

NHS Greater Glasgow and Clyde	Paper No. 25/46a
Meeting:	NHSGGC Board Meeting
Meeting Date:	29 April 2025
Title:	Financial Plan 2025/26-2027/28
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1. Purpose

The purpose of this report is to: to provide the Board with the Financial Plan for 2025/26 to 2027/28.

2. Executive Summary

The paper can be summarised as follows:

Scottish Government requested that a draft 3-year plan was submitted by the 27th of January 2024 with a final version submitted by the 17th of March 2024. Confirmation was received on the 31st of March 2025 that Scottish Government has approved the NHSGGC financial plan which is detailed in this paper. However it was noted when submitted that this plan was still subject to Board approval.

This version of NHSGGC 3-year plan was recommended for approval by the Finance, Planning and Performance Committee on the 8th of April 2025.

There have been a number of changes since the initial draft. The position for 2025/26 previously noted a deficit of £47.5m, however due to confirmation of a non-recurring sustainability payment from Scottish Government of £55.1m, NHSGGC is now able to report a **balance position**. However, it should also be noted that the overall financial challenge for 2025/26 is **£217.8m** which has increased by £7.6m since the previous version.

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The updated Financial Plan highlights a balanced budget for 2025/26 and a deficit of £42.6m and £0.2m for the subsequent years. This is on the assumption that recurring savings of **£93.7m** are achieved in 2025/26, £97.9m in 2026/27 and £99.2m in 2027/28. It is imperative that the recurring savings are achieved to reduce the recurring deficit going forward as outlined in the 3-year plan.

The recurring financial challenge is £208.2m with an additional £9.6m of non-recurring pressures giving an overall financial challenge of **£217.8m**, which requires NHSGGC to maximise all opportunities on both a recurring and non-recurring basis to improve this position. Therefore, it is important that there is a full review of all income and expenditure and all recurring and non-recurring opportunities are acted upon.

It should also be noted that the financial plan does not include all costs associated with current system pressures / overspends, meaning that there are non-recurring pressures that need to be considered beyond the baseline financial plan and work will be required to mitigate or provide coverage for these during the financial year.

The following assumptions have been used in the compilation of the plan: -

- Baseline uplift of 3% for each of the 3 years.
- NRAC share of New Medicines fund of £250m
- Pay awards for all years are fully funded.
- Recurring savings of £55.6m are achieved in 2024/25 to ensure the brought forward recurring deficit is not greater than £162.8m.
- Recurring savings of £93.7m is achieved 2025/26, £97.9m in 2026/27 and £99.2m in 2027/28 each of the following two years. This equates to 3% of our Revenue Resource Limit (RRL).
- Acute prescribing growth will not exceed c£25m in 2025/26.
- General inflation of 3.0% for 2025/26 and 2.2% in each of the subsequent years in the plan.
- 3.0% has been set aside for inflation on contractual cost commitments.
- 3% inflation on amounts payable to other NHS Boards, local authorities and voluntary organisations, related to expenditure SLAs.
- Energy increases only by the inflation rate of 3% due to expectation that high increases previously experienced will reduce to general inflation.
- Rates increases are based on circa 5% and PPP/PFI and Hubs averaging 3.5%.
- IJB's will be break even. All 6 IJBs have approved plans, however they are clearly facing significant saving challenges and, in many areas, a reduced level of available reserves.
- All costs associated with Reduced Working Week and Band 5-6 review are fully funded.

These assumptions have been applied within our finance plan and will remain under constant review given a number will be subject to in year variation.

The full details of the financial plan can be seen in the attached report.

3. Recommendations

The Board is asked to approve the 3-year Financial Plan and note the financial challenge that the Board faces.

4. Response Required

This paper is presented for approval.

5. Impact Assessment

The impact of this paper on NHSGGC's corporate aims, approach to equality and diversity and environmental impact are assessed as follows:

- | | |
|------------------------|------------------------|
| • Better Health | <u>Positive</u> impact |
| • Better Care | <u>Positive</u> impact |
| • Better Value | <u>Positive</u> impact |
| • Better Workplace | <u>Positive</u> impact |
| • Equality & Diversity | <u>Positive</u> impact |
| • Environment | <u>Positive</u> impact |

6. Engagement & Communications

The issues addressed in this paper were subject to the following engagement and communications activity:

This report has been previously presented and scrutinised by the Corporate Management Team and the Finance, Planning and Performance Committee.

