

NHS Ayrshire & Arran

Meeting:	Ayrshire and Arran NHS Board
Meeting date:	Tuesday 7 April 2026
Title:	Financial Plan 2026/27 – 2028/29
Responsible Director:	David Stonehouse, Director of Finance
Report Author:	Rob Whiteford, Assistant Director of Finance

1. Purpose

This is presented for:

- Discussion

This paper relates to:

- Annual Operational Plan

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

- Effective

2. Report summary

2.1 Situation

NHS Ayrshire & Arran submitted its three-year Financial Plan to the Scottish Government on 16 March 2026, following approval at the private meeting of the NHS Board on the same date. The Scottish Government has since confirmed its agreement to the plan as submitted. The Board is therefore asked to note the approved position presented within this paper.

2.2 Background

The Board is now at escalation level 4 as a result of a prolonged period of deficit. For 2025/26 the deficit plan approved by the Board was £33.1 million. Scottish Government required a deficit not exceeding £25 million. Viridian Associates were engaged during 2025/26 and more recently a turnaround director has been appointed.

The forecast outturn for 2025/26 is £25 million at Month 11 in line with Scottish government expectations however the improvement from the month 9 forecast of £40.2m is driven by non recurrent means including additional resources from Scottish Government.

Deficit Support for 2026/27 has been confirmed as £45 million, with a clear expectation that we agree a plan in line with these assumptions. This requires delivery of efficiency savings of £36.2 million inclusive of IJBs achieving breakeven.

The plan includes changes from the initial submission to Scottish Government on 2 February and is in line with the assumptions presented at the Board workshop on the 12 March 2026.

2.3 Assessment

Appendix A – 2026/27 to 2028/29 Financial Plan

Appendix B – 2026/27 Best Value Programme

Appendix C – Temporary Staff Spend

2.3.1 Quality/patient care

Savings schemes are subject to a Quality Impact Assessment prior to implementation.

2.3.2 Workforce

The plan includes provision for pay awards in line with national guidance.

2.3.3 Financial

Cost pressures exceeding the funding uplift for 2026/2027 require to be met by our Best Value Savings Programme.

2.3.4 Risk assessment/management

Risks are assessed through the relevant governance routes.

2.3.5 Equality and diversity, including health inequalities

An impact assessment has not been completed because a diverse range of cost pressures are identified. Impact assessments are being completed for individual programmes of change to deliver savings.

2.3.6 Best Value

This paper support Best Value across the following themes.

- Use of resources

2.3.6 Other impacts

There are no other impacts.

2.3.7 Communication, involvement, engagement and consultation

The Board has carried out its duties to involve and engage external stakeholders where appropriate through pay and supplies group meetings. Savings plans at this stage are derived from working with Viridian Associates.

2.3.8 Route to the meeting

Cost Pressures have been previously considered by the following groups as part of their development. The groups have either supported the content, or their feedback has informed the development of the content presented in this report.

- Pay and Supplies Group
- 2nd February submission discussed by Performance Governance Committee
- Corporate Management Team Workshop on 18 February
- NHS Board workshop on 12 March

- Performance Governance Committee on 12 March
- NHS Board private meeting on 16 March

2.4 Recommendation

Board Members are asked to note that NHS Ayrshire & Arran submitted its three-year Financial Plan to the Scottish Government on 16 March 2026, following approval by Members at the NHS Board Private meeting on 16 March, and that the Scottish Government has approved the plan as submitted.

Members are also asked to note that the plan sets out a projected deficit of £45 million in 2026/27, £30 million in 2027/28, £15 million in 2028/29. Years two and three remain indicative and reflect national planning assumptions, with the plan underpinned by the requirement to deliver recurrent savings across the three-year period.

