

Meeting:	NHS Grampian Board Meeting
Meeting date:	19 March 2026
Item Number:	8.1
Title:	NHS Grampian January 2026 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

Recommendation:

The Board is requested to:

- **Discuss and note** the update on the Board's financial position for the period to January 2025/26 and the current forecast year end position.

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 ten months to January 2026.
2. An update on the progress of the Value and Sustainability programme including forecast savings for the 2025/26 financial year.
3. Detail of the forecast outturn position for 2025/26 including information on the risks to delivery of the Board's Financial Recovery Plan.

The report provides reasonable assurance that the Board will achieve a deficit within the £45 million maximum deficit given the current forecast financial position. This is welcomed and reflects the efforts across the system to deliver savings. However, it must be acknowledged that NHS Grampian will be reporting 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. A forecast deficit of this level will allow the Board to report a breakeven position through the allocation of deficit support funding up to a maximum level of £45 million.

2.2 Background

Scottish Government have confirmed that NHS Grampian will receive a maximum of £45 million in deficit support funding in 2025/26 on a non-recurring basis. NHS Grampian have 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. Providing NHS Grampian is able to deliver a £45 million deficit, this funding will enable 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

Key Messages:

The forecast outturn for the year is £42.8 million, which represents a small improvement and remains within the maximum level of deficit support funding in 2025/26. Focus on savings delivery and cost control will continue through the final two months of the financial year to ensure delivery of this outturn position.

The January reported financial position for the first 10 months of the financial year shows:

- NHS Grampian is overspent by £38.9 million for the first 10 months of the financial year;
- the forecast outturn for the year is £42.8 million, which is within the £45 million outlined in the Board's financial recovery plan and work will continue through the final months of the financial year to maintain this forecast outturn;
- estimated savings delivered to date total £43.68 million against planned savings of £41.91 million at January;
- forecast savings for the 2025/26 year total £61.9 million in line with the Value and Sustainability savings target;
- new cost pressures, not reflected in the Financial Plan, totalling £6.0 million have been identified in the first 10 months of the financial year; and
- capital spend of £67.5 million has been incurred to the end of January against a total programme of £110.9 million.

2025/26 Revenue Position

NHS Grampian is reporting a £38.9 million overspend for the first ten months of 2025/26. The NHS Grampian forecast position for the year 2025/26 has reduced to an overspend of £42.8 million with the movement in the forecast through the year outlined in table 1 below.

Table 1: Movement in 2025/26 Forecast Outturn

2025/26 Outturn	At Q1 (June)	At Q2 (Sept)	At Q3 (Dec)	At January
Non delegated services	£56.9m	£48.4m	£46.1m	£44.1m
Sustainability Funding	(£24.3m)	(£24.3m)	(£24.3m)	(£24.3m)
IJB deficit support funding	£23.0m	£23.0m	£23.0m	£23.0m
NHS Grampian Outturn	£55.6m	£47.1m	£44.8m	£42.8m

The forecast outturn is within the £45 million maximum level of deficit support funding provided by the Scottish Government for 2025/26. The current forecast includes a provision for increased spend during the final two months of the year within non-delegated services with Winter being a known time for additional costs and Planned Care activity expecting to be maximised to ensure delivery of the Operational Improvement Plan. The forecast also includes an £8 million risk provision relating to Integrated Joint Board deficit support funding to manage any potential movement in their financial positions as their positions are finalised. It is vital we continue to maximise savings delivery for all identified savings schemes to enable NHS Grampian to deliver the £45 million deficit required in 2025/26.

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

Savings Programme

Both year to date, and forecast, savings delivery have been reviewed based on January delivery with the forecast savings holding at the level reported in December. Progress against the total savings programme for the year to date and the current forecast full year savings are summarised in table 2 below.

Table 2: Savings and budget reductions

	Full Year Plan	Full Year Forecast Savings	Year to Date Plan	Year to Date Savings
Value and Sustainability Savings Programme	£61.8m	£61.9m	£41.91m	£43.68m

Progress against the Value and Sustainability Plan continues to be reported via the governance structure with regular reporting to the Value and Sustainability Programme Board, the Value and Sustainability Delivery group and the Financial Recovery Board.

Enhanced Controls Budgetary Controls

Prompt action has been taken to address the projected gap between forecast outturn and the Financial Recovery Plan deficit outlined to the organisation earlier in the financial year. Mitigating actions remain in place to support financial improvement and an update on progress against the actions is provided in table 3 below.

