

Meeting:	NHS Grampian Board Meeting
Meeting date:	10 April 2025
Item Number:	10
Title:	Update on NHS Grampian Financial Position, 2025/26 Budget and Medium Term Financial Framework
Responsible Executive/Non-Executive:	Alex Stephen, Director of Finance
Report Authors:	Sarah Irvine, Deputy Director of Finance

1 Purpose

This paper is presented to the Board for:

The Board is asked to:

- Assurance – Review and scrutinise the detail included within the paper and confirm that it provides assurance that the Revenue Budget for 2025/26 and refresh for the Medium Term Financial Framework has been prepared robustly, noting the scale of the financial challenge facing the Board.
- Decision – Endorse the Medium Term Financial Framework, including the 2025/26 Revenue Budget noting:
 - A financial recovery plan will be developed by the 7th June 2025 to reduce the forecast deficit for 2025/26 to £45 million.
 - A three year financial recovery plan to support the Board in returning to financial balance is to be developed and reported to the Board in October 2025.
- Decision – Approve the savings outlined totalling £39 million in 2025/26, highlighted in appendices 2 and 3.
- Decision – Approve the creation of a £38 million risk provision for the IJB overspends in line with risk share arrangements under the Integration schemes.
- Decision – Approve the principles to support financial recovery highlighted in 2.3
- Note – regular financial information will continue to be provided to each meeting of the Board and that more information on the Integrated Impact Assessments will be provided to the Board in June.

This report relates to a:

- Annual Delivery Plan
- Emerging Issue
- Financial Sustainability

This aligns to the following NHS SCOTLAND quality ambition(s):

- Effective
- Person Centred

2 Report summary

2.1 Situation

NHS Grampian are reporting the highest forecast financial overspend in value terms for 2025/26 in Scotland and the third highest in percentage terms. The impact of the overspend is a major risk for the National Health and Social Care budget and as a result of this the Scottish Government officials are concerned with NHS Grampian's financial position.

NHS Grampian is required to consider its budget for 2025/26 and the Medium Term Financial Framework (MTFF) which is updated on an annual basis. Regular and detailed financial information has been presented to the Board throughout 2024/25 regarding the financial challenges facing the organisation.

Work has been undertaken to prepare the revenue budget for 2025/26 and the Medium Term Financial Framework, which continues to show an overspend in all five years of the framework. Further details on the drivers of the financial pressure are provided in this report and appendices.

On 31st March 2025, the Scottish Government confirmed the maximum level of overspend permitted by the Board is £45 million, which is £23 million less than the current overspend forecast for 2025/26 via the MTFF. A recovery plan has been requested from the Chief Executive Team and Board to cover this financial gap, by the 7th June 2025. The letter also confirmed that the revenue budget for 2025/26 has not been approved by the Scottish Government.

2.2 Background

2024/25 Financial Position

The financial plan for 2024/25 outlined a financial gap of £59.1 million after the delivery of savings totalling £34.9 million for non-delegated services. During the financial year, it became apparent that the financial deficit was increasing beyond the level outlined in the financial plan. A recovery plan was put in place by the Chief Executive Team which supported the acute hospital services to recover the financial position.

As we progressed through the financial year significant overspends materialised on Integrated Joint Board (IJB) budgets and it is estimated a contribution of £24.7 million will be required to cover IJB overspends in line with integration scheme risk share arrangements. All three IJBs are expected to report overspends in 2024/25. The anticipated total IJB overspend doesn't reflect the full financial pressure with reserves

used to support the 2024/25 position in two of the Boards. Our financial plan for 2024/25 did not include any provision for IJB overspends since each IJB agreed and submitted a balanced budget for the year. Further detail on the IJBs' financial positions is covered in the assessment section of this report.

Whilst the overall financial position has worsened as a result of the IJB deficits, the position on non-delegated services has stabilised. Once the additional Scottish Government income is added the position has improved, with the estimated deficit on non-delegated services now totalling £42.8 million. Significant savings have been delivered throughout the 2024/25 year, with £46.2 million of savings delivered at February against a target of £30.1 million. Unfortunately savings delivered beyond our financial plan have been required to offset new cost pressures arising during the year. These cost pressures are predominantly linked to costs associated with non-standard bed spaces, increased demand on our system arising due to demographic change within NHS Grampian, inflationary pressures and drug spend beyond that included in the financial plan.