Appendix A – 2026/27 to 2028/29 Financial Plan

- 2.3.1 Following the first draft submission the opening underlying deficit was reviewed. This resulted in a benefit of £2.6 million which has been used to provide a source of funds for £0.4 million of additional pressures and a £2.2 million contingency for business cases not yet considered. In addition the presentation has been changed to reflect a more representative underlying opening position and in year cost pressure value
- 2.3.2 Scottish Government have notified a 2% recurring uplift on baseline funding for 2026/27.
- 2.3.3 The Board received a non-recurring sustainability payment of £18.3 million in 2025/26. This reduces to £10.9 million in 2026/27.
- 2.3.4 Cost Pressures and developments have been aggregated.
- 2.3.5 Scottish Government require 3% (of our recurring baseline) as a minimum savings target. At the time of writing the Board does not have a fully developed plan to deliver this, but the full expected value is shown. An additional efficiency target is included in each year which brings the board to the level of deficit support available from Scottish Government. It is vital to understand this does not represent the value of Value Based Efficiency initiatives with fully worked up schemes.
- 2.3.6 The resulting financial plan is summarised below.

	26/27 2nd Feb £000	26/27 now £000	Movement £000	27/28 £000	28/29 £000
Opening Recurring Deficit	(65,500)	(75,397)	(9,897)	(63,818)	(34,520)
Additional Recurring Funding	42,705	42,705	0	21,974	22,413
Recurring Cost Pressures	(77,185)	(67,288)	9,897	(36,963)	(38,466)
Recurring Deficit before efficiency	(99,980)	(99,980)	0	(78,807)	(50,573)
Value Based Efficiency at 3%	23,818	23,818	-	24,414	24,901
Efficiency > 3% required to balance	-	7,444	7,444	19,873	9,187
JB return to breakeven		4,900	4,900		
Sub Total Recurring Efficiency	23,818	36,162	12,344	44,287	34,088
Recurring Deficit after efficiency	(76,162)	(63,818)	12,344	(34,520)	(16,485)
Non Recurring Income	150	150	0	150	150
Sustainability Funding	10,905	10,881	(24)	7,270	3,635
Non Recurring Expenditure	(4,037)	(4,146)	(109)	(2,900)	(2,300)
Non Recurring Efficiency	1,500	11,933	10,433	0	0
Final Plan Value	(67,644)	(45,000)	22,644	(30,000)	(15,000)
Deficit Support	25,000	45,000		30,000	15,000
Gap to support level		(0)		(0)	(0)

The required efficiency equates to 4.1%, 4.8% and 3.8% of baseline funding for the years 26/27, 27/28 and 28/29 respectively. For 2027/28 and 2028/29 reduced levels of sustainability funding and deficit support drive these levels of required savings. All other income and expenditure projections beyond 2026/27 are informed by Scottish Government guidance where available and local knowledge and judgement where not.

The efficiency savings shown above exclude savings to be delivered by IJB colleagues. It is also important to note the £36.2 million savings target for 2026/27 is partially driven by a £4.9 million cost pressure included for IJB deficits. This is expected to be managed to breakeven during the year.

2.37

Opening Recurring Deficit

This has been reviewed to show a more accurate balance between the opening recurring deficit and in year cost pressures.

	£000
2nd Feb Recurring Deficit	(65,500)
Other Net Movements	2,603
Primary Care Prescribing NR Underspend	(4,000)
New Medicines Fund	(8,500)
Total now	(75,397)

These changes have not affected the final plan value as in year cost pressures have been updated accordingly.

2.4 Funding/Income

	2nd Feb Submission £000	Current Version £000	Movement £000
Additional Income Recurring			
Uplift at 2%	21,000	21,000	0
AFC Reform	10,905	10,905	0
Additional Pay	10,800	10,800	0
Total	42,705	42,705	0

2.4.1 The Board will receive an uplift of £21.0, 2% of our recurring baseline.

2.4.2 The Board will receive £10.9 million to fund AFC Reform.

2.4.3 The Board will receive £10.8 million funding for pay awards. Pay awards are treated as fully funded on the advice of Scottish Government.

2.4.4 A minor change to Sustainability Funding has been made to the 2nd February submission.

3. Summary Cost Pressures

3.1

	2nd Feb Submission £000	Current Version £000	Movement £000
Recurring Cost Pressures			
Pay Related	31,744	31,744	0
IJB Baseline Uplift	6,017	6,017	0
IJB Deficit Projections	4,900	4,900	0
Prior Commitments	2,559	2,559	0
Clinical Cost Pressures	13,472	13,617	(145)
Non Clinical Cost Pressures	1,733	1,733	0
Prescribing	16,760	6,718	10,042
Total	77,185	67,288	9,897

Cost Pressures total £67.3 million for 2026/2.7 Each area in the table above is expanded on below, with the main change being the removal of £10.0 million of prescribing pressures included in the opening recurring deficit. This change is neutral to the overall plan.

