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Board Meeting
12.06.25
Open Session
Item 6.1

Adam Coldwells
Interim Chief Executive
NHS Grampian
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Cc:

Alison Evison, Chair
Alex Stephen, Director of Finance

12 May 2025

Dear Adam

NHS GRAMPIAN: FINANCIAL POSITION AND ESCALATION TO STAGE 4 SUPPORT AND INTERVENTION

Further to our discussion with the Board Chair on 7 May, I am writing to inform you that I have taken the decision to formally escalate NHS Grampian to Stage 4 (*senior external support and monitoring*) on the [NHS Scotland Support and Intervention Framework](#) for:

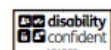
- Financial sustainability and the deterioration of the Board's financial position during 2024/25; and
- Leadership and Governance.

As you know, NHS Grampian was escalated to Stage 3 of the Framework on 9 January in response to the significant deterioration in the financial position of the Board during 2024-25. As set out above, the NHS Board's financial position remains unsustainable over the short to medium term.

NHS Grampian continue to have the largest deficit in NHS Scotland and, despite the forthcoming financial recovery plan, we do not have sufficient confidence in the Board's trajectories at this time. Formal escalation is necessary, along with the additional support and scrutiny this will provide, to help mitigate the significant risks to NHS Board and the Scottish Government's Health and Social Care Portfolio in its entirety.

Alongside financial management, the Board are being escalated due to rising concerns about local services and performance against national priorities and standards, including some quality concerns raised by the appropriate regulatory bodies, e.g. Healthcare Improvement Scotland. We have also taken cognisance of the significant operational pressures experienced in previous months, including NHS Grampian having to declare a critical incident for three days last November; and the Board formally registering your own 'intolerable' strategic risks.

We understand that there are long-standing demographic, demand and capacity pressures across the local health and social care system which will require a comprehensive local strategy and a clear plan to deliver the necessary fundamental transformation.



The key focus of this further escalation will be to arrest the rate of expenditure and help mitigate immediate concerns and stabilise the system. The key points from the Quarter 4 review of the Board's finance position are summarised in Annex 1, including the commissioning of the external diagnostic review.

The further escalation will provide the opportunity to provide a robust foundation for the wider local transformation work and to support the Board's leadership going forward.

The external diagnostic set out in Annex 1 will be central to the support package for NHS Grampian at Level Four. This will help inform the support that follows and will provide a robust basis for the wider, transformation work required over the longer term in NHS Grampian.

Stage 4 escalation comes into effect from today, 12 May. Once we have carefully considered the outcome of the whole system diagnostic, we will be back in touch to set out the required actions and timescales for the Board's Improvement Plan; and to confirm the formal oversight arrangements. In the meantime, your key contact at the Government for this escalation will be James Boyce, Head of Health Sponsorship, who can be reached via James.Boyce@gov.scot

Finally, I appreciate this will be a troubling time for NHS Grampian staff but am confident we will soon have a clear plan to stabilise the system and set the right conditions for the necessary, longer term transformational work; to ensure the sustainable delivery of high quality healthcare services for the benefit of local people.

Yours sincerely

Caroline Lamb

Chief Executive of NHS Scotland & Director General for Health and Social Care

Annex 1: Key points arising from the Quarter 4 review of the Board's finance position

2024-25 Quarter Four Financial Position

NHS Grampian have reported an overspend of £65.1 million for 2024-25 despite significant non-recurring funding of £17 million provided by Scottish Government throughout the financial year which we would have expected to improve the finance position beyond that originally forecast. Furthermore the reported position is above the £59 million target deficit that was agreed as a 'ceiling' for this financial year.

NHS Grampian have the largest financial deficit in NHS Scotland and will shortly have outstanding brokerage approaching £90 million; this is not sustainable and swift action is required to improve the financial sustainability of the NHS Board.

2025-26 Financial Plan

The financial plan submitted by the Board forecasts a deficit of £68.4 million in 2025-26 after taking account of the assumed sustainability funding. As the plan did not meet the criteria set out for 2025-26 finance plans, Scottish Government did not approve the plan.

It remains the statutory responsibility of Accountable Officers to achieve a breakeven position. We asked in the letter of 31 March for the Board to submit a recovery plan by 7 June 2025 setting out how you will reduce this deficit to a maximum of £45 million in 2025-26.

As confirmed, the Board does not have budget authority to spend more than this amount. Any overspend will be shown as a deficit in the financial statements with a risk to qualification of the Board annual accounts.

As discussed at the Quarter 4 review, the Board are progressing the development of a recovery plan and examples of areas where action have been taken were set out at the meeting. We would acknowledge this work and the commitment given to reducing the forecast deficit as required. You also confirmed that the Board are committed to meeting the timeframe set by Scottish Government for submission of a recovery plan.

The NHS Scotland Finance Delivery Unit and the Chief Operating Officer Directorate will work closely with you on the recent notification of planned care funding. As this funding will only be allocated on delivery against the agreed outcomes and milestones tracking progress through the regular quarterly meetings will be key. Further work will be required across the system in line with the upcoming Service Renewal Framework and how we support the priorities of shifting the balance of care and supporting prevention and digital enablement, to move to a more financially sustainable system.

External diagnostic

As discussed NHS Grampian's financial position is not sustainable and swift action is required to reduce expenditure. An external diagnostic report will commence shortly to identify additional areas of focus to improve NHS Grampian's sustainability. The report will be addressed to Scottish Government and will primarily focus on cost reduction together with other relevant areas of the Board's operational performance. This will form a key aspect of NHS Grampian's support package in line with the escalation set out above. I expect your teams throughout NHS Grampian to fully support and engage with the diagnostic review.