

Meeting:	NHS Grampian Board
Meeting date:	8 th October 2026
Item Number:	9.7
Title:	NHS Grampian 2026/27 Financial Position Report including Value & Sustainability Programme Update
Responsible Executive:	Alex Stephen (Director of Finance)
Report Author:	Sarah Irvine (Deputy Director of Finance)

1 Purpose and recommendations

This is presented to the Board for:

- **Assurance**
- **Decision**

Recommendations(s):

The Board is requested to:

- Discuss and note the update on the Board's financial position for the five months to August 2026.
- Discuss and approve the assessed assurance level in relation to delivery of the 2026/27 financial plan – Moderate Assurance.

This report relates to:

- NHS Grampian Strategy: Plan for the Future
- NHS Grampian's Medium Term Financial Framework
- Board Annual Delivery Plan
- Financial Sustainability

This aligns to the following NHS Scotland quality ambition(s):

- Safe
- Effective
- Person Centred

This subject matter of this report is relevant to the mitigation of the following strategic risks

- Inability to achieve the aspirations set out in Plan for the Future due to financial resource constraints and inefficiencies

2 Report summary

2.1 Situation

The purpose of this report is to provide:

1. An overview of the Board's financial position for the five months to August 2026.
2. An update on the progress of the Value and Sustainability programme including forecast savings for the 2026/27 financial year.
3. Detail of the forecast outturn position for 2026/27 including information on the risks to delivery of the Board's Financial Recovery Plan.

Whilst our forecast outturn remains in line with the financial plan, NHS Grampian require to deliver significant savings during the current financial year and continues to manage a number of material risks including new cost pressures not reflected in the financial plan, which have emerged during the first five months of the year. These pressures are being managed through one off technical adjustments and there remains limited flexibility in the financial plan to absorb additional cost pressures, and there remains no scope to fund service expansions or new developments. In this context, NHS Grampian is able to provide **moderate assurance** on its ability to deliver a deficit within the £36 million deficit support funding.

The Board remains fully committed to delivering an outturn within the maximum level of deficit support funding and continue to treat this as an absolute limit rather than a target. As in 2025/26, progress against the financial plan will be closely monitored through Value and Sustainability governance routes and prompt action taken to address any adverse movement from the plan. The Board will continue to receive a financial update at each Board meeting, which will include an assessment of the risk relating to delivery of the financial plan for discussion and approval by the Board.

2.2 Background

Scottish Government confirmed that NHS Grampian will receive deficit support funding in 2026/27 up to a maximum level of £36 million on a non-recurring basis. NHS Grampian developed a financial plan which delivers within this level, enabled through the delivery of £40 million of financial savings in 2026/27. This plan was signed off by the NHS Grampian Board in March 2026, with Scottish Government approval provided on the 25th March 2026. Subject to NHS Grampian delivering against its financial plan, this funding will enable the Board to deliver its statutory requirement to deliver within its revenue resource limit.

Whilst the 2025/26 financial outturn did report an improvement from the Financial Recovery plan, NHS Grampian remain in a significantly challenged financial position. We reported the second highest overspend in value terms in 2025/26 and the fifth highest in percentage terms. Our financial plan for 2026/27 indicates we will continue to report one of the highest overspends in cash terms across NHS Scotland.

The Board was escalated to stage 4 of the escalation and support framework on the 12th May 2025 due to concerns around the Board's financial sustainability, the deterioration of the Board's financial position during 2024/25 and leadership and governance. NHS Grampian continue to work closely with the Scottish Government under the framework to support improved performance in a number of key areas. De-escalation criteria to support a move to

stage 3 on the framework have been agreed via the Assurance Board and were presented to the NHS Grampian Board in June 2026. Consideration of de-escalation to Stage 3 will not take place until January 2027 at the earliest.

NHS Grampian have an outstanding brokerage balance totalling £90 million with the Scottish Government, arising from deficits reported in 2023/24 and 2024/25. This brokerage support remains repayable to Scottish Government on return to financial balance.

2.3 Assessment

Key Messages

The forecast outturn for the year is £36.0 million, in line with the Financial Plan and within the maximum level of deficit support funding agreed with Scottish Government for 2026/27. Consistent with the previous report presented to the Committee, the position remains extremely finely balanced, and continued focus on savings delivery and cost control is essential for the remainder of the 2026/27 to support delivery of the financial plan.

The reported financial position for the first five months of the financial year shows:

- NHS Grampian is overspent by £18.9 million for the first 5 months of the financial year;
- The forecast outturn for the year is £36.0 million,
- Estimated Savings delivered to date total £15.0 million against planned savings of £14.5 million;
- Forecast savings for the 2026/27 financial year total £40.3 million which is slightly above the £40 million required to support delivery of the Financial Plan;
- Our current forecast recurring saving sit at 2.7% however we anticipate this to increase in excess of 3% as work continues throughout the year to maximise savings;
- Capital spend of £7.7 million has been incurred to the end of August against a total programme of £114.3 million.

2026/27 Revenue Position

NHS Grampian is reporting a £18.9 million overspend for the five months to August 2026. The table below shows the breakdown of the financial position for the first five months of the financial year along with the forecast year end outturn:

Table 1: Financial Position

2026/27 Outturn	June	July	August	YTD to Aug	Forecast
Operational Deficit	£2.2m	£3.5m	£2.4m	£13.5m	£23.2m
Reserves Deficit	£0.5m	£1.4m	£0.4m	£6.0m	£14.5m
Sustainability Funding	(£1.3m)	(£1.3m)	(£1.2m)	(£6.1m)	(£14.7m)
Outturn (non-delegated services)	£1.4m	£3.6m	£1.6m	£13.4m	£23.0m
IJB deficit support funding	£1.1m	£1.1m	£1.1m	£5.5m	£13.0m
NHS Grampian Outturn	£2.5m	£4.7m	£2.7m	£18.9m	£36.0m

A forecast has been prepared based on the August outturn, which indicates delivery of a £36 million deficit outturn in line with the financial plan. Targeted deep dives into areas demonstrating deterioration or ongoing performance pressures will continue throughout 2026/27 to better understand the underlying causes and support the development and delivery of appropriate mitigating actions.

Whilst we remain on track to deliver against the financial plan, the position is extremely finely balanced with very limited flexibility to absorb additional cost pressures and no scope to fund new developments. New pressures have been identified totalling £2.4 million which are being managed through non-recurring technical adjustments and over-delivery against the £40 million savings programme.

Further detail on the 2026/27 financial position can be found in the detailed monitoring report attached at appendix one.

Savings Programme

Savings delivery for the 2026/27 financial year has been reviewed with estimated savings of £15.0 million reported for the year to date against planned savings of £14.5 million. Performance against savings plans has been mixed year to date, with under-delivery in some schemes offset by over-delivery in others. All schemes are monitored through the Value and Sustainability Programme governance arrangements, with underperforming schemes subject to detailed review by the Programme Board to provide assurance that appropriate corrective actions are being implemented and delivery remains actively managed.

Forecast savings for the 2026/27 financial year total £40.3 million. This exceeds the £40 million savings requirement from the financial plan but remains below the £41.8 million target for the Value and Sustainability Programme, which aimed to address the inherent risk within the programme. This is not unanticipated at this stage of the year, as work continues to take forward actions to maximise recurring savings delivery.

We are currently forecasting delivery of 2.7% recurring savings. This is below the 3% recurring savings target mandated on all Boards by Scottish Government, however we expect this to increase as we move through the financial year. Progress against the Value and Sustainability Plan will continue to be reported via the Value and Sustainability governance structure. This will include regular reporting to the Value and Sustainability Programme Board and the Value and Sustainability Delivery group.

The Scottish Government, through the NHS Scotland Finance Delivery Unit, launched the Invest to Save Framework for 2026/27. The framework provides non-recurring, non-repayable funding to support projects that deliver clear, evidence-based and cash-releasing savings across NHS Scotland. NHS Grampian submitted 12 proposals for consideration under the framework. Confirmation has now been received that seven proposals have been approved, with the potential to deliver recurring savings of more than £1.3 million per annum. The approved schemes span both delegated and non-delegated services, supporting financial sustainability and service improvement across the wider health and care system.

Implementation progress and savings realisation will be monitored through the Value and Sustainability Programme governance arrangements, with regular reporting on delivery and benefits achieved. The schemes remain at an early stage of implementation, with the associated savings not currently reflected within the 2026/27 forecast outturn position.

We appreciate the support provided by the Scottish Government through the Invest to Save Framework. This investment will support the delivery of sustainable service improvements and contribute to the Board's ongoing financial recovery and sustainability objectives.

Integration Joint Board (IJB) Financial Position

Based on the current assessments provided by Chief Finance Officers, delivery of agreed savings plans and year end deficit positions remain achievable although these positions will continue to be closely monitored through the established partnership reporting and escalation arrangements. Partners continue to work to an aligned critical path for the development of 2027/28 savings plans, ensuring coordinated planning across the North East system.

The 2026/27 financial plan includes a £13 million provision for IJB deficit support, in line with the approved IJB financial plans. The quarter 1 forecasts for the three IJBs remain in line with approved financial plans, as outlined in table 2 below, providing assurance that the provision for IJB deficit support with NHS Grampian's financial plan will be sufficient. As highlighted in previous reports, two of the three IJBs entered 2026/27 with general reserves, providing a degree of resilience and mitigation against financial risk for the 2026/27 financial year.