4. Pay Related

	2nd Feb Submission	Current Version	Movement
Pay Related	£000	£000	£000
AFC Pay Awards 2%	7,191	7,191	0
AFC Pay Awards 1.75%	6,292	6,292	0
CPI on Pay awards	0	0	0
Medical and Dental 2%	2,506	2,506	0
Medical and Dental 1.0%	1,253	1,253	0
Discretionary awards	200	200	0
Senior Managers 2%	40	40	0
Senior Managers 1.0%	20	20	0
Pay Top-Up for HSCPs	3,235	3,235	0
PVG Increase	102	102	0
Reduced Working Week	10,905	10,905	0
Band 5 to 6 Review Recurring	0	0	0
Safe staffing	0	0	0
Total	31,744	31,744	0

4.1 Pay awards

Agenda for change. Pay awards of 2% are covered by the baseline funding uplift. The additional 1.75% is included as a cost pressure and is matched by additional income.

Medical and Dental. Pay awards of 2% are covered by the baseline funding uplift. The additional 1% is included as a cost pressure and is matched by additional income. Senior Managers are treated similarly.

£3.2 million is included as the cost of HSCP pay awards in excess of 2%.

- 4.2 The pressure arising from the additional Reduced Working Week reduction of 1 hour is assumed to match the funding uplift of £10.9 million.
- 4.3 It is assumed that the Band 5-6 Review and any (as yet indeterminate) costs arising from Protected Learning Time are covered by the previously issued £10.9 million AFC Reform funding.
- 4.4 Discretionary points for consultants cost an extra £200,000 a year.
- 4.5 There have been no changes since the 2nd February submission.

5. HSCP Baseline Uplifts

	2nd Feb Submission	Current Version	Movement
HSCP Baseline Uplift	£000	£000	£000
HSCP Pass through East	1,815	1,815	0
HSCP Pass through North	2,891	2,891	0
HSCP Pass through South	1,311	1,311	0
Total	6,017	6,017	0

- 5.1 IJBs are given a 2% allocation uplift on their recurring baseline out of the £21.0 million uplift allocated to the Board. In addition the board will pass through pay award funding in excess of 2%. This is included in section 4. These figures are presented on a managed service basis.
- 5.2 There have been no changes since the 2nd February submission.

6. IJB Deficit Projections

	Current Version	2nd Feb Submission	Movement
IJB Deficit Projections	£000	£000	£000
South IJB Deficit Projection	2,000	2,000	0
North IJB Deficit Projection	1,500	1,500	0
East IJB Deficit Projection	1,400	1,400	0
Total	4,900	4,900	0

- 6.1 These projections have been sourced from information provided by IJBs to inform the Board Workshop following the budget announcement.
- 6.2 These deficits have been included with the expectation being that a recovery plan and/or other measures will be taken to ensure a break even position.

7 Prior Commitments

	2nd Feb Submission	Current Version	Movement
Prior Commitments	£000	£000	£000
M365 New contract	121	121	0
Healthcare Science Director	40	40	0
Right Decision Service (RDS)	52	52	0
PMO Investment	500	500	0
Enhanced Observations Team	1,846	1,846	0
Total	2,559	2,559	0

- 7.1 Our share of the increase in the newly agreed national contract for Microsoft 365 is a £0.121 million increase.
- 7.2 A requirement from Scottish Government to have Director leadership on Health Sciences. Possibility to recruit sub nationally - £0.04 million provided.
- 7.3 Scottish Government ceased funding to HIS per letters from Christine McClaughlin. 50% funded by SG in 2026/27.

- 7.4 CMT approved investment in expanded PMO function. Some posts will be funded from existing resource.
- 7.5 CMT approved investment of £1.85 million in permanent nursing resource to avoid bank and agency spend on mental health nursing and HSCWs.
- 7.6 There have been no further changes since the 2nd February submission.