7. Governance Route

This paper has been previously considered by the following groups as part of its development: As above.

8. Date Prepared & Issued

Prepared: 15 April 2025

Issued: 17 April 2025

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3 Year Financial Plan 2025/26 to 2027/28
Board Meeting – 29th April 2025

1. Financial Plan Summary

This version of NHSGGC 3-year plan was recommended for approval by the Finance, Planning and Performance Committee on the 8th of April 2025 and this plan was approved by Scottish Government on the 31st of March 2025 however noted that the submission was still subjected to Board approval.

There have been a number of changes since the initial draft. The position for 2025/26 previously noted a deficit of £47.5m, however due to confirmation of a non-recurring sustainability payment from Scottish Government of £55.1m, NHSGGC is now able to report a **balance position**. However, it should also be noted that the overall financial challenge for 2025/26 is **£217.8m** which has increased by £7.6m since the previous version.

A detailed summary of the revised financial plan is shown below and each of the items are explained in more detail in the notes. The plan highlights a balance budget for 2025/26 and a deficit of £42.6m and £0.2m for the subsequent years. The overall financial challenge for 2025/26 is **£217.8m** (The overall value in 2024/25 was £226.9m).

	2025/26 £m	2026/27 £m	2027/28 £m	Note
New Resources				
Baseline Increase	91.0	96.6	99.5	
Additional Uplift - Pay Policy - 60% NI Funding	26.2	0.0	0.0	
New Medicines Fund	15.3	0.0	0.0	
Sustainability Funding	15.4	0.0	0.0	
Uplift from Other Income	19.8	20.1	20.4	
Total New Resources	167.8	116.7	119.9	2
Cost Pressures				
Recurring Deficit b/f	(162.8)	(114.5)	(56.6)	3
Cost Drivers				
Pay Cost Growth	(85.0)	(93.6)	(96.0)	4
NI Changes additional cost	(43.7)			
Prescribing - Acute	(25.0)	(27.2)	(29.9)	5
Prescribing - Primary Care	(25.2)	(37.1)	(40.1)	5
Supplies, PPP & other Inflation	(45.8)	(30.5)	(30.6)	6
Pressures and National/ Policy Decisions	(14.4)	(11.8)	(11.4)	7
Total Cost Pressures	(401.9)	(314.7)	(264.6)	
Cash Efficiency Challenge	(234.1)	(198.0)	(144.7)	
Uplift Allocation to IJBs	(39.2)	(33.5)	(34.5)	
IJB Expenditure	65.1	77.0	80.0	8
Recurring Efficiency Challenge Acute & Corporate	(208.2)	(154.5)	(99.2)	
Non Recurring Pressures/ Investment	(9.6)	(6.0)	(5.2)	9
Overall Financial Challenge	(217.8)	(160.5)	(104.4)	
N/R Sustainability Funding	55.1	0.0	0.0	10
Forecast Savings Requirement	93.7	97.9	99.2	3
Non Recurring Savings	69.0	20.0	5.0	11
In-Year Outturn (Acute & Corporate)	(0.0)	(42.6)	(0.2)	

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3 Year Financial Plan 2025/26 to 2027/28

2. Funding

	2025/26 £m	2026/27 £m	2027/28 £m	Para
New Resources				
Baseline Increase @ 3.0%	91.0	96.6	99.5	2.1
Additional Uplift - Pay Policy - 60% NI Funding	26.2	0.0	0.0	2.2
New Medicines Fund	15.3	0.0	0.0	2.3
Sustainability Funding	15.4	0.0	0.0	2.4
Uplift from Other Income	19.8	20.1	20.4	2.5
Total New Resources	167.8	116.7	119.9	

- 2.1. Scottish Government (SG) initially announced its Budget for 2025/26 on the 4th December 2024, subject to approval. This financial plan is based on the assumptions provided by SG in which they stated that there would be a 3% uplift and the updates provided thereafter.

It is anticipated that the pay award, when agreed, for 2025/26 will be fully funded.

For the purposes of the 3-year plan the uplift for the remaining years is also assumed at 3%.

