

# Medium Term Financial Framework

2023/24 to 2027/28

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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 17,700 staff and through a full range of contracted services (72 General Medical, 132 Pharmacy, 91 Dental and 57 Opticians) provide the full range of primary, community and specialist health services to the 586,000 people who live in Grampian. We have an extensive infrastructure and operate from 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.

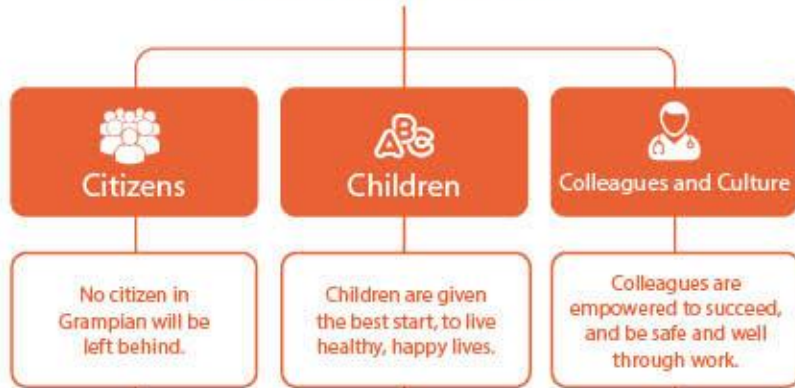
The purpose of this Medium Term Financial Framework (MTFF) is to ensure that resources are targeted at the delivery of the priorities set out in the NHS Grampian "Plan For The Future" and also to support the annual budget setting process. This Financial Framework will assist NHS Grampian to plan based 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 2023 -2028.





## 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.

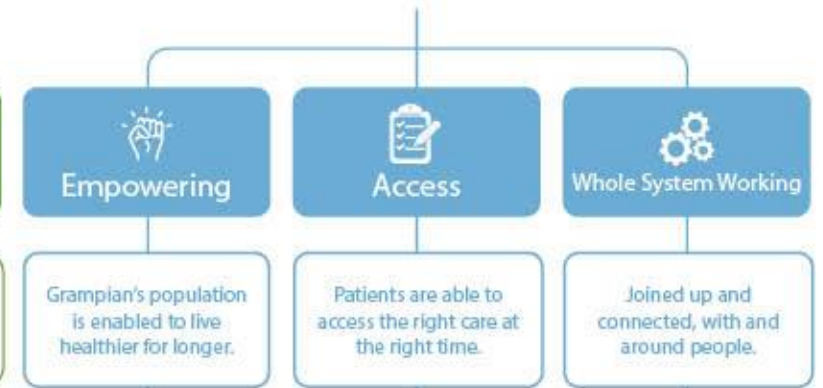
- Community assets are integrated in all that we do with and for communities.
- We use a place-based wellbeing approach in partnership with our communities.
- Grampian's communities are resilient.

- 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.



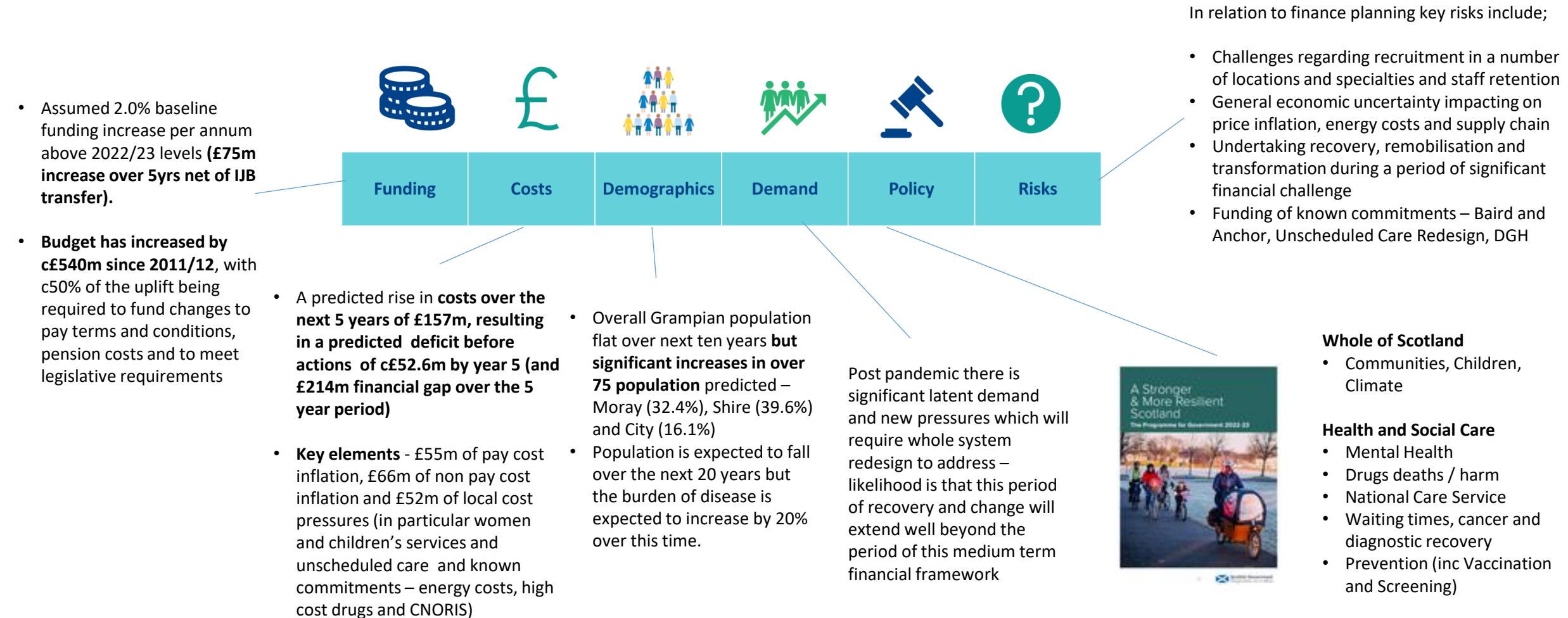
- Individuals are able to easily access and understand information to support themselves to live well.
- Individuals are empowered to manage their conditions in a way that best suits them.
- Mental and physical wellbeing are of equal importance as part of a holistic approach to healthcare.
- Secondary 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 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

