Board Meeting
13.08.26
Open Session
Item 11.1

NHS Grampian Finance Report

June 2026

Update from the Director of Finance

This report sets out the Quarter 1 reported financial position for 2026/27 with an £11.5 million overspend reported for the first three months of the financial year. The monthly overspend improved in June, on both the operational position and the reserves position, following a review of reserves held at Quarter 1. Our detailed forecast shows we expect to deliver in line with the financial plan although the forecast remains extremely finely balanced. At this early stage of the financial year, only moderate assurance can be provided regarding delivery of the plan.

The year to date position includes an overspend on the services not delegated to the three Integration Joint Boards (IJBs) totalling £8.2 million. Included within the year to date position is £3.7 million of funding related to the sustainability funding provided to NHS Grampian in 2026/27. In relation to the services delegated to the IJBs, £3.3 million of spend is reflected year to date relating to the £13 million of anticipated deficit support funding required for 2026/27. The three IJBs have yet to formally report to their respective IJBs but through assurance meetings in place with the IJB Chief Finance Officers, we remain assured that the provision for IJB deficit support will be sufficient to cover any contributions required in 2026/27. Two of the three IJBs hold general reserves in the 2026/27 financial year, which provides some protection against financial risk.

Estimated savings of £8.6m have been delivered to date against planned savings of £8.1m. Options have been identified to bridge the £1.3 million gap identified in the savings plan including both new savings opportunities and increasing delivery on existing schemes. A number of invest to save proposals have been submitted to Scottish Government for consideration which would deliver further savings. Whilst savings are anticipated to be lower in the first few months of the financial year, we continue to proactively and closely monitor savings delivered with enhanced oversight and scrutiny provided via Value and Sustainability programme governance arrangements. The July Value and Sustainability Programme Board received updates from Executive leads on their aligned savings and actions being taken to address underperformance.

We will continue to closely review KPIs agreed for savings schemes to manage impact, with reporting provided via the Value and Sustainability Programme governance structure. This will ensure that savings are closely monitored to ensure they continue to demonstrate balance across our finding balance principles.

Further non-recurring funding has been confirmed from Scottish Government to support continued improvement in planned care performance. This funding is in addition to Operational Improvement Plan funding provided by Scottish Government to support improvement in Unscheduled Care and Planned Care. The funding welcomed and will support NHS Grampian as they continue to improve performance in planned care and address those patients waiting longest for care. We will include detail of this funding, spend incurred and activity delivered in future reports.

De-escalation criteria were agreed in relation to finance at the June Board and we remain committed to delivering against these criteria to support a move from Level 4 to Level 3 on the NHS Scotland Support and Intervention Framework. Along with the delivery of our financial plan and savings targets, we require to develop our 2027/28 programme by the end of December 2027 with the development programme to support this launching in August.

Alex Stephen

Director of Finance

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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. This represents 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 and continues to identify and implement recurring savings across the system to support long-term financial sustainability.

The Grampian region continues to face challenging economic conditions, driven by a contraction in the energy sector and growing pressure on public sector funding. Economic growth is expected to remain subdued in the coming years. Additionally, the region is facing population stagnation and an ageing demographic, with a growing proportion of residents aged over 65. These factors are placing increasing demand on public services delivered by NHS Grampian and the three Integration Joint Boards.

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

Context of this report

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

- The revenue position at June 2026 and further information on the financial position in key Divisions.
- The Board's staffing numbers and the impact of the Reduced Working Week.
- An update on the forecast outturn for 2026/27.
- An update on NHS Grampian's savings programme for 2026/27.
- An update on the infrastructure and backlog maintenance programme for 2026/27.

The three Integrated Joint Boards have not yet formally reported their financial positions for 2026/27. We remain assured that they will deliver within the level of deficit support funding provided in the Financial Plan, with two of the IJBs holding general reserves to mitigate financial risk.

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 and prompt action taken to address any adverse movement from the plan.

Executive Summary

Summary of Findings

This report provides detail on the financial results for the first quarter of 2026/27. The revenue results to the end of June 2026 show an overspend of £11.5 million, with a monthly overspend of £2.5 million reported for the month of June. The table below shows the breakdown of the financial position for the first quarter of the financial year along with the year to date position.

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

The three IJBs have not yet formally reported their financial position, however monthly meetings between senior officers have continued throughout quarter 1. Through these meetings, we remain assured that they will deliver within the level of deficit support funding provided in the Financial Plan. As highlighted in the May report, two IJBs hold general reserves as we move into 2026/27 providing some mitigation against financial risks.

A detailed forecast has been completed based on the June outturn which highlights an anticipated deficit of £36 million for the 2026/27 financial year. This is within the level of Scottish Government deficit support. Whilst we remain on track to deliver the financial plan, the position remains extremely finely balanced, with limited capacity to absorb further cost pressures and no flexibility to support new developments within existing resources.

