



Plan
for the
Future

NHS
Grampian

Board Meeting
10.04.25
Open Session
Item 10.1

NHS Grampian Medium Term Financial Framework 2025/26 to 2029/30



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Section 1: Introduction

Context

NHS Grampian is responsible for working with partners to improve the health of the people in Grampian, and for providing the health and care services that people need. We also provide a number of specialist clinical and support services to other NHS Boards within the North of Scotland and Scotland as a whole. We also fund the treatment of Grampian residents in facilities located elsewhere in Scotland and the rest of the UK.

We are the fourth largest health board in Scotland by general funding allocation, and our services are delivered through a number of Portfolios and a range of Primary and Community Care services delegated to the three Integration Joint Boards (IJBs) covering Aberdeen City, Aberdeenshire and Moray. The IJBs are legally constituted cross sector bodies providing a focus for NHS Grampian to work in partnership with other agencies, including Local Authorities and Primary Healthcare contractors, in the provision of integrated services to the local communities.

NHS Grampian employs 17,200 staff and through a full range of contracted services (64 General Medical, 130 Pharmacy, 90 Dental and 53 Opticians) provide the full range of primary, community and specialist health services to the 587,000 people who live in Grampian. We have an extensive infrastructure and operate from over 100 locations, as well as providing care in people's own homes or homely settings across an area covering 3,000 square miles.

All our direct clinical services are supported by corporate functions such as Facilities, E-Health, Finance and Human Resources.

Purpose

Medium term financial planning is an important part of the strategic planning process. The financial position for public services continues to be challenging, therefore it is important that the NHS Grampian's ambitions are set within the context of the funding which is available.

The purpose of this Medium Term Financial Framework (MTFF) is to ensure that resources are targeted at the delivery of the priorities set out in the NHS Grampian "Plan For The Future" and also to support the annual budget setting process. This Financial Framework will assist NHS Grampian to plan based on the totality of resources across the health system to meet the needs of the population of Grampian and support the delivery of the NHS Grampian Annual Delivery Plans from 2025 -2030.

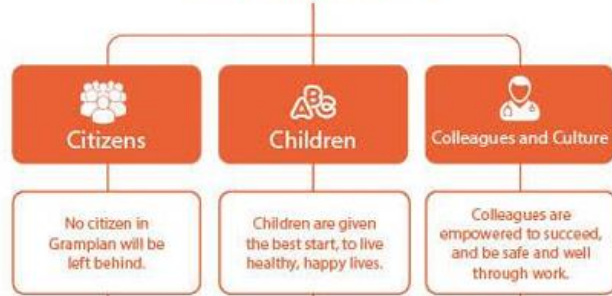




Outline of Strategic Intent within the 'Plan for the Future'

PEOPLE

Joining with People to Flourish



- Ongoing active engagement, continually creating connections to build trust.
- Citizens are enabled to live well, preventing the preventable.
- Citizens are treated as individuals, supporting their specific needs and circumstances.
- Early years' development is prioritised.
- Children with neurodevelopmental profiles are identified at the earliest stage.
- Support for children experiencing adverse childhood events (ACEs) is streamlined.
- Families are supported at all stages and in all aspects of their children's physical and mental health and wellbeing.
- A workforce able to do today's work today, and innovate for tomorrow.
- Work and roles that support people's health, safety and wellbeing.
- People are included, supported and empowered to make their best contribution.

PLACES

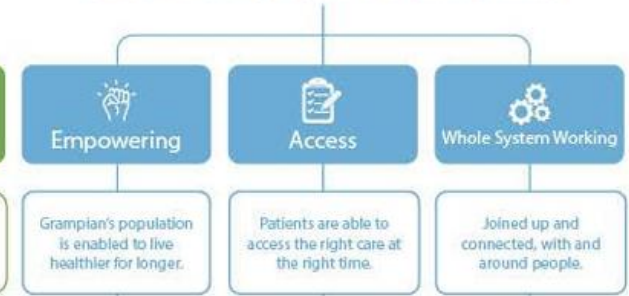
Using our places to proactively seek the best health and wellbeing and fairness for all.



- We support Grampian's economy through local recruitment and procurement, and development of employment opportunities.
- Our facilities and infrastructure are shared by community and agency partners.
- Our procurement process applies fully-embedded social value principles.
- Our healthcare expertise is sought by partners to support their policy and decision-making.
- Community assets are integrated in all that we do with and for communities.
- We use a place-based wellbeing approach in partnership with our communities.
- Grampian's communities are resilient.
- Environmental decision making is applied as standard.
- We maximise the use of existing infrastructure in a sustainable way.
- We have a minimal waste culture, where it is easy for people to make the sustainable/ environmental choice.

PATHWAYS

Enabling a partnership approach to our pathways of care.



- Individuals are able to easily access and understand information to support themselves to live well.
- Individuals are empowered to manage their conditions in a way that best suits them.
- Mental and physical wellbeing are of equal importance as part of a holistic approach to healthcare.
- Secondary prevention is delivered as part of all pathways.
- Care is delivered in a timely way.
- People are able to access care in the way that best suits them.
- Pathways of care are adaptable and focussed around individuals.
- Care is delivered safely, with no avoidable harm.
- Avoidable differences in healthcare are minimised.
- Partnership working enables the right care to be delivered in the right place.
- Pathways are seamless, and easy to access and navigate.
- Consideration is given to individuals' circumstances beyond their healthcare needs.

Section 2: Overview of Factors impacting on the financial plan

The Medium Term Financial Framework provides an opportunity for NHS Grampian to set out an understanding of the financial climate in which it will operate over the medium term (the next five years) and the assumptions underpinning our planning. In terms of understanding the medium term there is a need to consider our own strategic priorities and a range of factors, which are illustrated below and reflect the complexity of issues which can impact on our financial position. These factors are described in more detail in the following sections, with key high level points noted below:



Funding

Assumed 3.0% baseline funding increase per annum above 2024/25 levels. **(£138m increase over 5 yrs net of IJB transfer).**

Budget has increased by c£753m since 2011/12 with c. 66% of the uplift required to fund changes to pay terms and conditions and pension costs.



