NHS Grampian

Meeting:	NHS Grampian Board
Meeting date:	13 August 2026
Item Number:	11
Title:	NHS Grampian 2026/27 Financial Position Report including Value & Sustainability Programme Board - Quarter One
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:

1. **Discuss and note** the update on the Board's financial position for the three months to June 2026.
2. **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 Quarter 1, the three months to June 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. There is 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. 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, the fifth highest in percentage terms, and our financial plan for 2026/27 indicates we will continue to report one of the highest overspends in 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. 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 Quarter 1 reported financial position for the first three months of the financial year shows:

- NHS Grampian is overspent by £11.5 million for the first 3 months of the financial year;
- The forecast outturn for the year is £36.0 million,
- Estimated Savings delivered to date total £8.6 million against planned savings of £8.1 million;
- Forecast savings for the 2026/27 financial year total £40.5 million which is slightly above the £40 million required to support delivery of the Financial Plan;
- We continue to anticipate delivery of 3% recurring savings;
- Capital spend of £2.6 million has been incurred to the end of March against a total programme of £112.5 million.

2026/27 Revenue Position

NHS Grampian is reporting a £11.5 million overspend for Quarter 1 of 2026/27. The table below shows the breakdown of the financial position for the first three months of the financial year along with the forecast year end outturn:

Table 1: Financial Position

2026/27 Outturn	April	May	June	YTD to June 2026/27	Forecast
Operational Deficit	£2.7m	£2.7m	£2.2m	£7.6m	£20.6m
Reserves Deficit	£1.9m	£1.9m	£0.5m	£4.3m	£17.1m
Sustainability Funding	(£1.2m)	(£1.2m)	(£1.3m)	(£3.7m)	(£14.7m)
Outturn (non-delegated services)	**£3.4m**	**£3.4m**	**£1.4m**	**£8.2m**	**£23.0m**
IJB deficit support funding	£1.1m	£1.1m	£1.1m	£3.3m	£13.0m
NHS Grampian Outturn	**£4.5m**	**£4.5m**	**£2.5m**	**£11.5m**	**£36.0m**

A forecast has been developed based on the June outturn, which indicates delivery of a £36 million deficit outturn in line with the financial plan. A detailed review of Divisional and Service-level forecast outturns will be undertaken at the end of Quarter 1 to enable comparison with the 2025/26 outturn, identify areas of deterioration, and provide assurance on the effectiveness of mitigating actions to manage financial risk.

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.

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 £8.6 million reported for the year to date against planned savings of £8.1 million. The over delivery was due to a number of schemes over delivering against the plan within the first quarter of the year.

Forecast savings for the 2026/27 financial year total £40.5 million, which is below the £41.8 million target for the Value and Sustainability Programme. This is not unanticipated, with work ongoing to finalise schemes to bridge the £1.3m of unplanned savings included in the plan. Savings delivery was expected to be lower during the initial months of the financial year; progress continues to be proactively monitored and closely scrutinised. To provide assurance regarding the delivery of planned savings, all Executive Leads presented an update on their respective savings programmes at the July Value and Sustainability Programme Board.

We expect to deliver against the 3% recurring savings target mandated on all Boards by Scottish Government, with forecast savings exceeding 3% on non-delegated budgets. 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.

Integration Joint Board (IJB) Financial Position

Regular engagement at senior level with the three Integration Joint Boards will continue in 2026/27, and monthly meetings between the Director of Finance and the Chief Finance Officers in the three IJBs will continue to complement current arrangements (including Chief Executives and Chief Officers) to manage and monitor performance. Meetings held in Quarter 1 have focused on identifying emerging risks to 2026/27 financial plans and agreeing a critical path for the development of 2027/28 savings plans across the North East system to support coordinated planning.

Detailed forecasts for the IJBs will be prepared based on the quarter one outturn, and reported to the respective IJBs in line with governance arrangements. The 2026/27 financial plan includes a £13 million provision for IJB deficit support, in line with the approved IJB financial plans, as outlined in table 2 below. 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**

<u>Cost Pressures</u>

New cost pressures will continue to be closely monitored in the new financial year to ensure oversight of these costs. Any new cost pressures identified will require to be managed through the delivery of new savings, or further cost reductions beyond those included in the financial plan. No material cost pressures have been identified in the financial year to date.

<u>Capital Position</u>

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 £112.8 million with key areas of forecast spend for 2026/27 including:

- £17.5 million of spend on equipment replacement including medical equipment, IT equipment and equipment related to facilities and estates.
- £24.1 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.
- £2.4 million of spend relating to other smaller projects including the GP sustainability loans.

There has been limited spend on the programme in Quarter 1, with £2.6 million spend reported for the three months to June 2026.

<u>Risks</u>

There are a number of risks and assumptions relating to the delivery of the 2026/27 financial plan. These are as outlined in table 3 below. Where relevant controls in place to manage the risk are highlighted.

It must be noted that NHS Grampian have worked closely with Scottish Government to mitigate the risk relating to the Operational Improvement Plan funding for 2026/27. Work is ongoing to review commitments against future year funding to ensure this funding is targeted to areas which can have the greatest impact on performance.

Table 3: 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 June 2026 we are slightly ahead of planned savings and still forecasting to deliver £40 million of savings in line with the financial plan.	High	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. To provide assurance over plans to deliver savings, all Executive leads have provided an update on their aligned savings at the July Value and Sustainability programme Board.
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	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.
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	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 NHSG 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	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.

Planning for 2027/28

The development of a robust Value and Sustainability Plan for 2027/28 by December 2026 forms a key element of the de-escalation criteria agreed for NHS Grampian. The plan will be required to deliver a minimum of £38 million of savings to support a reduction in the forecast deficit to no more than £25 million in 2027/28.

A detailed programme timetable has been agreed to support development of the Plan, with formal engagement commencing in August 2026. 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.

All proposals will be subject to NHS Grampian’s established Quality Improvement 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 potential impacts are fully understood and considered in decision-making.

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 continued to provide non-recurring sustainability 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 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 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 – 22nd July 2026.
- Executive Team – 21st July 2026.
- Extended Leadership Team and Board Members (via email) – 22nd July 2026

2.4 Recommendation(s)

The Board is requested to:

1. **Discuss and note** the update on the Board's financial position for the three months to June 2026.
2. **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 June 2026