Issues to highlight within the June position include:

- Nursing staff in post continue to exceed funded levels, with bank use continuing at a high level despite an increase in substantive staff. Targeted actions have been agreed on a divisional basis to provide assurance over staffing use and identify any opportunity to reduce costs without impacting on patient care. As a key saving programme, progress will continue to be reported via the Value and Sustainability governance process. The June position also includes additional costs associated with the May bank holiday.

- The June position includes backdated costs associated with resident doctor rota noncompliance, reflecting a number of rotas who monitored as noncompliant through recent monitoring. Whilst we are reporting an improved position in relation to rota compliance, with 15 non compliant rotas, continued focus is required to ensure adherence with the Resident Doctor contractual arrangements and to avoid additional banding costs associated with non-compliance.

- As highlighted in the May finance report a review of all receipted orders which have not yet been paid has been undertaken in June, with a £0.5 million benefit reflected in the position in relation to this.

NHS Grampian's 2026/27 Infrastructure and Backlog Maintenance Programme has total funding of £112.8 million with £2.6 million spend reported at the end of June 2026.

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

High Level Financial Position

Key Points:

Pay is 4% overspent (£8.0 million) year to date:

- **£1.6m overspend on medical pay** driven by costs associated with resident doctor rota non-compliance and premium payments relating to supplementary staff.
- **£4.1m overspend on nursing budgets.** This overspend has increased driven by an increase in nursing numbers beyond that required to manage the impact of the reduced working week.

Non Pay budgets are overspent by £4.7 million year to date (6%). Material overspends include:

- **Medical supplies and equipment £1.6m**. An in month overspend of £0.1m was reported for June, with the position benefiting from the review of outstanding orders undertaken in June.
- **Maintenance and Service contracts £0.9m** reporting ongoing pressure with inflationary pressure continuing to impact on spend.
- Historical unachieved efficiency savings continue to impact on the non pay position.

2026/27 Outturn	June Budget £m	June Actual £m	June Variance £m	YTD Budget £m	YTD Actual £m	YTD Variance £m	2026/27 Budget £m	2026/27 Forecast £m	2026/27 Variance £m
Pay	69.7	72.3	(2.6)	205.2	213.2	(8.0)	813.5	838.5	(25.0)
Non Pay	33.4	33.8	(0.4)	84.1	88.8	(4.7)	370.8	385.5	(14.7)
FHS Expenditure	8.8	8.8	0	26.5	26.5	0	100.3	100.3	0.0
Other Income	(14.7)	(15.2)	0.5	(39.2)	(40.4)	1.2	(149.8)	(153.5)	3.7
Total NHS Directly Controlled	**97.2**	**99.7**	**(2.5)**	**276.6**	**288.1**	**(11.5)**	**1,134.8**	**1,170.8**	**(36.0)**
Aberdeen City IJB	21.4	21.4	-	64.7	64.7	-	264.0	264.0	-
Aberdeenshire IJB	21.7	21.7	-	65.1	65.1	-	260.7	260.7	-
Moray IJB	10.6	10.6	-	27.4	27.4	-	115.4	115.4	-
Provision for IJB overspends	1.1	1.1	-	3.3	3.3	-	13.0	13.0	-
Total IJB	**54.8**	**54.8**	**-**	**160.5**	**160.5**	**-**	**653.1**	**653.1**	**-**
Scottish Government Funding	**(149.1)**	**(149.1)**		**(447.2)**	**(447.2)**		**(1,788.8)**	**(1,788.8)**	
Net Deficit			**(2.5)**			**(11.5)**			**(36.0)**
Maximum Deficit Support Funding									**(36.0)**

2026/27 Forecast Outturn

2026/27 Financial Plan	Financial Plan	2026/27 Forecast
Projected overspend before savings	£77.7m	£77.7m
Savings, other cost reductions and technical adjustments	(£40.0m)	(£40.5m)
New pressures	-	£0.5m
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