## Source and allocation of funding (see Appendix 1)

Scottish Government is the main source of funding for NHS Grampian. 92% 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 nearly £540m since 2011/12 (see Appendix 2) and is due to increase by 2.0% for NHS Grampian in 2023/24.

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 2023/24 NHS Grampian has 10.71% of Scotland's population but receives 9.74% of funding under the NRAC formula. Grampian is one of the lowest funded areas per head of population in Scotland.

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. These cover Aberdeen City, Aberdeenshire and Moray. The HSCPs 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 HSCPs and the level of savings which the HSCPs 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 MTFE makes assumptions about the future funding levels from the Scottish Government based on an estimated increase of **2.0% per annum above 2022/23 levels**. Using this information it is forecast that Health Board baseline funding is likely to increase by £75 million between 2023/24 and 2027/28 (excluding the share of the funding uplift which goes to the HSCPs).

In addition we expect to receive earmarked funding in line with the Programme for Government – the largest funding allocations will be aligned to the policy commitments, in particular reducing drug deaths and harm from drugs and alcohol, planned care and cancer recovery and mental health (in particular CAMHS).

# 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 and demand pressures of £157 million over the next five years.

	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
Budget Pressures					
Pay Inflation	-7.4	-11.6	-11.8	-12.1	-12.3
Non Pay Pressures	-18.2	-12.0	-12.0	-12.0	-12.0
Local Pressures	-24.4	-10.9	-9.0	-4.0	-4.0
Income Uplift	12.6	1.0	1.0	1.0	1.0
<b>Total Budget Pressures</b>	<b>-37.4</b>	<b>-33.5</b>	<b>-31.8</b>	<b>-27.1</b>	<b>-27.3</b>
<b>Gross Financial Challenge</b>	<b>-77.1</b>	<b>-79.3</b>	<b>-76.1</b>	<b>-64.6</b>	<b>-52.6</b>

## Key assumptions

- Pay inflation – assume an annual increase of 2% (or that costs of national pay policy will be funded)
- Non pay inflation – year 1 is detailed projection. Years 2 -5 assume £2m for both General Inflation & Energy.
- Hospital drugs – reflected Scottish Medicines Consortium approvals and development of new personalised treatment regimes e.g. CAR-T treatment for blood cancers.
- Local pressures – includes provision for know future costs – Baird and ANCHOR plus general service developments to deal with high risk issues.

# Demographics

The impact of an ageing population, the need to remobilise services that operated at reduced levels during 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.

Age profile by 2028	Aberdeen	Shire	Moray
0-14	13.7%	16.2%	13.5%
15-29	21.2%	14.7%	15.6%
30-44	24.2%	18.6%	18.1%
45-59	17.6%	20.5%	19.0%
60-74	15.1%	19.1%	21.1%
75 & over	8.2%	10.9%	12.7%
All ages	100.0%	100.0%	100.0%

## Projected population at last birthday

Ages	2021
Population	
0-14	94,052
15-29	102,972
30-44	121,306
45-59	120,306
60-74	99,433
75 & over	49,143
All ages	587,212