8. Clinical cost pressures

	2nd Feb Submission	Current Version	Movement
Clinical Cost Pressures	£000	£000	£000
Labs managed service contract infla	200	200	0
Labs non managed service contrac	111	111	0
NDC Inflation 3.04%	450	450	0
InsulinPumps	500	500	0
SLAs 2%	3,500	3,500	0
GGC SLA increase	5,600	5,600	0
Hold for Business Cases	0	2,204	(2,204)
Optimal Lung	171	0	171
Radioisotopes for Nuclear Medicine	45	0	45
Audiology Supplies	50	0	50
Contrast media for CT scans/ Medic	257	0	257
Other Theatre Supplies	300	0	300
Child Packages of Care	393	0	393
Sporicidal wipes Asceptic Suite	76	0	76
Lab tests outwith Ayrshire Microbiol	82	0	82
Lab tests outwith Ayrshire Biochem	96	0	96
Lab tests outwith Ayrshire Vitamin E	132	0	132
Lab tests outwith Ayrshire Patholog	49	0	49
Lab tests outwith Ayrshire Metabolic	20	0	20
Biochemistry Test Volumes	680	0	680
Bed Replacement	150	150	0
National Services	200	200	0
Increased TAVI	230	110	120
Infix	80	80	0
Gendrive Gen Testing	0	8	(8)
Negative Pressure Wound Dressing	0	39	(39)
NSD - Specialist Cardiac for Children	0	227	(227)
Radionuclide GGC	0	138	(138)
PACS	100	100	0
Total	13,472	13,617	(145)

- 8.1 Inflation uplift on service level agreements (SLAs) is provided for at 5%, £3.5 million. This is a 2% base uplift plus 3% assumed efficiency. Note that in recent years providers have negotiated an uplift in excess of the baseline %. This is a risk not provided for in this plan.

- 8.2 SLA charges from GGC will increase by £5.6 million recurrently in 2026/27 following a re-evaluation of their cost base. Detailed scrutiny of these charges and a review of our own charges to other health boards forms part of our 2026/27 efficiency programme.
- 8.3 A detailed calculation based on NDC issues informs a likely inflationary increase of £0.45 million in 2026/27.
- 8.4 Our service managers have requested a recurring budget for bed replacement. This is preferable to current hire / short term arrangements and important for patient care. £0.15 million will allow rolling replacement of c50-75 beds per annum.
- 8.5 Top slices for National Services are estimated to increase by £0.2 million.
- 8.6 The Board has resource for 49 TAVI procedures performed at GJNH. Demand consistently exceeds this and provision of an additional £0.23 million provides for an additional 8 procedures.
- 8.7 PACS is a national radiology imaging system and costs have been approved nationally. £0.1 million additional for NHS A&A (this is a holding number).
- 8.8 Contracts for consumables in laboratories have built in inflationary rises within the managed service contracts and for other suppliers.
- 8.9 Since the 2nd February plan cost pressures for a national specialist cardiac development at £0.2 million and the relocation of the radionuclide dispensary centre at £0.1 million have been included. These have been deducted from the holding value in section 8.10 below.
- 8.10 In this section cost pressures which are already within the underlying deficit have been removed. This has been largely offset with a holding value of £2.2 million pending the outcome of directorate business cases which are not covered by current spend.

9. Non-clinical Cost Pressures

	2nd Feb Submission	Current Version	Movement
Non Clinical Cost Pressures	£000	£000	£000
Water. Council Tax, trade effluent	89	89	0
Rates	554	554	0
Energy Levy	30	30	0
Non Clinical and Clinical Waste	53	53	0
Food Provisions	225	225	0
E-health Maintenance agreements Infr	244	244	0
Laundry	108	108	0
PFI inflation	205	205	0
EMIS	145	145	0
Waste Incinerator (HAssockRigg NSS)	80	80	0
Total	1,733	1,733	0

- 9.1 Water charges and council tax bills are expected to rise by £0.089 million.

