

Finance – Supporting the Sub-National East Programme

Introduction

NHS Scotland faces a set of persistent system pressures — amongst them rising demand, constrained finances, fragile workforce supply, and localised governance structures that do not always enable good system-wide decision-making.

Through collaborative discussion between East of Scotland Finance teams following the issuing of principles commissioned by the Scottish Government, we have agreed to working towards the creation of a cohesive, resilient, and digitally enabled finance system that can sustainably support high-quality health and care services across the East region. By working together as a unified sub-national system, the aim is to better respond to increasing demand pressures, enhance consistency, and build a financially sustainable framework that enables improved outcomes for the populations we serve.

By working in collaboration, we aim to deliver a more resilient, efficient, and future-focused finance function that strengthens health and wellbeing across Scotland East.

The Finance Principles and the East Response

On the 12th of January the Chief Finance Officer for the Health and Social Care Finance Directorate at the Scottish Government issued further guidance through a 'commission' to health boards across East and West areas.

Within this a number of principles/considerations were set out for the sub-national areas, stating that:

- The underlying principle must be that financial deficits across all Boards should be stabilised and where possible reduced in 2026-27.
- Plans must prioritise increasing the level of recurring savings towards the 3% target.
- No new recurring financial commitments should be made without confirmed funding.

- Identify areas of recurring financial pressure where adoption of best practice across the sub-national area can contribute to management of deficits.
- Triangulation with population need, capital infrastructure, workforce planning, and service fragility to identify and inform service plans for sustainable models of care.
- Alignment with key DL clinical service priorities to ensure that plans to deliver those priorities are affordable.
- Alignment with business systems and digital front door plans as developed and delivered.
- Develop an approach to align capital prioritisation processes and work towards a single capital plan, encapsulating both new capital requests and business continuity processes.

The Finance programme for Sub-National East has given due consideration to the contents of these principles and will focus on a number of key areas in the early stages:

- **Support to the Five Strategic Priorities** identified by the wider Sub-National programmes – including Business Systems Development, the Digital Front Door, Remote and Rural priorities, Orthopaedic services and Unscheduled Care;
- Identification of opportunities to **learn from best practice** across boards in order to **reduce the overall financial gap**, with the ambition that the East boards are able to collectively operate within available resources in the next three years;
- **Build resilience** across the Finance teams, but also support the wider challenge to achieve this across clinical services;

Areas of Focus

Supporting the Priority Workstreams

Finance will play a leading role in understanding opportunities for sustainable services within the programmes defined under the Priority Workstream headings. Progress is already being made across Orthopaedics, with Finance contributing to the decision-support process around financially expedient choices.

The development of analytical capability across the East will be a key feature of development to support ongoing assessment of efficiency and sustainability options. This will require boards to support work in the development of supporting tools for

analysis, including the application of Discovery and enhanced costing at patient level (PLICS).

Reducing the Overall Financial Gap

Initial assessment suggests that the recurrent underlying gap across the East region is currently in excess of £300m. Tackling such a significant underlying deficit will be a key challenge, particularly recognising that the SG requirement to deliver financial sustainability within three years, the time at which all additional sustainability and deficit support funding will come to an end.

In the very short term, a consolidation of financial plans across the East for the forthcoming financial year (2026/27) and beyond will clarify the financial challenge for the East region, setting the baseline position that will inform future actions.

All boards have an underlying financial gap, however the levels are not proportionate between boards. Due recognition will be given to this variation, whilst efforts will concentrate on a number of opportunities to reduce the gap including:

- **NRAC parity** for health boards in the East - At present, boards in the East are collectively behind NRAC parity by circa £30m. This resource sits in the West, and we will work across all health boards and with SG Finance colleagues to identify a medium-term approach to bring parity to boards;
- **Best Practice** – through some early benchmarking evaluation, there are evidently areas of good practice in financial performance across the East Boards. Seeking out opportunities for cost reduction through benchmarking and identification of good, low-cost practice will be a focus, particularly in the higher spend areas of nursing, medical staff, drugs, supplies and Property/Facilities;
- **Collective strength** – Collaboration between East boards will create opportunities that may not be available to boards at an individual level. Strength through unity will create financial opportunities in areas such as the management of agency costs as well as clinical benefits through rotation of posts.

Throughout this, there remains a need for boards across the East to continue to foster strong relationships with boards in the west for shared learning, national initiatives and ongoing collaboration on cross boundary flow for national and regional services.

Finance leaders acknowledge that the scale of challenge will be significant, and recognise that beyond efficiency opportunities as described above, tougher choices may be required. This will include reflecting on statutory responsibilities within healthcare

provision and considering tolerance levels to clinically operate within this. Beyond that, an assessment of what a balanced financial system would look like may result in the presentation of difficult choices for the East to consider, including current structures around charging models as well as service reductions. This would only feature once all other cost reduction initiatives have been explored.

Building System Resilience

A key focus of attention will be towards a Once-for-Scotland approach to digital finance tools, ensuring streamlined, modern, and interoperable systems through the Business Systems programme. Enhancing digital capability across the finance workforce will unlock more efficient reporting, better-informed decision-making, and a stronger foundation for long-term transformation.

Through closer working the aim will be to further develop the East's approach to how Corporate Services are delivered to improve resilience, reduce duplication, and create consistent quality. Models of cross border co-operation already exist (for example within Payroll services, Procurement), and further opportunities are available across other services.

Wider system resilience into clinical services will be a key tenet of evolving work, giving due consideration to arrangements supporting recruitment best practice and opportunities for the management of rotas beyond traditional boundaries to support more vulnerable services.

Working within Constraints

Whilst the Sub-national infrastructure offers opportunities for greater collaborative working, constraints will remain including:

Governance and Accountability - our ambition is restricted by current governance and accountability arrangements which were not designed to support sub national, cross-Board decision-making.

Rural and Remote Challenges - Standalone services in remote and island communities are under pressure. Greater joining-up across Island Boards is not only welcome — it is essential for maintaining safe, equitable access.

Existing Partners – For functions delegated to Integration Authorities such as
Unscheduled Care, sub national redesign becomes even more complex and requires
further collaboration beyond the sub-national framework.