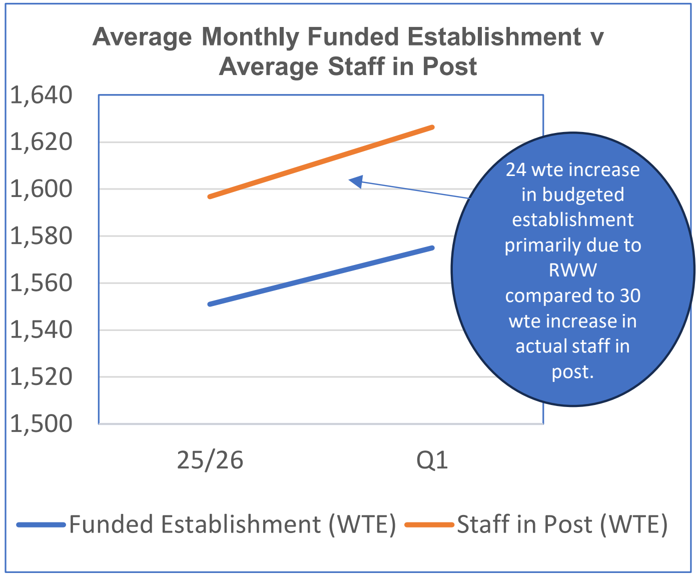
	Average 2025/26			Quarter 1 Average			Reduced Working Week Impact
	Funded Est (WTE)	Staff in Post (WTE)	Variance (WTE)	Funded Est (WTE)	Staff in Post (WTE)	Variance (WTE)	RWW Funding (WTE)
Medical	1,777	1,719	58	1,766	1,750	16	-
Nursing	6,561	6,766	(205)	6,817	6,910	(93)	140
Administrative Services	2,274	2,156	118	2,287	2,146	141	17
AHPs	1,212	1,118	94	1,247	1,149	98	17
Health Scientists	505	497	8	531	505	26	5
Management	35	35	-	33	33	-	-
Support Services	1,735	1,667	68	1,756	1,692	64	37
Medical & Dental Support	274	271	3	266	267	(1)	2
Other Therapeutic	574	575	1	571	583	(12)	8
Personal & Social Care	63	59	4	62	58	4	-
Total	**15,010**	**14,863**	**147**	**15,336**	**15,093**	**243**	**226**

It should be noted that a significant proportion of vacancies are within the three Integration Joint Boards. Within non-delegated services, staffing levels remain below budgeted establishments overall, with vacancies across administrative services, Allied Health Professionals and support services offsetting nursing staffing levels that remain above funded establishments.

Additional funding received to support Planned and Unscheduled Care improvement, together with the impact of the Reduced Working Week, continues to make comparisons between 2025/26 and 2026/27 staffing levels challenging. A proportion of the vacancies reported in 2026/27 relate to recruitment activity associated with implementation of the Reduced Working Week, and there is a risk that the financial position will deteriorate as these posts are filled. However, recruitment remains necessary to support safe and sustainable service delivery. The increase in staffing numbers between 2025/26 and 2026/27 beyond RWW is largely attributable to growth in medical staffing, with continued increases in Doctors in Training not yet translating into reductions in supplementary staffing elsewhere within the system. In addition, nursing staffing levels have increased beyond the impact of the Reduced Working Week, particularly within the Acute Sector and inpatient Mental Health Services.

Division of Medicine and Unscheduled Care – Acute Triumvirate

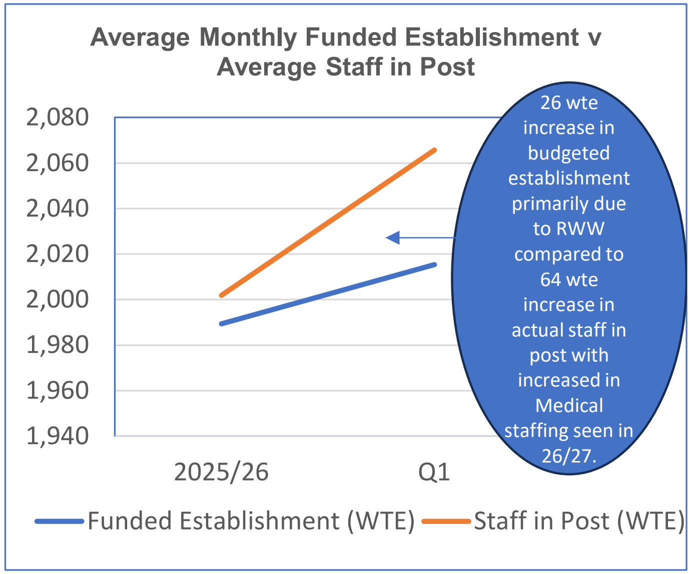
	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(13.6)	(3.9)	(3.9)	-	-	-
Medical and Dental	50.3	12.7	13.5	(0.8)	341.5	352.2
Nursing	66.8	16.8	17.5	(0.7)	1,061.7	1,100.3
Administrative Services	4.8	1.3	1.4	(0.1)	91.8	95.2
Health Science Services	2.6	0.7	0.7	-	41.6	40.8
Medical and Dental Support	1.8	0.5	0.5	-	21.8	20.9
Other Pay Groups	0.9	0.1	0.3	(0.2)	16.5	16.9
Drugs	29.5	8.8	8.3	0.5	-	-
Medical Supplies	17.0	3.1	3.4	(0.3)	-	-
Other Non Pay	2.3	2.2	3.1	(0.9)	-	-
Division of Medicine and Unscheduled Care	**162.4**	**42.3**	**44.8**	**(2.5)**	**1,574.9**	**1,626.3**



- The Division of Medicine and Unscheduled Care is reporting a year to date overspend of £2.5 million with an average monthly overspend of £0.8 million reported year to date.
- As reported throughout 2025/26, the Division of Medicine and Unscheduled Care continues to report significant overspends on medical and nursing pay:
    - Medical pay continues to report an overspend of £0.8 million due to costs attributed to unfunded Locums to support Boarder management along with and rota non-compliance costs.
    - Nursing pay is reporting a £0.7 million overspend in June 2026.
    - Work is ongoing to support reductions in the use of non-standard beds and Boarded patients, which is expected to reduce this financial pressure and continued focus is required to ensure robust control of supplementary staffing.
- Non pay budgets are reporting a £0.8 million overspend in the position to June. This includes £0.4 million of pressure on medical supplies budgets, due to overspends reporting within the Endoscopy Service and increased costs associated with delivery of Insulin Pumps. The year-to-date TAVI activity has increased from that reported in 2025/26 which represents a financial risk for the division. Drugs budgets are reporting an underspend following the rebasing of budgets. The division continues to be impacted by a £1.6 million unachieved annual historical saving target.