The anticipated overspends in both non-delegated services and our IJBs mean that NHS Grampian's total projected overspend for 2024/25 is currently £67.5 million (approximately 5% of budget) as highlighted in the table below.

	Financial Plan	October	November	December	February
Forecast overspend Non-Delegated Services	£59.1m	£58.6m	£59.4m	£59.6m	£59.2m
Additional Scottish Government Funding				(£5.0m)	(£5.0m)
Improvement in Risk Share				(£2.0m)	(£2.0m)
Agenda for Change Non Pay Reform Funding				(£10.0m)	(£10.0m)
Additional Capacity Costs				£0.6m	£0.6m
Revised overspend non-delegated services	£59.1m	£58.6m	£59.4m	£43.2m	£42.8m
- Anticipated IJB contributions	£0m	£14.5m	£18.0m	£24.3m	£24.7m
NHS Grampian forecast outturn	£59.1m	£73.1m	£77.4m	£67.5m	£67.5m

Under section 12F of the National Health (Scotland) Act 1978, NHS bodies have a statutory duty to breakeven against revenue expenditure. NHS Grampian's financial plan submitted to Scottish Government in March did not present a breakeven position for NHS Grampian and advised of a financial gap after savings totalling £59.1 million.

At the start of 2024/25 Scottish Government set NHS Grampian a brokerage target of £15.3 million, which would have required delivery of further savings totalling £43.8 million. NHS Grampian has been unable to reduce its overspend to the £15.3 million brokerage target, since other proposed savings did not find the required balance between clinical, financial and workforce governance and our prevention priority.

Financial recovery measures approved at both the September and October Board meetings have been enacted to support the financial position. Alongside these measures a number of changes were made to the financial control framework to strengthen controls and ensure an even greater level of scrutiny was provided on decisions to spend money. These included:

- 1) Enhanced Vacancy Control,
- 2) Enhanced non pay controls,
- 3) Completion of an External Diagnostic review as reported to the Board in October 2024,
- 4) Review and cessation of discretionary spend – reported to the Board on September 2024
- 5) Self-assessment against Healthcare Financial Management Association’s Self-Assessment Tool on “NHS Financial Sustainability – Are You Getting The Basics Right?”– reported to Audit & Risk Committee in September 2024,
- 6) Self-assessment against Scottish Government’s Support and Intervention Framework – reported to Audit & Risk Committee in December 2024,
- 7) Enhanced Internal Audit focus on financial controls – reported to Audit & Risk Committee in September 2024,
- 8) Enhanced financial reporting to the Board and PAFIC – at every meeting.

The Board has formally requested brokerage totalling £67.5 million for the 2024/25 financial year which takes total brokerage repayable to the Scottish Government to £92.2 million. NHS Grampian is very grateful that this request has now been approved by the Director General and will be reflected in the 2024/25 accounts. The brokerage provided to NHS Grampian represents a significant additional cost to the Health and Social Care portfolio. The impact of this is a major risk for the National Health and Social Care Health budget and as a result the Scottish Government officials are concerned about NHS Grampian’s financial position. This brokerage will require to be repaid to the Scottish Government once the Board returns to financial balance.

The Board’s 2024/25 forecast overspend of £67.5 million is the largest overspend by value of any Health Board across NHS Scotland and the fifth highest in percentage terms.

NHS Grampian has been receiving support from the Scottish Government since November 2023, when the board was escalated to stage 2 of the Scottish Government’s Support and Intervention Framework. Further escalation took place in January 2025, when NHS Grampian was escalated to Stage 3 of the framework based on the deterioration in the financial position of the Board during 2024/25 and the recommendation of the National Planning and Performance Oversight Group. Senior officers from within NHS Grampian continue to work closely with the Scottish Government to identify and implement solutions to return the Board to financial balance. There remains a risk that the Board may be further escalated to Stage 4 or beyond if NHS Grampian is unable to demonstrate tangible improvements in the underlying financial position.

[Correspondence from the Scottish Government for 2025/26](#)

On the 28th November 2024 a joint letter from the Director of Health and Social Care Finance and the Chief Operating Officer was issued to Boards outlining the approach to planning for 2025/26 and beyond. This letter advised of the clear expectation within the Scottish Government that NHS Boards financial plans for 2025/26 will present:

- *a clear programme of work and supporting actions to achieve 3% recurring savings on baseline budgets over the three year period,*
- *an improved forecast outturn position in 2025/26 compared to your forecast outturn position reported at the start of 2024/25, with improvements in the financial position being achieved in each of the years to 2027/28 for those Boards not in financial balance, and*
- *trajectories for improvement in the financial position supported by detailed plans as to how this would be achieved and the arrangements that will be implemented by the Board to oversee delivery.*

This was followed on the 4th December 2024 by a letter from the Director of Health and Social Care Finance which advised on the financial allocations for 2025/26. The letter also highlighted that brokerage would no longer be available in 2025/26.