Table 2: Integration Joint Board Deficit Support Funding

HSCP	Risk Share Percentage	Anticipated Deficit	Q1 Forecast Out-turn	Anticipated Deficit Support funding
Aberdeen City HCSP	61%	£0m	£0m	£0m
Aberdeenshire HSCP	56%	£14m	£14m	£8m
Moray HSCP	53%	£9m	£9m	£5m
Total		£23m	£23m	£13m

Cost Pressures

Cost pressures totalling £2.4 million have been identified in the first five months of the financial year that were not included in the Board's approved financial plan. These pressures include:

- £1.7 million relating to nursing workforce growth, primarily driven by an increase in Health Care Support Worker expenditure within the Acute Sector and inpatient Mental Health services beyond the levels agreed as part of the budget rebasing exercise. Actions to strengthen controls over the use of Health Care Support Workers are being progressed through the Value and Sustainability Programme.

- £0.7 million relating to resident doctor rota non-compliance. This includes a recurring cost pressure associated with ongoing rota arrangements, together with a non-recurring element relating to backdated pay arrears. Enhanced reporting and oversight of the Rota Compliance Workstream are in place through the Value and Sustainability Programme governance arrangements.

Emerging cost pressures will continue to be closely monitored throughout 2026/27 to maintain effective oversight and ensure timely management action. Any additional cost pressures identified during the year will require to be managed through the delivery of further savings, additional cost reduction measures, or other mitigating actions beyond those currently incorporated in the financial plan.

Capital Position

The Asset Management Group oversee that arrangements are in place to deliver and monitor the capital programme. The programme reflects the effective allocation of limited available capital funding to address key risks across the infrastructure base. It has a programme for 2026/27 totalling £114.3 million with key areas of forecast spend for 2026/27 including:

- £19.9 million of spend on equipment replacement including medical equipment, IT equipment and equipment related to facilities and estates.
- £26.5 million of investment in a wide range of Backlog Maintenance and activity to ensure Statutory and Environmental Standards are met.
- £66.8 million of spend relating to the Baird Family Hospital and ANCHOR Centre Project.
- £2.9 million of spend relating to Carbon reduction and energy efficiency projects.
- £0.5 million of spend relating to other smaller projects.

There has been limited spend on the programme for the period to August 2026, with £7.7 million spend reported for the five months to August 2026. The programme budget has been set on the basis that some projects will slip, enabling an agreed level of overcommitment of £2.3 million to be managed during 2026/27.

Risks

There are a number of risks and assumptions relating to the delivery of the 2026/27 financial plan. These are as outlined in table 5 below. Where relevant controls in place to manage the risk are highlighted.

NHS Grampian has worked closely with the Scottish Government to manage the financial risk associated with Operational Improvement Plan funding in 2026/27. The Board has approved the Frailty Expansion and Emergency Department Redesign proposals, with the Scottish Government providing assurance that it will underwrite any residual financial risk in 2027/28 and 2028/29. This commitment remains conditional on NHS Grampian providing assurance that all reasonable steps have been taken to deliver the proposals within existing resources.

Table 5: Risks and Assumptions

	Risk Level	Controls
The 2026/27 financial plan includes ambitious savings targets and there is a risk that the Board will not deliver savings at the level outlined in the financial plan. NHS Grampian have a proven track record of delivering savings over the last two years, however the scale of savings delivered within the system in recent years does result in inherent risk relating to the delivery of savings. At August 2026 we are behind planned savings, however still forecast to deliver £40 million of savings in line with the financial plan. Recurring savings delivery is 2.7%, below the 3% recurring savings requirement, with work ongoing to increase the delivery of recurring savings.	High (no change)	This risk will be managed through regular reporting to both the Executive Team and via the Value and Sustainability Programme governance structure. Value and Sustainability Programme Board in place to enhance governance over the V&S programme and delivery group continue to meet to support delivery of the programmes. The Value and Sustainability Plan for 2026/27 followed a robust and comprehensive development programme. There is risk inherent in the schemes which is reflected in some under delivery to date All programmes are required to report on a monthly basis to the delivery group with an enhanced focus on the provision of assurance through Executive Leads for their respective programmes.
Our services continue to experience significant pressures with capacity and patient flow challenges leading to excess costs. If these pressures increase there is a risk that operational overspends will also increase. We have provided for inflation on non-pay costs however rising geopolitical tensions may result in further inflationary pressure as we move through the period of the financial plan.	High (no change)	Regular reporting to the Executive Team with deteriorations in trend highlighted and mitigating actions agreed by executive lead. Enhancements to financial monitoring and reporting remain in place and will support the management of this risk. Performance management framework in place to support management of the financial position. Quarter 1 financial performance meetings have been held with all Executive Leads to review positions, discuss risks and available mitigating actions.
There is provision in the Board's financial plan to provide deficit support funding to the three IJBs however there remains a risk should IJBs overspend beyond this level.	Medium (no change)	Regular review of IJB positions. Monthly meetings to discuss IJB financial positions between IJB Chief Finance Officers and the Director of Finance to complement meetings already in place between Chief Executive and IJB Chief Officers. Enhanced monitoring to NHS Grampian Board.

		Two of the three IJBs hold general reserves as we move into the 2026/27 financial year providing some mitigation for this risk. Work continues across the system to ensure future planning is taken forward on a system wide basis with clear understanding of the impacts of decisions across partners.
Our plan assumes that the £29.3m of funding provided by Scottish Government will be sufficient to cover the cost of the 2023/24 Agenda for Change pay reforms. Uncertainty remaining over the cost of the band 5 to 6 regrading and there is a risk that the reduction in working hours from the 1st April 2026 will result in increased supplementary staffing costs.	Medium (no change)	Funding has now been allocated to support implementation of the reduced working week but there remains significant uncertainty regarding the final costs of the reforms in particular around the costs associated with the band 5 to 6 regrade. The Board have agreed criteria for backfill, targeted at areas of high risk or where reduction in the workforce would result in negative impacts on performance. NHS Grampian continue to work closely with Scottish Government on the management of this risk.

Programme for Government

The Scottish Government's Programme for Government sets out a significant programme of reform for health and care over this Parliamentary term. While the Programme signals significant change across the health and care system, the statutory responsibilities of NHS Boards and Accountable Officers remain unchanged, including the requirement to achieve financial balance in accordance with the Scottish Public Finance Manual.

NHS Boards are expected, as a minimum, to deliver the financial outturn set out within their approved 2026/27 financial plans. Current financial planning assumptions, including those relating to deficit support and sustainability funding, remain unchanged for the period 2026/27 to 2028/29.

Existing governance, assurance and oversight arrangements also remain in place. NHS Boards will continue to operate within their current stages of the NHS Scotland Support and Intervention Framework, with established Assurance Board and scrutiny processes continuing to support delivery and performance improvement.

Planning for 2027/28

Work is progressing in line with the agreed programme timetable to support development of the 2027/28 Value and Sustainability Plan. The initial phase has focused on engagement across the organisation and wider system, supported through the relaunch of the Every

Penny Counts campaign and a series of in-person and virtual drop-in sessions to raise awareness and encourage the generation of improvement ideas.

The Plan will be informed by a range of sources, including the Scottish Government's 15-box framework, sub-national planning initiatives, and transformation opportunities identified through the North East System Transformation Group. It will also incorporate savings opportunities arising from the 2026/27 Scottish Government Invest to Save process. Building on the positive response to this initiative, a local NHS Grampian Invest to Save Framework is being developed to support the ongoing identification and delivery of opportunities that require time-limited investment to generate recurring financial and operational benefits.

All proposals developed through the 2027/28 Value and Sustainability Programme will be subject to NHS Grampian's established quality improvement, governance and assurance processes to ensure an appropriate balance is maintained across quality, safety, workforce, operational and financial considerations. Where appropriate, proposals will also be supported by Integrated Impact Assessments to ensure that potential impacts are fully understood and appropriately considered as part of the decision-making process.

NHS Grampian remains committed to presenting a detailed Value and Sustainability Plan by December 2026. The Plan will set out a credible route to delivering a minimum of £38 million of recurring savings, supporting delivery of a deficit position within the indicative 2027/28 deficit support limit of £25 million. However, any further in-year cost pressures that are recurring in nature would increase the level of savings required. This risk is being actively monitored. The development and delivery of this Plan remains a key priority and forms an important element of the financial de-escalation criteria agreed with the Scottish Government.

2.3.1 Quality / Patient Care

The impact of all financial decisions and proposed savings schemes is assessed at the level of individual services and the Executive Team continue to use our 'finding balance' methodology when assessing savings, which ensures that there is a balance between NHS Scotland's three main strands of governance (clinical, staff and financial) and prevention when making decisions.

This is delivered through NHS Grampian's established quality improvement, governance and assurance processes to ensure an appropriate balance is maintained across quality, safety, workforce, operational and financial considerations.

2.3.2 Workforce

There are both direct and indirect links between the financial position and staff resourcing. Where relevant, the impact of savings schemes on staffing resources is assessed at an individual service level.

2.3.3 Financial

The Scottish Government has recognised the financial pressures on all Boards and has continued to provide non-recurring sustainability funding and deficit support funding to support the Board's position in 2026/27. Work will continue to deliver savings in the areas identified as part of the 15 Box Grid which aims to reduce the overall cost base. The quarterly assessment against the 15 Box grid will be reported to the Performance Assurance Finance & Infrastructure Committee. We will continue to work closely with Scottish Government as

part of the stage 4 escalation support in seeking to balance operational, financial and workforce pressures and return to financial sustainability.