Division of Surgery – Acute Triumvirate

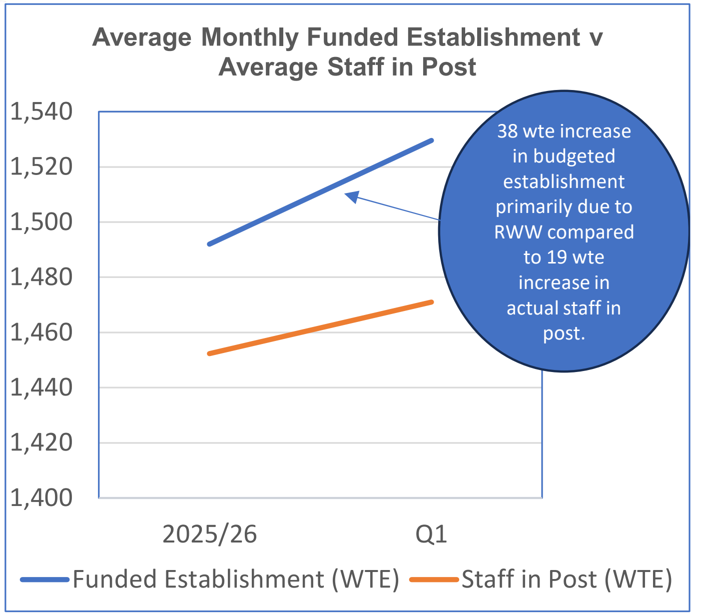
	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(22.1)	(6.1)	(6.3)	0.2	-	-
Medical and Dental	81.4	21.1	21.5	(0.4)	521.6	544.9
Nursing	77.7	19.6	20.4	(0.8)	1,222.4	1,259.1
Administrative Services	4.0	1.0	1.0	-	74.1	71.0
Health Science Services	3.7	0.9	1.0	(0.1)	51.2	55.4
Medical and Dental Support	5.2	1.4	1.5	(0.1)	103.5	100.1
Other Pay Groups	3.0	0.9	0.8	0.1	42.5	35.2
Drugs	12.8	4.2	4.1	0.1		
Medical Supplies	24.5	6.2	6.2	-		
Other Non Pay	6.6	2.1	2.4	(0.3)		
Division of Surgery	**196.8**	**51.3**	**52.6**	**(1.3)**	**2,015.3**	**2,065.7**



- The Division of Surgery is reporting a year-to-date overspend of £1.3 million with an average overspend of £0.44 million overspend reported for Q1 2026.
- Financial pressure for the Surgery Division is driven by overspends on:
  - Nursing pay lines where staff in post exceed funded establishment by c. 36 wte. Funding has been allocated to the Division to support backfill of time lost following the implementation of the reduced working week. Focus continues to be required to ensure robust control of supplementary staffing, with additional staff beyond funded establishment where necessary to address escalated clinical risk.
  - Non pay with a £0.2m overspend reported driven by overspends on medical supplies and equipment, with inflation and growth driving higher costs. This is an improvement within the non-pay position following additional funding for planned care activity and the one-off benefit from a review of Purchase Order within in the division.