As NHS Grampian is forecast to overspend against its revenue budget in 2025/26, it will not meet the statutory duty to breakeven and may be subject to a Section 22 report. Section 22 reports are prepared by the Auditor General if any specific concerns or issues have been raised in the audit of one of the public bodies for which he is responsible. This is done under Section 22 of the Public Finance and Accountability (Scotland) Act 2000. The issues covered by Section 22 reports will depend on what the auditor has highlighted in their audit, but could include areas such as financial management or governance.

A further letter has been received from the Scottish Government's Director of Health and Care Finance on 31st March 2025. This letter stated that the NHS Grampian's financial plan was not approved for 2025/26. An extract from the letter is shown below:

'NHS Grampian's financial position threatens the stability of the Health & Social Care Portfolio and I require swift remedial action to improve the Board's forecast. In 2025-26, as Accountable Officer, you must work within the following financial parameters:

- *NHS Grampian must not exceed a financial deficit of £45 million. I therefore expect you, with support from your Board, to develop a recovery plan to reduce expenditure and operate within this set limit. Please provide this plan before 7 June 2025. Your request for additional external support to assist in this regard is under review and myself and the Director General will arrange to discuss this further with you.*
- *NHS Grampian must also deliver a minimum of 3% recurring savings against Core RRL in line with the national target. The Finance Delivery Unit will monitor progress throughout the year. Improvement in the 2025-26 forecast is imperative for NHS Grampian's financial sustainability.*

The Board were escalated to Level 3 of the NHS Scotland Support and Intervention Framework in January 2025 and, as communicated at that time, further escalation

could follow should the Board fail to swiftly improve the financial position in line with that set out above.'

The NHS Scotland Support and Intervention Framework describes Level 4 as Senior External Support and Monitoring – 'There are significant risks to delivery and the Recovery Plan or Tailored Support is not producing the required improvements. At this stage, senior external level support is required, and will report to an Assurance Board chaired by the Scottish Government. The onus remains on the NHS Board to deliver the required improvements. The Assurance Board will report directly to the Chief Operating Officer for NHS Scotland and the Director General Health and Social Care. The National Planning and Performance Oversight Group (NPPOG) will be informed of progress on a regular basis.'

Demographic Movements impacting on demand

Over the last 5 years, NHS Grampian has seen the highest percentage increase in its older population across Scotland - a 9% increase in over 65s. This increase is driving the system pressures within our Health Board and our Health and Social Care Partnerships. The overall size of population has also increased over this period, predominantly in the over 65 and the 0-17 year old age groups. During the same period our working age population has reduced by 1%, at a time when populations in other areas have increased.

The additional funding received to reflect the additional costs associated with older people requiring greater NHS resources, has been more than offset by our reduction in overall population share. As those of working age tend to consume fewer NHS resources, there has been no corresponding reduction in activity to offset the increasing demand arising from our ageing population.

The impact of this demographic shift can be seen across our whole system. Within Unscheduled Care there has been a 12% increase in presentations of 75-84 year olds compared to a 2% national average. Within the over 85 population presentations via Unscheduled Care have increased by 11% compared to 1% nationally. The change in demographics is also impacting patient acuity which in turn is driving the requirement for increases in nursing staff to ensure compliance with the Health and Care (Staffing) (Scotland) Act.

The additional demand from these demographic movements, along with the inflationary pressures and recruitment difficulties in Grampian for medical posts are driving costs upwards. This impacts both NHS Grampian and the IJBs' financial positions. Whilst NHS Grampian is taking forward many initiatives to realise efficiency savings, these population movements mean that a more fundamental transformation of our services is required and the start of this work is described in reports elsewhere on today's agenda.

2.3 Assessment

2025/26 Financial Plan and Medium Term Financial Framework (MTFF)

The Scottish Government budget for 2025/26 was announced on 4th December 2024 with the final Budget Bill approved by Parliament on the 25th February 2025. NHS

Grampian will receive a 3% base uplift and have been advised to plan on the basis that it will receive a share of new medicine funding for 2025/26 along with sustainability funding totalling £31.1 million, of which £6.8 million is recurring.