2.3.4 Risk Assessment / Management

Relates to Corporate Risk 3130: An Inability to achieve the aspirations set out in Plan for the Future due to financial resource constraints and inefficiencies.

- There is a requirement to recover the financial position by redesigning services and implementing cost control measures to achieve savings.
- Failure to do so may result in:
 - Further escalation on the Scottish Government's performance framework.
 - Inability to financially support current levels of service provision and workforce size.
 - Inability to meet financial targets and resources prioritised to deal with operational pressures at the expense of delivering the annual delivery programme.
 - Impact on the delivery of programmes and patient care.
 - Inability to create the conditions for sustainable change.
 - Exacerbating health inequalities and population health outcomes.

This risk is recognised as a high risk on the NHS Grampian risk register and was formally reviewed at the Performance, Assurance, Finance and Infrastructure Committee in September 2026.

2.3.5 Equality and Diversity, including health inequalities

An impact assessment has not been completed for this report because it is not applicable. All service change proposals included in the financial plan have been subject to an initial impact assessment screening to ensure savings do not have a disproportionate impact on patients and staff with a protected characteristic or who live in a socio-economically deprived area.

2.3.6 Other impacts

All are outlined above.

2.3.7 Communication, involvement, engagement and consultation

The Board has carried out its duties to involve and engage both internal and external stakeholders where appropriate through the following meetings:

- Executive Team – weekly update on financial position.
- Performance Assurance Finance & Infrastructure Committee – finance update is a standing item.
- Financial Recovery Board – finance update is a standing item.
- Regular meetings with Scottish Government as part of stage 4 intervention arrangements.

2.3.8 Route to the Meeting

This has been previously considered by the following groups as part of its development. The groups have either supported the content, or their feedback has informed the development of the content presented in this report.

- Performance Assurance Finance & Infrastructure Committee – 30th September 2026.

2.4 Recommendation(s)

The Board is requested to:

- Discuss and note the update on the Board's financial position for the five months to August 2026.
- Discuss and approve the assessed assurance level in relation to delivery of the 2026/27 financial plan – Moderate Assurance.

Appendix

The following appendix is included with this report:

- Appendix One – Detailed Finance report August 2026



NHS Grampian Finance Report

August 2026



Update from the Director of Finance



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The Scottish Government's Programme for Government sets out a significant programme of reform for health and social care over the current Parliamentary term. Whilst this signals substantial change across the health and care system, the statutory responsibilities of NHS Grampian and the Chief Executive, as the Board's Accountable Officer, remain unchanged, including the requirement to achieve financial balance in accordance with the Scottish Public Finance Manual.

NHS Grampian must therefore remain focused on delivery of the financial trajectory set out in the approved 2026/27 Financial Plan, which includes a planned deficit of £36 million. Looking ahead, current financial planning assumptions, including those relating to deficit support and sustainability funding, remain unchanged across the planning period to 2028/29. There is also no change to existing governance, assurance and oversight arrangements. NHS Grampian remains at Stage 4 of the NHS Scotland Support and Intervention Framework due to ongoing concerns regarding financial sustainability. It is therefore essential that the Board maintains an unrelenting focus on financial improvement whilst ensuring that actions taken to improve financial performance do not adversely impact the quality or safety of patient care.

This report provides an update on the financial position for the five months to 31 August 2026. An overspend of £2.7 million was reported in August, resulting in a cumulative year-to-date overspend of £18.9 million.

The detailed forecast, based on the August outturn, indicates that the Board remains on track to deliver the planned £36 million deficit. However, the position remains finely balanced, with limited capacity to absorb additional financial pressures during the remainder of the year. Consequently, moderate assurance continues to be provided in relation to delivery of the approved financial plan. For services delegated to the Integration Joint Boards (IJBs), the

Board continues to anticipate a requirement for £13 million of deficit support funding during 2026/27. All three IJBs reported their Quarter 1 financial positions to their respective Boards during September and are forecasting delivery in line with approved financial plans. This provides assurance that the current provision for IJB deficit support remains sufficient to meet anticipated requirements during 2026/27. In addition, two of the three IJBs retain general reserves, providing a degree of resilience against emerging financial risks.

Savings of £15.0 million have been delivered to date against a planned target of £14.5 million, demonstrating that delivery of the 2026/27 Value and Sustainability Programme remains broadly on track. Whilst a number of individual schemes continue to experience slippage, this is currently being offset by stronger delivery elsewhere within the programme. Work is ongoing to address barriers to delivery and maximise achievement of planned savings.

Development of the 2027/28 Value and Sustainability Programme continues, with the programme currently focused on progressing opportunities through the pipeline stage and ensuring that robust business cases and delivery plans are in place. All proposals will be subject to the Board's established Quality Impact Assessment process, with assessment panels scheduled over the coming weeks. The Board remains on track to finalise the 2027/28 Value and Sustainability Plan by the end of Quarter 3, in line with the de-escalation criteria agreed with Scottish Government.

Alex Stephen

Director of Finance

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Executive Summary

Background

NHS Grampian continues to face a significant financial challenge and was escalated to Stage 4 of the NHS Scotland Support and Intervention Framework during 2025/26, reflecting ongoing concerns regarding financial sustainability.

During 2023/24 and 2024/25, the Board received £90 million in brokerage support from the Scottish Government, which is repayable upon return to financial balance. In 2025/26, £34.7 million of deficit support funding was provided by Scottish Government, enabling the Board to meet its statutory duty to remain within its revenue resource limit. This was within the £45 million maximum deficit support funding level agreed with the Scottish Government.

For 2026/27, the Scottish Government has confirmed non-recurring deficit support funding of up to £36 million. When combined with non-recurring sustainability funding, the maximum level of additional financial support available to NHS Grampian is £50.7 million a reduction of £18.6 million in non-recurring support compared to the previous year, highlighting the continued progress in financial improvement. It remains essential that NHS Grampian delivers on its Financial Recovery Plan.

The Scottish Government's Programme for Government sets out a significant programme of reform for health and care over this Parliamentary term. While the Programme signals significant change across the health and care system, the statutory responsibilities of NHS Boards and Accountable Officers remain unchanged, including the requirement to achieve financial balance in accordance with the Scottish Public Finance Manual.

NHS Boards are expected, as a minimum, to deliver the financial outturn set out within their approved 2026/27 financial plans. Current financial planning assumptions, including those relating to deficit support and sustainability funding, remain unchanged for the period 2026/27 to 2028/29.



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Context of this report

This report provides an update on NHS Grampian's financial position for the five months to August 2026. The report includes details of:

- The revenue position at August 2026 with information on the financial position in key Divisions.
- The Board's staffing numbers.
- An update on the forecast outturn for 2026/27.
- An update on NHS Grampian's savings programme for 2026/27 including updates on materially under and overperforming schemes.
- An update on Scottish Government funding to support Operational Improvement within Planned and Unscheduled Care.
- An update on the infrastructure and backlog maintenance programme for 2026/27.

The three Integrated Joint Boards have reported their forecast financial outturn positions for 2026/27 which all remain in line with their respective financial plans. As such the provision within the NHS Grampian Financial Plan is expected to be sufficient to cover any requirements for deficit support funding from the IJB.

Assurance Level

NHS Grampian is able to provide moderate assurance on its ability to deliver a deficit within the £36 million deficit support funding given the scale of the financial savings required and risks being managed that may increase cost. The Board remains fully committed to delivering an outturn within the maximum level of deficit support funding. Progress against the financial plan will be closely monitored through Value and Sustainability governance routes.

Executive Summary

Summary of Findings

This report provides detail on the financial results for the five months to August 2026. The revenue results show an overspend of £18.9 million, with a monthly overspend of £2.7 million reported for the month of August. The improved monthly overspend has shown an improvement in both the operational and the reserves position. The table below shows the breakdown of the financial position for the last three months along with the year to date position.

2026/27 Outturn	June	July	August	YTD to August 2026/27
Operational Deficit	£2.2m	£3.5m	£2.4m	£13.5m
Reserves Deficit	£0.5m	£1.4m	£0.4m	£6.0m
Sustainability Funding	(£1.3m)	(£1.3m)	(£1.2m)	(£6.1m)
Outturn (non delegated services)	£1.4m	£3.6m	£1.6m	£13.4m
IJB deficit support funding	£1.1m	£1.1m	£1.1m	£5.5m
NHS Grampian Outturn	£2.5m	£4.7m	£2.7m	£18.9m

Whilst the August position has returned to a level more consistent with that reported between April and June 2026, significant underlying pressures continue to affect financial performance. Material variances impacting on the year to date position include:

- **Nursing Pay:** For non-delegated services, nursing staffing levels continue to exceed funded establishment, resulting in a year-to-date overspend of £6.2 million. Unregistered nursing staffing, including supplementary staff supporting service delivery, remains above 2025/26 levels when adjusted for the impact of the reduced working week. Given the additional



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funding allocated to nursing budgets to reflect agreed staffing levels across a number of services, it is essential that expenditure is managed within budget allocations. Action plans have been agreed with services to further strengthen financial control. Early workforce indicators suggest a reduction in unregistered nursing bank usage, and it is anticipated that this improvement will begin to be reflected in the September financial position.