## Aberdeen City

Over the next 10 years, 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

Over the next 10 years, 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

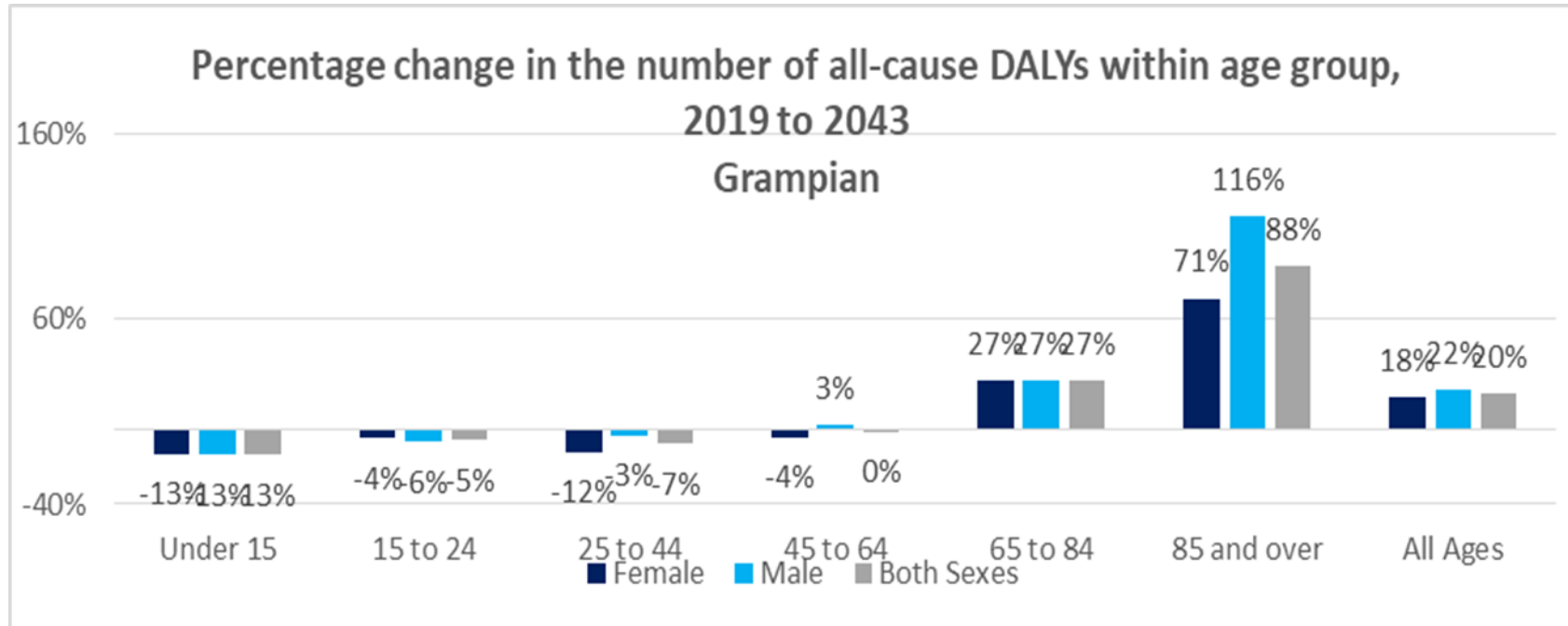
Over the next 10 years, the population of Moray is projected to decrease by 2.6% due to natural change (more deaths than births). Total net migration is projected to result in a population increase of 2.6% over the same period.

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 2022 the Scottish Government announced its Programme for Government which contained a number of plans for increased investment in the NHS over the term of the current Parliament. The key pledges are summarised below:

- Eradicate waits of over 18 months in most specialities by the end of this year for outpatients and September next year for inpatients/day cases; and waits of more than 1 year in most specialities by March 2023 for outpatients and September 2024 for inpatients/day cases.
- Invest £3 million this year through the long COVID Support Fund to assist those living with long-term effects of infection.
- Open the next 4 National Treatment Centres within the next year – in NHS Fife, NHS Forth Valley, NHS Highland and NHS Golden Jubilee.
- Invest a further £10 million to support cancer waiting times improvements.
- Expand the number of Rapid Cancer Diagnostic Centres (formerly known as Early Cancer Diagnostic Centres).
- Invest £50 million to help our NHS improve Accident & Emergency waiting times.
- Publish a new Mental Health and Wellbeing Strategy in the year ahead and a new long term suicide prevention strategy and delivery plan with CoSLA and develop a new dementia strategy.
- Expand the mental health workforce, aiming to increase the capacity of the service so it can take on an additional 10,000 cases.
- Invest a further £15 million in Children and Young People’s Community Mental Health and Wellbeing, and an additional £15 million in the Communities Mental Health and Wellbeing Fund for adults.
  - Introduce a Public Health (Restriction of Promotions) Bill to restrict such promotions, to make it easier for people to spend less and make healthier food choices.
- Continue work to reduce the public health emergency of drug deaths through our National Mission, increase the number of statutory funded residential rehabilitation placements by 300% by 2026, implement the Medication Assisted Treatment Standards, and publish a cross government Action Plan.
- Support progress of the National Care Service Bill through Parliament, paving the way for more integrated and person-centred care, ending the postcode lottery of care that exists across Scotland under the current system.



# National Policy

In respect of the Programme for Government, we have further expanded below on some specific changes that will impact over the period of this plan:

## **National Care Service**

In 2021 the Scottish Government announced its intention to set up a National Care Service for Scotland in order to improve the provision of social care across the country. The new service will be backed by significant new investment in social care. Proposals for how the National Care Service will operate are still being developed but the arrangements do have the potential to significantly change the way in which current Health & Social Care Partnerships operate and how primary care and community based health services are organised. Work on establishing the National Care Service will be a major theme over the term of this MTFF.

## **Safe and Effective Staffing**

Scottish Government plans to introduce the Health and Care (Staffing) (Scotland) Bill which seeks to make statutory provision about appropriate levels of staffing by the National Health Service and by providers of care services to enable safe and high quality care and improved outcomes for service users. This would apply to all health staff groups who deal with patients and to care services registered and inspected by the Care Inspectorate. The legislation will have implications for services delivered by NHS Grampian. It is too early to assess the detailed implications of this Bill, but it is an area which NHS Grampian will closely monitor to enable any financial and operational consequences to be fully understood.