- 2.2. SG have also confirmed that 60% of the increase in National Insurance (NI) will be funded therefore the funding has been included. This only relates to payrolled costs.
- 2.3. The assumption for the New Medicines Fund is for Boards to plan based on £250 million each year across the 3-year cycle and has therefore been included as recurring. This is an increase on 2024/25 when the assumption was £180m. This figure is subject to update when the forecast becomes further defined.
- 2.4. SG have confirmed a recurring sustainability payment of £70m which will be issued on an NRAC basis which equates to £15.4m for NHSGGC. This payment is to be used to offset pressures and not to be used for any additional investment.
- 2.5. The assumption from SG is to plan for a 3% uplift, which equates to £18m, applied to service level agreements (SLAs) related to patient services out with NHSGGC. A further adjustment of £1.8m has been included for the impact of the sustainability funding which has been issued on an NRAC basis and therefore is factored into the SLAs .

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Agreement is required as to the uplift to be applied to NHS Scotland service level agreements. The principle in previous years is that the SLA's are uplifted in line with the SG uplift therefore this should be a 3% uplift as a minimum, however this will not reflect the costs increases to services and further discussions will be required. This element will be subject to national review and agreement for the forthcoming financial year.

NHSGGC is currently implementing a patient level costing system (PLICS) which will give better certainty as to what income will be expected in relation to SLA's however this is in early stages of implementation and figures are unlikely to be available until March 2025.

3. Recurring Deficit Brought Forward

	2025/26	2026/27	2027/28
	£m	£m	£m
Recurring Deficit Brought forward	(162.8)	(114.5)	(56.6)
Increase in year	(45.4)	(40.0)	(42.6)
Forecasted Savings	93.7	97.9	99.2
Recurring Deficit Carried Forward	(114.5)	(56.6)	0.0

Details of the recurring deficit brought forward can be seen in the table above. This assumes that £55.6m recurring savings are achieved in 2024/25 and then a further £93.7m in 2025/26 which equates to 3% of the baseline budget provided directly from SG. For 2026/27 3% of the baseline budget has also been included at £97.9m and 2027/28 £99.2m which is what would be required to clear off the brought forward deficit.

At month 11 £54.0m of recurring savings have been achieved for 2024/25 and we are confidently forecasting £55.6m will be achieved recurrently. Work remains in place to progress these and additional opportunities during the final month of the financial year.

The recurring deficit is a substantial figure, and several factors have contributed to this, which are detailed below:

- There has been no supplies uplift in 2024/25 and 3% uplift in 2025/26 does not cover the rate of inflation we have seen over the past two years combined
- National Policy Decisions £7.6m in 2024/25 and £3.9m in 2025/26
- Prescribing uplift over three years of £65.5m
- Increase energy costs over and above uplift totalling £40.3m - 2022/23 £15.8m, 2023/24 £13.7m and £10.8m in 2024/25

Sustainability and Value

To address the scale of the 2025/26 financial challenge the Sustainability and Value programme will require to deliver £93.7m of recurring savings from a combination of our well-established processes and further targeted initiatives which can be seen in the table below. The initial targets below only provide an element of the overall recurring savings required.

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	Recurring savings £m
Housekeeping/ Back to Balance	5.0
Infrastructure	22.3
Service Review	12.8
Workforce	15.0
Non Pay/ Procurement	5.0
Income	10.6
Digital	3.0
Prescribing	20.0
	<hr/> 93.7

The detail relating to the savings target highlighted above requires further work to provide analysis and impact and this will clearly require working in partnership and following due governance. At the moment £51.7m of the savings identified have firm plans. Further work will be developed through the CMT to increase the identification and implementation of savings.

The target of £93.7m will be extremely challenging however has been set at this level given the need to reduce the recurring deficit and the overall financial position. This also relates to the national request to meet a 3% recurring saving based on Boards Revenue Resource Limit (RRL).

