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| <b>Meeting:</b>               | NHS Grampian Board Meeting  |
| <b>Meeting date:</b>          | 19 March 2026   |
| <b>Item Number:</b>           | 8.2   |
| <b>Title:</b>                 | NHS Grampian Revenue Finance Plan and Medium Term Financial Framework |
| <b>Responsible Executive:</b> | Alex Stephen (Director of Finance)                                    |
| <b>Report Author:</b>         | 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:

- Review and scrutinise the detail included within the paper and confirm that it provides **assurance** that the Revenue Budget for 2026/27 and refresh of the Medium Term Financial Framework has been prepared robustly, noting the scale of the financial challenge facing the Board.
- **Approve** the three-year Revenue Financial Plan and Medium Term Financial Framework which outlines the Board's approach to ensure delivery of an out-turn within the £36 million maximum level of deficit support funding advised by Scottish Government for financial planning purposes.
- **Approve** the following actions in relation to the Integration Joint Boards:
  - Approve the pass through of 2% baseline uplift totalling £9.7 million and pay award funding, for pay awards agreed beyond the 2% baseline uplift.
  - Approve a £13 million provision for Integration Joint Board deficit support funding in line with risk share arrangements under the integration schemes as follows:
    - Aberdeen City IJB - No deficit support required.
    - Aberdeenshire IJB - £8 million provision for deficit support funding.
    - Moray IJB - £5 million provision for deficit support.
- **Note** that, 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.

- **Endorse** the approach to delivery of efficiency savings outlined in this report.

**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 ambitions:**

- 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 update on the revenue budget for 2026/27 and the Board's Medium Term Financial Framework to cover the five-year period to 2030/31.
2. Further detail on the Value and Sustainability programme for 2026/27 which will deliver approximately £40 million of savings.
3. Information on the risks to delivery of the Board's Financial Plan and the actions and mitigations in place to manage this risk.

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.

### **2.2 Background**

Whilst good progress has been made in stabilising and improving the financial position of NHS Grampian through 2025/26, the Board cannot lose sight that it still has one of the highest deficit levels in Scotland and work must be done to return to financial balance as quickly as possible, whilst maintaining and improving operational performance.

The seriousness of this situation cannot be underestimated with the Board currently escalated to level 4 on the Support and Intervention Framework and receiving a Section 22 report from the Auditor General in relation to the financial year 2024/25. Stabilising and improving the financial position will be a key factor in the Board’s de-escalation criteria. As seen within the organisational priorities report on today’s agenda, Value and Sustainability will continue as one of the key priority programmes. It is important that the progress seen in 2025/26 is continued during 2026/27 to support the long-term financial sustainability of NHS Grampian.

The Scottish Government budget for 2026/27 was announced on the 13<sup>th</sup> January 2026 and approved on the 25<sup>th</sup> February 2026. Scottish Government have indicated that NHS Grampian will receive a maximum of £36 million in deficit support funding in 2026/27. The early indication of this is appreciated to support financial planning. Indicative levels of deficit support funding have also been provided for 2027/28 at £25 million and 2028/29 at £15 million to support financial planning which is welcomed. It must be noted that future deficit support funding remains subject to future budget processes.

NHS Grampian expect to deliver a deficit within these deficit support levels, with the funding enabling NHS Grampian to delivery its statutory requirement to deliver within its revenue resource limit. If the Board delivers a deficit above the deficit support level, 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.

NHS Grampian are committed to delivering within the maximum deficit levels outlined by the Scottish Government and have developed a three-year revenue financial plan that ensures the delivery of an outturn within the £36 million maximum deficit level in 2026/27 and further improvements in the financial position in 2027/28 and 2028/29. It should be noted that there is more certainty over the savings in year one of the financial plan. Further details of the approach to develop savings programmes for 2027/28 and 2028/29 is provided in the report.

## 2.3 Assessment

The Revenue Financial Plan and Medium Term Financial Framework presented in this paper has been developed to reflect the current forecast position of the Board, incorporates anticipated growth and new resources throughout the period of the plan and outlines the savings required to ensure the Board delivers an improving financial trajectory.