- **Medical Supplies:** Medical supplies expenditure reduced in August from the elevated levels reported in July, which appeared to be driven by ordering patterns over the holiday period together with increased activity associated with the Planned Care Operational Improvement Plan. Additional non-pay funding has been allocated in August to offset costs where expenditure relates to approved and funded initiatives.
- **Drugs:** A year-to-date underspend of £2.9 million is being reported against drugs expenditure. This favourable position reflects the continued over-delivery of savings schemes included within the Value and Sustainability Programme, alongside lower-than-anticipated growth in prescribing costs when compared to the assumptions built into the annual drugs budget rebasing exercise.

A detailed forecast has been completed based on the August outturn which shows we remain on track to deliver an anticipated deficit of £36 million for the 2026/27 financial year. This is within the level of Scottish Government deficit support. The position remains finely balanced and as highlighted in previous reports their remains limited capacity to absorb further cost pressures and no flexibility to support new developments within existing resources.

NHS Grampian's 2026/27 Infrastructure and Backlog Maintenance Programme has total funding of £114.3 million. Spend totalling £7.7 million has been reported at the end of August 2026 with total spend of £83.2 million committed to date.

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

High Level Financial Position



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Key Points:

Pay is 4% overspent (£13.0 million) year to date:

- **£4.0m overspend on medical pay** due to high-cost temporary staffing arrangements and rota non-compliance costs.
- **£6.2m overspend on nursing budgets.** Nursing staff in post continues at a higher level than included in the financial plan, with increase in nursing numbers beyond that required to manage the impact of the reduced working week reported.

Non Pay budgets are overspent by £8.6 million year to date (7%). Material overspends include:

- **Medical supplies and equipment £3.5m.**
Expenditure returned to expected levels following the temporary increase reported in July, which is considered to have been driven by holiday-period ordering patterns and higher levels of activity associated with the Planned Care Operational Improvement Plan.
- **Maintenance and Service contracts £1.0m-**
inflationary pressure is continuing to impact.
- Historical unachieved efficiency savings continue to impact on the non pay position.

[illegible]

2026/27 Forecast Outturn



**Plan
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2026/27 Financial Plan	Financial Plan	2026/27 Forecast
Projected overspend before savings	£77.7m	£77.7m
Savings and other cost reductions	(£40.0m)	(£40.3m)
Additional Technical Adjustments		(£2.1m)
New pressures	-	
- Resident Doctor Non Compliance		£0.7m
- Nursing growth		£1.7m
Forecast overspend as per 2026/27 Financial Plan	£37.7m	£37.7m
Sustainability Funding	(£14.7m)	(£14.7m)
Outturn (non delegated services)	£23.0m	£23.0m
Anticipated deficit support funding provided to Integration Joint Boards	£13.0m	£13.0m
NHS Grampian 2026/27 Outturn Deficit	£36.0m	£36.0m
Maximum Level of Deficit Support Funding	£36.0m	£36.0m

Staff



**Plan
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Average 2025/26 (adjusted for RWW impact)

Average to August 2026

	Funded Est (WTE)	Staff in Post (WTE)	Variance (WTE)	Funded Est (WTE)	Staff in Post (WTE)	Variance (WTE)
Medical	1,777	1,719	58	1,768	1,732	36
Nursing	6,701	6,906	(205)	6,820	6,916	(96)
Administrative Services	2,291	2,173	118	2,297	2,158	139
AHPs	1,229	1,135	94	1,250	1,157	93
Health Scientists	510	502	8	533	505	28
Management	35	35	-	33	33	-
Support Services	1,773	1,704	69	1,757	1,686	71
Medical & Dental Support	276	273	3	276	267	9
Other Therapeutic	582	583	(1)	570	590	(20)
Personal & Social Care	63	59	4	63	58	5
Total	15,237	15,089	148	15,367	15,102	265

A significant proportion of the variance between funded establishment and staff in post relates to the three Integration Joint Boards, where staffing levels are, on average, 238 WTE below funded establishment. This is primarily driven by ongoing difficulties in recruiting to nursing posts. Within non-delegated services, staffing remains 35 WTE below budgeted levels overall, with vacancies across administrative, support services and allied health professional roles offsetting nursing staffing levels that are above funded establishment.

A number of the vacancies reported in the table above reflect the impact of the Reduced Working Week (RWW) programme, where recruitment to approved backfill posts, deemed critical to maintaining safe service delivery, has not yet been successful. As these posts are filled, there remains a risk of further financial pressure.

Growth in staffing levels beyond the impact of RWW has been driven largely by increases in medical staffing, including Doctors in Training, which have not yet translated into corresponding reductions in supplementary staffing expenditure. Nursing staffing levels have also increased beyond the impact of RWW, particularly within the Acute Sector and inpatient Mental Health Services.

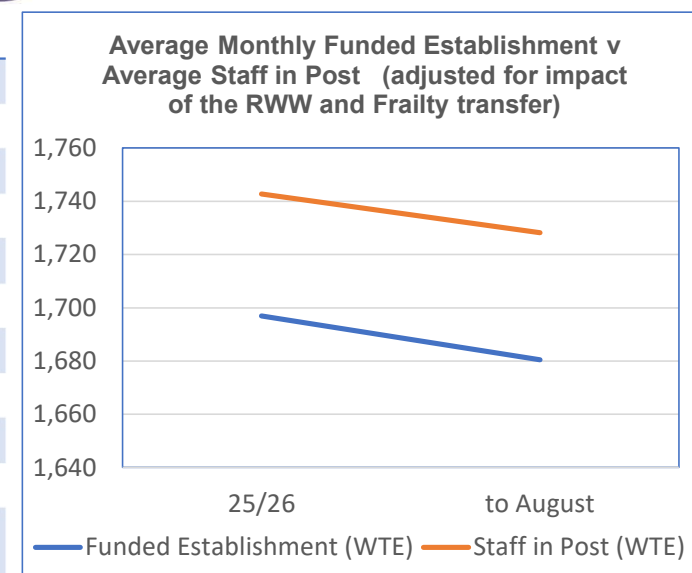
Division of Medicine and Unscheduled Care – Acute Triumvirate



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	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(16.5)	(7.3)	(7.3)	-	-	-
Medical and Dental	56.3	23.7	25.3	(1.6)	389	403
Nursing	69.8	29.3	30.3	(1.0)	1,116	1,150
Administrative Services	5.0	2.2	2.3	(0.1)	95	96
Health Science Services	2.6	1.1	1.2	(0.1)	41	41
Medical and Dental Support	1.9	0.8	0.8	-	22	22
Other Pay Groups	0.9	0.3	0.5	(0.2)	16	16
Drugs	29.3	13.2	12.2	1.0	-	-
Medical Supplies	17.4	7.3	8.1	(0.8)	-	-
Other Non Pay	2.6	1.5	2.7	(1.2)	-	-
Division of Medicine and Unscheduled Care	169.3	72.1	76.1	(4.0)	1,679	1,728



- The Division of Medicine and Unscheduled Care is reporting a £4.0 million year-to-date overspend, with a £0.4 million overspend in August. This is below the average monthly overspend reported between April and July, reflecting an improved drugs position, lower medical supplies costs and the allocation of planned care funding to support the Planned Care Operational Improvement Plan.
- The Division continues to report significant medical and nursing pay pressures. Medical pay is overspent by £1.6 million, reflecting unfunded locum costs associated with boarded patients and rota non-compliance. Reducing boarded patients remains a key Value and Sustainability scheme, although delivery is considered high risk given ongoing system pressures. Nursing pay is overspent by £1.0 million due to staffing levels remaining above funded establishment following the 2025/26 rebase. Continued focus is required to ensure additional staff beyond funded establishment are only used when required to address escalated clinical risk.
- Non-pay budgets are £1.0 million overspent, with an improvement reported in month driven by a reported underspend on drugs and the allocation of funding to cover non pay costs associated with the Planned Care Improvement Plan Increased TAVI activity continues to present a financial risk. The Division also continues to carry a £1.6 million historical unachieved recurring savings target.

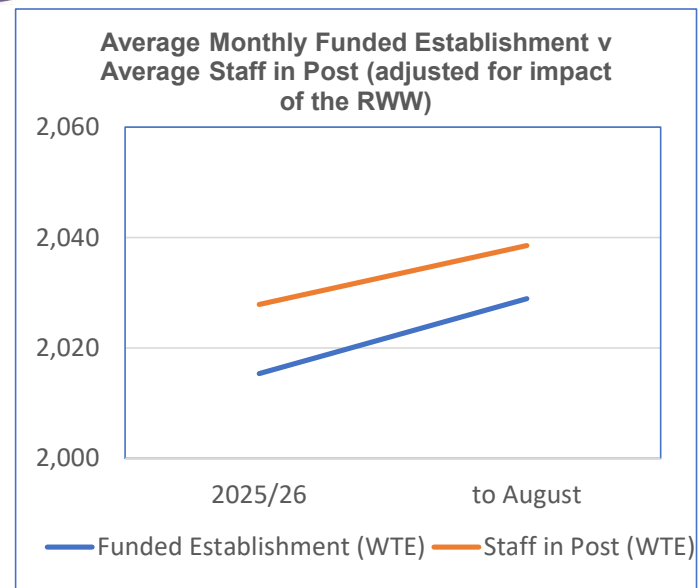
Division of Surgery – Acute Triumvirate



**Plan
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	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(23.1)	(9.9)	(10.4)	0.5	-	-
Medical and Dental	82.2	34.7	35.8	(1.1)	522	514
Nursing	78.0	32.7	33.9	(1.2)	1,223	1,263
Administrative Services	4.0	1.7	1.8	(0.1)	77	72
Health Science Services	3.7	1.5	1.6	(0.1)	51	55
Medical and Dental Support	5.3	2.4	2.4	-	113	99
Other Pay Groups	3.0	1.5	1.5	-	43	36
Drugs	13.6	6.9	6.6	0.3	-	-
Medical Supplies	24.7	10.3	11.0	(0.7)	-	-
Other Non Pay	6.9	3.6	4.3	(0.7)	-	-
Division of Surgery	198.3	85.4	88.5	(3.1)	2,029	2,039



- The Division of Surgery is reporting a year-to-date overspend of £3.1 million, including a £0.58 million overspend in August. The position continues to be driven by medical and nursing pay pressures together with overspends on medical supplies.
- Medical pay is £1.09 million overspent, reflecting increased rota non-compliance costs and agency locum expenditure. Nursing pay remains overspent due to staffing levels being approximately 40 WTE above funded establishment, with workforce growth exceeding that required to support Reduced Working Week implementation. Outputs from the Common Staffing Methodology have been reviewed by Clinical and Finance leadership and will inform the rebasing of nursing budgets in future reporting. Following this reset, robust establishment controls will be required to contain expenditure and support delivery of the sustainable unregistered nursing savings target.
- Non-pay budgets are overspent by £1.1 million year to date. Medical supplies expenditure reduced in August following the higher levels reported in previous months, although the Division continues to face cost pressures in this area.