Costs

A predicted **rise in costs over the next 5 years of £370M**, resulting in a predicted deficit of £42m by year 5 (and £325m gap over the 5 year period).

Key elements: £128m of pay inflation, £26m of non-pay inflation and £23m of prescribing growth and inflation. £77m loss of non-recurring support. £18m of local pressures. £290m of costs relating to IJB risk share and cost shift.



Demographics

Overall Grampian population expected to be flat over next ten years but **significant increases in over 75 population** predicted Moray (32.4%), Shire (39.6%) and City (16.1%).

Assumed no additional funding for the increase in over 75 population due to a decreasing share of overall Scottish population.

Population is expected to fall over the next 20 years but the burden of disease is expected to increase by 20% over this time.



Demand

Post pandemic there is significant latent demand and new pressures which will require whole system redesign to address - likelihood is that this period of recovery and change will extend well beyond the period of this medium term financial framework.



Policy

Programme for government focus on:

- (1) Actions to tackle waiting times and backlogs
- (2) Increasing capacity and access to primary care
- (3) Substantially reducing delayed discharges



Risks

Key risks relating to financial planning include:

- Undertaking transformation during a period of significant operational and financial challenge.
- Continued economic uncertainty impacting on inflation and the supply chain.
- The impact of savings required within IJBs on system performance.
- Challenges regarding recruitment in a number of locations and specialties.



Funding

Source and allocation of funding (see Appendix 1)

Scottish Government is the main source of funding for NHS Grampian. 91% of our funding comes directly from the Scottish Government. This means that changes to policy, legislation or changes in the economy can have an impact on the funding that is available each year for health and social care. Scottish Government revenue funding of NHS Grampian has increased by £753 million since 2011/12 (see Appendix 2) and is due to increase by 3.0% for NHS Grampian in 2025/26.

The National Resource Allocation Committee (NRAC) allocation formula is the formula that is used to derive relative budget shares for Health Boards. It is based on population size adjusted for age / sex mix, deprivation and rurality. In 2025/26 NHS Grampian receives 9.71% of total Health Board funding under the formula.

Roughly 37% of NHS Grampian's total budget is delegated to the three Health & Social Care Partnerships (HSCPs) in Grampian which are overseen by the Integration Joint Boards (IJBs). These cover Aberdeen City, Aberdeenshire and Moray. The IJBs are responsible for the commissioning and operation of a range of community health, primary care and social care services. They also receive funding contributions from their aligned Councils. This means that any changes to the level of Scottish Government funding received by Councils will impact on the level of budgets which are delegated to the IJBs and the level of savings which the IJBs are required to make in order to meet demand, demographic and inflationary pressures.

The budget setting process of the Scottish Government is agreed through the Scottish Parliament with an annual budget announcement which confirms the amount of revenue funding for the health service and other parts of the public sector. NHS Grampian actively engages with Scottish Government colleagues to advise on the potential impacts of different budget scenarios for the Health service.

Currently Scottish Government budget announcements only cover an annual period and do not cover the medium term. The MTFF makes assumptions about the future funding levels from the Scottish Government based on an estimated increase of 3.0% per annum above 2024/25 levels. Using this information it is forecast that the Health Board's baseline funding is likely to increase by £138 million between 2025/26 and 2029/30 (excluding the share of the funding uplift which goes to IJBs).

In addition we expect to receive earmarked funding in line with the Programme for Government to support key policy commitments including reductions in waiting lists and backlogs, increased capacity for primary care and action to reduce delayed discharges. Funding for these areas will be linked to delivery plans and commitments to deliver key outcomes.



Costs

Financial planning requires assumptions to be made about demand and cost pressures which could be faced by NHS Grampian over the medium term. These have been informed by the local and national context within which NHS Grampian operates.

Each year NHS Grampian will face cost pressures as a result of a range of factors including demand, inflation and changes in legislation / regulations.

This Framework has assessed the key factors likely to impact over the medium term and estimates that NHS Grampian will face new expenditure, demand pressures and loss of non-recurring support of £51.1 million during the next five years.

Loss of non-recurring support in 2025/26 reflects the difference between the 2024/25 financial outturn on non-delegated services (£42.3m) and underlying financial pressures (£88.3m). It represents non-recurring Scottish Government funding and non-recurring savings used to support the Board's position in 2024/25. Loss of recurring support in 2026/27 represents non-recurring Scottish Government funding and non-recurring savings used to support the Board's position in 2025/26.

	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
Budget Pressures					
Pay Inflation including NI increase	34.5	22.0	22.6	23.8	24.7
Contractual Inflation (non-pay)	7.5	4.5	4.5	4.5	4.5
Hospital Drugs and Prescribing	6.6	4.0	4.0	4.0	4.0
Local Pressures	6.2	6.6	2.2	2.2	2.2
Loss of Non-Recurring Support	46.0	29.4			
Income Uplift	(73.70)	(27.90)	(28.70)	(29.60)	(30.50)
IJB Contributions and impact of cost shift	38.0	48.0	58.0	68.0	78.0
Total Budget Pressures	65.1	86.6	62.6	72.9	82.9

Key Assumptions

- Pay inflation – assume an annual increase of 3% (or that costs of national pay policy will be funded). Assume Scottish Government funding provided to meet 60% of the costs associated with the increase in employer National Insurance Contributions. Small incremental drift increase for medical staffing.
- Non Pay inflation – year 1 is a detailed projection. Year 2-5 assumes £4m for General Inflation.
- Hospital Drugs – reflected Scottish Medicines Consortium approvals and development of new treatments.
- Local pressures – includes provision for known future costs including Baird and Anchor, commitments agreed at a national level and known increases in digital costs.
- Income Uplift – Assumes a 3% annual uplift for the period of the MTFF along with £24.3m of non-recurring sustainability funding in year 1 of the MTFF.
- IJB Contributions and impact of cost shift – Assumes a £38m contribution to IJB overspends under risk share arrangements for year 1 of the MTFF. The risk share contribution is assumed to reduce by £5m per year with an associated £15m cost shift linked to the impact of growing delayed discharges.