Division of Clinical Support Services – Acute Triumvirate

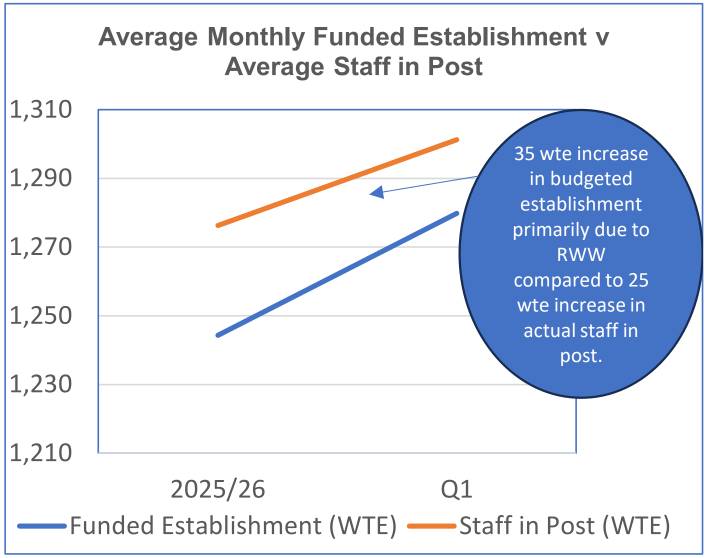
	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(12.2)	(3.3)	(3.4)	0.1	-	-
Medical and Dental	32.2	8.2	7.9	0.3	192.6	172.2
Nursing	14.7	3.8	4.2	(0.4)	244.2	269.5
Administrative Services	4.5	1.2	1.2	-	85.0	87.9
Allied Health Professionals	27.9	7.0	6.9	0.1	406.8	368.0
Health Science Services	26.3	6.8	6.4	0.4	408.3	377.0
Other Therapeutic	11.2	2.8	3	(0.2)	174.7	180.8
Other Pay Groups	0.2	0.1	0.2	(0.1)	17.9	15.6
Drugs	22.6	12.4	11.6	0.8	-	-
Medical Supplies	11.9	3.2	3.7	(0.5)	-	-
Other Non Pay	10.7	2.9	3.2	(0.3)	-	-
Division of CSS	**150.1**	**45.1**	**44.9**	**0.2**	**1,527.5**	**1,471.0**



- The portfolio is reporting an underspend for first quarter of the year.
- Medical pay budgets are underspent by £0.3 million at the end of March, with vacancies within the Laboratories service driving underspends, and nursing budgets are overspent by £0.4 million at the end of March, with staff in post exceeding funded establishment. Focus continues to be required to ensure robust control of supplementary staffing, with additional staff beyond funded establishment where necessary to address escalated clinical risk.
- These costs are offset by underspends across other staffing groups, linked to challenges in recruiting to backfill agreed following the further 1 hour reduction in the working week. It is likely that these underspends will reduce as recruitment takes place.
- Drugs budgets within Cancer services are reporting a £0.8 million underspend year to date. Noting the risk around this budget, this will be reviewed to manage financial risk throughout the year.

Division of Women and Children's - Acute Triumvirate

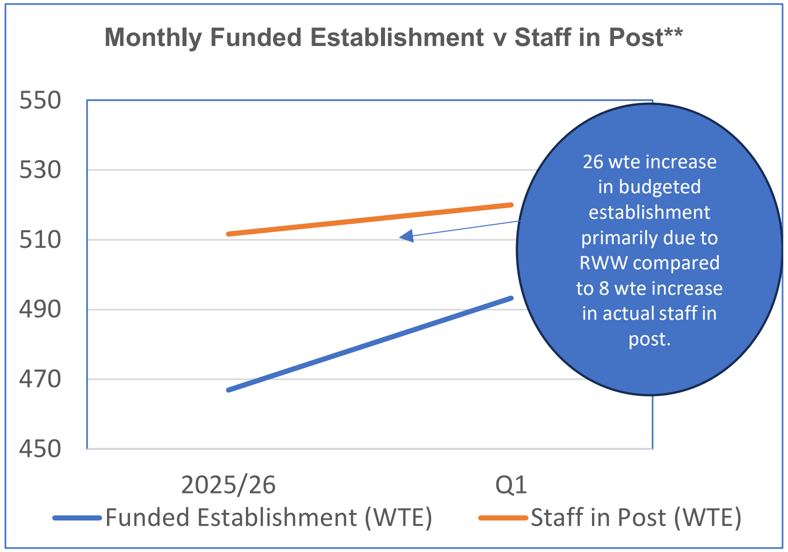
	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(11.6)	(2.8)	(2.7)	(0.1)	-	-
Medical and Dental	33.9	8.9	8.8	0.1	233.99	233.49
Nursing	56.8	15.0	15	-	878.96	884.07
Administrative Services	3.4	1.0	1.0	-	69.28	67.13
Allied Health Professionals	4.0	1.2	1.2	-	69.86	65.53
Other Pay Groups	2.0	0.5	0.9	(0.4)	27.64	50.94
Drugs	3.0	1.0	1.1	(0.1)	-	-
Medical Supplies	5.9	1.5	1.6	(0.1)	-	-
Other Non Pay	2.6	0.7	0.8	(0.1)	-	-
Division of Women and Childrens	**100**	**27.0**	**27.8**	**(0.7)**	**1,279.73**	**1,301.16**



- The portfolio is reporting an overspend of £0.7 million for the first quarter, which is an average monthly overspend of £0.23 million, which is an an improvement in the first quarter of the year, compared to 2025/26.
- However, within the Division, the largest areas of pressure remain Labour Theatres and Neonatal Services. These pressures are primarily driven by increased nursing staffing requirements to support higher levels of patient acuity and complexity, with associated impacts on non-pay expenditure. In addition, the position has deteriorated since May reporting following a non-compliant medical rota within the Division following monitoring.
- Continued focus is required to ensure robust control of supplementary staffing, with additional staff beyond funded establishment used only where necessary to address escalated clinical risk.

