

NHS Grampian

Meeting:	NHS Grampian Board Meeting
Meeting date:	11 June 2026
Item Number:	11.1
Title:	NHS Grampian 2025/26 Financial Position
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:

The Board is requested to:

- **Assurance**
 - **Discuss and note** the update on the Board's financial position for the 2025/26 financial year.
 - **Discuss and note** the update regarding the 2026/27 financial plan.
- **Decision**
 - **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 (further information provided in the Risk section below)

- 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 2025/26 financial year.
2. An overview of the Value and Sustainability programme for the 2025/26 financial year.
3. An update on financial planning for 2026/27.

NHS Grampian have finalised the financial position for 2025/26 with a revenue outturn of £34.7 million reported, subject to final audit, and total savings of £63.8 million delivered. This outturn, which is below the £45 million deficit target, is welcomed and reflects the efforts across the system to deliver savings and continue to ensure tight grip and control over new costs.

The reported outturn is a first step in our financial recovery however we cannot ignore that NHS Grampian continue to report a significant deficit, and in achieving this position NHS Grampian have been supported by £24.3 million of non-recurring sustainability funding in line with all other NHS Scotland Territorial Boards. Work must continue in 2026/27 and beyond to build on the foundations laid in 2025/26, ensuring continued progress towards resolving the underlying deficit and achieving long-term financial recovery. The Board is committed to ensuring balance against the key governance strands to ensure patients, staff and prevention remain at the heart of financial decision making.

Looking ahead to 2026/27, based on the scale of the financial challenge and level of savings required, 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. 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 2025/26 up to a maximum level of £45 million on a non-recurring basis. NHS Grampian agreed a Financial Recovery Plan which would support delivery of savings totalling £62 million in 2025/26 and enable delivery of a maximum deficit of £45 million. The £34.7 million of deficit support funding provided in 2025/26 has enabled NHS Grampian to deliver its statutory requirement to deliver within its revenue resource limit.

Over the previous two financial years, NHS Grampian have required brokerage totalling £90 million from the Scottish Government to deliver within our revenue resource limit. This remains repayable to Scottish Government on return to financial balance. The level of overspend anticipated in 2025/26 remains one of the highest overspends in 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 improve performance in a number of key areas.

2.3 Assessment

NHS Grampian have finalised the financial position for 2025/26 with a revenue outturn of £34.7 million reported and total savings of £63.8 million delivered. This outturn is welcomed and reflects the efforts across the system to deliver savings and continue to ensure tight grip and control over new costs.

The reported financial position for the 2025/26 financial year shows:

- NHS Grampian is overspent by £34.7 million for the 2025/26 financial year;
- Savings delivered during the 2025/26 financial year total £63.85 million against planned savings of £61.8 million;
- 3.6% of savings have being delivered on a recurring basis exceeding the Scottish Government target of 3%;
- new cost pressures, not reflected in the Financial Plan, totalling £6.0 million have been managed during the financial year; and
- capital spend of £108.3 million has been reported in 2025/26 in line with the total programme funding.

2025/26 Revenue Position

NHS Grampian has reported a £34.7 million overspend for the 2025/26 financial year. The improvement from the February forecast of a £42.8 million overspend, can be attributed to the following reasons:

1. The forecast outturn provided for increased costs linked to system pressures and increased planned care activity which did not materialise.
2. Sustained over-delivery within the Value and Sustainability programme.
3. The level of support funding provided to the Integration Joint Boards reduced from the level included in previous forecasts with improved financial positions reported in two IJBs, with the third expected to report later in June.

The forecast position has improved as we have moved through the 2025/26 financial year, supported by the delivery of savings and tight control and management of budgets. The movement in forecast reported through the year is outlined in table 1 below.

Table 1: Movement in 2025/26 Forecast Outturn

2025/26 Outturn	Q1 (Jun)	Q2 (Sep)	Q3 (Dec)	Q4 (Mar)
Non-delegated services	£56.9m	£48.4m	£46.1m	£38.6m
Sustainability Funding	(£24.3m)	(£24.3m)	(£24.3m)	(£24.3m)
IJB deficit support funding	£23.0m	£23.0m	£23.0m	£20.4m
NHS Grampian Outturn	£55.6m	£47.1m	£44.8m	£34.7m

Scottish Government have provided deficit support funding totalling £34.7 million to NHS Grampian, as our final reported outturn is within the £45 million maximum level of deficit support funding provided by the Scottish Government for 2025/26. This will allow NHS Grampian to comply with its statutory obligation to deliver an outturn within its revenue resource limit.

Further detail on the 2025/26 financial position can be found in the detailed monitoring report attached at appendix one.