Demographics

The impact of an ageing population, the need to address the backlog caused by the Covid 19 pandemic and advances in medical treatment all mean that many of our service areas have experienced increases in demand in recent years which can often result in higher levels of financial and workforce support being required on a year by year basis.

This creates a challenging environment in which to operate, managing demand within the financial constraints whilst transforming services and delivering on national and local priorities. Whilst the overall population increase across Grampian will be modest over next 5 years, there is a significant predicted increase across all three local authority areas in the over 75 age group.

Over the last 5 years, NHS Grampian has seen the highest percentage increase in its older population across Scotland. The additional funding we receive via the National Resource Allocation Formula (NRAC) allocation, reflects the additional costs associated with older people who require greater NHS resources however this has been more than offset by our reduction in overall population share. We do not anticipate to receive any increase in our NRAC formula allocation over the period of the MTFF to reflect our ageing population, and a more fundamental transformation of our services will be required to ensure financial sustainability.

Age Profile by 2028	Aberdeen City	Aberdeenshire	Moray
0-15	14.6%	17.3%	14.6%
16-24	12.5%	9.2%	9.3%
25-44	31.9%	22.9%	23.3%
45-64	23.2%	27.7%	26.7%
65-74	9.6%	11.9%	13.4%
75 & over	8.2%	11.0%	12.7%
All ages	100.0%	100.0%	100.0%

Projected % Population Change for Grampian by Age 2018-2043

	% Change
Population	
0-15	-12.5%
Working Age	-1.2%
Pensionable Age	24.4%
75 & over	73.8%
All ages	1.6%

Aberdeen City

By 2028, the population of Aberdeen City is projected to increase by 0.1% due to natural change (more births than deaths). Total net migration is projected to result in a population increase of 1.0% over the same period.

Between 2018 and 2028, the 0 to 15 age group is projected to see the largest percentage decrease (-3.2%) and the 75 and over age group is projected to see the largest percentage increase (+16.1%). In terms of size, however, 25 to 44 is projected to remain the largest age group.

Aberdeenshire

By 2028, the population of Aberdeenshire is projected to decrease by 0.3% due to natural change (more deaths than births). Total net migration is projected to result in a population increase of 2.8% over the same period.

Between 2018 and 2028, the 0 to 15 age group is projected to see the largest percentage decrease (-5.3%) and the 75 and over age group is projected to see the largest percentage increase (+39.6%). In terms of size, however, 45 to 64 is projected to remain the largest age group.

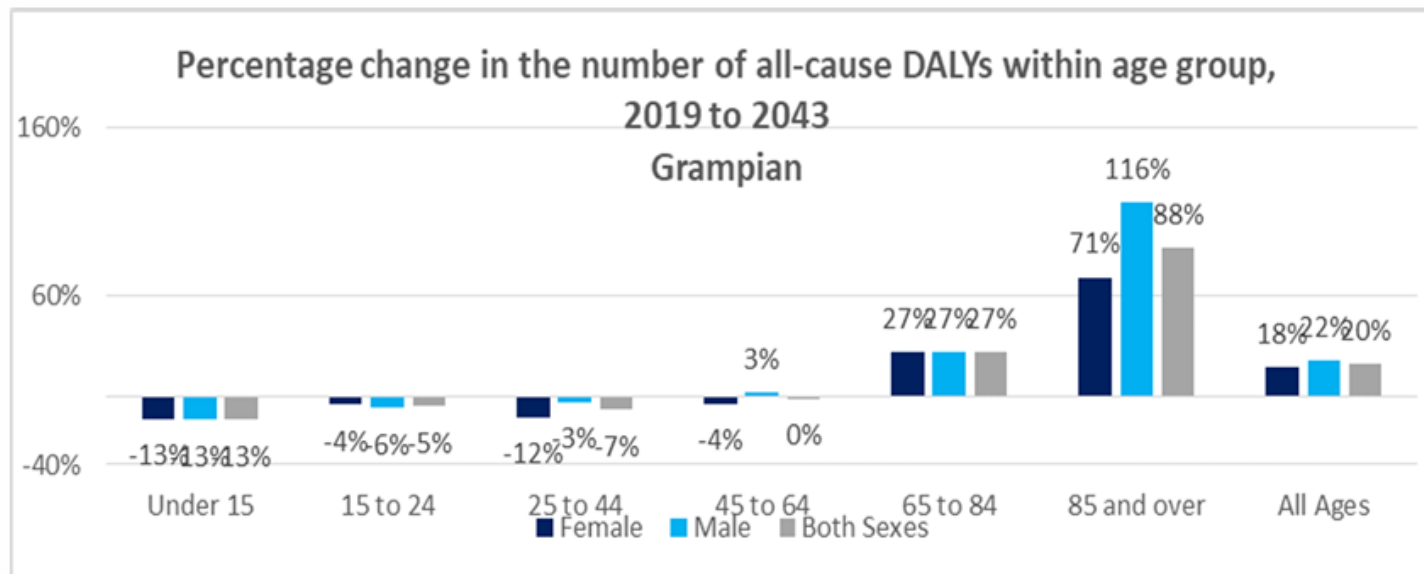
Moray

By 2028, the population of Moray is projected to decrease by 2.6% due to natural change (more deaths than births). Total net migration is projected to result in a population increase of 2.6% over the same period.

Between 2018 and 2028, the 0 to 15 age group is projected to see the largest percentage decrease (-14.1%) and the 75 and over age group is projected to see the largest percentage increase (+32.4%). In terms of size, however, 45 to 64 is projected to remain the largest age group.

Demographics

Forecasting the future burden of disease: Incorporating the impact of demographic transition over the next 20 years- Disability Adjusted Life Years



- The annual disease burden is forecast to increase 20% over a similar period.
- To retain the overall health needs in 2019, the forecasted annual disease burden in 2043 would need to reduce by 17%, which is equivalent to eradicating the entire disease burden of cancer in 2019.
- In terms of overall health needs, the sub-group with the largest forecasted annual crude disease burden is those aged 65 to 84 years. This is due to the interaction between the extent of health needs and increasing size of this population sub-group.



