

Financial Recovery Board Report to NHS Grampian Board meeting

Board Meeting 19.02.26 Open Session Item 6.4.2

Purpose of Report

This paper provides an update on the issues considered at the Financial Recovery Board (FRB) meeting on 8 January 2026. 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 Integration Joint Board (IJB) financial positions and the implications for whole-system recovery; the Month 8 financial monitoring report; progress in delivering the Value & Sustainability (V&S) Programme; and emerging guidance from the Scottish Government on financial planning for 2026/27. The meeting emphasised the need for consistent financial grip, clearer system planning, and alignment across partners as preparations begin for the 2026/27 budget cycle.

IJB Information Sharing and Awareness

The FRB received presentations from all three Chief Officers, providing detailed updates on the year-to-date financial position, forecast year-end outlook, key areas of cost pressure, and the planned route through to IJB budget-setting meetings in March 2026.

Aberdeen City IJB

The forecast end of year position is holding from Quarter 2 with an expected small underspend. The HSCP continue to refine saving proposals for next year, with an insight session with the IJB in January for a detailed discussion. There are Integrated Impact Assessments (IIA)'s to support saving proposals following the public consultation.

Key points included:

Prescribing cost pressure: A forecast overspend is anticipated. Switching to biosimilars will be reviewed by the NHSG Prescribing Group to support a Grampian-wide approach.

Community Mental Health & Learning Disability cost pressure: A forecast overspend this financial year related to staffing costs of in-house services and increased care needs, acuity levels and complexity of need.

Mental Health Pressures: Aberdeen City host Specialist Mental Health & Learning Disability services.

- Costs associated with the Rohallion Secure Unit (NHS Tayside) remain a concern; utilisation exceeds the proportion of Grampian patients.
- Increased acuity at Royal Cornhill Hospital continues to drive nursing cost pressures, with agency use limited to exceptional circumstances.
- It is not anticipated that demand will decrease. The rising requirement for in-house services will continue to influence budget.
- The cyclical nature of mental health pressures was noted, with the extended demand period in early 2025 highlighting the need for adjusted forecasting assumptions.

Aberdeenshire IJB

Progress has been made on implementing efficiency savings, and the forecast end-of-year position has improved compared to 2024/25. However, support from the local authority and NHS Grampian will still be required,.

Key issues included:

- **Out-of-Area Placements:** Significant cost pressures continue.
- **Prescribing Costs:** Although lower than anticipated for 2025/26, prescribing costs remains volatile.
- **Demographic Pressures:** An ageing population continues to influence future demand; a Medium-Term Financial Strategy (MTFS) has been developed, using historical trends to predict future needs.
- **Provider Sustainability:** Challenges for commissioned providers may require Aberdeenshire HSCP to deliver some care packages in-house temporarily.
- **Future Planning:** An IJB session later in January will revisit the MTFS and examine options to increase service efficiency and cost-effectiveness.

Moray IJB

The forecast position for 2025/26 has deteriorated, with ongoing work required to identify options to reduce overspends.

Key challenges included:

- Growth in demand and complexity linked to an ageing population.
- Significant pressures within Children's Services.
- Limited remaining opportunities for straightforward savings, signalling the need for difficult decisions on service redesign and transformation.
- Continued focus on reducing out-of-area care costs and achieving consistency in transport provision.
- Budget development for 2026/27 will be considered in detail in February.

- The Strategic Plan review offers an opportunity to reset ambitions in line with current financial realities.

Whole-System Considerations

The FRB discussed the value of greater alignment in financial reporting and service planning across Grampian. While full standardisation is not possible due to differing governance requirements, accountants understand the variances, and efforts toward improved consistency will continue.

The FRB reiterated that NHS Grampian cannot support IJBs at a level that would take the organisation beyond the maximum £45 million overspend agreed with the Scottish Government.

The next whole-system planning meeting (Chief Officers, Local Authority Chief Executives, and NHSG Senior Executives) will take place on 13 February 2026.

Finance Monitoring – Month 8 Update

Due to time constraints, the FRB agreed that members would review the Month 8 Financial Monitoring Report independently and contact the Director of Finance or Deputy Director of Finance with any queries. The report provides the most up-to-date information on in-year performance, cost pressures, and progress against savings.

Value and Sustainability (V&S) Update

The Chairs Assurance Report from the V&S Programme Board (17 December 2025) was noted.

Key points included:

- The Programme Board remains confident that the 2025/26 savings target will be delivered.
- For 2026/27, 77 schemes have been identified, including:
 - 53 with indicative savings
 - 24 not yet quantified
- The total indicative in-year savings currently stand at £33.5 million, against a target of £40 million.
- The Programme Board will now intensify focus on decisions and prioritisation to close the remaining gap to £40m.

Formal Communications

The FRB received information on Scottish Government guidance for 2026/27 financial planning, including:

- Three-year financial planning guidance
- Financial planning commission letter
- Pre-budget funding assumptions
- Financial plan uplift assumptions

The communications were noted for context and future planning.

Escalation to the Board

There were no matters requiring formal escalation from this meeting.

Ritchie Johnson

Non-executive Board member

Chair of Finance Recovery Board

08.01.2026