NHSGGC is also working with Scottish Government and is pursuing all the opportunities that have been identified through the 15-box grid National Programme of work it should be noted that a lot of these opportunities will be cost containment in the first instance and not cash releasing. This is focusing on the following areas, many of which are already well embedded in 2024/25:

1. Medicines of low clinical Value
2. Clinical Variation
3. Digital Savings
4. Energy Efficiency Schemes
5. Prescribing Savings
6. Agency reduction
7. Sustainable Staff Bank Usage
8. Sickness absence reduction
9. Non-compliant rotas review
10. Central functions job family review
11. Theatres optimisation
12. Remote outpatient's appointments
13. PLICS roll out
14. Length of Stay reductions
15. Non Pay Spend review

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There are also several back to balance actions that will continue to be progressed which are detailed below: -

- Switching agency use to bank for all areas
- Continuing the negation of non-framework agency
- Removal of high-cost medical locums
- Removal of band 3 rotas for junior doctors
- Maintain vacancy controls
- No discretionary spend

4. Pay Cost Growth

Pay cost growth comprises:

	2025/26 £m	2026/27 £m	2027/28 £m	Para
Pay Uplift	79.4	91.9	94.3	4.1
NI increase	43.7	0.0	0.0	4.2
Discretionary Points	1.7	1.7	1.7	4.3
Auto enrolment	3.9	0.0	0.0	4.4
Total Pay Uplift	128.7	93.6	96.0	

4.1. The guidance from SG was to assume 3% for pay growth as it is expected that the pay uplift for Agenda for Change and medical staff for 2025/26 is fully funded, as negotiations are still on going. The financial plan is also on the assumption that all non-recurring allocations in relation to the pay award for earmarked recurring allocations and the increase in employer's national insurance are also fully funded.

For 2026/27 and 2027/28 a pay uplift of 3% has also been included based on SG guidance as no agreement is currently in place related to these periods.

4.2. The additional pay costs associated with the increase in NI charges equates to £43.7m for NHSGGC.

4.3. Discretionary points: A provision of £1.7m has been made for the on-going impact of funding additional discretionary points. This has also been assumed in the future years

4.4. Auto Enrolment: Every 3 years we must re-enrol any employee who has left the pension scheme back into it. 2025/26 is the next year that we must do this and the estimated costs of this is approximately £3.9m. This can vary depending on how many employees decide to remain within the scheme, however, is deemed a reasonable value based on historical knowledge.

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5. Prescribing

The detailed prescribing cost growth projection for 2025/26 is still being reviewed however current growth is based on the latest SG assumptions. It includes provision for likely cost increases related to growth in new and existing drug treatments within the Acute Sector, including new drugs approved by SMC, and makes a realistic level of provision for likely growth in volume / prices, based on current trends, related to drug treatments prescribed within Primary Care.

There are significant pressures being experienced in all areas of prescribing, with increase pricing due to short supply and inflation. Primary Care are also seeing an increase in volumes which is having as significant impact on budgets and assumptions for 2025/26.

The results of horizon-scanning exercises will be firmed up and prescribing projections will be updated as more detailed information is available.

Significant work needs to be carried out to reduce this cost pressure as the Board cannot sustain this level of increase year on year.

6. Supplies, PPP and other Inflation

A 3.0% general provision has been set aside for inflation on non-pay costs in 2025/26 excluding prescribing costs, rates, and PPP/PFI costs. 3.0% has been set aside for inflation on contractual cost commitments and 3% inflation on amounts payable to other external SLAs.

The original draft financial plan had an assumption of 2.2%, however due to the recent increase and uncertainty around inflation the decision has been taken to increase this to 3%. This is felt to be a more reasonable assumption to make, whilst it is acknowledged that this is an area which can fluctuate throughout the year.

The inflation rate has been set at 2.2% for 2026/27 and 2027/28 on the assumption that inflation returns to a more stable position for future periods.

At the moment no additional pressure has been included, within the financial plan, for the impact of the increase National Insurance payments will have on service providers contracts and other non-pay elements. This is currently being quantified although early indications are c£22.3m of which £19m relates to IJB's.

Energy for 2025/26 has also been based on the inflation rate of 3%. This is on the assumption that the costs will start to reduce and be in line with inflation. This is based on the latest information that is available at the time of setting the financial plan and will be reviewed throughout the year.

Rates increases are based on circa 5% and PPP/PFI and Hubs averaging 3.5%.

7. Pressures and National/Policy Decisions

The following list of recurring pressures and investments is included in the financial plan.