The health of our population is at risk of deteriorating and existing inequalities have increased.

The way healthcare is delivered has been changing – this needs to continue.

Climate change is one of the biggest threats to health and our biggest opportunity.

A CASE FOR CHANGE

We can help keep people well for longer, reduce new health problems and stop some from getting worse.

The pandemic has shown how we can care for ourselves with the right tools.

Good health is a means to an end – it is our communities that help us flourish.



National Policy

In 2024, Scottish Government announced their Programme for Government which included detail of the focus for Scottish Government for the coming year. The programme for government focused on three key areas with key pledges outlined below:

1. Continue to tackle waiting times and backlogs.

- Centre for Sustainable Delivery programmes to improve efficiency and eliminate unnecessary hospital attendances.
- Delivering additional capacity via new National Treatment Centres.
- Targeting additional funding to reduce the longest waits.
- Driving improvements in productivity through the delivery of a Theatre Scheduling System, to enable more operations and more patients to be treated.
- Improving timely access to cancer services by opening a further Rapid Cancer Diagnostic Service.
- Continued improvements across a range of mental health services and treatments, including meeting the Child and Adolescent Mental Health Services waiting times standard nationally.

2. Increasing capacity and access to Primary Care, shifting the balance of care to preventative and community-based support

- Improving the use of multi-disciplinary working to support better, patient-centered care pathways and improve service capacity in GPs and frontline community services, including additional funding to support the Primary Care Phased Investment Programme.
- Reviewing delivery across all services to ensure that they maximise support and access for those patients with the greatest need.
- Continuing to roll out new initiatives, such as the Community Glaucoma Service, to free up capacity in hospital services.
- Contributing, through the Preventive and Proactive Care programme, to wider work across NHS Scotland to support and empower patients in self-care and join up services to provide early intervention on known determinants of poor health.

3. Substantially reducing delayed discharges

- Reduce variation in practice across different parts of Scotland so that people are discharged from hospital as soon as they are ready to leave, making sure they can get the care they need at home or in the care setting they are living in.
- Ensuring partners work together to support effective discharge that will enable the best recovery in the most appropriate place.
- Reducing hospital admissions by providing the right care in the right setting, including through Hospital at Home.

Further detail on plans to improve access to treatment, reduce waiting times and shift the balance of care from hospitals to primary care was provided by Scottish Government through the publication of the NHS Scotland Operational Improvement Plan.





Local Policy – NHS Grampian’s Plan for the Future



PEOPLE
Joining with people to flourish.

PLACES
Using our places to proactively seek the best health and wellbeing and fairness for all.

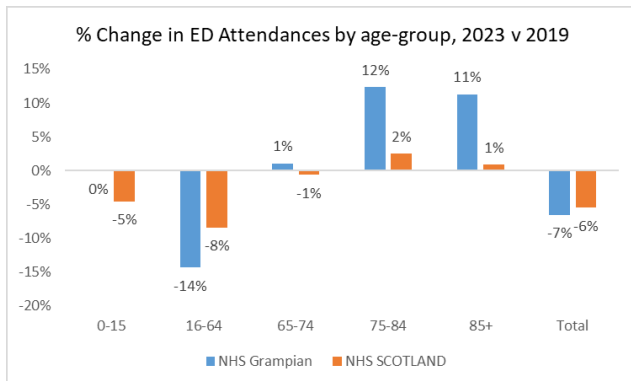
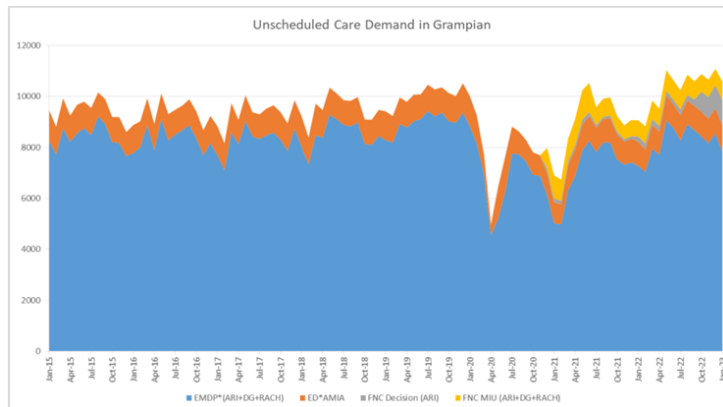
PATHWAYS
Enabling a partnership approach to our pathways of care.

Demand

The Scottish Government is keen for the NHS in Scotland to restore activity back to pre-Covid levels and address the backlog of clinical activity that has built up during the pandemic and the years since. The scale of the waiting lists means it may take several years to clear backlogs. Protecting planned care capacity despite significant operational pressures and securing greater workforce capacity will be key issues in the remobilisation efforts. Prior to Covid, the health and social care system was facing demand pressures. Considering demand and capacity on a whole system basis will be key to transforming the pathways of care within our system to support a sustainable health service.

Addressing the waiting lists for treatment will be a key priority and the scale and size of the challenges will require a whole system approach. Planning the use of our resources will require consideration of both unscheduled and planned care demand and capacity, and recognition of the workforce that will be available to support.

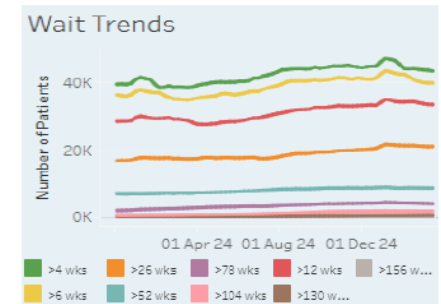
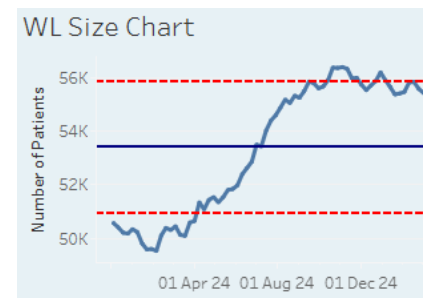
Unscheduled Care is now exceeding pre-COVID demand Impact of changing demographic also seen in ED attendances



Demand on primary care and community services also growing and meeting the future demand in the context of our changing demographics will be key.