Savings Programme

Savings delivery for the 2025/26 financial year has been reviewed with final savings of £63.85 million reported against the £61.8 million financial savings target. £48 million of these savings are expected to be delivered on a recurring basis. This reflects a 3.6% recurring saving against baseline funding, exceeding the Scottish Government target of 3%. As we move into 2026/27, 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, the Value and Sustainability Delivery group and the Financial Recovery Board.

Improvement Actions

Noting the scale of the financial challenge faced by NHS Grampian and the requirement to continue to deliver improvements the following actions were highlighted to the Scottish Government at the quarter 2 review and have been implemented during 2025/26 to support continued financial improvement.

Table 2: Improvement Actions

Future Improvements planned and reported Quarter 2	Delivered
Value and Sustainability programme launched for 2026/27 with timetable in place aligned to financial plan deadlines.	✓
Whole system Service and Financial Planning Event held in November to support joined up planning.	✓
Enhancements made to Integrated Impact Assessments/Quality Impact Assessment process including consideration at Clinical panel.	✓
Continued focus on control environment.	✓
Engagement plan for the 2026/27 Value and Sustainability programme to be developed.	✓
Further review against best practice frameworks to consider further improvement opportunities.	✓
Approach to re-baselining budgets aligned to service and workforce plans to be considered for the three-year financial plan.	✓ (partial)

The actions outlined above enhance the controls in place within the Board. Delivery of the Value and Sustainability programme, which ensured a financial deficit no greater than £45 million, was one of three priority programmes within NHS Grampian in 2025/26. Regular updates on the financial position and forecast outturn were reported via aligned governance structures throughout 2025/26 to ensure action was taken promptly to address deteriorating financial performance. This will continue as we move into the 2026/27 financial year.

Integration Joint Board (IJB) Financial Position

Regular engagement at senior level has continued with the three Integration Joint Boards with monthly meetings in place between the Director of Finance and the Chief Finance Officers in the three IJBs to complement current arrangements (including Chief Executives and Chief Officers) to manage and monitor performance.

The reported outturns, which remain subject to audit, show an improvement across Aberdeen City and Aberdeenshire IJBs in the final quarter of the financial year. As Moray IJB has not yet formally reported its position, the Quarter 3 forecast has been used as an interim position. The level of deficit support funding provided to the IJBs in 2025/26 was £20.4 million, as outlined in table 3 below, which was a £2.6 million reduction from the £23 million included in the February forecast. It is expected that two of the three IJBs will be able to hold a general reserve at the end of 2025/26, which will provide some mitigation against financial risk as we move into the 2026/27 financial year.

Table 3: IJB 2025/26 Financial Outturn (with deficits shown in brackets)

	Aberdeen City	Aberdeenshire	Moray****	Total
25/26 Outturn*	£11.2m	£17.7m	(£8.2m)	£20.7m
Partner deficit funding**	£10.9m	£17.2m	£0m	£28.1m
Earmarked funds to reserves	£3.5m	£3.7m	£0m	£7.2m
25/26 Underlying outturn	(£3.2m)	(£3.1m)	(£8.2m)	(£14.5m)
24/25 Outturn***	(£17m)	(£24m)	(£5m)	(£46m)
NHS Grampian deficit Support 25/26	£6.7m	£9.8m	£3.9m	£20.4m

* including partner deficit support funding where agreed.

** agreed as part of 25/26 financial plan

***adjusted for use of general reserves.

**** Moray Integration Joint Board is due to report on 25 June 2026. Quarter 3 forecast used for comparison purposes.

Funding has been allocated to IJBs in relation to delivery of the Unscheduled Care Operational Improvement Plan including costs associated with firebreaks taken forward under the Operational Improvement Plan. Where firebreak or Operational Improvement Plan funding has been provided and remains unspent at 31 March 2026, it will be held in an earmarked reserve in line with Integration Authority accounting requirements and used only for the continuation of costs arising from the 2025/26 actions and/or for agreed Unscheduled Care improvement purposes.

Cost Pressures

A number of cost pressures totalling £6.0 million have been identified during the 2025/26 financial year that were not reflected in the Board's financial recovery plan. These pressures include

- £0.5 million of estimated costs relating to the closure of the Central Decontamination Unit.
- £0.2 million of costs associated with the Windows 11 upgrade to enable the continued use of non-compatible devices.
- £2.2 million due to increases in the price charged for energy compared to the prices assumed in the original financial plan
- £1.3 million due to increases in Dentist and Doctors in Training numbers at the August rotation
- £0.2 million due to increased costs associated with a contract change for glucose monitoring.
- £1.6 million of cost pressures which can be attributed to changes from the planning assumptions used to develop the original financial plan.