Detailed work has been undertaken to inform the budget for 2025/26 and a summary of the financial plan for 2025/26 is provided below. NHS Grampian's Financial Plan outlines the highest financial overspend in value terms for 2025/26 in Scotland and the third highest in percentage terms.

	2024/25	2025/26
	£m	£m
Financial Gap before savings – non delegated services	(112)	(93)
Savings – non delegated services	52 (5%)	39 (4%)
Additional SG Income (non-recurring)	17	24
Financial Gap after savings – non delegated services	(43)	(30)
Contribution towards IJB Risk Share Arrangements	(25)	(38)
Overall Financial Gap	(68)	(68)

The Finance Plan for 2025/26 does not present a breakeven position for NHS Grampian however does show

- a clear programme of work and supporting actions to achieve 3% recurring savings on baseline budgets over the three year period, which for NHS Grampian would be a value of £27 million on non-delegated budgets or £40 million overall; and
- trajectories for improvement in the financial position supported by detailed plans as to how this would be achieved and the arrangements that will be implemented by the Board to oversee delivery.

In light of the scale of the financial challenge, the current financial plan does not deliver an improved forecast outturn position in 2025/26 when compared to our 2024/25 initial financial plan.

The Scottish Government have recently confirmed the maximum level of overspend permitted by the Board is £45 million, which is £23 million less than the current overspend forecast for 2025/26 via the MTFF. The Scottish Government have requested a financial recovery plan from the Chief Executive Team and Board to cover this financial gap, by the 7th June 2025. The scale of this requirement cannot be underestimated.

	2024/25	2025/26
	£m	£m
Overall Financial Gap	(68)	(68)
Brokerage Agreed	68	-
Maximum Overspend Permitted	0	(45)

Savings Requiring to be identified by 7th June 2025	-	23
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A rapid diagnostic review is to be undertaken, commissioned by the Scottish Government, on the financial position of NHS Grampian and this should be finalised by the end of May. The purpose of this review is to identify areas in which additional savings can be delivered. In the meantime, NHS Grampian has been asked to identify £23 million of savings by the 7th June. In early March the Chief Executive team commissioned operational services to identify £15 million of savings to be reported by the end of August 2025 which would be used to support the 2026/27 financial position. Given the request from the Scottish Government, it is proposed to bring the identification and delivery of those savings forward. Over the coming months, the Board will receive regular updates on progress and subject to Scottish Government approval, the financial recovery plan will be reported in June.

To further support the financial position of NHS Grampian it is recommended that a three year financial recovery plan is developed which returns the organisation to financial balance by the end 2027/28. This plan will be reported to the Board in October 2025 for approval.

The Medium Term Financial Framework

The Medium Term Financial Framework (MTFF) (appendix 1) details the financial position for the next 5 years, reflects our route map to recovering the deficit position, provides some sensitivity analysis on inflationary pressures and future funding settlements. The overspend position currently forecast over the next 5 years is as follows:

	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
Deficit Non Delegated Services	88	30	39	14	(11)
2025/26 Non Recurring Savings		5			
2025/26 Non Recurring Sustainability Funding		24			
Inflation and Growth	25	15	10	10	10
Income from SG (after pay award and transfer to IJBs)	(44)	(5)	(5)	(5)	(5)
Deficit pre savings	69	69	44	19	(6)
Value and Sustainability	(32)	(15)	(15)	(15)	(15)
Service Change Proposal	(7)	(15)			
Route Map			(15)	(15)	(15)
Out-turn on non-delegated services (Deficit Y1 - Y3)	30	39	14	(11)	(36)
IJB Contributions	38	33	28	23	18
IJB Cost Shift		15	30	45	60

Out-turn related to IJB pressures	38	48	58	68	78
NHS Grampian Deficit	68	87	72	57	42

As a result of the continued significant operational pressures being experienced across the health and social care system, plus the high level of inflation, it will not be possible to return to financial balance over the period of the MTFF without significant redesign of the whole health and social care system. For non-delegated services the Board is anticipated to return to balance in year 4 of the MTFF. If it is possible to go faster in terms of the financial recovery then this will need to be carefully balanced against the operational pressures and performance impact against key service targets.