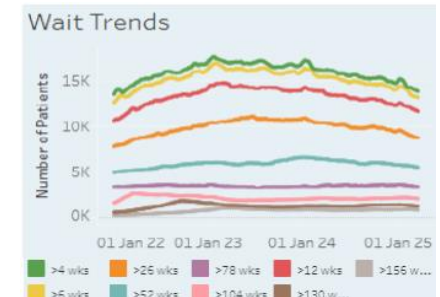
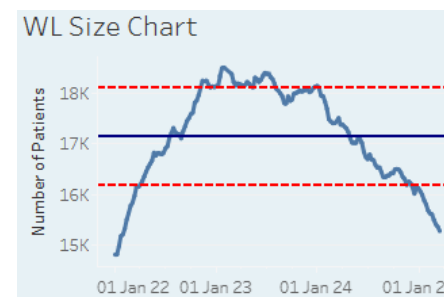
Planned Care

Consultant Outpatients list size remains high. Waiting times stabilising.



Planned Care

TTG inpatients - list size is decreasing and waiting times stabilising.





Risk

Challenging economic conditions

The Global, UK and Scottish economy all have an impact on the population of Grampian across a range of areas including earnings, taxation and employment. They also impact on the funding available to support public spending and in turn, the funding available to Health Boards to deliver services. Scotland's funding is largely dependent on funding from the UK Government and income from devolved tax revenues. The latest economic update from the Scottish Government (March 2025) highlights the following economic factors:

- Globally, uncertainty remains in the outlook for inflation due to recent global developments which present inflationary risks due to ongoing geopolitical tensions and the introduction of tariffs by the US or by other countries in response.
- Latest GDP data showed that Scottish GDP grew by 1.1% over 2024 but slowed in the final quarter of 2024 with GDP flat (0%) in the three months to December 2024.
- The inflation rate increased slightly to 3.0% in January with higher inflation seen on services than goods.
- Unemployment remains extremely low while there continues to be real terms earnings growth.
- Economic conditions are expected to improve in 2025 with improving GDP growth and more stable inflation than 2024.

Risks specific to the Medium Term Financial Framework

The MTFF is a financial model and as such has risks associated with it. As an organisation NHS Grampian needs to be aware of these risks but should not become risk averse when developing its future plans. NHS Grampian recognises strategic risks through regular review of the NHS Grampian Risk Register. This is used to ensure significant risk is identified and effective mitigating actions implemented which reduce these risks to acceptable levels whilst securing service delivery within available resources.

There are a number of specific financial risks relevant to NHS Grampian that will require to be monitored and mitigated over the five year period. The key risks in this category are:

Delivery of Efficiencies Programme

There is a very high risk that efficiencies cannot be delivered at the level to achieve financial targets without serious consequences. Plans are in place to deliver a minimum of 3% efficiency in each year of the MTFF however this falls short of the level of efficiencies required to return to financial balance. The required level of savings outlined in the plan will be challenging to deliver without impacting on system performance.

Level of Operational Overspend

Our financial plan assumes a consistent level of operational overspend of £5 million a month. Many of our services are still experiencing significant pressures with capacity and patient flow leading to excess costs. If these pressures increase there is a risk that operational overspends will also increase.



Integration

We have made provision of £38 million in our plan to reflect the potential contribution required from NHS Grampian towards overspends within the three Grampian IJBs in 2025/26. Significant pressure is being experienced in each of our IJBs driven by the rising cost of social care with increased activity and spend in this area for all three IJBs.

Like Boards across NHS Scotland, NHS Grampian is currently managing high levels of delayed discharges. This has a significant impact on our system given the already low bed base within NHS Grampian. Given the financial pressure within IJBs there is a risk that savings measures may include controls on social care provision with IJB budgets not sufficient to meet the growing cost of social care.

Our MTFE is based on the assumption that every £5 million reduction in IJB budgets, with likely impacts on delayed discharges and system flow, will result in additional costs of c. £15 million within the non-delegated position. This is because costs are significantly higher within a secondary care setting and would be further inflated by the likely requirement for temporary staffing.

Health & Care Staffing Act

The Health and Care Staffing Act came into effect in April 2024 and has driven an increased demand for additional staffing within services as they seek to increase staffing levels to the standards recommended by the various workforce measurement tools. There is no provision in our financial plan for any increased staffing impact resulting from the Act.

AFC Non pay reform

Our plan assumes that the £14.6m of funding provided by Scottish Government will be sufficient to cover the cost of the 2023/24 Agenda for Change non pay reforms. There remains significant uncertainty regarding the final costs of the reforms in particular around the costs associated with the band 5 to 6 regrade and the impact of the further reductions in the working week which will impact in 2026/27.

Requirement to increase beds

NHS Grampian continue to operate with a lower bed base than hospitals of a similar size. The board has recognised the need to increase acute bed capacity to reduce operational pressures and protect planned care services. A phased tactical plan to increase bed numbers has been agreed by the Board however there remains no provision in our financial plan to cover the cost of the required additional capacity.

Workforce recruitment and retention challenges

NHS Grampian continue to face workforce recruitment and retention challenges, with particular enduring recruitment challenges impacting our Medical workforce for both Mental Health services and to support the delivery of healthcare at Dr Grays Hospital. These challenges impact on the sustainability of our services with a continued reliance on medical locums, agency nurses and bank staff which places additional pressure on budgets. As a Board we are committed to recruiting to permanent posts to support exit from agency models, and the Boards commitment to employ newly graduated nurses is supporting reductions in agency and bank use. However, future reductions in the working week as agreed as part of AFC non pay reform will require additional recruitment, which will continue to be a challenge for the board given limited supply.