These costs are reflected in the final outturn, with the Board managing these pressures during the 2025/26 financial year to ensure delivery against the £45 million target.

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 2025/26 totalling £108.3 million and NHS Grampian has successfully met its Capital Resource Limit for 2025/26. Key areas of spend in 2025/26 includes:

- £13.0 million of spend on equipment replacement including medical equipment, IT equipment and equipment related to facilities and estates.
- £11.5 million of investment in a wide range of Backlog Maintenance and activity to ensure Statutory and Environmental Standards are met.
- £46.5 million of spend relating to the Baird Family Hospital and ANCHOR Centre Project.
- £35 million relating to the asset transfer of the Mortuary.
- £1.1 million of spend relating to Carbon reduction and energy efficiency projects.
- £1.2 million of spend relating to other smaller projects including the GP sustainability loans.

Planning for 2026/27

The NHS Grampian Board were presented with the financial plan on the 19th March 2026 for consideration and approval. The financial plan was submitted to Scottish Government on the 16th March 2026 and confirmation of Scottish Government's approval was provided on the 25th March 2026. This approval was provided on the basis:

- the Board is forecasting a deficit position of £36 million in 2026-27 which is in line with the maximum level of deficit support funding for the year.

- the three-year plan outlined NHS Grampian will meet its indicative deficit support funding limits in years two and three of the plan, with the level of deficit support funding reducing each year.
- the Board has set a savings target which commits to delivering 3% recurring savings.

NHS Grampian are committed to ensuring the following actions, outlined in the budget approval letter from Scottish Government, are taken to ensure successful delivery of the financial plan as follows:

1. Delivery of savings schemes begins as early as possible in the financial year, to benefit from a full year impact in 2026-27;
2. Emerging pressures or risks above those reported in your financial plan are identified as soon as possible, and discuss as a Board what mitigating actions can be taken to offset these;
3. Ongoing collaboration with the NHS Grampian Assurance Board and full engagement with your Board Support Lead;
4. Progress with the areas of focus set out in the revised 15 Box Grid are considered, alongside any further support we can provide; and
5. Engagement continues through your Sub-National area to deliver the priorities set out within the Directors Letter (DL) on 13 November 2025.

The financial plan assumes an underlying forecast deficit of £76 million before savings delivery in 2026/27. Delivery of £40 million of savings is required to reduce the deficit to £36 million, the maximum deficit support funding which will be provided to NHS Grampian. NHS Grampian expect to deliver a deficit within this level, with the funding enabling NHS Grampian to deliver its statutory requirement to deliver within its revenue resource limit. If the Board delivers a deficit above £36 million, it will be reported as overspend in the annual accounts, which may result in a Section 22 report and lead to further escalation on the NHS Scotland Support and Intervention Framework.

Value and Sustainability

The Value and Sustainability plan sets out a requirement to deliver £40m of savings in 2026/27 to achieve the planned deficit position. This includes a commitment to deliver 3% recurring savings on baseline budgets, consistent with national planning guidance. Savings will require to be delivered across both Board-controlled (non-delegated) services, and within the three IJBs, with aggregate savings across the system used to demonstrate achievement of the 3% requirement.

The Quality Impact Assessment (QIA) panel, which consists of the Executive Medical Director, Executive Nurse Director and Director of Public Health, have now reviewed and approved £40.2 million of schemes which meet the NHS Grampian finding balance principles. This process ensures schemes are not detrimental to the quality of patient care or staff health and well-being and find balance between four key areas: Clinical, finance, workforce and prevention. A final QIA report published by Panel members was presented to the Clinical Governance Committee on 26th May 2026; as well as to the Executive Team and Joint Grampian Area Partnership Forum (GAPF) and Area Clinical Forum (ACF) meeting in May 2026. Further Panels will be convened through 2026/27 as required to consider new savings schemes. A formal written report has been completed which outlines the key findings of the Quality Impact Assessment process and describes the on-going process to effectively monitor the potential impact against the four domains of the finding balance approach.

In addition to the Quality Impact Assessment process, NHS Grampian has a statutory responsibility to undertake an Integrated Impact Assessment for the Value and Sustainability programme. NHS Grampian has a well-established approach to support the completion of Integrated Impact Assessments which has been conducted concurrently to the Quality Impact Assessment process. A separate formal report has been completed for the Integrated Impact Assessment process which was presented to the Clinical Governance Committee in May 2026 for endorsement. Concurrent to completing this Integrated Impact Assessments process, an internal audit into the quality of Integrated Impact Assessments has recently concluded and will report findings into the Population Health Committee. Learning from this audit will be used to inform and improve how Integrated Impact Assessments for future Value & Sustainability schemes are completed.