- 9.2 Rates will rise by £0.554 million.
- 9.3 An energy levy will result in an additional £0.03 million cost pressure.
- 9.4 Contracts for clinical and non-clinical waste disposal include an annual increase in cost per tonne. The 2026/2027 increase will cost £0.053 million.
- 9.5 Catering supplies incur inflation related increases through national procurement contracts. £0.225 million is the additional requirement based on procurement contracts.
- 9.6 Most maintenance agreements and service contracts have a built-in inflationary increase. The cost pressure for 2025/2026 is £0.244 million.
- 9.9 Laundry services are delivered by NHS Lanarkshire on behalf of three Boards. The estimated increase for NHS Ayrshire and Arran is £0.108 million.
- 9.8 PFI contracts have built in inflation increases. The value for 2026/27 is £0.205 million.
- 9.9 The EMIS software charges will increase by £0.145 million per annum.
- 9.10 A contingency arrangement for clinical waste disposal directed by Scottish Government requires NHS A&A to contribute £0.08 million to NSS.
- 9.11 There have been no changes since the 2nd February 2026 submission.

10. Prescribing

	2nd Feb Submission	Current Version	Movement
Prescribing	£000	£000	£000
Primary Care Prescribing	1,466	1,466	0
Secondary Care Prescribing	2,993	1,451	(1,542)
NSD Risk Share Eplontersen	561	561	0
NMF Prescribing	11,740	3,240	(8,500)
Total	16,760	6,718	(10,042)

- 10.1 Primary Care Prescribing pressures are £1.466 million. This includes a 2% volume increase and a 3% price increase over 2025/26 actuals. The requirement has been reduced in 2026/27 as there is an expected underspend of £4.0 million in 2025/26.
- 10.2 Secondary Care Prescribing pressures have been provided following a detailed exercise undertaken by Pharmacy colleagues. These total £2.993 million, of which £1.451 million are new in 2026/27.
- 10.3 A proposal to add new ultra orphan drug Eplontersen to the NSD risk share (potential 20 patients at cost of £7.7m nationally) was recommended for approval nationally. NHS A&A share is £0.561 million.
- 10.4 The New Medicines Fund will overspend by c£8.5 million in 2025/26. Horizon Scanning information for 2026/27 shows £3.24 million additional cost.

10.5 The cost of newly approved medicines is a material pressure on the Health Board. These levels of annual increase are unaffordable in the context of the imperative to improve our financial position.

10.6 The £1.452 million removed from Secondary Care prescribing represented an existing overspend and was in the recurring deficit.

11. Non-Recurring Expenditure

11.1 The following non-recurring expenditure is planned. There have been two minor changes since the 2nd February submission.

	2nd Feb Submission	Current Version	Movement
Non Recurring Cost Pressures	£000	£000	£000
Food Fluid and Nutrition	158	158	0
Symphony Extension	137	137	0
Loss of Income - Ayr Nursery	60	60	0
International Medical Graduates	135	135	0
e-rostering implementation	520	520	0
Evaluation Panel band 5-6	747	747	0
Business systems replacement per pa	2,000	2,000	0
Business systems replacement additio	0	0	0
COVID Enquiry	130	130	0
Scan for Safety	150	150	0
GP AUCS Legal Case	0	0	0
Radionuclide GGC	0	78	78
PLICS Implementation	0	31	31
Band 5-6 Review Backdated	0	0	0
Total	4,037	4,146	109

12. Budget Realignment

12.1 Work is being undertaken to recognise legitimate recurrent cost pressures within the run rate of acute budgets that have been growing for several years. This has led to a significant budget realignment. To the extent these cost pressures are within the expenditure run rate they can be appropriately added to base budgets. This effectively creates a negative acute reserve as part of our underlying deficit.

The purpose of this adjustment is two-fold:

- Improved clarity for the budget management performance framework
- The ability to recognise genuine efficiency savings appropriately within budget

It is important to note that where underspends (e.g vacant posts) are netting against the aforementioned pressures this has to be factored into the budget moving forward in order to maintain a neutral budget position. This restricts the organisations ability to capture non recurring savings on held vacancies.