Table 3: Update on mitigating actions

Action	Update
Areas with deteriorating financial performance, compared to the 2024/25 outturn adjusted for new funding, are required to report on the causes of the deterioration and provide assurance on the actions being taken to address the cause of the overspend and improve financial performance.	In place with updates incorporated into the financial monitoring report. Deteriorations were reported on the December positions within two areas with reports presented to the Chief Executive Team on the 17 th February 2026 outlining the actions being taken to address the deterioration.
A monthly review of all savings schemes is undertaken to assess the savings delivered to date and the forecast savings deliverable in 2025/26. Where a shortfall is identified mitigating actions will be agreed to ensure savings delivery. A further review will be undertaken to determine whether any new savings can be identified and delivered.	A detailed review of savings based on January reporting has identified total forecast savings for 2025/26 of £61.9 million. Work continues to maximise savings delivery for existing programmes and develop new savings proposals for the 2026/27 value and sustainability programme.

Governance arrangements will be reviewed for all savings programmes with recommendations to enhance accountability and reporting structures put to the Chief Executive Team for consideration.	Revised governance arrangements in place with Value and Sustainability programme board mirroring governance for other two priority programmes.
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The actions outlined above enhance the controls in place within the Board. Delivery of the Value and Sustainability programme, which will ensure a financial deficit no greater than £45 million, is one of three priority programmes within NHS Grampian. Regular updates on the financial position and forecast outturn will continue via the aligned governance structures to ensure action is taken promptly to address deteriorating financial performance.

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 latest reported outturns indicate that the current provision held for IJB deficit support funding will be sufficient to meet the likely requirements for 2025/26.

Table 4 outlines the latest 2025/26 forecast financial outturn presented to the three IJBs.

Table 4: Integration Joint Board Forecast Outturn

	Date reported to IJB	2025/26 latest Forecast IJB Variance pre additional partner contributions	2025/26 Q3 Forecast NHSG Contribution	2024/25 IJB Outturn adjusted for reserves
Aberdeenshire IJB at Quarter 3	28 th January 2026	£11m	£6m	£24m
Aberdeen City IJB at Quarter 3	3 rd February 2026	£10m	£7m	£17m
Moray IJB at Quarter 3	29 th January 2026	£8m	£4m	£5m
Risk Provision	Quarter 3		£6m	
Total			£23m	

Both the forecast and the year to date position includes £23 million in relation to expected deficit support funding for the three IJBs. This is an improvement from the financial recovery plan submitted to Government in May 2025 which included a £26 million provision for deficit support funding for Integrated Joint Boards.

The £23 million provision for IJB deficit support funding comprises of £17 million relating to current estimated deficit support funding with a further £6 million included in the current forecast to reflect the risk around the IJB financial positions. The review of the January

position outlined a further improvement in the IJB positions which would result in a potential £2m reduction in required deficit support funding in 2025/26. For the moment we have reflected this as an increase in the IJB risk provision which now totals £8 million. The forecast continues to reflect the overall provision for IJB deficit support funding at £23 million, with the risk provision allowing the Board to manage potential further deteriorations in IJB financial positions.

Cost Pressures

Alongside the risk identified on potential shortfall of savings delivery, a number of new cost pressures totalling £6.0 million have been identified year to date 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.

Additionally, an element of cost pressure can be attributed to changes from the planning assumptions used to develop the original financial plan. These costs are reflected in the current forecast and will require the Board to deliver additional savings to deliver against the £45 million target.

In addition to the £6 million of new cost pressures, a provision for additional spend relating to the organisational response to the extreme weather experienced during January has been reflected in the forecast outturn. We have not seen a material increase in spend in the January position however provision remains in the forecast to cover any costs that may appear in February.

Risks

There are a number of risks and assumptions relating to the delivery of the 2025/26 financial plan. These are as outlined in table 5 along with details of the controls in place to manage the risk. The risk level outlined in the table below relates to the delivery against the 2025/26 financial plan only, with risk reducing in a number of areas as we approach year end and gain more assurance over the ongoing control of new costs and pressures, along with savings delivery. The enduring risk for a number of these risks remains high.

Table 5: Risks and Assumptions

	Risk Level	Controls
There is a risk that service pressures and other unplanned cost increases	Medium (Reduced)	Regular reporting to the CET with deteriorations in trend highlighted and mitigating actions agreed by executive lead.