The latest assessment of total savings for 2026/26 is outlined in table 4 below:

Table 4: Value and Sustainability Programme

Workstream	Executive Lead	Savings £'000
Integrated Joint Boards	Chief Officers - IJB	13,000
Operational Improvement	Alex Stephen	4,000
Corporate – Finance	Alex Stephen	3,500
Corporate – Other	Alex Stephen	1,057
Pharmacy	Hugh Farrow Bishop	4,600
Estates & Facilities	Jug Johal	652
Nursing, Midwifery & AHPs	June Brown	2,900
Acute Medical Workforce	Paul Bachoo	4,383
Procurement	Alex Stephen	2,800
Mental Health & Learning Disabilities	Fiona Mitchelhill	1,157
Acute Sector	Geraldine Fraser	1,592
Digital Directorate	Stuart Humphreys	210
Infrastructure & Sustainability	Jug Johal	235
Public Health	Shantini Paranjothy	23
Development of Efficiency Schemes	Pending allocation	1,800
Total		41,971

As highlighted in the previous report, there remains inherent risk in the Value and Sustainability programme. This risk will be managed via the Value and Sustainability governance structure. As we progress through 2026/27, work will continue to identify and develop additional schemes to provide mitigation against the work case scenario.

There is less detail available on savings for 2027/28 and 2028/29 and work will focus on developing saving opportunities for these years as we move into the 2026/27 financial year. A robust timetable will be agreed to ensure delivery of a value and sustainability programme for 2027/28, which will include robust delivery plans, by December 2026.

Integration Joint Boards

The 2026/27 financial plan includes a provision for IJB deficit support funding which aligns with the respective financial plans approved by the three Integration Joint Boards. Table 5 below shows the level of provision for deficit support funding in place for the three IJBs in 2026/27.

Table 5: Integration Joint Board Deficit Support Funding

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

The financial plan does not include any risk provision for Integration Joint Boards in 2026/27, with each Integration Joint Board ensuring robust arrangements are in place to ensure delivery of savings and achievement of their financial plan. We expect two of the three IJBs to hold a general reserve as we move into the new financial year which will provide mitigation against the risk of financial deterioration within those IJBs.

The North East System Transformation Group has been re-established to explore whole system planning and integration with a focus on developing savings opportunities for Year 2 and Year 3 delivery. This group aims to support the transformation and redesign of health and social care services across the North East to maintain or improve health outcomes for its customers and patients while delivering long term financial sustainability. Membership of the Group will consist of Executives from NHS Grampian, the three IJB's and the three Councils with the first meeting held on the 20th March 2026. Future meetings will take place bi-monthly.

A Project Management Office (PMO) structure has been established to support delivery of this programme. In addition, a diagnostic review will be commissioned, supported by £150,000 of Scottish Government funding, to identify opportunities across the North East system and to develop robust delivery plans.

Financial Risks

There are a number of risks which may impact on our ability to deliver against the financial plan. The major risks are outlined below:

- Our financial plan assumes an operational overspend of circa £3m a month. Our overspend has reduced below this level in the final quarter of 2025/26 however there remains a risk that the Board may need to incur additional costs related to the management of service pressures as we move through the year. We have provided for inflationary uplifts on non-pay costs however rising geopolitical tensions and the continuation of conflict in the Middle East may result in further inflationary pressures beyond this provision as we move through the period of the financial plan.

- Our financial plan assumes a high level of savings, with significant recurring savings delivered across the system in the past two financial years. Robust plans are being developed to support the delivery of savings in 2026/27 which will mitigate this risk.
- Our financial plan assumes the £29.3 million of funding provided by Scottish Government will be sufficient to cover the cost of the 2023/24 Agenda for Change reforms with the assumption remaining that the final cost of implementation will be fully funded.
- Our financial plan assumes recurring costs associated with the Unscheduled Care and Planned Care improvement plans are fully funded by Scottish Government. There is no provision in the financial plan to improve performance beyond that included in the Scottish Government funded Unscheduled Care and Planned Care improvement plans.
- There is no provision in the financial plan for new service developments or national workstreams which do not come with funding. Scottish Government Sub-National Planning Further Guidance has been issued which makes clear that “No new recurring financial commitments should be made without confirmed funding”.

These risks will be closely monitored and managed as we move through the 2026/27 financial year with updates on the risks and mitigations in place included within monthly reporting.

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.

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 provided non-recurring sustainability funding to support the Board’s position in 2025/26. 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 May 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 relevant 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 – 27th May 2026.

2.4 Recommendations

The Board is requested to:

- **Assurance**
 - **Discuss and note** the update on the Board's financial position for the 2025/26 financial year.
 - **Discuss and note** the update regarding the 2026/27 financial plan.

- **Decision**
 - **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 2025/26