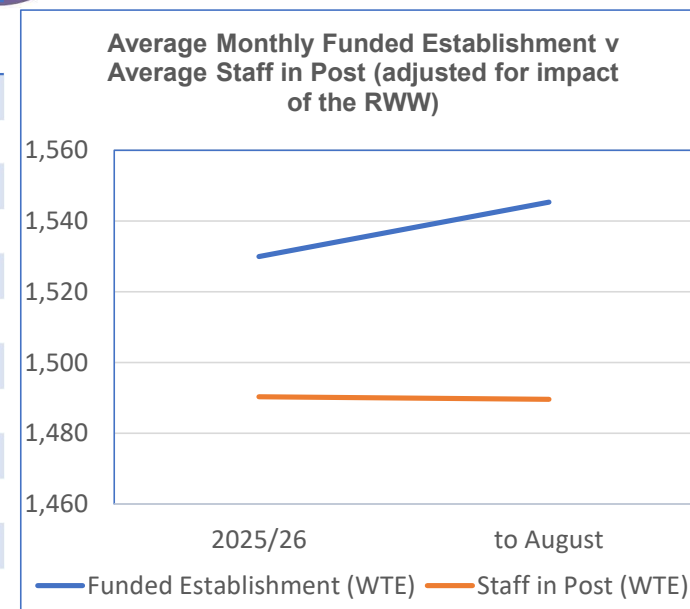
Division of Clinical Support Services – Acute Triumvirate



**Plan
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	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(13.4)	(6.6)	(7.1)	0.5	-	-
Medical and Dental	32.3	13.5	13.0	0.5	193	174
Nursing	14.8	6.3	7.0	(0.7)	244	270
Administrative Services	5.4	2.3	2.4	(0.1)	102	104
Allied Health Professionals	28.1	11.7	11.4	0.3	408	367
Health Science Services	26.6	11.4	10.8	0.6	408	376
Other Therapeutic	11.2	4.7	5.0	(0.3)	174	182
Other Pay Groups	0.2	0.1	0.4	(0.3)	17	15
Drugs	29.0	21.0	19.4	1.6	-	-
Medical Supplies	12.8	5.5	6.6	(1.1)	-	-
Other Non Pay	11.4	4.8	5.0	(0.2)	-	-
Division of CSS	158.4	74.7	73.9	0.8	1,546	1,488



- The portfolio is reporting an underspend to August 2026, primarily driven by a £1.6 million underspend on Cancer Drugs, with expenditure remaining below the levels assumed within the annual drugs budget rebase.
- Staff in post remains significantly below establishment, reflecting recruitment challenges across Medical and Dental, Allied Health Professional and Health Science Services staffing groups. Overall pay budgets are reporting a breakeven position, with vacancy savings offsetting historical unachieved savings and nursing expenditure above establishment. There remains a risk that the financial position will deteriorate as vacancies are filled, requiring continued focus on workforce controls and the management of supplementary staffing costs.
- Medical supplies budgets are reporting a £1.1 million year-to-date overspend. Expenditure reduced in August following the spike reported in July, although cost pressures in this area continue to be monitored.

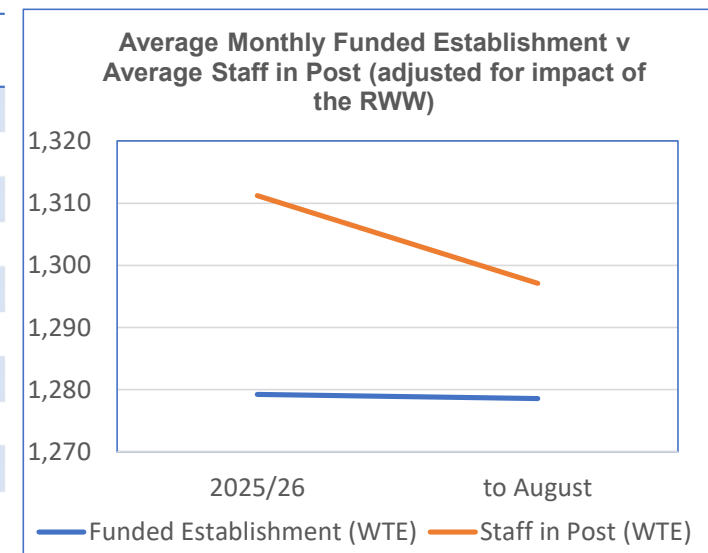
Division of Women and Children's - Acute Triumvirate



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	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(12.5)	(4.7)	(4.7)	-	-	-
Medical and Dental	34.4	14.8	15.3	(0.5)	232	227
Nursing	57.6	25.1	25.2	(0.1)	886	886
Administrative Services	3.6	1.6	1.6	-	69	67
Allied Health Professionals	4.2	2.0	2.0	-	70	66
Other Pay Groups	2.0	0.9	1.5	(0.6)	22	51
Drugs	3.3	1.6	1.8	(0.2)	-	-
Medical Supplies	6.0	2.5	2.7	(0.2)	-	-
Other Non Pay	2.6	1.3	1.4	(0.1)	-	-
Division of Women and Childrens	101.2	45.1	46.8	(1.7)	1,279	1,297



- The Division is reporting an overspend of £1.7 million for the five months to August 2026, including a £0.5 million overspend reported in August. This overspend is a continuation of the deterioration in the Division's financial position compared with both previous months and the prior financial year. This is in part attributable to costs associated with rota non-compliance.
- Within the Division, Labour Theatres and Neonatal Services continue to represent the most significant areas of financial pressure. These pressures are largely driven by increased nursing staffing requirements to support higher levels of patient acuity and complexity, together with associated non-pay expenditure. Nursing overspends within Women's Services, particularly Neonatal and Labour Theatres, are partially offset by underspends reported within Children's Services and Dr Gray's Hospital.
- Continued focus is required to ensure robust control of supplementary staffing, with utilisation above funded establishment levels limited to circumstances where it is necessary to mitigate escalated clinical risk.

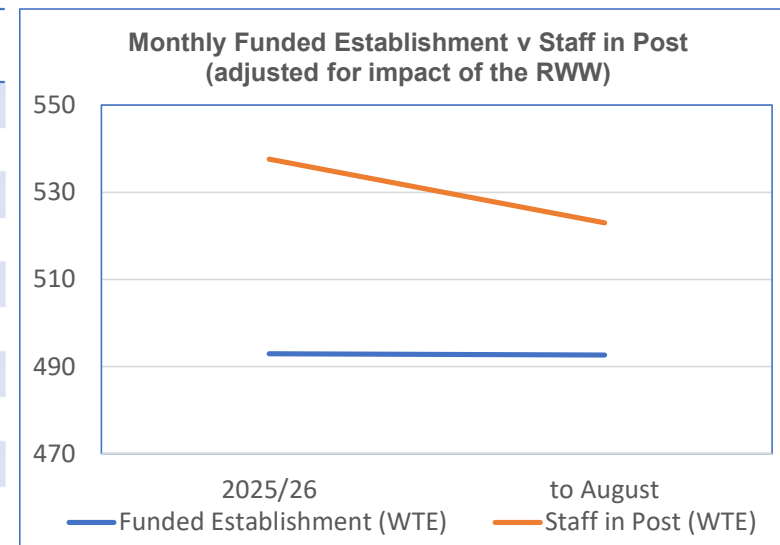
Dr Grays Hospital - Acute Triumvirate



**Plan
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	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(2.3)	(1.0)	(1.0)	-	-	-
Medical and Dental	14.5	6.1	7.6	(1.5)	105	102
Nursing	20.9	8.7	9.6	(0.9)	344	367
Administrative Services	1.5	0.7	0.8	(0.1)	21	25
Other Therapeutic	0.8	0.3	0.4	(0.1)	12	14
Other Pay Groups	0.6	0.3	0.4	(0.1)	11	15
Drugs	3.3	1.4	1.2	0.2	-	-
Medical Supplies	2.8	1.2	1.2	-	-	-
Other Non Pay	0.6	0.3	0.3	-	-	-
Dr Grays Hospital	42.7	18.0	20.5	(2.5)	493	523



- The portfolio is reporting a year-to-date overspend of £2.5 million, including a £0.4 million overspend in August, which remains consistent with the underlying financial trend.
- Pressure continues to be reported within medical staffing budgets, with a number of services remaining reliant on agency locums to maintain service delivery due to ongoing recruitment challenges. Progressing the transition to more sustainable workforce models, remains critical to achieving both service and financial improvement.
- For the year to date, nursing staff in post have averaged 23 WTE above funded establishment levels, despite the rebasing of nursing budgets to reflect the outputs of the Common Staffing Methodology. Continued focus is required to maintain robust control over supplementary staffing expenditure, ensuring that staffing above funded establishment is utilised only where necessary to mitigate escalated clinical risk, with regular review and timely reduction of additional staffing where it is clinically safe to do so.
- Non-pay budgets are reporting a £0.2 million underspend year to date, largely as a result of drugs expenditure remaining below the levels assumed within the annual drugs budget rebase.