Dr Grays Hospital - Acute Triumvirate

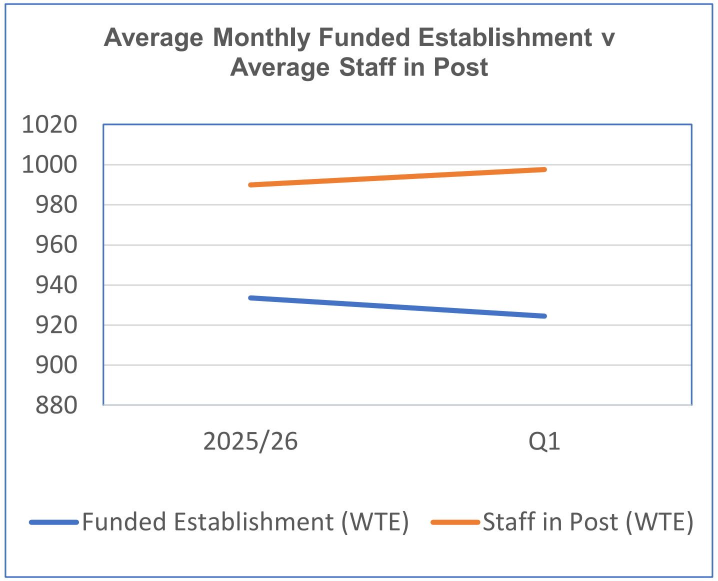
	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(2.3)	(0.6)	(0.6)	-	-	-
Medical and Dental	14.5	3.6	4.6	(1.0)	105.7	101.3
Nursing	20.9	5.2	5.8	(0.6)	344.0	371.7
Administrative Services	1.4	0.4	0.5	(0.1)	20.6	25.2
Other Therapeutic	0.8	0.2	0.3	(0.1)	11.8	14.0
Other Pay Groups	0.6	0.3	0.5	(0.2)	11.1	15.6
Drugs	3.2	0.8	0.7	0.1	-	-
Medical Supplies	2.8	0.7	0.7	-	-	-
Other Non Pay	0.7	0.2	0.2	-	-	-
Dr Grays Hospital	**42.6**	**10.7**	**12.3**	**(1.6)**	**493.2**	**520.0**



- The portfolio is reporting a year to date overspend of £1.6 million, an average monthly overspend of £0.53 million for Quarter 1.
- Pressure remains on Medical budgets, with several services continuing to remain reliant on medical agency locums for service delivery. The transition to more sustainable workforce models, within Dr Gray's Hospital, remains critical to delivering both service and financial improvement.
- Nursing staff in post in the quarter are above the funded establishment despite rebasing Nursing budgets to reflect outputs from the Common Staffing Methodology. There is continued focus required to ensure control of supplementary staffing, with additional staff beyond funded establishment used only where necessary to address escalated clinical risk.
- Non pay budgets are reporting a small underspend year to date.

Mental Health – Chief Officer, Aberdeen City IJB

	Annual Budget £m	YTD Budget £m	YTD Actuals £m	YTD Variance £m	Average Budget WTE	Average in post WTE
Income	(7.4)	(2.1)	(2.2)	0.1	-	-
Medical and Dental	12.7	3.2	3.1	0.1	93.6	88.2
Nursing	37.5	9.4	10.4	(1.0)	604.0	669.7
Administrative Services	4.8	1.1	1.1	-	86.0	83.4
Allied Health Professionals	3.1	0.8	0.7	0.1	47.6	41.82
Other Therapeutic	7.6	2.1	2.3	(0.2)	93.0	114.6
Drugs	0.8	0.2	0.3	(0.1)	-	-
Administration Costs	3.8	1	1.1	(0.1)	-	-
Other Non Pay	0.9	0.2	0.1	0.1	-	-
Inpatient Mental Health Services	**63.8**	**15.9**	**16.9**	**(1.0)**	**927.4**	**997.6**



- Non delegated Mental Health services are reporting an overspend of 1.0 million for Quarter months to May 2026, which is a £0.33 monthly overspend.
- The main pressure within the Service remains nursing expenditure, with staffing levels exceeding the funded establishment by approximately 66 WTE. Nursing budgets for inpatient Mental Health Services were rebased during 2025/26 to reflect the output of the Common Staffing Methodology. Despite this, nursing staff continues to exceed 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.

