

The 2024/25 audit of

NHS Grampian



AUDITOR GENERAL 

Prepared for the Public Audit Committee by the Auditor General for Scotland
Made under section 22 of the Public Finance and Accountability (Scotland) Act 2000
November 2025

Contents

Key messages	3
Introduction	4
Findings	5
Conclusion	13
Appendix	14

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Key messages

- 1** For the second year in succession, NHS Grampian required a loan from the Scottish Government to meet its revenue resource limit. While NHS Grampian operated within the financial targets set by the Scottish Government during 2024/25, this was only possible due to the board receiving a loan of £65.2 million. Although NHS Grampian made more savings than its target during 2024/25, these did not help it reduce the in-year overspend. This was mainly a result of significant overspends across the local Integration Joint Boards (IJBs), totalling £22.4 million. After accounting for the loan, the board achieved an underspend against budget of £0.253 million.
 - 2** The medium-term financial plan reveals that NHS Grampian's cost base is unsustainable, based on current funding levels. NHS Grampian projected a £68 million overspend for 2025/26 which resulted in the initial budget not being approved by the Scottish Government. The Scottish Government set a maximum overspend limit for 2025/26 of £45 million, resulting in NHS Grampian identifying a further £23 million of savings. Although NHS Grampian have a track record of delivering significant savings, this may not be sustainable in future years.
 - 3** In May 2025, NHS Grampian were escalated to Stage 4 of the NHS Scotland Support and Intervention Framework due to concerns about financial sustainability, leadership and governance, local services and performance against national priorities and standards. The Scottish Government commissioned an external diagnostic review to be undertaken to identify areas for improvement which concluded in July 2025.
 - 4** The auditor notes that it will not be possible for NHS Grampian to return to financial balance without a significant redesign of its health and social care system and/or obtain fundamental changes in the funding model. Due to the upcoming change in senior management, continued active leadership will be pivotal to drive the board's plans to secure improved operational and financial performance. This will include a focus on financial and strategic planning and clear communication with the board and wider partners.
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Introduction

- 1.** I have received the audited annual report and accounts including the independent auditor's report for NHS Grampian for 2024/25. I am submitting these accounts and auditor's report under section 22(4) of the Public Finance and Accountability (Scotland) Act 2000, together with this report that I have prepared under section 22(3) of the Act.
- 2.** My report brings to the Scottish Parliament's attention issues relating to NHS Grampian's difficulty in meeting its financial targets and reaching a financially sustainable position; concerns about service performance and quality; and issues relating to leadership and governance.
- 3.** The auditor issued an unqualified opinion on the annual report and accounts of NHS Grampian for 2024/25.

Findings

For the second successive year, NHS Grampian required brokerage to help it achieve in-year financial balance

4. NHS Grampian did not set a balanced revenue budget for 2024/25. The financial plan submitted to the Scottish Government in March 2024 projected a deficit after savings of £59.1 million. At the start of 2024/25, the Scottish Government set NHS Grampian a **brokerage** cap of £15.3 million, which would have required delivery of further savings of £43.8 million. NHS Grampian was unable to reduce the overspend to the brokerage cap. The Scottish Government revised the brokerage cap and NHS Grampian received £65.2 million of brokerage funding from the Scottish Government in 2024/25. This enabled the board to achieve an underspend against budget of £0.253 million. The outturn for the year is shown in [Exhibit 1 \(page 6\)](#).

Brokerage is a form of loan funding that the Scottish Government can agree to provide an NHS board to help it manage changes to planned expenditure. This additional funding is repayable and repayment terms will be set only once a board has returned to a break-even position.

5. The board also received £24.8 million of brokerage in 2023/24 meaning NHS Grampian have now received brokerage totalling £90 million. This must be paid back to the Scottish Government when the board returns to a break-even position. NHS Grampian's 2024/25 overspend of £64.9 million is the largest overspend by value of any health board across NHS Scotland and the fifth highest in percentage terms. The brokerage received in 2024/25 was the highest of any health board in Scotland.

6. NHS Grampian's net expenditure in 2024/25 of £1,681 million increased from the previous year (£1,565 million). One of the key areas of financial pressure was staff costs, which increased by £97.2 million in 2024/25. The annual pay uplift was fully funded by the Scottish Government, but additional pressures are occurring from increased leave not taken in-year and the need to draft in additional staff to cope with demand.