## **Infrastructure Investment**

There are two major capital projects currently being progressed by NHS Grampian which will become operational during the term of this MTFF. These are the Baird & Anchor Project and the National Treatment Centre - Grampian. Whilst capital funding for these two projects will be provided by the Scottish Government, revenue funding will not. Both projects have significant revenue costs which will need to be reflected in the MTFF. The revenue costs are due to the increased facilities costs of the new buildings and additional staffing and non-pay costs for some services.

## **Primary Care**

The Scottish Government has recognised the increasing demands and expectations that are placed upon frontline services within primary care and is clear that the status quo is not an option. In support of this and to ensure the new GP contract can be fully implemented, the Scottish Government has announced that funding for Primary Care will increase by 25% over the life of the current Parliament.

## **Mental Health**

As part of the Mental Health Strategy 2017-2027, Scottish Government has made a commitment to increase direct Mental Health funding by at least 25% over the life of the current Parliament.

## **Regional Planning**

The Scottish Government's Health & Social Care Delivery Plan and the National Clinical Strategy set out the expectations for a modern health and care system for Scotland. This includes a requirement for organisations to focus on regional planning of services where appropriate. Health Boards in the North of Scotland are working together and connecting beyond traditional boundaries to build person centred and sustainable services.

# 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.

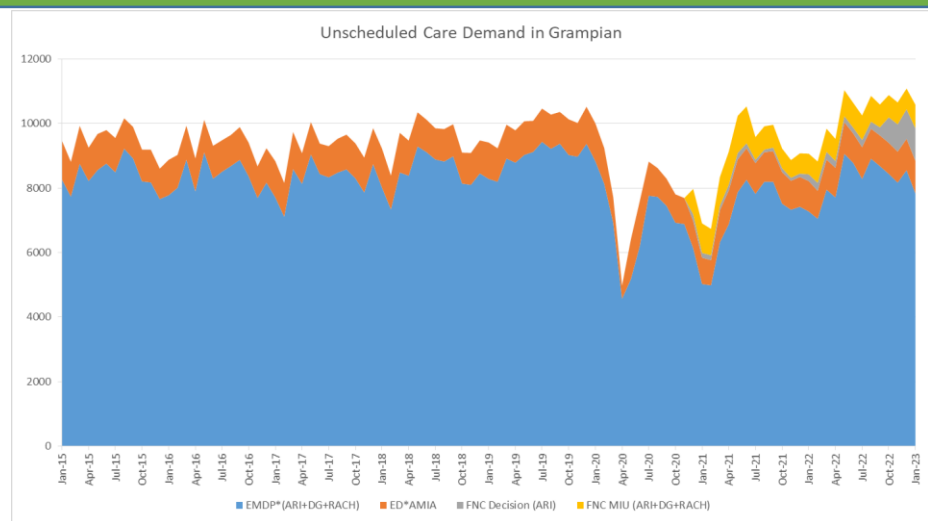
 **PATHWAYS**  
Enabling a partnership approach to our pathways of care.



# Demand

Post Covid 19 Pandemic, the Scottish Government is keen for the NHS in Scotland to recover and remobilise in order to restore activity back to pre-Covid levels and deal with the backlog of clinical activity that has built up during the pandemic. In reality it may take several years of increased capacity to clear backlogs. Moving to a position where Covid is treated as endemic rather than an epidemic and also securing greater workforce capacity will be key issues in the remobilisation effort. Prior to COVID, health and social care was facing demand pressures and understanding demand and capacity on a whole system basis will be key to determining our plans for the medium term

Unscheduled Care is now exceeding pre-Covid demand



Community Care services have been significantly impacted during the period of the COVID response and meeting future demand in the context of our changing demographics will be key

Primary Care contractors

Care Home & Homely settings

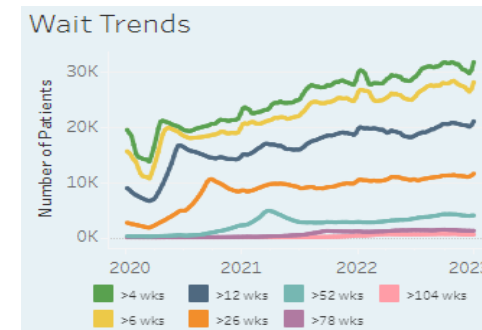
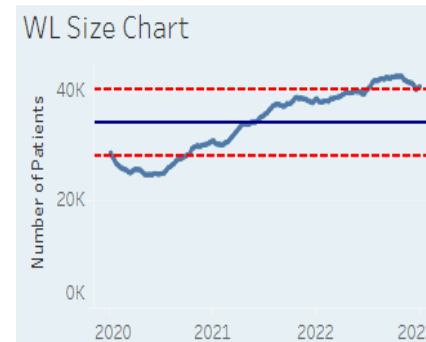
Care at Home

Community Hubs

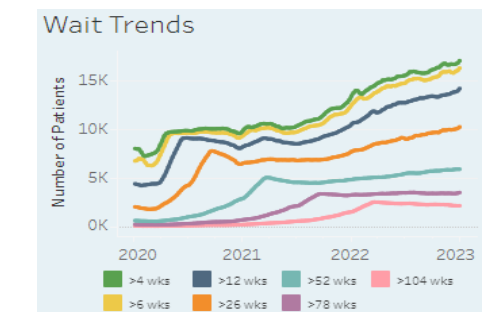
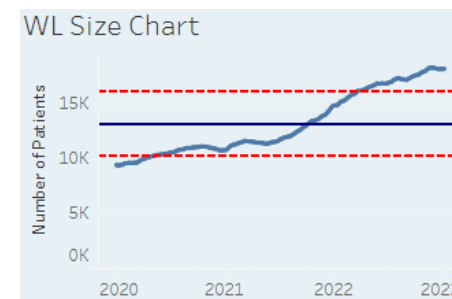
Addressing the waiting lists for treatment will be a key priority and the scale and size of the challenges will require a whole system approach.