Trend Analysis

This table shows how NHS Grampian spends £1 of resource in 2024/25 compared with how £1 of resource was spent in 2012/13:

Heading	2012/13	2024/25	Change	2023/24	2024/25	Change
Medical Staffing	£0.14	£0.15	+1p	£0.14	£0.15	+1p
Nursing	£0.19	£0.22	+3p	£0.22	£0.22	
Other Staff Groups	£0.17	£0.19	+2p	£0.20	£0.19	-1p
Drugs inc GP Prescribing	£0.14	£0.13	-1p	£0.13	£0.13	
Medical Supplies and Equipment	£0.06	£0.06		£0.06	£0.06	
Maintenance Energy and Rates	£0.03	£0.02	-1p	£0.03	£0.02	-1p
Resource Transfer	£0.03	£0.04	+1p	£0.04	£0.04	
Cross Boundary Activity	£0.03	£0.02	-1p	£0.02	£0.02	
Other Non Pay	£0.05	£0.03	-2p	£0.03	£0.03	
Capital Charges	£0.02	£0.02		£0.02	£0.02	
Primary Care Services	£0.14	£0.12	-2p	£0.11	£0.12	+1p
Total	£1.00	£1.00		£1.00	£1.00	

In 2012/13 we spent 50% of our resource on pay costs. We now spend a higher proportion of our resource on pay costs with 56% of our resource spent on pay costs.



Section 3: Financial Projections – five years to 2029/30

	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
Brought forward Underlying Deficit	(88.3)	(30.4)	(39.0)	(13.6)	11.5
Scottish Govt Funding Uplift (net of transfer to IJBs)	72.6	26.8	27.6	28.5	29.3
Budget Pressures					
Pay Inflation	(34.5)	(22.0)	(22.6)	(23.8)	(24.7)
Contractual Inflation	(7.5)	(4.5)	(4.5)	(4.5)	(4.5)
Hospital Drugs and Prescribing	(6.6)	(4.0)	(4.0)	(4.0)	(4.0)
Local Pressures	(6.2)	(6.6)	(2.2)	(2.2)	(2.2)
Loss of Non-Recurring Support		(29.4)			
Income Uplift	1.1	1.1	1.1	1.1	1.2
Total Budget Pressures	(53.7)	(65.4)	(32.2)	(33.4)	(34.2)
Gross Financial Challenge	(69.4)	(69.0)	(43.6)	(18.5)	6.6
Savings	39.0	30.0	30.0	30.0	30.0
Net Financial Challenge (Excluding IJB pressures)	(30.4)	(39.0)	(13.6)	11.5	36.6
IJB Risk Share	(38.0)	(33.0)	(28.0)	(23.0)	(18.0)
IJB Cost Shift	(0.0)	(15.0)	(30.0)	(45.0)	(60.0)
IJB Pressures (Overspend and Cost Shift)	(38.0)	(48.0)	(58.0)	(68.0)	(78.0)
Net Financial Challenge	(68.4)	(87.0)	(71.6)	(56.5)	(41.4)

Key Points

- Year 1 deficit supported by £29.4m of non-recurring measures.
- From year 2 improving annual position over the next four years on non-delegated services returning to balance in year 4 of the plan.
- IJB pressures expected to grow over the 5 years.
- Projected cumulative financial gap over the next 5 years of £325m. No assumption in projections that this will be paid back.
- A requirement to develop our strategy to achieve financial sustainability in the longer term. This will be addressed by the Route Map for Strategic Change.
- Out with Programme for Government Funding there will be limited opportunities in short to medium term to invest in new developments other than through revenue neutral redesign.



Section 4: Principles and Approach to Financial Management

The MTFF is based on the following key principles:

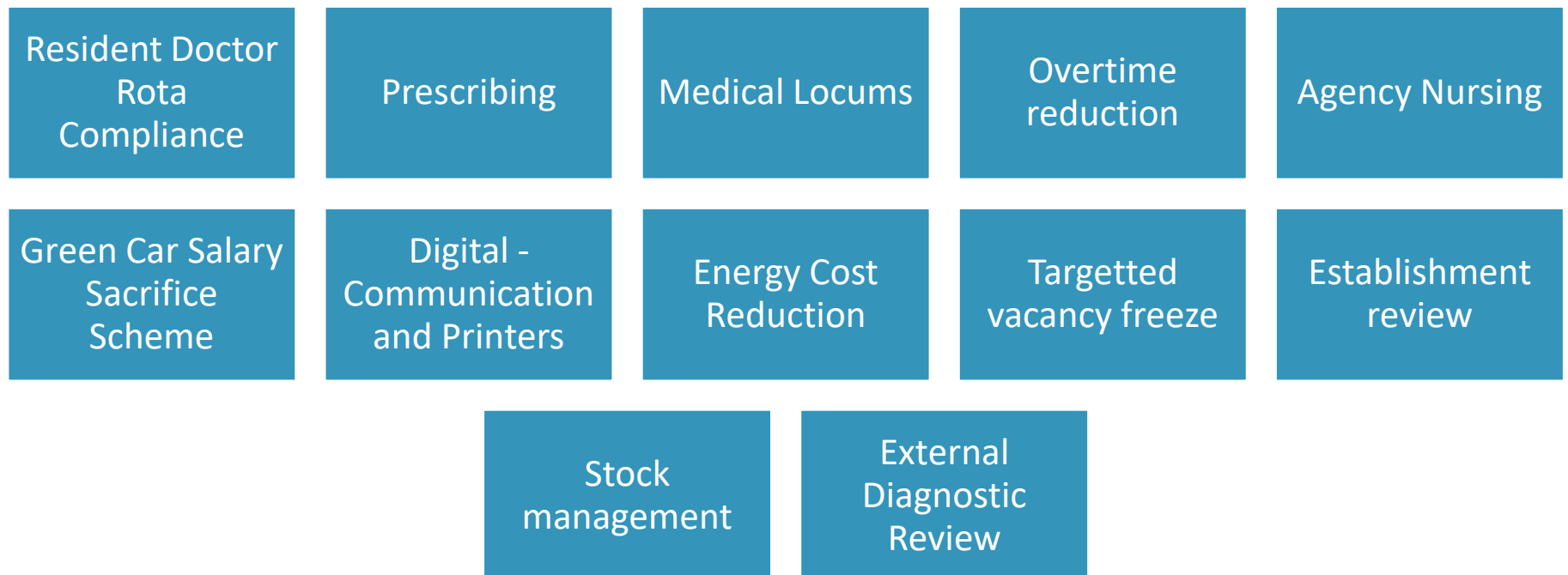
1. No further recurring commitments shall be made against non-recurring funding allocations given the current reassessment of a number of funding streams at a national level.
2. Financial planning is required on a whole system basis with improved alignment of the financial resources of NHS Grampian and the Health & Social Care Partnerships in order to obtain maximum value and efficiency in the delivery of services.
3. Service redesign or transformation should be delivered at a reduced cost compared to the existing cost of services being redesigned, after any one-off costs associated with the redesign have been considered. Examples would be delivering extra activity for the same costs or the same activity for less cost.
4. Financial resources and intent should align fully with NHS Grampian's Plan for the Future.
5. In compliance with the Fairer Scotland Duty 2018, in our financial planning, NHS Grampian will continue to allocate additional resources to help improve health outcomes for people living in socio-economically deprived communities. Similarly, we will also support people with "protected characteristics", as defined by the Equality Act 2010.
6. The environmental agenda will also be at the forefront of our financial decision making.
7. Supporting and recognising the value that preventative activities and services bring to peoples' lives, we will protect preventative spend and over the medium term seek to increase spend on preventative activities.