The plan builds on the work undertaken during 2025/26 to stabilise the NHS Grampian financial position as outlined in the table below:

**Table One: 2025/26 Forecast improvement**

|   | Forecast Outturn (£m) |             |             |             |
|---|-----------------------|-------------|-------------|-------------|
|   | Q1                    | Q2          | Q3          | M10         |
| Non Delegated Services                        | 32.6                  | 24.1        | 21.8        | 19.8        |
| Delegated Services (excluding risk provision) | 23.0                  | 21.0        | 19.0        | 15.0        |
| IJB Risk Provision                            |                       | 2.0         | 4.0         | 8.0         |
| <b>Total</b>                                  | <b>55.6</b>           | <b>47.1</b> | <b>44.8</b> | <b>42.8</b> |

The delivery of the 2026/27 financial plan will require the Board to continue delivering improvement in its financial position on both delegated and non delegated services.

In line with the expectations of Scottish Government, NHS Grampians financial plan presents:

- a clear programme of work and supporting actions to achieve 3% recurring savings on baseline budgets in 2026/27,
- an improved forecast outturn position in 2026/27 compared to 2025/26, on a comparative basis,
- improvements in the financial position in years two and three of the plan,
- trajectories for improvement in the financial position supported by detailed narrative plans as to how this will be achieved and the arrangements that will be implemented by the Board to oversee delivery, and
- detail on the alignment of NHS Grampian's financial plan with the Scotland East sub national structure.

The three-year Revenue Financial Plan was submitted in draft on the 2<sup>nd</sup> February 2026 and the final version of the plan was submitted to the Scottish Government on the 16<sup>th</sup> March 2026. The detail included in the financial plan was discussed at a Board Seminar on the 19<sup>th</sup> February 2026. Detailed work has been undertaken to inform the budget for 2026/27 and a summary of the 2026/27 financial plan is provided below.

**Table Two: 2026/27 Financial Plan**

|   | <b>£m</b>     |
|---|---------------|
| <b>New Resources (Recurring Funding):</b>                               |               |
| Baseline funding (2.0% uplift)  | 28.2          |
| NRAC Parity Funding   | 11.4          |
| Other Funding Sources   | 0.8           |
| Agenda for Change reform policy funding                                 | 14.7          |
| Additional Pay funding  | 14.6          |
| <b>New Resources (Non-Recurring Funding):</b>                           |               |
| Increase in New Medicines non-recurring funding – consistent with 25/26 | 7.0           |
| Sustainability funding – non-recurring                                  | 14.7          |
| <b>Total New Resources</b>  | <b>91.4</b>   |
|   |               |
| Less: 2% Integration Joint Board Uplift                                 | (9.7)         |
| Less: Underlying Recurring Deficit (Operational Position)               | (34.8)        |
| Less: Underlying Recurring Deficit (Reserves)                           | (27.4)        |
| Less: Provision for Integration Joint Board overspends                  | (26.0)        |
| Less: projected increase in expenditure (pay & non-pay)                 | (61.2)        |
| Less: new commitments   | (8.3)         |
| <b>Financial Projection Before Savings (Deficit)</b>                    | <b>(76.0)</b> |

We have also developed a Medium Term Financial Framework, attached at Appendix One, which details the financial position for the next 5 years. This Framework outlines our route map to recovering the deficit position including detail on the savings requirement throughout the period of the plan. The anticipated out-turn for the next five years is outlined in the table below.