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3 Year Financial Plan 2025/26 to 2027/28

	2025/26	2026/27	2027/28	Note
	£m	£m	£m	
Pressures				
PET Scanning	0.1			NHSGGC share of business case.
Facilities Pressures	5.0			Increase in Property Maintenance Costs
Other Pressures	5.0			Prior years non pay inflation gap
Radionuclide Dispensary (RDN)	0.3	0.5		Based on the business case
Other Developments	0.0	10.0	11.0	For possible pressures and investments
Total Pressures	10.4	10.5	11.0	
National and Policy Decisions				
Endoscopy Reporting	0.1			Business case
365 Office	1.6			Increase costs due to new contract
NSD Prioritisation	0.3			Based on Business case
LIMS	0.3	0.2	0.2	National platform costs
EDT SaaS	0.0	0.1		Business case
CNORIS	0.5			Change in CNORIS Share
Clinical Waste	0.2			Shotts facility
eRostering	0.9	1.0	0.2	Recurring costs of implementing
Total National/ Policy Decisions	3.9	1.3	0.4	
Pressures and National/ Policy Decisions	14.4	11.8	11.4	

It should be noted that of the above list circa £3.9m of the pressures are due to our share of National policy decisions that have been made. A further £10.4m has been included mainly to deal with the increased costs of property maintenance as well as funding to cover the non-pay gap because of increased inflation rates.

8. IJB Uplift & Expenditure

NHSGGC's financial plan has to set out the Board's financial position including elements which are managed in full by Integrated Joint Boards (IJBs). However, to highlight the scale of the challenge to be addressed by the Acute Division and Corporate Departments the shares of uplifts and expenditure to be managed by IJBs need to be deducted.

On the uplift side, IJBs will receive 3% on their base recurring budgets in line with the SG budget assumptions. All uplifts in relation to the pay award for 2025/26 will be passed over when these become agreed.

On the health expenditure side, estimated cost pressures are £65.1m based on the assumptions detailed earlier of which £25.2m relates to prescribing pressures.

Financial plans for the IJB's have been approved through respective processes and all have been approved showing a break even position. The combined plans highlight an overall financial challenge of **£86.6m** across all 6 IJB's, this is at a similar level to 2024/25 when the challenge was £86m.

The financial challenge is covered in full by:

- Savings Plans c£69.83m
- Utilisation of Reserves c£15.31m
- Management of Pressures c£ 1.50m

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The overall financial challenge of £86.6m is around 3.3% of the total budget excluding set aside and the savings plans of £69.83m represents around 2.7% of the total budget excluding set aside.

The impact of the savings plans are currently being reviewed, with the IJB's highlighting that there is a need for service efficiency, prioritisation and reduction which is likely to have an impact on the Board. The service impact of any savings schemes will require to be considered on a whole system basis.

At this stage there is no provision made for the cost of changes to national insurance rates and threshold for commission services which is estimated at c£18m for the IJBs. Scottish Government are still pursuing funding from the UK Government.

It is anticipated that 2025/26 will be another extremely challenging year for the IJB's given the level of savings being expected to be delivered. In addition reserves are expected to be fully or substantially utilised in ensuring a breakeven position in 2025/26.

9. Non-Recurring Pressures and National/Policy Decisions

Details of the non-recurring pressures and national and policy decisions can be seen below. The Financial plan assumes that the costs associated with the legal enquiry will be met by SG as has been the case in previous years and therefore not included as a pressure.

Funding has been included to cover the costs of the additional beds that remain open, to allow time for the closures of these beds.

	2025/26	2026/27	2027/28	
	£m	£m	£m	Note
Pressures				
ODP	0.5	0.0	0.0	Training costs
Additional Capacity/ Beds	5.0	0.0	0.0	To cover costs of additional beds that remain open
Radionuclide Dispensary (RDN)	0.1	0.1	0.0	Based on Business Case
Provision for future pressures		5.0	5.0	General provision
Total Pressures	5.6	5.1	5.0	
National/Policy Decisions				
PACS	1.0	0.7		PACS Share of Costs
eRoosting	0.2	0.2	0.2	Project Team costs
Business System Transformation	0.2			Project costs relating to Business Systems Transformation programme
CMOD Upgrade	0.1			Increased contract prices
LIMS	0.4	0.0	0.0	National Platform costs
Endoscopy reporting system	0.1			Continuing pressure
NSD Risk Share	2.0	0.0	0.0	Increased costs from risk share subject to approval
Total National/ Policy Decisions	4.0	0.8	0.2	
Investments	9.6	6.0	5.2	

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This figure has increased by £2.5m since the previous submission and this is primarily due to the inclusion of an increase in the NSD risk share agreements, early indications are that this will increase for 2025/26 however it is still subject to approval and therefore it is felt prudent to build an element into the plan at this time.

