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- Non Clinical Services are reporting a year to date overspend of £0.60 million.
- The forecast year end overspend for the portfolio is £2.01 million which reflects a £550k deterioration from the extrapolated month 5 position.
- The forecast overspend for 2025/26 has improved from the reported forecast overspend in July due to actions agreed by services to manage the position including a £0.2 million improvement from charging appropriate costs to the Infrastructure programme rather than revenue.
- Non clinical services continue to hold a number of posts in line with current vacancy controls On average staff in post are 106 wte below funded establishment levels with a significant number of vacancies within the Infrastructure and Sustainability directorate. These vacancies are partly offsetting cost pressures on non pay budgets within the directorate.
- The largest areas of overspend within non clinical services are Infrastructure and Sustainability, driven by non pay inflation and growth, and Corporate HR, due to increasing costs associated with Disclosure checks, removal expenses and visa costs managed on behalf of the organisation.

Monthly Funded Establishment v Staff in Post



YTD Variance where greater or less than £100,000 (£m)



Focus on areas with deteriorating positions - July



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Integrated Family Portfolio

Deterioration driven by increased staffing use required to meet service demands and increasing pressure on medical supplies budgets.

Actions:

- Further scrutiny of all vacancy requests to consider banding and whether urgent need for recruitment.
- Common staffing methodology workforce review to be completed on areas with biggest overspend to identify opportunities for efficiency.
- Focused work to reduce non pay costs including review of ordering and work to minimise wastage.

Infrastructure and Sustainability

Deterioration in forecast position due to planned recruitment in a number of teams during the second half of 2025/26.

Actions:

- Risk based approach to be taken to the management of vacancies.
- Increase non pay savings including maximising savings from the Foresterhill CHP.
- Review of spend to be undertaken to consider any items that should be charged to the Infrastructure programme. This has been actioned during August to deliver a circa £0.2m improvement in the revenue position.

Focus on areas with deteriorating positions – New areas for focus



	2024/25 Overspend* *adjusted for new funding	2025/26 Forecast overspend (July)	2025/26 Forecast overspend (August)	Movement from July
Medicine and Unscheduled Care Portfolio	£10.9m	£12.1m	£12.4m	£0.3 million deterioration
Integrated Specialist Care (Planned Care)	£12.5m	£14.2m	£13.8m	£0.4 million improvement
Family	£4.1m	£4.1m	£3.4m	£0.7 million improvement
Dr Grays	£9.9m	£7.0m	£7.2m	£0.2 million deterioration
Mental Health**	£2.2m	£3.3m	£4.6m	£1.3 million deterioration
Non Clinical Services	£1.7m	£2.3m	£2.0m	£0.3 million improvement

The August forecast positions have shown improvements or minor deteriorations for the majority of services.

Within Mental Health, funding totalling £2.2m has been allocated to ensure nursing budgets reflected the output of the Common Staffing Methodology review. The figures in the table above have been adjusted for Mental Health to reflect this new funding. We have seen a deterioration in the position for Mental Health in August, largely driven by an increase in expected costs relating to the Rohallion Medium Secure Unit, and this will be an areas of focus for CET discussion.

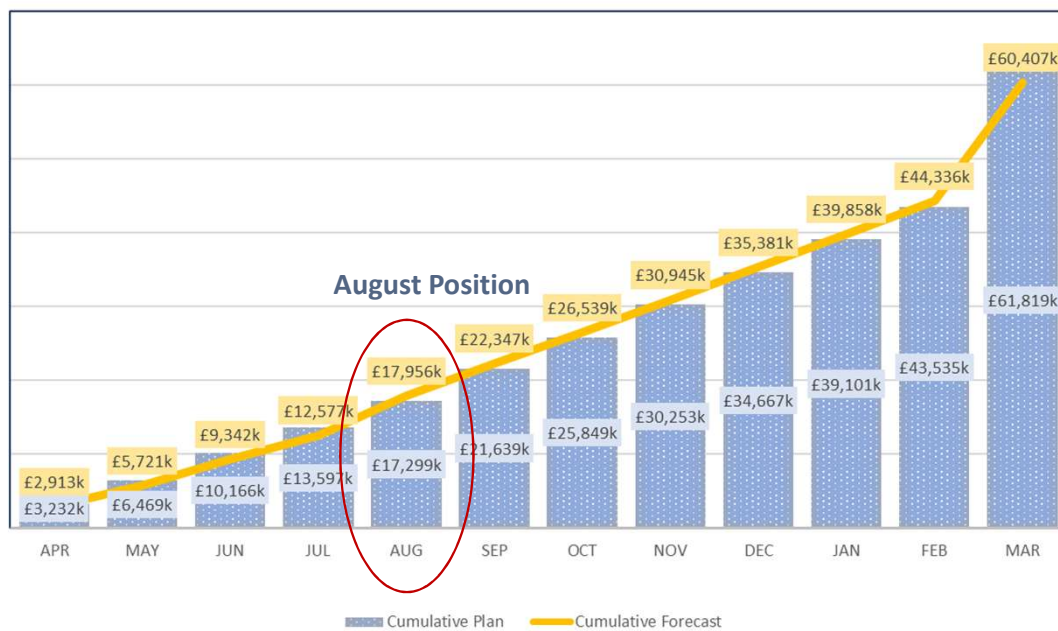
The MUSC have seen a minor deterioration in the position with ongoing pressure on nursing budgets, despite the rebasing of budgets within the portfolio. An update on the approach to manage nursing budgets within current establishment levels will be requested for discussion at CET.