Exhibit 1**Performance against resource limits in 2024/25**

Performance against resource limits set by Scottish Government	Revised Resource Limit £m	Actual £m	Underspend £m
Core revenue resource limit	1,559.285	1,559.032	0.253
Non-core revenue resource limit	40.219	40.219	
Total revenue resource limit	1,559.504	1,599.251	0.253
Core capital resource limit	86.909	86.909	
Non-core capital resource limit	0.623	0.623	
Total capital resource limit	87.532	87.532	
Cash requirement	1,706.002	1,706.002	

Source: NHS Grampian Annual Report and Accounts 2024/25

NHS Grampian successfully delivered savings in excess of target during 2024/25, but it did not enable the board to reduce the in-year overspend

7. The Scottish Government required NHS boards to make recurring efficiency savings of three per cent during 2024/25. NHS Grampian set a target to deliver £34.9 million of savings within the 2024/25 financial plan, with £22 million of these savings (63 per cent) being recurring and the remainder non-recurring (37 per cent). NHS Grampian made good progress with its savings delivery plans and exceeded both planned savings and the Scottish Government target. The final savings delivered in year totalled £50.5 million. £25.2 million of the savings are expected to be recurring in nature.

8. While NHS Grampian successfully delivered £15.6 million of additional savings during 2024/25, it did not enable the board to reduce the in-year overspend. This was mainly a result of significant overspends across the Integration Joint Boards (IJBs), with NHS Grampian needing to provide £22.4 million additional funding to each IJB in line with the agreed risk share arrangements at year end:

- Aberdeen City IJB: Additional funding contribution from NHS Grampian – £6.45 million.
- Aberdeenshire IJB: Additional funding contribution from NHS Grampian – £13.75 million.

- Moray IJB: Additional funding contribution from NHS Grampian – £2.196 million.

The medium-term financial plan shows that NHS Grampian's cost base is unsustainable, based on current funding levels

9. The 2025/26 Revenue Budget was presented to the board in April 2025, alongside an updated Medium-Term Financial Framework (MTFF) covering 2025/26 – 2029/30. NHS Grampian's financial plan for 2025/26 has the highest financial overspend in value terms in Scotland and the third highest in percentage terms. The financial gap before savings was £93 million.

10. For 2025/26, NHS Grampian have agreed savings of £39 million. They will also receive additional funding of £24 million, reducing the financial gap on non-delegated services to £30 million. However, NHS Grampian are projecting a £38 million overspend due to the IJB risk share arrangements. This results in an overall financial gap of £68 million for 2025/26.

11. The Scottish Government have placed a limit on NHS Grampian's overspend of £45 million. This led to NHS Grampian having to identify a further £23 million of savings. The board does not have budget authority to overspend by more than £45 million in 2025/26, and any overspend will be shown as a deficit in the 2025/26 financial statements. The Scottish Government's expectation is that NHS Grampian develop a recovery plan to reduce expenditure and operate within this set limit.

In May 2025, NHS Grampian were escalated to Stage 4 of the NHS Scotland Support and Intervention Framework

12. On 9 January 2025, NHS Grampian were escalated to Stage 3 for financial management. This was a result of the deterioration in the financial position of the board during 2024/25. Stage 3 involved enhanced monitoring and support from Scottish Government.

13. On 12 May 2025, the board was moved to Stage 4 of the escalation framework, for financial sustainability, leadership and governance. NHS Grampian continue to have the largest deficit in NHS Scotland and, despite a forthcoming financial recovery plan, the Scottish Government did not have sufficient confidence in the board's trajectories. The Scottish Government say that formal escalation is necessary, along with the additional support and scrutiny this will provide, to help mitigate the significant risks to the board and the Scottish Government's Health and Social Care Portfolio in its entirety.

14. Alongside financial management, the board is 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, eg Healthcare Improvement Scotland (HIS). There have also been significant operational pressures experienced in previous months, including NHS Grampian having to declare a critical incident for three days in November 2024; and the board formally registering their own 'intolerable' strategic risks.

15. The Scottish Government say that there are long-standing demographic, demand and capacity pressures across NHS Grampian which now requires a comprehensive local strategy and a clear plan to deliver the necessary, fundamental transformation.

16. The model of support in Stage 4 involves NHS Grampian receiving senior external support and monitoring. NHS Grampian will be expected to report to an Assurance Board chaired by the Scottish Government. This Assurance Board reports direct to the Chief Operating Officer for NHS Scotland and Director General Health and Social Care. The onus remains on the board to deliver the required improvements.

17. In June 2025, the Scottish Government commissioned KPMG to undertake a diagnostic review of the financial position of NHS Grampian. The scope of the work included:

- **Leadership and Governance Review:** Review the design and operational effectiveness of the high-level financial governance arrangements in place at NHS Grampian and the Integration Joint Boards over the past two financial years
- **Opportunity Identification:** Assess and benchmark a broad range of information provided by the client to identify credible, incremental, novel, and innovative opportunities for improvement.
- **Financial and Performance Drivers:** Assess the level of oversight and scrutiny applied to financial reporting, as well as the governance structures supporting this process; the response to formal concerns raised by external parties; the effectiveness of the strategic risk management framework; and overall leadership and governance arrangements which are in place.