<p>drive the underlying operational overspend to a higher level. The Financial Recovery Plan leaves the Board with no flexibility to manage in-year movements and any new cost pressures will require to be managed through the delivery of additional savings.</p>	<p>from High)</p>	<p>Finance Recovery Board providing enhanced scrutiny of the financial position.</p> <p>Provision for increased spend in winter, including the organisation response to the extreme weather, reflected in forecast.</p>
<p>The 2025/26 financial plan includes an ambitious savings targets and there is a risk that the Board will not deliver savings at the level outlined in the financial plan. There has been slippage in the commencement of some schemes and some schemes are assessed as having a high risk of not delivering the full level of planned savings.</p>	<p>Medium (Reduced from High)</p>	<p>This risk will be managed through regular reporting to the CET and via the Value and Sustainability Programme governance structure.</p> <p>Additional actions have been agreed by Chief Executive team to support the delivery of further savings which will support the management of this risk.</p> <p>Work continues to identify and support savings schemes reporting underperformance against plan to increase savings delivery.</p> <p>Value and Sustainability Programme Board in place to enhance governance over the V&S programme. Savings proposals for 2026/27 identified and work continuing to close the gap to the £40 million of required savings. Quality Impact Assessment panels meeting to assess savings options.</p>
<p>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.</p>	<p>Medium (Reduced from High)</p>	<p>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.</p> <p>Further detail on the IJB positions presented to the January Financial Recovery Board. Financial recovery plan for Moray IJB has been developed supported by senior managers.</p> <p>Work continues across the system to ensure planning is taken forward on a system wide basis with clear understanding of the impacts of decisions across partners supported by a whole</p>

		<p>system planning meeting held on the 13th February 2026.</p> <p>An £8m risk provision has been maintained to provide cover for any deteriorations in the IJB positions.</p>
<p>Pay settlements for all staff groups have yet to be agreed for 2025/26 and the financial plan assumes Scottish Government will fully fund the impact of the pay awards.</p> <p>There remains a risk that there is shortfall in funding against the final pay awards.</p>	<p>Low (No change)</p>	<p>This risk will be managed through ongoing discussions and engagement with SG.</p> <p>Pay funding has been confirmed for the pay awards agreed to date which is expected to cover the cost of the pay awards.</p>
<p>There remains uncertainty around the final costs of the AFC non-pay reforms, with the final hour due to be implemented from the 1st April 2026 and uncertainty remaining over the cost of the band 5 to 6 regrading.</p>	<p>Low risk (2025/26)</p> <p>high risk (future years)</p> <p>(No change)</p>	<p>Costs associated with the AFC non pay reforms will be closely monitored. Risk low in current year but expected to increase for future years.</p> <p>Criteria have been agreed for the implementation of the further 1 hour reduction to balance clinical and financial risk with recruitment underway for areas with backfill agreed. Risk remains over band 5 to 6 regrading which will be closely monitored.</p>

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. The total value of the programme for 2025/26 is £110.9 million, with an increase in in funding and spend reported in January due to the transfer of the new Mortuary and its Equipment during the month. The funding for 2025/26 includes:

- NHS Grampian’s capital formula allocation totalling £14.1 million which is targeted at backlog maintenance and replacement of essential equipment and digital assets
- Specific Government funding for:
 - Additional backlog maintenance and essential equipment replacement projects totalling £14 million,
 - Baird Family Hospital and ANCHOR Centre Project totalling £45 million,
 - £35 million relating to the asset transfer of the Mortuary,
 - National equipment replacement programmes including Radiotherapy/PET equipment with funding totalling £1.0 million, and
 - Carbon reduction and energy efficiency projects totalling £1.4 million.

£67.5 million of expenditure has been incurred to January 2026 across all aspects of the infrastructure programme and arrangements are in place to deliver the balance of the programme across 2025/26.

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 Chief 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 and deficit support 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.
 - o There is a requirement to recover the financial position by redesigning services and implementing cost control measures to achieve savings.
 - o 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.
 - o 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.

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:

- Chief Executive Team – weekly update on financial position.
- Performance Assurance Finance & Infrastructure Committee – finance update is a standing item.
- Finance 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 – 28th January 2026.

2.4 Recommendation

The Board is asked to:

- **Assurance** –
 - Note the update on the NHS Grampian revenue financial position for the period to January 2026 and the projected year end revenue position for 2025/26.

3. Appendix/List of appendices

The following appendix/appendices are included with this report:

- Appendix 1 – Detailed Finance report January 2026