Non-Delegated Services – Financial Pressures

After balancing the revenue financial position for many years, NHS Grampian's financial position has become more challenging in the recent past with brokerage being required since 2023/24. There are a number of factors that have been driving this change, including:-

- Demographic changes in our population, with a greater proportion of elderly people and patients presenting with greater acuity and co-morbidities,
- Introduction of new technologies (e.g. TAVI Cardiology procedures, insulin pumps), new medicines (e.g. expensive cancer treatments) or new services (e.g. the Covid vaccination programme),
- Recruitment challenges leading high usage of expensive agency staff,
- Increases in our non-pay costs for items such as energy or rates together with high levels of general inflation not matched by funding increases,
- The need to clear the backlog of service demand caused by the Covid pandemic.
- Pressures on unscheduled care services with capacity challenges in primary care and social care.

The challenging financial position, with significant enduring financial pressure, leaves the Board unable to manage new demands or financial challenges not reflected within our financial plan.

Whilst the 3% uplift is welcomed, it does not cover the projected increase in non-pay costs during 2025/26 arising from high levels of inflation and continued high levels of growth within drugs budgets. As such savings anticipated to be delivered during 2025/26 are offset by additional costs expected throughout the year rather than delivering a reduction in our underlying deficit.

Delegated Services (IJB) – Financial Pressures

It should be noted that the Plan covers the financial position for NHS Grampian and the services directly provided by it. Circa 40% of our budget is passed to the three IJBs who

undertake their own budget setting exercises which also include the contributions they receive from the Councils and costs associated with the provision of social care.

Each of our IJBs are projecting financial deficits for 2024/25 and it is estimated NHS Grampian will require to contribute £24.7 million in 2024/25 towards IJB overspends. There is a requirement for each IJB to produce balanced budgets involving robust savings programmes and a number of difficult decisions in the same way that NHS Grampian will be required to financially plan for 2025/26.

The three IJB Chief Officers and IJB Chief Finance Officers have been working closely with NHS Grampian and their respective Council to agree financial planning assumptions. Each IJB continues to face pressure from the rising cost of social care alongside increasing GP Prescribing costs. In this context, a risk provision for a £38 million contribution towards IJB overspends is included in the financial plan.

NHS Grampian is a significant outlier in comparison to other Health Boards in Scotland in regard to the level of deficit funding it requires to provide to the IJBs. Whilst this pressure is being driven by the area's demographic changes and inflation, Scottish NHS Boards are not provided with funding, via the national settlement, to cover the IJB risk share costs which at present largely relate to social care. This is one of the reasons why NHS Grampian's financial deficit is the largest in the country and there is a risk secondary care services may need to reduce in future to cover these additional costs.

The pressure on our IJB partners to achieve financial balance will require the three IJBs to find savings within budgets which may have cost implications to the Health Board through an increase in delayed discharges which would drive further pressure on secondary care budgets. As Board members will be aware, NHS Grampian has the lowest bed base per head of population in Scotland (1.4 per 1000) and small changes to the number of delayed discharges can have a large impact on access to the hospital and ambulance stacking. If this risk does materialise, then NHS Grampian may need to incur costs in opening additional capacity.

The £38 million of costs included in the financial plan are a prudent assessment of the likely savings delivered within each IJB following reviews of financial plans. This is on the basis that in 2024/25 the budgets were balanced at the beginning of the financial year and not delivered, along with a recognition that NHS Grampian may have to open additional bed capacity during the year to deal with an increase in the number of people classed as a delayed discharge.

Work will continue with our three IJBs to support financial improvement and regular monthly meetings have been set-up with the Chief Executive, IJB Chief Officers, IJB Chief Finance Officers and Director of Finance. All parties are committed to improving the financial position as quickly as possible, but whilst maintaining an approach which does not put vulnerable people at risk.

Financial Savings

NHS Grampian has an established Programme Management Office to support Value & Sustainability Work. Our approach to Value & Sustainability in 2025/26 will continue to focus on schemes identified within the Board alongside the key areas highlighted in the

refreshed “15 box grid”. These are shown in appendix 2 and include details of the full year impact of savings delivered in 2024/25, baseline target for new savings in 2025/26 and a stretch target which is considered higher risk to highlight the commitment from NHS Grampian to support the move to financial sustainability.

Work is also underway to verify savings opportunities identified by an external diagnostic review on our non-pay spend. Our financial plan includes a £2 million saving related to the outcome of this work. However, this remains high risk until verification of the output of the Cognitive Contract Management workstream is undertaken.