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.

Focus on supporting the developmental milestones for children which will cause a much larger longer term impact if not addressed.



Consultant Outpatients List Size & Waiting Times have increased



TTG Inpatients - List Size & Waiting Times have increased



## **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 (February 2023) highlights the following economic factors:-

- Globally, economic conditions in the last quarter of 2022 weakened significantly, as pressures on household finances and falling business confidence impacted on consumer spending and investment.
- Growth in the Scottish economy stalled in the second half of 2022 with latest data showing flat growth in the three months to November 2022.
- The headline inflation rate fell slightly to 10.5% in December and may have peaked, although price pressures are expected to remain for some time.
- Wage rates are still increasing reflecting the tightness in the labour market although recruitment activity has slowed in some areas.
- The economy is expected to enter recession in 2023 rather than the second half of 2022. Forecasts suggest that inflation will fall but high interest rates will continue to put pressure on households and businesses.

## **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.

# Risk

## **Specific Financial Risks**

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:

### Pay & Pensions

Pay uplift of 2% has been assumed. If pay awards exceed this without additional funding from the Scottish Government then each additional 1% would increase NHS Grampian's financial gap by £6 million.

### Delivery of Savings Programme

Recurring efficiency savings targets of 3.0% are assumed. However, this target is significantly higher than the level of savings delivered in the last few years by NHS Grampian and will require a much stronger focus on efficiency. A number of savings schemes are likely to have a high risk of delivery and therefore there is a risk that the full target may not be delivered.

### Level of General Inflation

Continuing high levels of general inflation will put pressure on our non-pay costs. Although latest economic forecasts suggest that inflation may fall during 2023/24, the position is still volatile.

### Integration

No provision has been made in our plan to support the three Grampian HSCPs in dealing with overspends during the period of the MTF. This is a risk as they are likely to face similar financial pressures to NHS Grampian on their pooled budgets. We will work closely with the Chief Finance Officers to monitor the situation throughout the year. Potential impact of the National Care Service on NHS Grampian still being assessed.

### Prescribing

Uplift has been assumed in line with expert Pharmacy advice. Always a risk that new drugs will come on stream quicker than expected and that new SMC approvals for expensive drugs will be made without consideration of affordability. GP Prescribing budgets are fully delegated to the HSCPs.

# Trend Analysis

This table shows how NHS Grampian now spends £1 of resource in 2022/23 compared with 10 years ago in 2012/13:-

Heading	2012/13	2022/23	Change
Medical Staffing	£0.14	£0.14	
Nursing	£0.19	£0.21	+2p
Other Staff Groups	£0.17	£0.19	+2p
Drugs inc GP Prescribing	£0.14	£0.14	
Medical Supplies & Equipment	£0.06	£0.06	
Maintenance, Energy & Rates	£0.03	£0.03	
Resource Transfer	£0.03	£0.05	+2p
Cross Boundary Activity	£0.03	£0.02	-1p
Other Non Pay	£0.05	£0.02	-3p
Capital Charges	£0.02	£0.02	
Primary Care Services	£0.14	£0.12	-2p
<b>Total</b>	<b>£1.00</b>	<b>£1.00</b>	

We now spend a higher proportion of our resource on pay costs (54% pay / 46% non-pay) than we did 10 years ago when the split was 50/50.

# Section 3: Financial projections – five years to 2026/27

	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
B/F Underlying Deficit	-54.1	-60.6	-59.4	-52.9	-41.0
Scottish Govt Funding Uplift (net of transfer to HSCPs)	14.4	14.8	15.1	15.4	15.7
Budget Pressures					
Pay Inflation	-7.4	-11.6	-11.8	-12.1	-12.3
Non Pay Pressures	-18.2	-12.0	-12.0	-12.0	-12.0
Local Pressures	-24.4	-10.9	-9.0	-4.0	-4.0
Income Uplift	12.6	1.0	1.0	1.0	1.0
<b>Total Budget Pressures</b>	<b>-37.4</b>	<b>-33.5</b>	<b>-31.8</b>	<b>-27.1</b>	<b>-27.3</b>
<b>Gross Financial Challenge</b>	<b>-77.1</b>	<b>-79.3</b>	<b>-76.1</b>	<b>-64.6</b>	<b>-52.6</b>
Savings					
Efficiency (3%)	16.5	16.9	17.2	17.6	18.0
Sustainable Pathways of Care	0.0	3.0	6.0	6.0	6.0
<b>Total Savings</b>	<b>16.5</b>	<b>19.9</b>	<b>23.2</b>	<b>23.6</b>	<b>24.0</b>
<b>Net Financial Challenge</b>	<b>-60.6</b>	<b>-59.4</b>	<b>-52.9</b>	<b>-41.0</b>	<b>-28.6</b>

## Key points

- Improving annual position over the next five years with annual deficit falling from £60.6m in year 1 to £28.6m in year 5.
- Projections suggest that NHS Grampian will still not achieve revenue break even by 2027/28
- Projected financial gap over the next 5 years of £229m cumulative figure.
- A requirement to develop our strategy to achieve financial sustainability in the longer term
- Outwith Programme for Government Funding there will be limited opportunities in short to medium term to invest in new development other than through revenue neutral redesign.