18. The draft report was received by the board on 17 July 2025. An initial assessment of the recommendations and suggested actions were reported to the Assurance Board on 22 July 2025. NHS Grampian are currently formulating their full response and associated communications plan, which will include engagement with wider health and care partners. The KPMG diagnostic review was published by Scottish Government on 9 October 2025.

19. The NHS Grampian Improvement Plan is being developed which will incorporate the board's response to the recommendations from the diagnostic review and include performance improvement, financial sustainability and transformation for a sustainable and affordable future. The Improvement Plan will return to the Assurance Board in October 2025.

It will not be possible for NHS Grampian to return to financial balance over the medium term without a significant redesign of the health and social care system

20. For services not delegated to the IJBs, the board is anticipated to return to balance in the fourth year of the MTFF, in 2028/29. The IJBs are a significant barrier to overcome to achieve financial balance. The board is projecting a £290 million pressure on IJB funding over the five years of the MTFF. The significant pressure on finances is being driven by demographic changes, increasing demand on services and inflation is resulting in significant financial sustainability issues over the medium term.

21. Within the MTFF, the Board have identified several factors impacting the board's financial position including:

- **Funding:** Baseline funding is expected to grow three per cent per annum.
- **Costs:** The board are predicting an increase in costs of £370 million over the next five years.
- **Demographics:** The overall population is expected to remain static, however the expectation is that there will be a significant increase in the over 75 population within the next ten years. There is an assumption in the MTFF that there will be no additional funding due to the overall population not growing.
- **Demand:** Post pandemic there is significant latent demand and new pressures which will require a whole-system redesign to address. It is expected that this period of recovery will extend beyond the period of the MTFF.

22. The Board have also recognised a number of key risks relating to financial planning including:

- Undertaking transformation during a period of significant operational and financial challenge.
- Continued economic uncertainty impacting on inflation and the supply chain.
- The impact of savings required within IJBs on system performance.
- Challenges regarding recruitment in a number of locations and specialties.

23. The appointed auditor notes that the MTFF has been prepared on the assumption that all additional brokerage funding received from the Scottish Government to manage overspends will not be paid back until financial balance is achieved. When the Scottish Government do request this is repaid, it will again widen the financial deficit.

There continues to be significant operational challenges at the board which has resulted in overall performance declining in 2024/25

24. The board have some areas of improved performance in 2024/25, however there continues to be significant operational challenges. There has been increasing pressures on Emergency Departments during the year. While this is an ongoing issue across the NHS in Scotland, NHS Grampian had to declare a 'critical incident' in November 2024 due to sustained and continuing demands on Aberdeen Royal Infirmary (ARI).

25. Hospital occupancy rates across Grampian are regularly above 100 per cent. In response to the critical incident, NHS Grampian took steps to increase bed capacity, however this results in increased costs for the service.

26. NHS Grampian has the lowest bed base in Scotland, approximately 1.4 beds per 1,000 population. The next closest mainland board has approximately 2.0 beds per 1,000 population, while the Scotland median is 2.4 beds per 1,000 population. The board are limited by the physical space they have in hospitals, meaning it is difficult to significantly increase the capacity of beds to deliver care.

27. The board presented a bed base review to the Board in September 2024. The review highlighted that additional bed capacity is critical to enable the hospital to respond to in-patient hospital service-based demand and that the current bed capacity at ARI continues to be inadequate. In order to increase the bed base, significant recurring investment will be required to deliver additional capacity.

28. NHS Grampian's performance against key national treatment targets in 2024/25 has been mixed ([Appendix 1](#)), with several performance indicators below national targets during 2024/25. Performance is lower in 2024/25 when compared to the previous year despite an increase in expenditure.

29. There are several areas of challenge which have impacted the board's performance, however we have noted areas where the board are above national target, including Child and Adolescent Mental Health Services (CAMHS) which consistently exceeded the 90 per cent national target.

30. In July 2024, Health Improvement Scotland (HIS) carried out an unannounced follow-up inspection of Dr Gray's Hospital in Elgin. This was in response to issues identified in a previous inspection in October 2023. The follow-up inspection resulted in five areas of good practice, two recommendations and 12 requirements (ten requirements were carried forward from the previous inspection). A requirement in the inspection report means the hospital or service has not met the required standards and the inspection team are concerned about the impact this has on patients using the hospital or service.

31. In February 2025, the chief executives of HIS and NHS Education for Scotland (NES) wrote a joint letter to the board. This letter outlined several areas of concern the regulators had identified during their inspection work. Issues raised included concerns over the effectiveness of the current leadership arrangements, limitations with existing governance arrangements and some significant workforce challenges alongside recruitment difficulties.