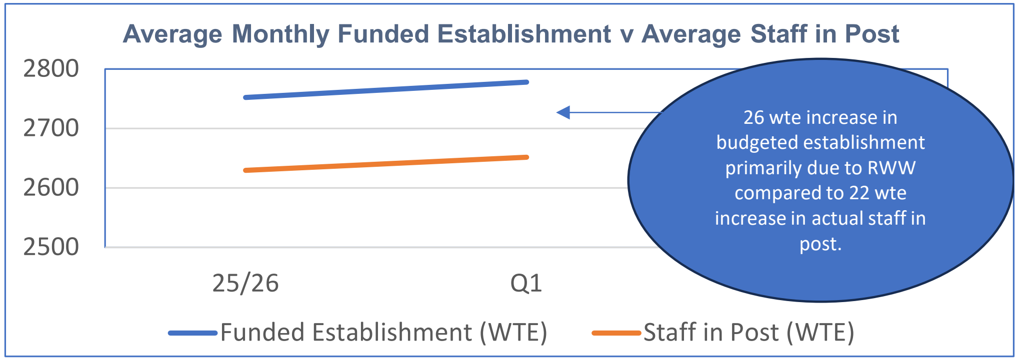
Non Clinical Services

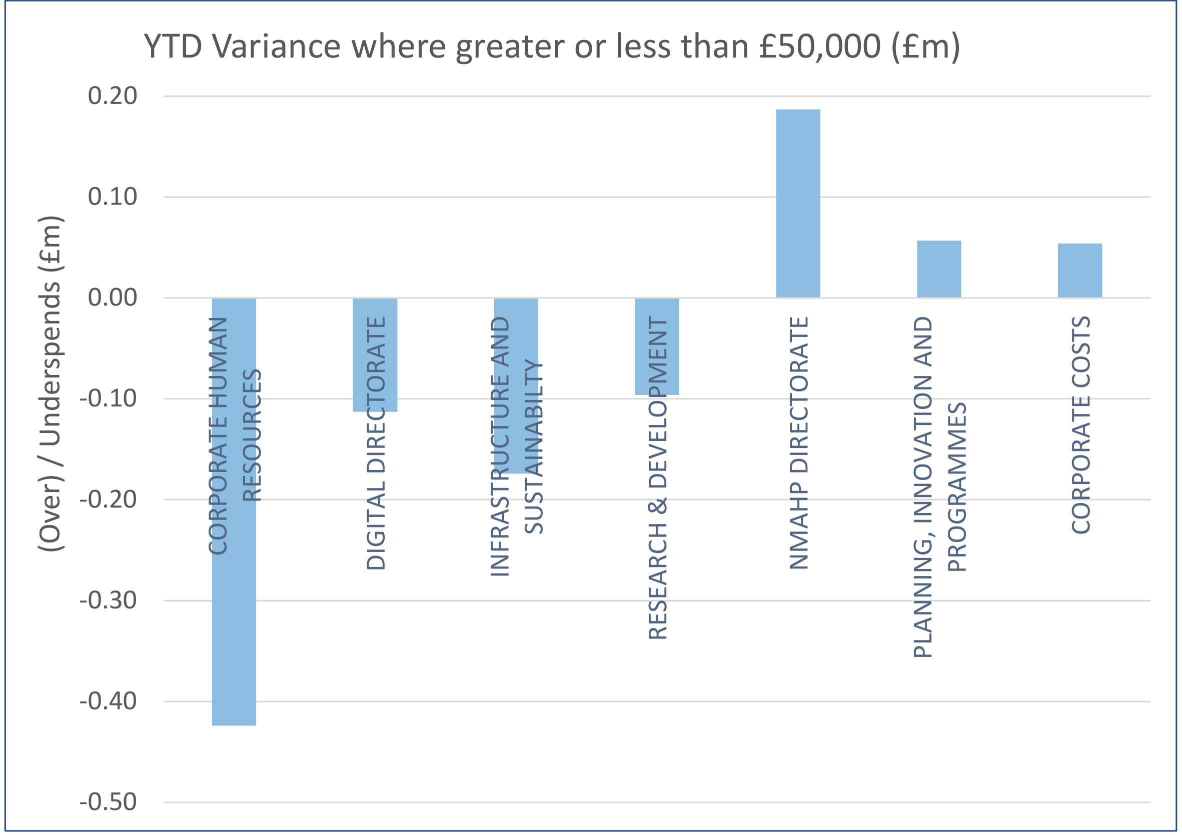
- Non Clinical Services are reporting a overspend for the three months to June 2026 of £0.5 million with an average monthly overspend of £0.16 million year to date.

- The largest areas of overspend within non-clinical services are:
    - Corporate HR, with an overspend of £0.42 million, due to increasing costs associated with disclosure checks, removal expenses and visa costs managed on behalf of the organisation.
    - Infrastructure and Sustainability, with an overspend of £0.17 million driven by non pay inflation and growth.