13. Non-Recurring Income

	2nd Feb Submission	Current Version	Movement
Additional Income Non Recur	£000	£000	£000
Sustainability Funding	10,905	10,881	(24)
Scan for Safety	150	150	0
Total	11,055	11,031	(24)

- 13.1 The Board received a non-recurring sustainability payment of £18.3 million in 2025/26. This reduces to £10.9 million in 2026/27.
- 13.2 The Board expects funding from Scottish Government to implement Scan for Safety, a tracking system for implants and devices.
- 13.3 There have been no material changes since the 2nd February 2026 submission.

14 Savings

- 14.1 The Board must achieve a minimum of 3% recurring Cash Releasing Efficiency Savings, measured as 3% of its recurring baseline. This includes IJB savings and is £32.8 million. IJB savings do not belong to the Board.

As highlighted in section 2.3.6 the start-point savings requirement in order to achieve an agreed deficit plan is £36.2 million.

- 14.2 The gross savings programme (Appendix B) discussed at the Board Workshop and updated as at the 26th of March far has quantified opportunities of circa £24.7m (above 3%) and we are assuming IJB's achieve breakeven. This gives the latest headline gap to be identified of £6.6m.

As discussed at the workshop a number of further scheme areas are still being scoped to bridge the gap.

- 14.3 As at the 26th of March the plans in which we have a high degree of confidence in terms of size of opportunity and delivery total £18.6m, with a further £3.2m where we are confident about the opportunity but have delivery/implementation risk. The balance of £2.9m required further review alongside additional scheme identification to bridge the aforementioned £6.6m gap.
- 14.4 The status of our savings programme is captured as Appendix B. This is a "snapshot" as the programme continues to develop.
- 14.5 As the plan requires "cash out" the major component of delivery (route to cash) has logically to be temporary staffing. As can be seen at Appendix C there is a significant opportunity to make improvement.

15. Recommendation

- 15.1 The committee is asked to approve the financial plan for 2026/2027 to 2028/29. This is a deficit budget of £45.0 million in 2026/27, £30 million in 2027/28 and £15 million in 2028/29.

2026/27 Best Value Plan – Programme Level



Programme	Director Sponsor	Indicative Savings High (£'000)	Indicative Savings Medium (£'000)	Indicative Savings Low (£'000)	Recurrent / Non recurrent	
Acute Prescribing	Crawford McGuffie	3,000			Recurrent	
Primary Care Prescribing	Caroline Cameron	4,000			Recurrent	
Acute	Vicki Campbell	4,571			Recurrent	
ISS	Nicola Graham	1,674			Recurrent	
Procurement	David Stonehouse	3,902			Recurrent	
Corporate Efficiencies	David Stonehouse	1,400			Recurrent	
Nursing Workforce	Jenny Wilson		3,000		Recurrent	
Transport	Lynne McNiven		200		Recurrent	
Acute	Vicki Campbell			1,478	Recurrent	
Medical Workforce	Vicki Campbell			1,466	Recurrent	
		18,547	3,200	2,944	BV Plan Total	24,691
					IJB return to balance	4,900
					BV Plan + IJB Savings	29,591

Appendix C – Temporary Staffing Spend

M10 Extrapolated to M12

	Agency	Bank	WLI	Overtime	Total
Acute	£000	£000	£000	£000	£000
Access (wt)	300	46	-	-	346
Acute Mgt	-	181	-	16	197
Acute Other	-	59	-	41	100
Ayr Medical Records	-	-	-	23	23
Crosshouse Medical Records	-	-	-	66	66
Emergency Ayr	719	2,867	-	41	3,626
Emergency Chouse	1,856	4,834	278	97	7,066
Frailty	62	170	-	-	233
Labs + Diagnostics	582	89	664	246	1,580
Management Covid	-	2	-	60	62
Medical - Ayr	2,581	4,352	30	60	7,024
Medical - Chouse	1,982	5,154	151	175	7,463
Surgical - Ayr	685	1,258	997	154	3,094
Surgical - Chouse	715	2,125	757	44	3,642
Women + Children	174	788	252	-	1,214
Xhouse Covid	11	-	-	-	11
Total	9,668	21,925	3,130	1,022	35,746