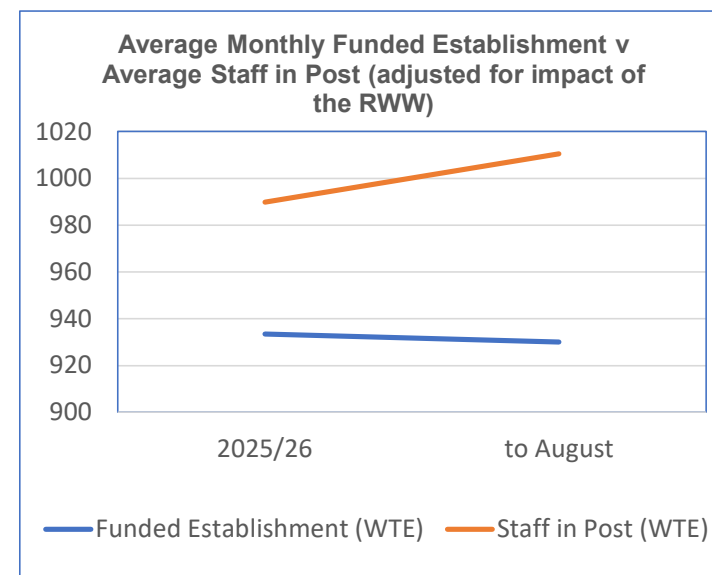
Mental Health – Chief Officer, Aberdeen City IJB



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	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(8.0)	(3.6)	(3.8)	0.2	-	-
Medical and Dental	12.7	5.3	5.2	0.1	94	89
Nursing	37.6	15.7	17.4	(1.7)	606	674
Administrative Services	5.6	2.2	1.8	0.4	89	84
Allied Health Professionals	3.1	1.3	1.1	0.2	48	43
Other Therapeutic	8.0	3.7	3.9	(0.2)	94	116
Drugs	0.8	0.3	0.4	(0.1)	-	-
Administration Costs	2.9	1.3	1.9	(0.6)	-	-
Other Non Pay	1.0	0.4	0.3	0.1	-	-
Inpatient Mental Health Services	63.7	26.6	28.2	(1.6)	931	1,006



- Non delegated Mental Health services are reporting an overspend of £1.6 million for the period to August 2026, with a £0.3 million monthly overspend reported in August.
- The primary driver for the overspend within the service remains nursing expenditure, with staffing levels exceeding the funded establishment by approximately 68 WTE. Nursing budgets for inpatient Mental Health Services were rebased during 2025/26 to reflect the output of the Common Staffing Methodology. Significant operational pressures remain, with occupancy at Royal Cornhill remaining above 100%, driving nursing staff in excess of funded levels. Bank usage remains under close review and is discussed at monthly nursing meetings, with an action plan in place to address the ongoing staffing and financial pressures.
- Focus continues to ensure robust control of supplementary staffing and assurance that additional staff beyond funded establishment are only used when required to address escalated clinical risk.

Non Clinical Services

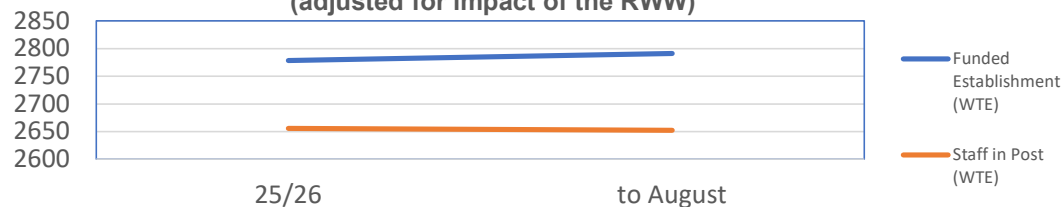


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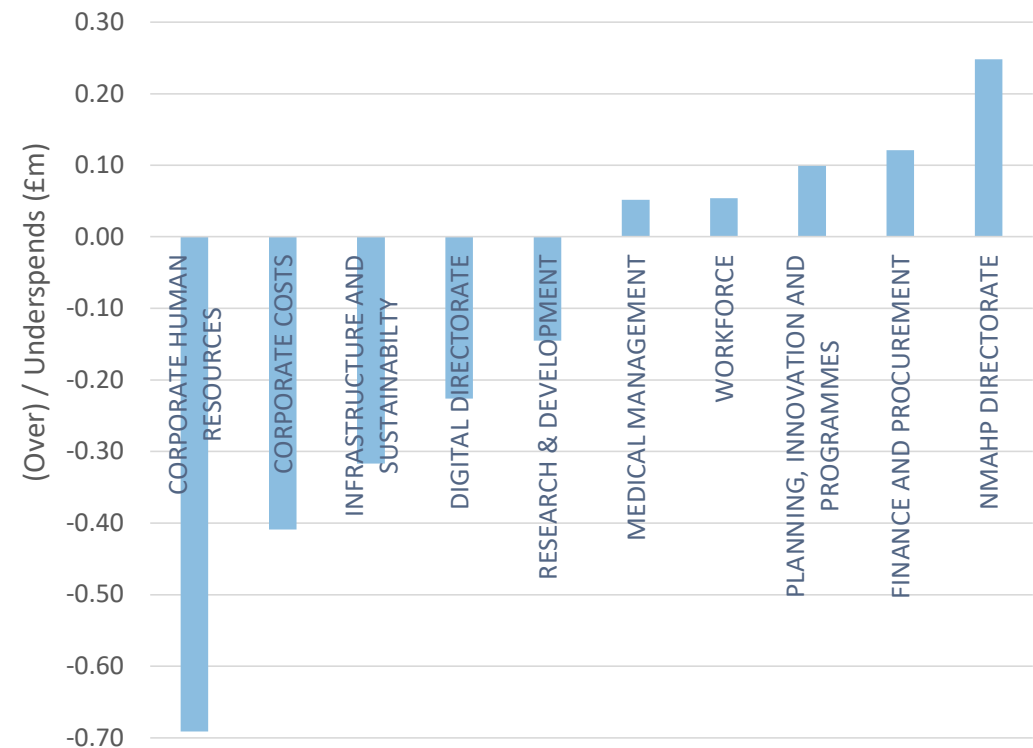
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- Non Clinical Services are reporting a overspend for the five months to August 2026 of £1.2 million. The August in month reported overspend totalled £0.4m. On average staff in post are 137 wte below funded establishment levels. It is anticipated that this level will reduce as recruitment is undertaken to essential posts.
- The largest areas of overspend within non-clinical services are:
 - Corporate HR, with an overspend of £0.69 million, due to increasing costs associated with disclosure checks, removal expenses and visa costs managed on behalf of the organisation.
 - Corporate Costs, which includes costs managed on behalf of the organisation including Audit charges, vehicle insurance and Clinical Negligence costs.
 - Infrastructure and Sustainability, with an overspend of £0.13 million driven by the impact of non pay inflation and growth on non pay budgets. The pressure is currently being offset but there is risk the overspend will increase as recruitment is undertaken.
- NMAHP directorate (£0.25 million), the Finance and Procurement Directorate (£0.12 million) and Planning, innovation and programmes (£0.09 million) are reporting underspends in part due to continued vacancies in line with current vacancy controls.

**Average Monthly Funded Establishment v Average Staff in Post
(adjusted for impact of the RWW)**



YTD Variance where greater or less than £50,000 (£m)



Deep Dive on Deteriorating Areas - Nursing



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Table 1: Increase in Nursing WTE

2025/26	2026/27 (to July)	2026/27 (to August)	Funded Budget 2026/27
Average Registered Nursing WTE	3,105	3,086	3,085
Average Unregistered Nursing WTE	1,453	1,522	1,551
Average Total Nursing WTE	4,558	4,608	4,636

+98 wte in unregistered nursing
between 2025/26 and 2026/27

Table 2: Increase in Nursing spend

2025/26 £m	2026/27 to Aug based on 2025/26 £m	2026/27 to Aug actual spend £m	Increase in spend to Aug £m
Registered Nursing	205.8	91.0	90.7
Unregistered Nursing	71.0	30.7	32.7
Total Nursing Spend	276.8	121.7	123.4

- Unregistered nursing use continues at high levels, with a further increase in overall nursing staffing numbers reported in August.
- Table 1 shows the increase in nursing staff in post across Acute Services and Inpatient Mental Health between 2025/26 and 2026/27, including substantive, bank and agency staff.
- Given staffing levels for unregistered nursing were already above funded establishment in 2025/26, the impact of the Reduced Working Week (RWW) was expected to have been more limited. The additional staffing requirement associated with the one-hour reduction would have expected to have been offset through a reduction in Healthcare Support Worker (HCSW) usage above funded establishment levels.
- Table 2 shows 2025/26 expenditure adjusted to reflect the impact of the reduced working week and pay awards over the period.
- After adjusting for these factors, expenditure on nursing staff is approximately £1.7 million higher for the first five months of the year than spend was in 2025/26.
- While some of this increase may be attributable to newly funded activity, there remains a significant underlying increase in expenditure rather than the reduction expected through the Value and Sustainability programme.
- Actions to address this have been identified and agreed through the Value and Sustainability Programme although these have not yet translated into reductions in spend. Progress will continue to be closely monitored through the programme's governance arrangements.