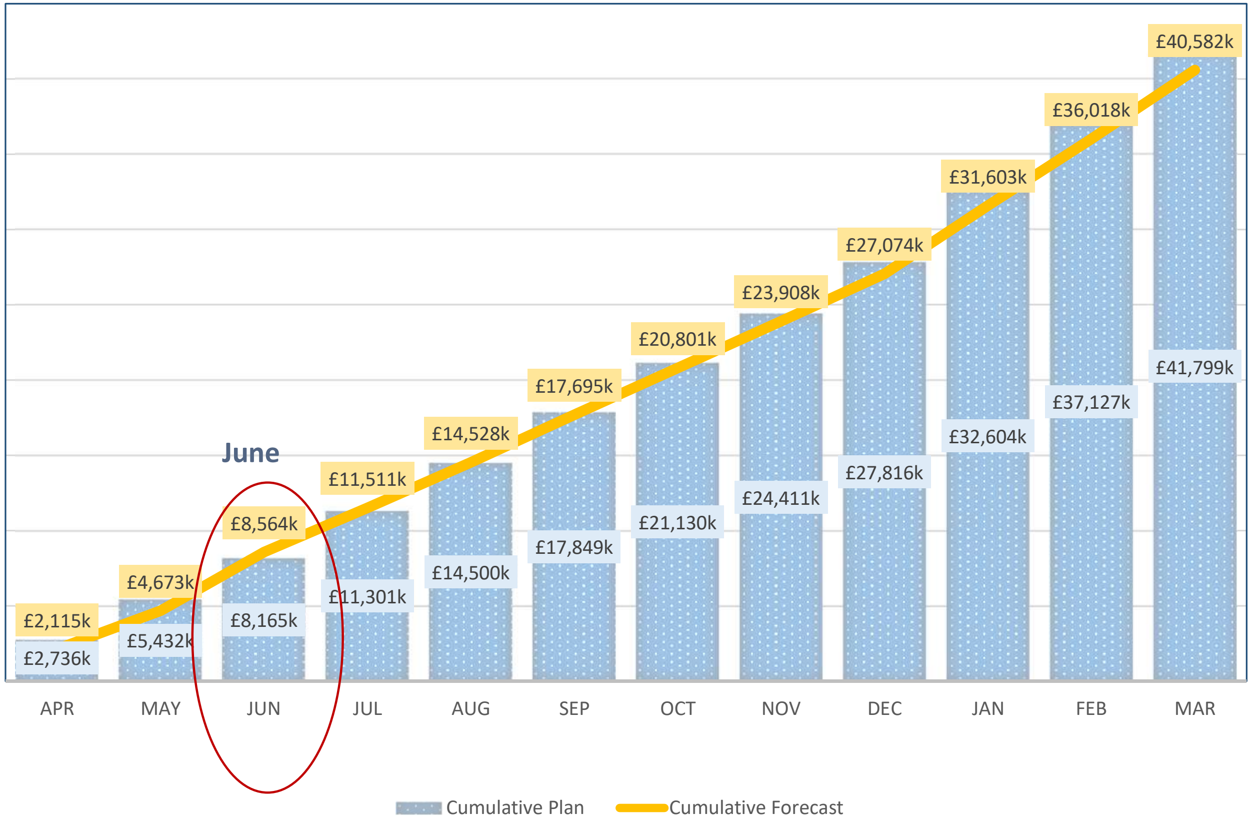
- NMAHP directorate (£0.18 million) and Planning, innovation and programmes (£0.05 million) are reporting underspends in part due to continued vacancies in line with current vacancy controls.

- On average staff in post are 126 wte below funded establishment levels. It is anticipated that this level will reduce further due to recruitment to essential posts.





Value and Sustainability Programme



- Estimated savings of £8.564 million have been delivered for the three months to June 2026 against a target of £8.165 million.
- Forecast remains above £40 million required to deliver financial plan but risk remains in the programme and it is essential that savings delivery increases for the remainder of the year.
- Savings delivered higher in the first few months of the financial year than anticipated from several overperforming schemes. Delivery of savings for schemes continue to be proactively and closely monitored.
- To provide assurance over plans to deliver savings, all Executive leads provided an update on their aligned savings at the July Value and Sustainability programme Board.
- Continued to anticipate delivery of 3% recurring savings once IJB savings are incorporated.

Infrastructure and Backlog Maintenance Programme

NHS Grampian has a total programme of £112.8 million.

- £15.0 million relating to medical equipment, £1.0 million relating to IT hardware and networks and £1.5 million regarding facilities and estates equipment.
- £24.1 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.
- £2.9 million on sustainability projects aimed to reduce energy use.
- £66.8 million on major hospital schemes related to the construction of the Baird Family Hospital and Anchor Centre.
- £0.2 million relating to primary care premises grants
- £1.3 million of capital contingency funding and other minor items.

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.

Spend on the programme for the three months to June 2026 is £2.6 million.

	Funding £m	Spend year to date £m	Forecast Spend 2026/27 £m
Medical equipment	15.0	0.1	14.9
IT equipment	1.0	-	1.0
Other equipment	1.5	-	1.5
Backlog maintenance and statutory standards	24.1	0.9	23.2
Sustainability	2.9	0.2	2.7
Major Hospital Schemes	66.8	1.4	65.4
Primary and community care	0.2	-	0.2
Other	2.2	-	2.2
Total Programme	**112.8**	**2.6**	**110.2**

Risks

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. Under-delivering schemes reported at May have provided further assurance to the Value and Sustainability Programme Board on the actions in place to support delivery of agreed savings, an approach that will continue throughout 2026/27.

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 will be 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.