Efficiency Savings Assumptions

The high level route map for efficiency savings over the life of the MTFF is based on the following key areas:

- (1) Savings delivered through the Value and Sustainability programme management approach. In year one of the MTFF, savings totalling £32 million have been identified in the key areas outlined below. From year 2 onwards £15 million of recurring efficiency savings will be achieved. The programme will lead on the delivery of savings identified as part of the Scottish Government's 15 box grid, which aims to ensure consistency of approach for the delivery of savings across NHS Scotland.



- (2) Service change proposals totalling £7 million have been assessed as deliverable in year 1 of the MTFF. A further £15 million of service change savings will be identified by operational services to deliver £15 million of savings in year 2 of the MTFF.



(3) Savings from improved efficiency and service change proposals will not be sufficient to balance NHS Grampian's financial position. To create a sustainable health system in the North East of Scotland, fundamental service redesign and transformation will be required. A route map for Strategic Change is being developed to support the redesign needed to achieve financial balance alongside the Board's strategic intent of a sustainable health and care system where enabling wellness and treating illness are more in balance. The strategic change board has a priority in Year 1 to lay the foundations of reform, to create the conditions for change and to stabilise core services.

All savings will be considered within our finding balance approach and will be impact assessed as required.





Section 5: Sensitivity Analysis

Sensitivity analysis is used to test the major assumptions made by the model and understand what the implications are if these assumptions change. This effectively tests “what if” scenarios and enables the Board to determine potential fluctuations which could exist within the financial model.

The table below shows what would happen if the main assumptions increase by 1%. For example, if pay awards were 1% higher than the assumptions made in the model, this would represent an additional cost of £6.7m million in 2025/26.

The figures in the table are for NHS Grampian non-delegated services only (i.e. they do not cover IJB delegated budgets)

	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
Funding					
1% Scottish Government Increase	8.7	8.9	9.2	9.5	9.8
1% Scottish Government Decrease	(8.7)	(8.9)	(9.2)	(9.5)	(9.8)
Costs					
1% Pay Increase	(6.7)	(6.9)	(7.1)	(7.4)	(7.6)
1% Non Pay Increase	(2.0)	(2.0)	(2.0)	(2.0)	(2.0)
0.25% Demographic Increase	(2.6)	(2.6)	(2.6)	(2.6)	(2.6)
10% IJB Risk Share and Cost Shift Increase	(3.8)	(4.8)	(5.8)	(6.8)	(7.8)
1% Pay Decrease	6.7	6.9	7.1	7.4	7.6
1% Non Pay Decrease	2.0	2.0	2.0	2.0	2.0
0.25% Demographic Decrease	2.6	2.6	2.6	2.6	2.6
10% IJB Risk Share and Cost Shift Decrease	3.8	4.8	5.8	6.8	7.8



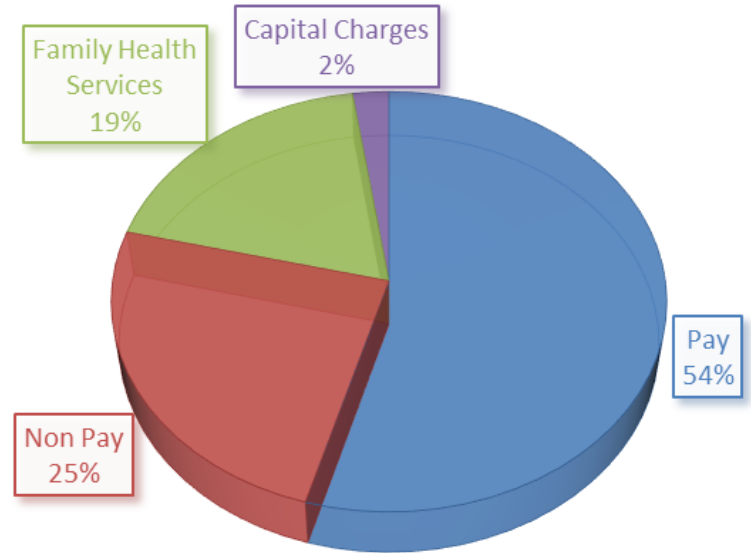
Sensitivity Scenarios

To understand the implications of changes in assumptions a number of scenarios have been modelled using a combination of different changes in the main assumptions. The impact of these scenarios on the financial gap is shown in the table below:

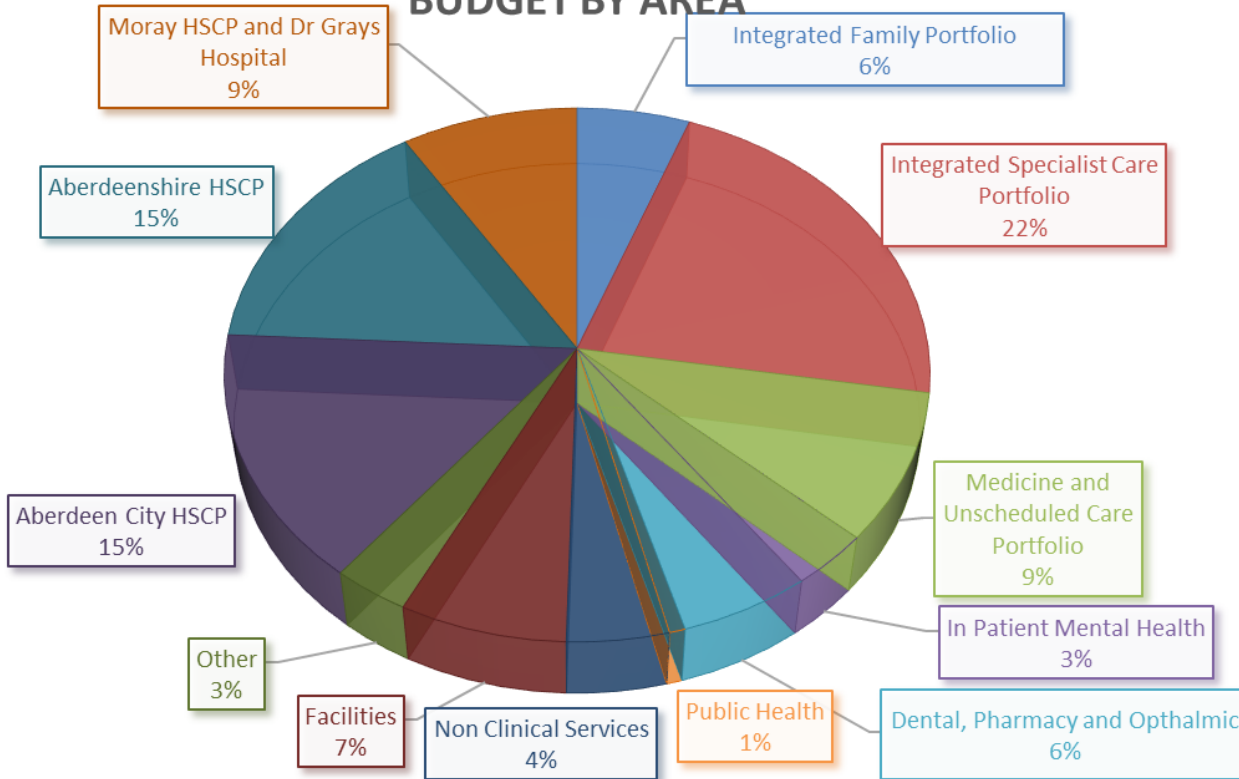
	2025/26	2026/27	2027/28	2028/29	2029/30
	£m	£m	£m	£m	£m
Unadjusted Model	(68.4)	(87.0)	(71.6)	(56.5)	(41.4)
Scenario 1 (Best Case) - Funding +1% and Pressures -1%	(44.6)	(61.7)	(44.8)	(28.2)	(11.6)
Scenario 2 (Worst Case) - Funding -1% and Pressures +1%	(92.3)	(112.3)	(98.4)	(84.8)	(71.2)
Scenario 3 - Funding no Change and Pressures +1%	(83.6)	(103.4)	(89.2)	(75.3)	(61.4)
Scenario 4 - Funding no Change and Pressures -1%	(53.3)	(70.6)	(54.0)	(37.7)	(21.4)

Appendix 1: Overview of current budget by area / type

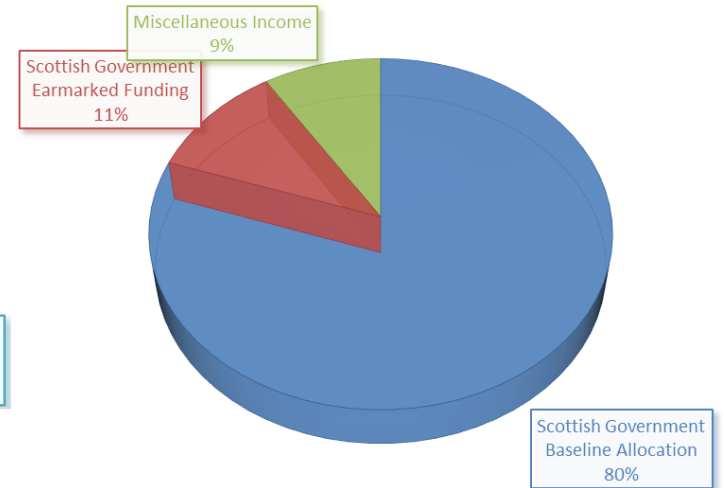
BUDGET BY SPEND TYPE



BUDGET BY AREA



FUNDING





Appendix 2: Changes in funding 2011/12 to 2024/25

	2011/12	%	2016/17	%	2019/20	%	2024/25	%
IJB Budgets and Family Health Services	394.4	46%	471.7	44%	524.2	44%	690.4	43%
Inpatient Mental Health	30.0	3%	35.0	3%	39.4	3%	54.2	3%
Acute Sector and Dr Grays Hospital	316.4	37%	413.8	39%	478.1	40%	633.8	39%
Facilities and Estates	59.0	7%	72.9	7%	81.3	7%	113.6	7%
Corporate Services	40.6	5%	51.1	5%	56.1	5%	69.2	4%
Other	19.9	2%	22.7	2%	16.6	1%	52.0	3%
Total	860.3	100%	1,067.2	100%	1,195.7	100%	1,613.2	100%