Value and Sustainability Programme



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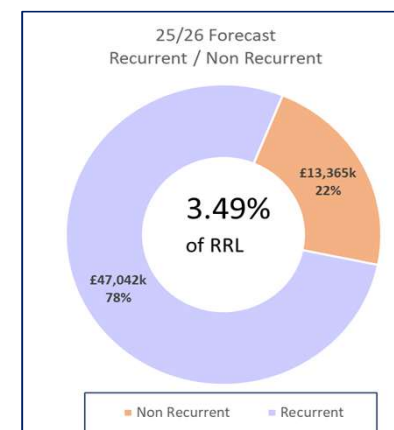
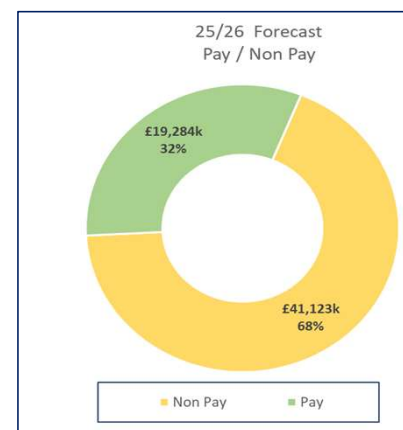
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A full review of all saving schemes has been undertaken based on August outturn. Alongside this work a savings tracker has been developed to support ongoing management of the value and sustainability programme.

At August, £19.95 million of savings have been delivered against planned savings of £17.30m. We are currently forecasting savings of £60.4 million against the target of £61.8 million, with £37m of these savings expected to be delivered on a recurring basis. This represents total recurring savings of 3.49%, which exceeds the Scottish Government target of 3% recurring savings.

There remains some risk around delivery within the current forecast savings level. Work is underway to mitigate this risk through a detailed review of underperforming schemes and assessment of actions that could be taken to recover underperformance against target.



Infrastructure and Backlog Maintenance Programme



- NHS Grampian has a total programme of £104.3 million.
 - £13.5 million relating to medical equipment, £1.1 million relating to IT hardware and networks and £1.4 million regarding facilities and estates equipment.
 - £14.4 million relating to backlog maintenance and ensuring compliance with statutory and environmental standards.
 - £1.4 million on sustainability projects aimed to reduce energy use.
 - £71.9 million on major hospital schemes related to the construction of the Baird Family Hospital and Anchor Centre.
 - £0.2 million relating to primary care premises grants
 - £0.5 million of capital contingency funding and other minor items.
- The majority of this funding comes from Scottish Government with £14.1 million of core capital resource limit in addition to additional targeted funding and charitable funding.
- Total spend year to date is £17.7 million predominantly on the Baird Family Hospital and Anchor Centre.

	Funding £k	Spend to August £k	Remaining Spend £k
Medical equipment	13,516	484	13,032
IT equipment	1,090	390	700
Other equipment	1,375	432	943
Backlog maintenance and statutory standards	14,403	2,605	11,798
Sustainability	1,364	0	1,364
Major hospital schemes	71,900	13,816	58,084
Primary and community care	200	0	200
Other	473	4	468
Total Programme	104,321	17,732	86,588

Significant Financial Risks



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RISK	DESCRIPTION OF THE RISK	CONTROLS
Controlling the Rate of Overspending	<p>Service pressures and other unplanned cost increases drive the underlying operational overspend to a higher level. The financial recovery plan leaves the Board with no flexibility to manage in-year movements and any new cost pressures will require to be managed through the delivery of additional savings.</p>	<p>Enhancements to financial monitoring and reporting being put in place. This includes review of deteriorating positions to inform causes of deterioration and mitigating actions.</p>
Savings achievement	<p>The 2025/26 financial plan includes an ambitious savings target. The level of cumulative savings delivered within the system is significant and there is a high risk we will not be able to achieve the planned level of savings within the 2025/26 year. There has been slippage in the commencement of some schemes and some schemes are assessed as having a high risk of not delivering the full level of planned savings.</p>	<p>Savings tracker developed to provide high level information to support achievement of value and sustainability programme. Detailed review undertaken of all savings delivered to date based on August outturn. New proposals totalling £5.6 million considered by Chief Executive Team to bridge the £7 million savings gap identified from July review. Focused work underway to consider actions that could be taken to address underperforming areas.</p>
Integration Joint Board Overspends	<p>There is provision in the Board's financial plan for a contribution to any overspends incurred by the three IJBs however there remains a risk should IJBs overspend beyond this level. We will continue to work closely with Chief Officers and Chief Finance Officers to monitor and manage the positions of IJBs throughout the year.</p>	<p>Regular review of IJB positions. Meetings to discuss IJB financial positions set up with Chief Executive, IJB Chief Officers, IJB Chief Finance Officers and the Director of Finance including monthly review of forecast.</p>