# Section 4 – Principles & 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 MTFE is based on:-

1. Achievement of 3% recurring efficiency savings each year from general efficiency.

2 This will be based on a savings programme developed on an annual basis. It will focus on the following key areas :-

Prescribing	Agency Nursing	Medical Locums	Non Medical Agency
Digital	Income Generation	Estates	Energy Management & Waste
Procurement	Banding Payments	Transport	Overtime
Minimising Sickness Absence	Spend to Save Investments	Postage & Telecomms	Establishment Control

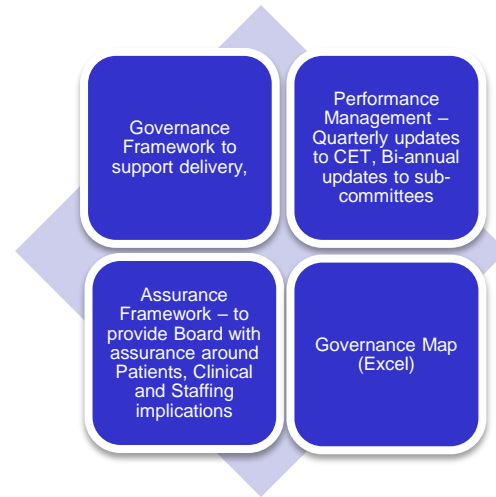


# Efficiency Savings - Approach to Development

- A cross system local value and sustainability group has been set up.
- Engagement with whole system on efficiency savings themes and ideas,
- Review of financial monitoring and current recovery plan,
- Have cross referenced themes against the national sustainability and value work,
- Further checks against national Director of Finance work.
  
- This is not a salami slicing type of approach,
- Corporate/system wide approach
- Clinical, Staffing and Patient implications are at the forefront ,
- Aim to improve our efficiency rather than changing service levels wherever possible.

# Efficiency Savings - Governance

- Named Exec Lead and Lead Officer,
- Existing Groups where possible,
- Cross System Working lens,
- Groups commissioned by Exec Lead to provide a high level plan early April each year.
- Local Value and Sustainability Group to act as Programme Management Office.



# Development of Sustainable Pathways of Care

From year 2 onwards, annual 3% efficiency savings will be supplemented by savings from the development of Sustainable Pathways of Care in line with the direction of NHS Grampian's "Plan for the Future". This work will be based on the Cross System Principles of:

People own what they help create

Real change happens in real work

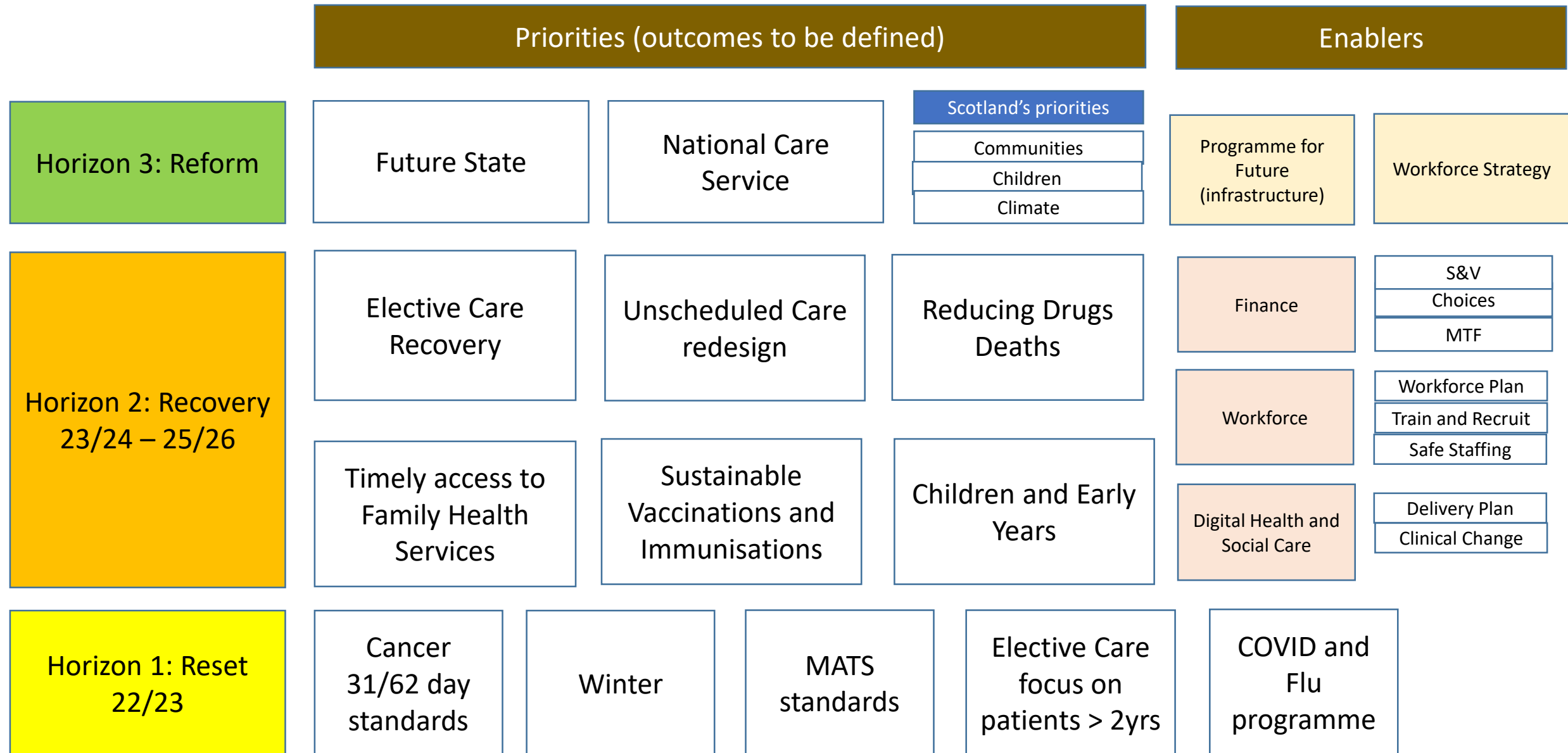
Those who do the work, do the change

Connect the system to more of itself

Start anywhere, follow it everywhere

The process you use to get to the future is the process you get

# Longer Term - Agreeing priorities across the three horizons (indicative only)



# 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.

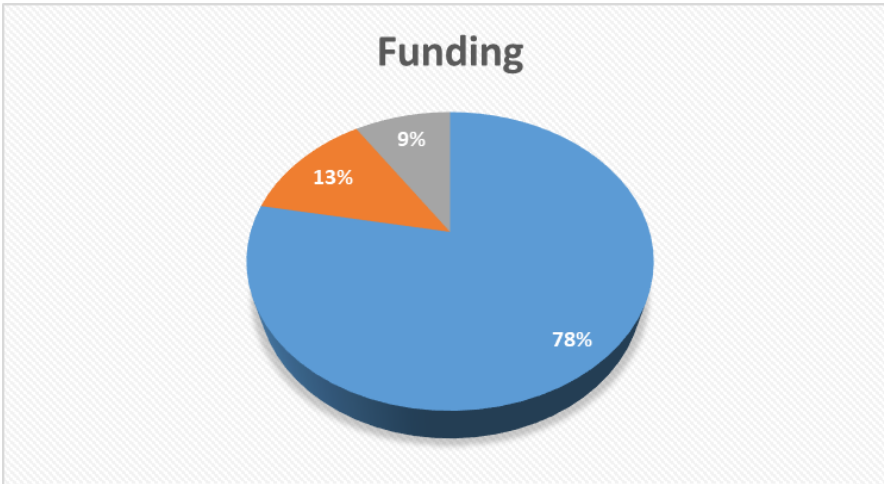
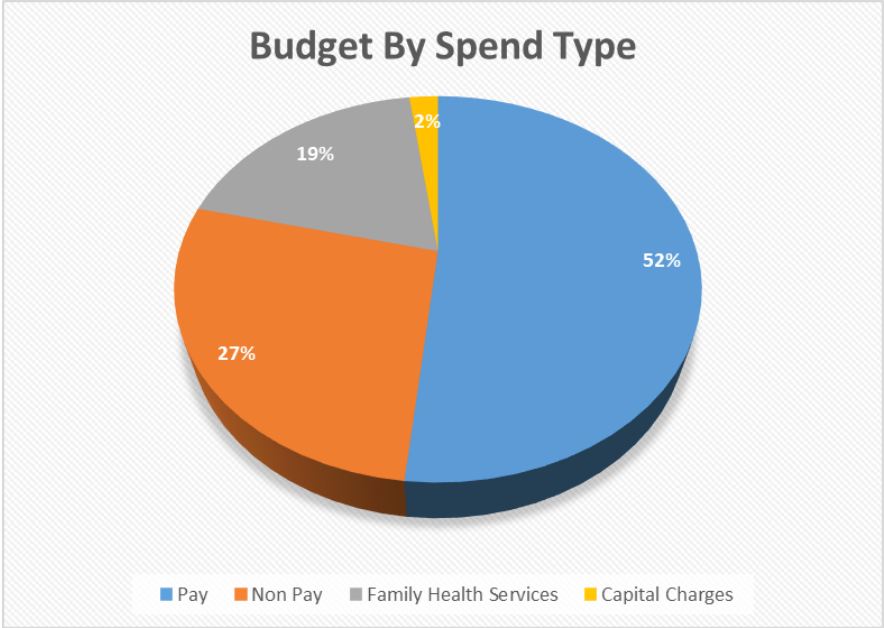
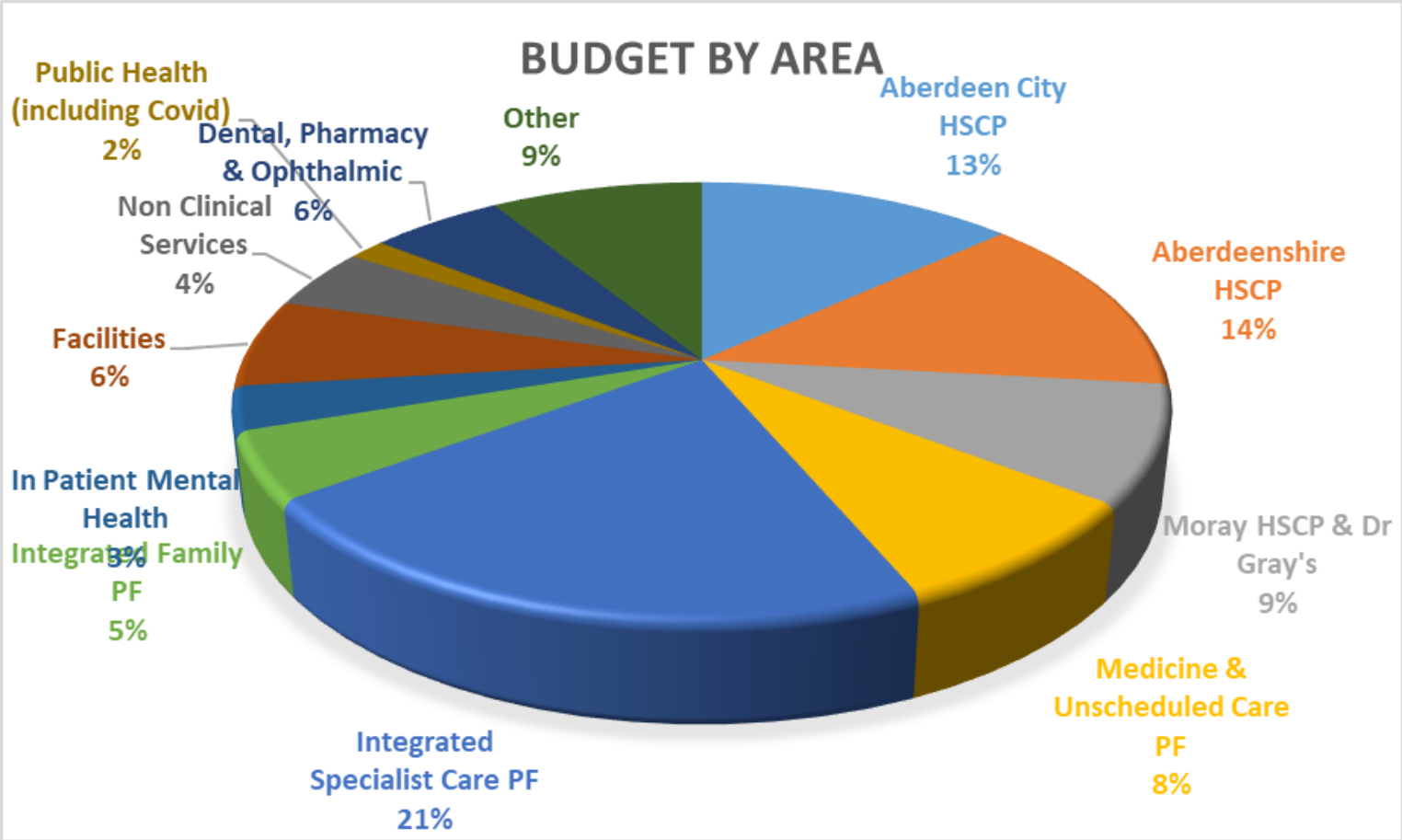
The table below shows what would happen if the main assumptions increase by 1%. For example, if pay awards were 1% higher than the assumptions made in the model, this would represent an additional cost of £6.0 million in 2023/24.