Focus on areas with material movements in positions



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	2025/26 Overspend* *adjusted for new funding	2026/27 Forecast overspend (July outturn)	2026/27 Forecast overspend (August outturn)	Movement from 2025/26	Movement from prior month
Division of Medicine and Unscheduled Care	£11.6m overspend	£11.9m overspend	£11.4m overspend	£0.2m improvement	£0.5m improvement
Division of Surgery	£7.4m overspend	£8.4m overspend	£8.2m overspend	£0.8m deterioration	£0.2m improvement
Division of Clinical Support Services	£1.9m overspend	£0.8m overspend	£0.3m underspend	£2.2m improvement	£1.1m improvement
Division of Women and Children	£3.4m overspend	£3.8m overspend	£4.1m overspend	£0.7m deterioration	£0.3m deterioration
Dr Grays	£6.1m overspend	£6.5m overspend	£6.2m overspend	£0.1m deterioration	£0.3m improvement
Mental Health	£4.4m overspend	£4.0m overspend	£4.2m overspend	£0.2m improvement	£0.2m deterioration

The table above presents the 2026/27 forecast year-end position, based on the August outturn, for the Board's key services. It also shows the movement from the 2025/26 outturn after adjusting for material funding changes, including the annual drugs rebase. Factors impacting on the deterioration are as follows:

- **Division of Surgery** – the adverse variance reflects a combination of increased costs associated with resident doctor rota non-compliance and higher expenditure on medical supplies and equipment. It should be noted that medical supplies spend reduced to more standard levels in August and this has informed the latest forecast. Work continues to address issues impacting on rota compliance to support rota compliance in future monitoring rounds.
- **Division of Clinical Support Services** – the position has improved compared with the prior year, primarily due to drugs expenditure growth remaining lower than anticipated. Following a review of the August position, and with further assurance from the sustained lower level of expenditure, the forecast has been revised favourably.
- **Division of Women and Children** – the deterioration is largely attributable to costs associated with resident doctor rota non-compliance, including the impact of historical payment arrears. Work continues to address issues impacting on rota compliance to support rota compliance in future monitoring rounds.

Focus on areas with material movements in positions – Non Clinical Services



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The table below provides detail on the forecasts for non-clinical services with material forecast overspends based on the August outturn:

	2025/26 Overspend* *adjusted for new funding	2026/27 Forecast overspend (July outturn)	2026/27 Forecast overspend (August outturn)	Movement from 2025/26	Movement from prior month
Corporate Human Resources	£1.3m overspend	£1.8m overspend	£1.8m overspend	£0.5 million deterioration	No change
Infrastructure and Sustainability	£0.3m overspend	£1.4m overspend	£1.5m overspend	£1.2 million deterioration	£0.1 million deterioration
Digital Directorate	£0.3m underspend	£0.3m overspend	£0.3m overspend	£0.6 million deterioration	No change

Factors impacting on the deterioration are as follows:

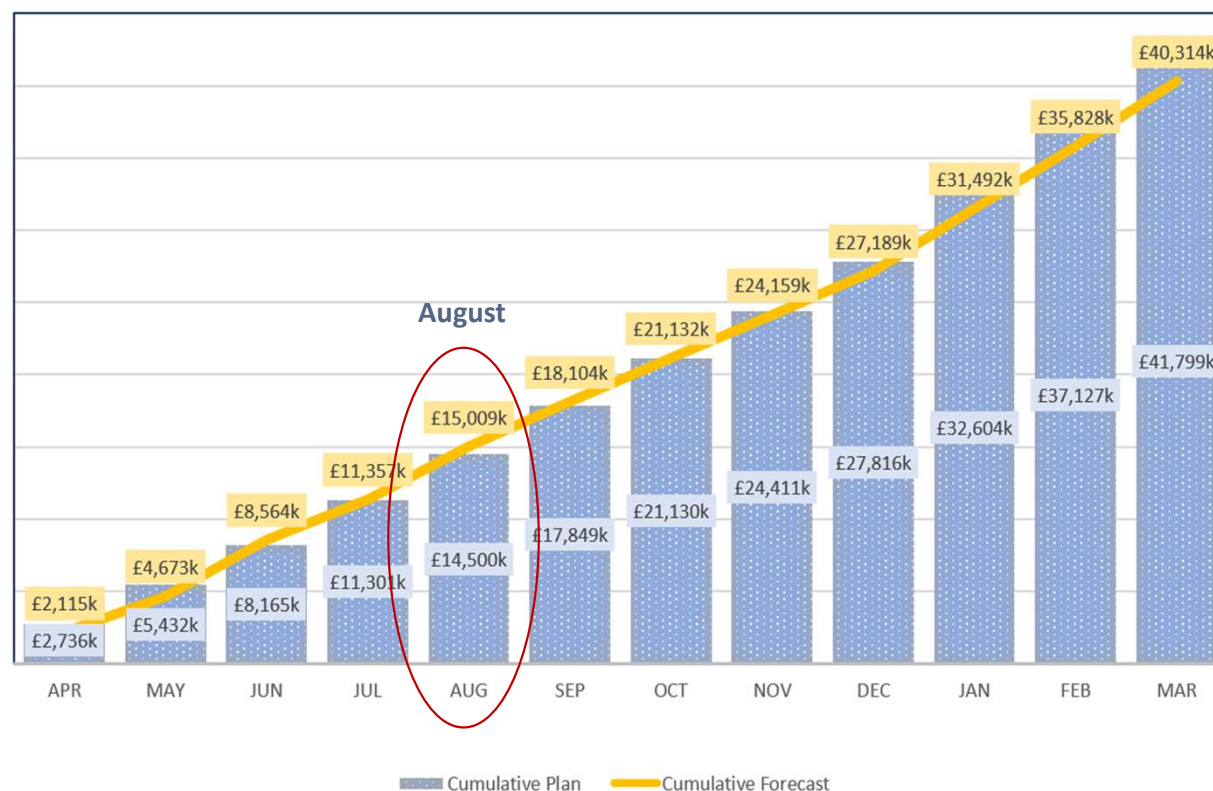
- **Corporate HR:** The deterioration is primarily driven by an increase in General Practice Doctors in Training numbers, which are currently reported through this area. This will be reviewed as part of the September reporting process, with funding allocated where posts are nationally funded. The remaining pressure relates to higher recruitment costs, including visa sponsorship and relocation expenses.
- **Infrastructure and Sustainability:** The adverse movement reflects expenditure required to address escalated organisational risks arising from asset and infrastructure failures and to maintain compliance with statutory and regulatory standards. The forecast also assumes that vacant posts will be recruited to during the remainder of the year. Unlike previous years, where staff turnover offset the financial impact of recruitment, the forecast assumes a more stable workforce position and therefore a corresponding increase in staffing costs. This will be closely monitored as we progress through the year.
- **Digital Directorate:** The position is expected to deteriorate compared with 2025/26, driven by inflationary pressures on contracted services, without offsetting efficiency, and the planned recruitment to a number of critical vacant posts required to support service delivery and resilience within the service.

Value and Sustainability Programme



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- Estimated savings of £15.009 million have been delivered for the five months to August 2026 against a target of £14.5 million.
- Forecast remains above £40 million required to deliver financial plan. Risk remains in the programme and it is essential that savings delivery increases for the remainder of the year in line with the plan.
- Delivery of savings for schemes continue to be proactively and closely monitored via Value and Sustainability Programme arrangements. Enhanced controls are being put in place to support delivery of sustainable nursing staffing saving albeit this has translated into savings delivery in the August position.
- There continues to be under-delivery year to date on several schemes which is being offset in the year to date position by over delivery on a number of schemes.
- Recurring savings currently assessed as 2.66% however this assessment is against the NHS Grampian baseline budget including budgets delegated to the three IJBs. We anticipate delivery to increase beyond 3% recurring savings once IJB savings are incorporated with savings position to be reported to respective IJBs in September.