**Table Three: Medium Term Financial Framework**

|  | 26/27         | 27/28         | 28/29         | 29/30         | 30/31         |
|--|---------------|---------------|---------------|---------------|---------------|
| Brought forward Deficit                    | £45m          | £36m          | £25m          | £15m          | £0m           |
| <b>Add back Non Recurring Adjustments:</b> |               |               |               |               |               |
| - Savings and other one off adjustments    | £12m          | £6m           | £6m           | £5m           | £5m           |
| - Reduction in Sustainability Funding      | £10m          | £5m           | £5m           | £5m           | £0m           |
| Inflation and growth                       | £24m          | £20m          | £16m          | £13m          | £33m          |
| Income from SG                             | (£15m)        | (£4m)         | (£4m)         | (£5m)         | (£5m)         |
| <b>Deficit Before Savings</b>              | <b>£76m</b>   | <b>£63m</b>   | <b>£48m</b>   | <b>£33m</b>   | <b>£33m</b>   |
| <b>Savings Requirement:</b>                |               |               |               |               |               |
| - Reduction in IJB deficit support funding | (£13m)        | (£3m)         | (£3m)         | (£3m)         | (£3m)         |
| - Value and Sustainability Savings         | (£27m)        | (£35m)        | (£30m)        | (£30m)        | (£30m)        |
| <b>Total Savings requirement</b>           | <b>(£40m)</b> | <b>(£38m)</b> | <b>(£33m)</b> | <b>(£33m)</b> | <b>(£33m)</b> |
| <b>NHS Grampian Deficit</b>                | <b>£36m</b>   | <b>£25m</b>   | <b>£15m</b>   | <b>£0m</b>    | <b>£0m</b>    |
| <b>Maximum Deficit Support Funding</b>     | <b>£36m</b>   | <b>£25m</b>   | <b>£15m</b>   | <b>£0m</b>    | <b>£0m</b>    |

### Value and Sustainability

Scottish Government require all Boards to develop a clear programme of work and supporting actions to achieve 3% recurring savings on baseline budgets in 2026/27. For non-delegated services this equates to savings of £27 million. NHS Grampian pass around 40% of the budget to the three Integration Joint Boards who are responsible for financial planning within their respective Boards. Each Integration Joint Board is also expected to deliver 3% recurring savings on their delegated health baseline budgets, although the reality is that savings can be delivered on either side of the partnership. Savings delivered will be retained by the Integration Joint Boards to be used to manage new pressures and reduce the deficit reported.

The Value and Sustainability programme launched during October with the aim of identifying and developing savings schemes to support the Board's financial recovery over the period of the three-year Financial Plan. For 2026/27, NHS Grampian is required to deliver a minimum of £40 million savings to support delivery of a deficit not exceeding £36 million. Savings proposals totalling £42 million have been identified, including £3 million relating to pipeline schemes which aim to mitigate any risk around shortfall in savings; and will be developed into robust plans, where viable, through March 2026. Work is continuing

at pace to refine these estimates and identify further options to increase deliverable savings. The following table sets out the current position of the programme highlighting likely savings delivery of £42.0 million:

| Workstream                            | Worst         | Likely        | Best          |
|---------------------------------------|---------------|---------------|---------------|
| Integration Joint Boards              | 13,000        | 13,000        | 13,000        |
| Operational Improvement               | 3,000         | 4,000         | 4,000         |
| Corporate - Finance                   | 3,500         | 3,500         | 3,500         |
| Corporate - Other                     | 850           | 1,057         | 1,200         |
| Pharmacy                              | 3,300         | 4,600         | 4,600         |
| Estates & Facilities                  | 600           | 698           | 698           |
| Nursing, Midwifery & AHPs             | 2,400         | 2,900         | 2,900         |
| Acute Medical Workforce               | 2,900         | 3,200         | 3,200         |
| Procurement                           | 2,300         | 2,800         | 3,000         |
| Mental Health & Learning Disabilities | 1,157         | 1,157         | 1,157         |
| Acute Sector                          | 1,250         | 1,592         | 1,592         |
| Digital Directorate                   | 210           | 210           | 210           |
| Infrastructure & Sustainability       | 235           | 235           | 235           |
| Public Health                         | 23            | 23            | 23            |
| Development of Efficiency Schemes     | 3,000         | 3,000         | 3,500         |
| <b>Total</b>                          | <b>37,725</b> | <b>41,971</b> | <b>42,815</b> |

In presenting this position, it is important to note a there is inherent risk in the Value and Sustainability programme and the table outlines a prudent reflection of both worst case and best case scenarios in the plan. Work will continue to identify and develop additional schemes to provide mitigation against the work case scenario.

It is vital that the Value and Sustainability plan is deliverable but not detrimental to the quality of patient care or staff health and well-being. All schemes will be subject to a full Quality Impact Assessment (QIA) which will consider schemes against four principles of finding balance: Clinical, finance, workforce and prevention.