10. Sustainability Funding

In addition to the recurring sustainability funding SG also announced that they would provide a further £250m non-recurring sustainability funding of which NHSGGC NRAC share is £55.1m. This has to be used to reduce the deficit for 2025/26 and not to be used for any additional investment.

11. Non-Recurring Savings

In 2025/26 it is estimated that NHSGGC will be able to release c£69m of non-recurring savings. It is anticipated that these savings will come from vacancy turnover, slippage on projects, disposal of properties and any other one-off gains in 2025/26.

For the future years the availability of non-recurring funding is reducing and therefore this highlights the importance on identifying recurring savings on an ongoing basis at, as a minimum, the levels included in the financial plan.

12. Risks

There are also several risks that have not been factored into the above figures such as:

- No value has been included relative to supplier increases as a consequence of National Insurance increases.
- Demolitions and decommissioning costs of WGAH have not been factored into the plan.
- Additional Acute pressures circa £13m require mitigation.
- No provision made for the cost of changes to national insurance rates and threshold for commission services which is estimated at c£19m for the IJBs.
- Costs associated with the introduction of weight loss drugs has not been factored into the IJB plans.
- No values have been included for any potential enactment of the integration schemes for the IJB's as financial plans are currently showing a break even provision.
- Risks around the confirmed value of earmarked and non-recurring allocations going into 2025/26. NHSGGC experienced unexpected reductions to certain areas of funding within 2024/25 and are concerned that may happen again in 2025/26 given the fiscal landscape.
- The costs of the band 5-6 review are not yet known and may be more than anticipated however the assumption remains that these will be fully funded by SG.
- The indication is that the remaining hour of the Reduced Working Week has to be implemented on the 1st of April 2026 and has therefore not been factored into this plan. Further work is being developed on forecast costs.

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- The Scottish Government Budget announcement on 4th December 2024 intimated a range of commitments associated with waiting times. This plan does not incorporate the financial effect of these as further dialogue is ongoing regarding proposals provided by NHSGGC against the levels of investment across NHS Scotland to support this level of delivery. The financial context of this is provided in note 14 below.

13. Comparison to 2024/25

Scottish Governments requirement was that all boards deliver a financial plan that was better than the initial reported financial plan for 2024/25. For NHSGGC this was a deficit of £48.3m. The draft financial plan for 2025/26 is showing a net balanced position, however it should be noted that to achieve this position, following the receipt of £55.1m sustainability funding, £162.7m of savings is required. This is split into recurring savings of £93.7m and non-recurring savings of £69m. The overall financial challenge that NHSGGC is facing is **£217.8m**.

NHSGGC is currently forecasting a breakeven position for 2024/25 at month 11 which is a significant reduction on the approved Financial Plan of a deficit of £48.3m.

14. 2025/26 Conclusion

The figures above do not include the costs associated with current system pressures / overspends meaning that there are significant non-recurring pressures that need to be considered beyond the baseline financial plan. These areas will be subject to rolling review throughout the year.

The forecast outturn for 2025/26 is break even position. Given the number of priorities that the board is facing with unscheduled care, planned care and the underlying financial challenge, it is going to be extremely challenging to achieve this position.

The Board interface with Scottish Government on both planned care, unscheduled care, whole system working and promotion of the reform agenda has led to the creation of a portfolio of robust bids for consideration. With regards to planned care recurring bids of £18.1m and non-recurring bids of £11.9m have been submitted to align to the government commitments.

With regards to the wider reform bid detailed plans have been created amounting to £20.4m on a recurring basis. It should be noted that this funding would be integrated with existing service resource in the region of £34.6m to maximise redesign and improve service delivery.

At this stage discussions are ongoing with Scottish Government colleagues regarding the availability of funding to support these essential initiatives and further feedback is anticipated when all national bids have been reviewed.