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

	2023/24	2024/25	2025/26	2026/27	2027/28
	£m	£m	£m	£m	£m
<b>Funding</b>					
1% Scottish Govt Increase	7.3	7.4	7.5	7.7	7.9
1% Scottish Govt Decrease	-7.3	-7.4	-7.5	-7.7	-7.9
<b>Costs</b>					
1% Pay Increase	-6.0	-6.1	-6.2	-6.4	-6.5
1% Non-Pay Increase	-3.6	-3.7	-3.7	-3.8	-3.9
0.25% Demographic Increase	-3.4	-3.5	-3.6	-3.7	-3.8
1% Pay Decrease	6.0	6.1	6.2	6.4	6.5
1% Non-Pay Decrease	3.6	3.7	3.7	3.8	3.9
0.25% Demographic Decrease	3.4	3.5	3.6	3.7	3.8

To understand the implications of changes in assumptions a number of scenarios will be tested using a combination of different changes in the main assumptions. These scenarios will be included in the next update of the plan.

# Appendix 1: Overview of current budget by area / type





# Appendix 2: Changes in funding over twelve years to 2022/23

	2011/12 (£m)	%	2016/17 (£m)	%	2019/20 (£m)	%	2022/23 (£m)	%
IJB Budgets & Primary Care	394.4	46%	471.7	44%	524.2	44%	577.5	41%
Inpatient Mental Health	30.0	3%	35.0	3%	39.4	3%	48.7	3%
Acute & Dr Gray's	316.4	37%	413.8	39%	478.1	40%	561.2	40%
Facilities & Estates	59.0	7%	72.9	7%	81.3	7%	98.3	7%
Corporate Services	40.6	5%	51.1	5%	56.1	5%	68.1	5%
Other	19.9	2%	22.7	2%	16.6	1%	45.8	3%
<b>Total</b>	<b>860.3</b>	<b>100%</b>	<b>1067.2</b>	<b>100%</b>	<b>1195.7</b>	<b>100%</b>	<b>1399.6</b>	<b>100%</b>