Value and Sustainability Programme



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V&S Scheme	Per V&S Plan	Forecast V&S	Movement	Update
Medical Agency Locums	£1.6m	£0.6m	£1.0m deterioration	Delivery is contingent on successful recruitment to several long-term gaps. within services. There has been limited successful recruitment to date with enduring workforce gaps continuing. The scheme has been revised to reflect non-delivery to date. Spend is monitored via the monthly Medical Pay Board and risk around this scheme has been escalated via Value and Sustainability governance structure. A paper on this issue is being presented to the NHS Grampian Board in October.
Rota Compliance	£1.5m	£0.8m	£0.7m deterioration	The Board has seen an increase in reported non-compliance in 2026/27 following February monitoring with significant arrears costs incurred. The scheme has been revised to reflect the anticipated level of delivery. Given the associated delivery risk, this has been escalated via Value and Sustainability governance structure with enhanced reporting to Programme Board on this scheme to ensure oversight and assurance over mitigating actions being taken. The forecast savings relies on the current level of rota compliance being maintained.
Sustainable Unregistered Nursing	£1.7m	£1.0m	£0.7m deterioration	Following Common Staffing Methodology reviews, substantive nursing budgets have increased across a number of services. This has not yet delivered the anticipated reduction in Unregistered nursing bank usage with overall staffing numbers increasing rather than reducing. Key contributing factors include higher bank fill rates and increased absence levels. Actions plans are in place to ensure the required grip and control over spend. In addition, the use of "allocate on arrival" shifts will cease from August, given increased assurance regarding staffing levels, providing a further opportunity to reduce bank expenditure. Indicative workforce data indicates a reduction in unregistered bank hours during August and September.
Pharmacy – Medicine switches including further switches	£4.6m	£5.7m	£1.1m improvement	Biosimilar and generic savings opportunities continue to be maximised within the Board. Two additional drugs have been identified that are expected to deliver further savings. National data continues to be utilised to consider additional opportunities for further savings. The forecast has been updated to reflect the increased level of benefit.
Discretionary Spend	£0.3m	£0.8m	£0.5m improvement	A detailed review was undertaken in June to identified orders that are no longer required. These orders were placed on hold in June supporting an expenditure reduction and providing further assurance over the delivery of this saving. Controls continue in relation to discretionary spend to ensure non pay spend is focused on areas deemed critical to safe and effective delivery of clinical care.
Operational Improvement	£4.0m	£4.5m	£0.5m improvement	Focus continues on supporting financial improvement across the organisation through cost control, cost avoidance and the delivery of savings. These savings arise through the decisions taken daily to ensure the effective stewardship of the Boards funding. Examples of the work supporting this saving include vacancy controls, efficiency protocols, overtime protocol.

Operational Improvement Plan – Unscheduled Care



NHS Grampian have total funding of £10.6 million in 2026/27 to support Unscheduled Care Improvement. This funding comprises Scottish Government Operational Improvement Plan funding, projected earmarked IJB reserves and uncommitted Unscheduled Care Collaborative funding.

The NHS Grampian Board approved the Frailty Expansion and ED redesign. No additional funding is required in 2026/27 with estimated costs covered through slippage against the plan. Scottish Government have agreed to underwrite the financial risk for 2027/28 and 2028/29 with a potential overcommitment against the plan of £3.4 million identified. This agreement is subject to the Board taking forward all reasonable options to close the funding gap.

The agreed budgets for 2026/27, spend at August 2026 and forecast spend for the year is outlined in the table. £2.67 million of spend has been incurred for the five months to August 2026.

Objective	Actions	2026/27 Budget £m	Spend at August £m	Forecast Spend £m
Reduce inflow to Acute Services.	Strengthening of Flow Navigation Centre and Frailty at the Front Door.	1.8	0.72	2.17
Redesign Services to optimise length of stay.	Expansion of rapid access assessment clinic and same day emergency care to support zero day length of stay.	2.0	0.71	1.71
Increase pace of flow through Acute settings and increase weekend discharges.	Increased AHP provision, increased discharge lounge hours and integrated flow hub.	1.0	0.29	0.82
Expedite flow from Acute into community settings and reduce deconditioning/ sustain independence.	Enhanced step down pathways to community hospitals, home assessment service and discharge to assess service.	2.6	0.62	1.90
Rebalance Care - increase downstream capacity to sustain system flow	Hospital at home.	1.5	0.33	1.08
Frailty Expansion and ED Redesign	Frailty Expansion and Strengthening of the Emergency Department Consultant Staffing Model	1.7	0	1.42
Total		10.60	2.67	9.10



Operational Improvement Plan – Planned Care



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Scottish Government have provided £2.4 million in 2026/27 to support Q1 diagnostics and operational improvement activity, helping minimise performance disruption across imaging and endoscopy.

A further £9.7 million of non-recurring funding has been secured to support Outpatient (OP) and Treatment Time Guarantee (TTG) activity during Q2 to Q4. This will fund targeted additional activity across a range of specialties through enhanced sessions, insourcing, outsourcing and additional hours to reduce waiting times and improve patient access.

In addition, £2.6 million of recurring funding has been allocated to support enhanced diagnostic capacity through mobile MRI provision and the development of a fifth endoscopy room within NHS Grampian.

Work continues at pace, with enhanced activity due to commence in September and October across Weekend Theatres, Dermatology and Neuropsychology services.

Funding will be allocated on a pound for pound basis to match spend incurred.

Specialty	2026/27 Budget £m	YTD Spend at August £m
Dermatology	1.13	-
Endoscopy	2.95	0.85
Ear, Nose, Throat	0.81	0.23
General Surgery	0.63	0.45
Neuropsychology	0.23	-
Oral and Maxillofacial Surgery	0.14	-
Orthopaedics	0.54	0.16
Paediatric Various	0.14	0.03
Radiology	1.97	0.52
Respiratory	0.21	-
Rheumatology	0.03	-
Urology	0.60	0.37
Vascular	0.09	-
Various	6.27	0.53
Total	15.74	3.14

Infrastructure and Backlog Maintenance Programme



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NHS Grampian has a total programme of £114.3 million. This includes £14.16m of additional funding confirmed since the programme was approved in March 2026. Funding includes:

- £17.3 million relating to medical equipment, £1.0 million relating to Digital hardware and networks and £1.6 million regarding facilities and estates equipment.
- £26.5 million relating to backlog maintenance and ensuring compliance with statutory and environmental standards. Key commitments for 2026/27 include Dr Grays Ward 4 works, Phase 1 building backlog maintenance and the SURE unit, Blair Unit improvement at Royal Cornhill, ARI theatres and radiology roof along with other estates backlog maintenance projects. Also included are demolitions projects associated with estate rationalisation.
- £2.9 million on sustainability projects aimed to reduce carbon footprint and energy use.
- £66.8 million on major hospital schemes related to the construction of the Baird Family Hospital and Anchor Centre.
- £0.3 million of capital contingency funding and £0.2 million relating to primary care premises grants

The programme is set assuming some projects will slip between years and is over committed by £2.3 million.

The majority of this funding comes from Scottish Government including £14.1 million of core capital resource limit in addition to additional targeted funding and charitable funding. Expenditure on the programme for the five months to August 2026 is £7.7 million.

	Funded £m	Spend year to date £m	Committed to date £m	Forecast Spend 2026/27 £m
Medical equipment	17.3	0.2	3.1	17.3
Digital infrastructure and equipment	1.0	-	0.6	1.0
Other equipment	1.6	-	0.6	1.6
Backlog maintenance Programme	26.5	2.5	13.6	26.5
Sustainability	2.9	0.3	0.6	2.9
Major Hospital Schemes	66.8	4.7	66.8	66.8
Other	0.5	-	0.2	0.5
Over Commitment	(2.3)	-	(2.3)	(2.3)
Total Programme	114.3	7.7	83.2	114.3

Risks



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A number of risks were highlighted in the NHS Grampian financial plan with material risks and the controls and actions in place to support management of these risks is highlighted below:

Delivery of Efficiencies Programme

Robust plans have been developed to deliver efficiency savings during 2026/27. NHS Grampian have a proven track record of delivering savings over the last two years, however the scale of savings delivered within the system in recent years does result in inherent risk relating to the delivery of savings. This risk will be closely monitored via the Value and Sustainability Programme and schemes continue to be developed to manage under-delivery in the programme. Reporting of the risk in the Value and Sustainability plan continues to be reported via governance structures with continued focus on mitigating actions to support delivery of savings.

Level of Operational Overspend

Our financial plan assumes a consistent level of operational overspend of £2.9 million a month. Our services continue to experience significant pressures with capacity and patient flow challenges leading to excess costs. If these pressures increase there is a risk that operational overspends will also increase. We have provided for inflation on non-pay costs however rising geopolitical tensions may result in further inflationary pressure as we move through the period of the financial plan. Enhancements to financial monitoring and reporting remain in place and will support the management of this risk. Quarter 1 financial performance reviews have been undertaken with all Executive leads to review Quarter 1 financial performance, discuss key risks and pressures within services, assess progress against savings plans, and identify any mitigating actions available to support financial improvement.

Integration

We have made provision of £13 million in our plan to reflect the potential contribution required from NHS Grampian towards deficits within the three Grampian IJBs in 2026/27. With two of the three IJBs holding general reserves as we move into the 2026/27 financial year there is some mitigation for this risk however we will continue to work closely with Chief Officers and Chief Finance Officers to monitor and manage the positions of IJBs throughout the year.

AFC Non pay reform

Our plan assumes that the £29.3m of funding provided by Scottish Government is sufficient to cover the cost of the 2023/24 Agenda for Change pay reforms. Funding has now been allocated to support implementation of the reduced working week, targeted at areas of high risk or where reduction in the workforce would result in negative impacts on performance, but there remains significant uncertainty regarding the final costs of the reforms in particular around the costs associated with the band 5 to 6 regrade. NHS Grampian continue to work with Scottish Government in the management of this risk.

Workforce recruitment and retention challenges

NHS Grampian continue to face workforce recruitment and retention challenges, with enduring recruitment challenges impacting our Medical workforce for both Mental Health services and to support the delivery of healthcare at Dr Grays Hospital. These challenges impact on the sustainability of our services with a continued reliance on supplementary staff which places additional pressure on budgets.