The QIA panel, which consists of the Executive Medical Director, Executive Nurse Director and Director of Public Health, met in January and February and formally approved £30m of savings. These saving opportunities will now move into the implementation phase. Further meetings are scheduled on the 16<sup>th</sup> and 27<sup>th</sup> of March 2026 where all remaining developed schemes will be assessed. A final report from the QIA panel will be submitted to the Clinical Governance Committee on 26<sup>th</sup> May 2026, consistent with the Board-approved governance framework. Integrated Impact Assessments for all savings opportunities are also being undertaken and will be completed by the end of March, in line with agreed timescales.

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.

Further detail on the Value and Sustainability Plan for 2026/27 to 2028/29 can be found in Appendix Two.

### Integration Joint Boards

During the financial year, significant progress has been made in strengthening the wider system financial planning. IJB savings have been shared at both the Chief Executive Team and the Financial Recovery Board. A whole system presentation was provided to the Assurance Board on the 10 March 2026. During this work financial planning assumptions have been shared with the three Integration Joint Boards to inform financial plans for 2026/27 and each Integration Joint Board has undertaken their own detailed budget setting process. The latest information shared by the partners outlines the following expected contributions required for 2026/27 with a provision for IJB overspends included within the financial plan to provide funding for these costs.

**Table Four: 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                       |
| <b>Total</b>       |                       | <b>23</b>              | <b>13</b>               |

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.

In addition, the North East System Transformation Group is being re-established to explore whole system planning and integration with a focus on developing savings opportunities for Year 2 and Year 3 delivery. Membership of the Group will consist of Executives from NHS Grampian, the three IJB's and the three Councils with the inaugural meeting taking place in March 2026.

### Sub National Planning

The Directors' Letter and Ministerial Direction, issued on 13 November, outlined key requirements for NHS Scotland to improve outcomes and financial sustainability through two sub-national structures. This new approach strengthens accountability for population-based planning, improves service equity and supports the transformation of Scotland's health and care system. It recognises that while Health Boards remain legally responsible and accountable for their statutory functions, the scale and complexity of modern health

services means that collaboration on a sub-national basis is essential to achieve optimum outcomes.

Within each sub national structure, Boards require to collaborate to deliver the following objectives:

- Delivery of the digital front door through the MyCare.scot service
- Delivering High Quality and Safe Orthopaedic Elective Care Services and meeting Treatment Time Guarantee for all patients across Scotland.
- Development of optimal flow navigation and virtual services so that emergency healthcare services meet the needs of local populations.
- Once for Scotland approach to Business Systems.

NHS Grampian have been engaging fully with the East sub-national structure and are committed to supporting the delivery of the objectives outlined in the DL. Further information on the finance approach that will guide this work, and the collective response from Boards within Sub-National East can be found in Appendix Three.

### 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. With services continuing to experience significant pressures there remains a risk that the Board may need to incur additional costs to manage these pressures. We have provided for inflationary uplifts on non-pay costs however rising geopolitical tensions 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 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 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. 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 2025.

### 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 – 28<sup>th</sup> January 2026.

## 2.4 Recommendation(s)

The Board is requested to:

- Review and scrutinise the detail included within the paper and confirm that it provides **assurance** that the Revenue Budget for 2026/27 and refresh of the Medium Term Financial Framework has been prepared robustly, noting the scale of the financial challenge facing the Board.
- **Approve** the three-year Revenue Financial Plan and Medium Term Financial Framework which outlines the Board's approach to ensure delivery of an out-turn within the £36 million maximum level of deficit support funding advised by Scottish Government for financial planning purposes.
- **Approve** the following actions in relation to the Integration Joint Boards:
  - Approve the pass through of 2% baseline uplift totalling £9.7 million and pay award funding, for pay awards agreed beyond the 2% baseline uplift.

- Approve a £13 million provision for Integration Joint Board deficit support funding in line with risk share arrangements under the integration schemes as follows:
  - Aberdeen City IJB - No deficit support required.
  - Aberdeenshire IJB - £8 million provision for deficit support funding.
  - Moray IJB - £5 million provision for deficit support.
  
- **Note** that, 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.
  
- **Endorse** the approach to delivery of efficiency savings outlined in this report.

### 3. Appendix/List of appendices

The following appendix/appendices are included with this report:

- Appendix One – Medium Term Financial Framework
- Appendix Two – Value and Sustainability Plan 2026/27 to 2028/29
- Appendix Three – The finance approach to Sub National Planning for Scotland East