Services developed a range of proposals and our final assessment is that £7 million of savings can be delivered in the 2025/26 financial year. A number of these savings are within the categories of staffing, change to service capacity or efficiency. There are risks associated with delivery of these savings including; the organisation's ability to deliver staffing redesign in light of National workforce policies, the ability of services under significant pressure to support the delivery of savings alongside competing operational pressures and the impact of savings affecting capacity will have on delivery against performance targets.

A full day “Finding Balance” session was held to allow members of the Chief Executive Team and other invited colleagues to review the risk assessments and agree which savings schemes found balance and hence should be taken forward. An Initial Impact Assessment Screening has been completed for all proposals. This has identified those savings requiring a full Integrated Impact Assessment, which will be completed and an update provided to the Board at the June meeting.

Further detail of the savings by operational area are provided at appendix 3.

In order to recover the financial position and given the financial plan has not been approved, the following principles are required:

1. No service growth or development unless supported by new Scottish Government funding.
2. Given the statutory requirement to breakeven, no new or additional commitments above the financial plan can be agreed without Board and Scottish Government approval.
3. Current resources will be prioritised to support financial recovery and the route map for strategic change.
4. A three year recovery plan, which balances the financial position at the end of year three, is to be developed.

Financial Risks

There are a number of risks which may impact on ability to deliver against the financial plan. The three major risks are outlined below:

- Our financial plan assumes an operational overspend of circa £5 million a month. With services still experiencing significant pressures around capacity and patient flow there is a risk that the Board will need to incur additional costs

to manage these pressures. This risk is compounded by the potential cross system impact of efficiency savings being implemented within the three IJBs.

- Our plan requires delivery of a high-level of savings. During 2024/25 NHS Grampian has delivered a significant value of savings, however a number of these were non-recurring in nature. There remains a risk that the Board is unable to deliver the level of savings outlined in the plan within a single year.
- Our plan assumes that the £14.6 million of funding provided by Scottish Government will be sufficient to cover the cost of the 2023/24 Agenda for Change pay reforms. There remains significant uncertainty regarding the final costs of these reforms, in particular around the costs associated with the band 5 to 6 regrade. Scottish Government have now confirmed that the final reduction in the working week will be implemented from April 2026. However, the requirement to develop robust implementation and recruitment plans may impact our ability to deliver in some of the savings areas.

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 our three main strands of governance and prevention when making decisions.

2.3.2 Workforce

Workforce implications are considered in detail as part of the revenue budget setting process. There is both a direct and indirect link between the financial position and staff resourcing and health and wellbeing. The risk assessment that has been undertaken for efficiency savings and service change proposals also contains consideration of staffing issues.

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

Scottish Government has recognised the financial pressures on all Boards and the provision of sustainability funding to support the Board's position is welcomed. 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 in seeking to balance operational, financial and workforce pressures.

2.3.4 Risk Assessment/Management

Risk assessment and subsequent management of these risks relating to financial performance are recorded on NHS Grampian's risk management system. An assessment of the major financial risks is contained in the Medium Term Financial Framework.

2.3.5 Equality and Diversity, including health inequalities

All service change proposals 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.
- Monthly reporting to the Scottish Government.

2.3.8 Route to the Meeting

This report has been discussed by the Chief Executive Team and is the accumulation of the budget process. The agreement of the budget is a reserved decision of the Board.

2.4 Recommendations

The Board is asked to:

- Assurance – Review and scrutinise the detail included within the paper and confirm that it provides assurance that the Revenue Budget for 2025/26 and refresh for the Medium Term Financial Framework has been prepared robustly, noting the scale of the financial challenge facing the Board.
- Decision – Endorse the Medium Term Financial Framework, including the 2025/26 Revenue Budget noting:
 - A financial recovery plan will be developed by the 7th June 2025 to reduce the forecast deficit for 2025/26 to £45 million.
 - A three year financial recovery plan to support the Board in returning to financial balance is to be developed and reported to the Board in October 2025.
- Decision – Approve the savings outlined totalling £39 million in 2025/26, highlighted in appendices 2 and 3.
- Decision – Approve the creation of a £38 million risk provision for the IJB overspends in line with risk share arrangements under the Integration schemes.
- Decision – Approve the principles to support financial recovery highlighted in 2.3
- Note – regular financial information will continue to be provided to each meeting of the Board and that more information on the Integrated Impact Assessments will be provided to the Board in June.

3 Appendix/List of appendices

The following appendix/appendices are included with this report:

- Appendix 1 – Medium Term Financial Framework
- Appendix 2 – Value and Sustainability Savings Proposals
- Appendix 3 – Operational Savings proposals