

Financial Recovery Board Report to NHS Grampian Board meeting

Board Meeting 19.02.26 Open Session Item 6.4.1

Purpose of Report

This paper provides an update on the issues considered at the Financial Recovery Board (FRB) meeting on 3 December 2025. The FRB has been established to lead a visible, outcome-focused financial recovery process, providing system-wide leadership, coordination, and assurance. Its role is to hold NHS Grampian to account for delivering recovery actions, oversee savings and transformation initiatives, and ensure targeted actions are in place to restore financial sustainability.

Discussions at this meeting focused on the Month 7 financial position, the ongoing delivery and governance of the Value & Sustainability (V&S) Programme, key risks associated with medical and nursing workforce expenditure, and the assurance required to progress savings plans for both the remainder of 2025/26 and the emerging programme for 2026/27. The Board also considered whole-system financial pressures, including the position of the Integration Joint Boards (IJBs), the use and management of reserves, and the need for clearer governance and evaluation of Tests of Change to support sustainable improvement across the organisation.

Finance Monitoring

The FRB reviewed the financial position to the end of October 2025, noting that the overall forecast deficit remains at £47.1 million, consistent with the Month 6 position. This leaves a £2.1 million gap to reach the maximum £45 million overspend agreed with the Scottish Government for 2025/26.

Key points discussed included:

- **Integration Joint Boards (IJBs):**

Aberdeenshire IJB has reported an improved position, if sustained, this may reduce the level of support required from NHS Grampian at year-end.

- **Impact of Unscheduled Care (USC):**

The FRB discussed the relationship between delayed discharge, flow, and financial pressure on Aberdeenshire IJB. The recently submitted social care funding bid and request to re-profile USC allocations were highlighted as potential mitigations, should they be approved by the Scottish Government.

- **Board Member Queries:**

Given the recurring uncertainty around IJB funding arrangements, the FRB agreed that a consolidated briefing should be developed to support Board members' understanding of governance and financial flows between NHS Grampian and IJBs.

- **Representation at FRB:**

Concerns were raised regarding the absence of IJB representatives during discussions. The FRB agreed that Chief Officers should be invited to future meetings to ensure whole-system involvement and a more integrated approach to financial recovery.

- **End-of-Year Position:**

The FRB noted that there remains significant work over the coming five months to close the remaining financial gap, accelerate savings delivery, and manage additional cost pressures. Detailed reviews of forecast savings and cost projections will continue monthly to maintain grip and ensure delivery against the agreed target.

- **Key Risks:**

Risks associated with unscheduled care and planned care improvement plans continue to be closely monitored, alongside the implications of Agenda for Change non-pay reforms and uncertainty around full funding for implementation.

Value and Sustainability (V&S) Update

The FRB received an update on the delivery of the 2025/26 V&S Programme and progress toward identifying opportunities for 2026/27.

Key points:

- Savings delivery remains slightly ahead of plan, with additional schemes scheduled to go to the V&S Programme Board for approval. If accepted, these will take NHS Grampian above the original £61.8 million identified for this financial year.
 - Nursing expenditure remains a concern, though the improving trajectory was welcomed. Medical agency spend continues to represent a significant risk.
 - Engagement across the organisation on 2026/27 opportunities has been strong, with a long list of options identified across the thirteen workstreams.
 - All schemes approved by the end of December will be prioritised and presented to the FRB on 8 January 2026, with QIA processes applied to all transformation proposals.
 - Benchmarking across Scotland will support alignment with national practice. The review will not consider redundancy or voluntary severance.
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Deep Dive – Use of Reserves

The FRB received a presentation on the management of reserves within NHS Grampian.

Key points:

- Reserves in NHS Boards are not equivalent to those traditionally held in private or some public sector bodies; they cannot be carried forward and are allocated throughout the year.
- Current reserves support pressures such as pay awards, IJB overspends, and unanticipated drug expenditure.
- Holding reserves centrally at the start of the year provides grip and flexibility, given uncertainties in several financial areas.
- Any slippage or savings identified will contribute directly to the financial plan for 2026/27.

The FRB welcomed the clarity provided by the presentation.

Deep Dive – Tests of Change

Alex Stephen provided an overview of Tests of Change across NHS Grampian.

Key themes:

- Significant variation exists in the scale and purpose of Tests of Change, ranging from minor service adjustments to major system changes.
 - Challenges include lack of recurring resources, absence of exit strategies, poor coordination, and pressures caused by cost-shifting without clear planning.
 - The FRB discussed the need to differentiate between genuine short-term tests and long-term service redesign.
 - Strengthened governance is required to ensure proper monitoring, evaluation, and understanding of resource implications.
 - The newly established Programme Boards may provide appropriate oversight, though some proposals may require alternative pathways.
 - The FRB agreed that innovation must be supported through a clear, practical, non-bureaucratic framework that strengthens quality, safety, and performance.
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Formal Communications

The FRB reviewed correspondence from the Scottish Government relating to the Q2 financial review, national work on sub-national planning, and the whole-system integrated financial and service planning meeting on 7 November.

The positive tone of discussions and the openness of the exchange were welcomed. The FRB noted that de-escalation criteria to Level 3 would be considered by the Assurance Board on 16 December 2025.

Escalation to the Board

There were no matters requiring formal escalation. The Chair's report from this meeting will be shared with the NHS Grampian Board.

Ritchie Johnson

Non-executive Board member

Chair of Finance Recovery Board

03.12.2025