32. NHS Grampian responded to the concerns raised by the regulators in April 2025, detailing the specific courses of action being taken by the board to address the concerns raised. This included a review of the delivery of the board's change programmes against the concerns raised and to ensure the board were prioritising the correct issues.

33. During 2024/25, the board were in the process of changing the governance structure for acute services as part of the Integration of Acute Pathways. Previously, all hospitals operated within their own governance arrangements, with some services in each hospital reporting to NHS Grampian and other services reporting to one of the IJB's. However, following feedback received from HIS, the board are bringing four hospitals: Aberdeen Royal Infirmary; Dr Gray's Hospital; Aberdeen Maternity Hospital; and Royal Aberdeen Children's Hospital within the one reporting structure. This is in progress and Dr Gray's Hospital has already transferred into this arrangement, where previously the hospital had been the shared responsibility of the Chief Officer of the Moray IJB.

34. The board have also appointed a Chief Officer of Acute Services in May 2025, which is a newly created post at NHS Grampian. All major hospitals are now within the one governance structure within HNS Grampian and report to the Chief Officer of Acute Services.

Ongoing active leadership will be required to harness a culture of continuous improvement

35. Although the escalation notice refers to leadership and governance issues, it is not specific regarding these concerns. Factors outlined in this report that may have contributed are:

- the performance issues noted above
- the critical incident declared in November 2024
- the concerns from HIS and NES around leadership and governance reported in February 2025. The unannounced follow up of HIS inspection of Dr Gray's Hospital in July 2024 found a lack of progress and 12 requirements for action (ten of which were outstanding from the initial inspection in October 2023)
- significant turnover in leadership posts in NHS Grampian (chief executive and medical director) and the chief officers in all three IJBs

- on-going integration of governance arrangements for acute services across all hospitals, with certain responsibilities being transferred from Moray IJB Chief Officer to a new Chief Officer of Acute Services.

36. An interim Chief Executive has been in place since December 2023. In January 2025, the interim Chief Executive confirmed his intention to retire in late 2025. The board have now appointed a new Chief Executive, and she commenced the role in September 2025.

37. There have been other changes in senior leadership during 2024/25, including a new Medical Director being appointed from January 2025 due to outgoing retirement.

38. There have also been recent changes in leadership at all Grampian-based IJBs: Aberdeenshire IJB appointed an interim Chief Officer in April 2025; Moray IJB appointed a new Chief Officer in November 2024 (following an interim period); and Aberdeen City IJB appointed a new Chief Officer in February 2024.

Conclusion

39. The medium-term financial plan reveals that NHS Grampian's cost base is unsustainable for future operations based on current funding levels. The move to Stage 4 highlights the significant financial pressures on the board and the significant challenge it will face to bridge the financial gap over the medium term.

40. NHS Grampian have a significant deficit position over the next four years, meaning it is unlikely the board will be able to return to financial balance in the medium term. The auditor notes that it will not be possible for NHS Grampian to return to financial balance without a significant redesign of its health and social care system and/or obtain fundamental changes in the funding model.

41. The three-year financial recovery plan will be an important mechanism for setting out how the board intends to return financial balance by the end 2027/28. The recovery plan is due to be reported to the Board in October 2025. NHS Grampian should agree a financial recovery plan as soon as possible and clearly set out how the board intends to return to financial balance.

42. Due to the upcoming change in senior management, including a new substantive Chief Executive (end of September 2025), continued active leadership will be required to harness a culture of continuous improvement. This will include a focus on financial and strategic planning and clear communication with the board and wider partners, as well as a continued focus on strengthened collaborative working locally, regionally and nationally.

43. I will continue to monitor progress with the issues highlighted in this report and consider further reporting as necessary.

Appendix

NHS Grampian's performance against key waiting times standards, quarter ending March 2025. Compared with the boards performance a year ago and the national average.

Standard	Performance at March 2025
4-hour A&E Percentage of all attendances seen within 4 hours Standard: 95%	 66.2% (Mar 2024 – 68.3%) (Scottish Average – 70.6%)
12 Weeks First Outpatient Appointment Percentage of patients waiting no more than 12 weeks from referral to first outpatient appointment Standard: 95%	 58.8% (Mar 2024 – 61.8%) (Scottish Average – 61.2%)
Drug and alcohol treatment Percentage of patients seen within 3 weeks Standard: 90%	 94.6% (Mar 2024 – 95.3%) (Scottish Average – 92.9%)
Child and Adolescent Mental Health Services (CAMHS) Waiting Times Percentage of patients seen within 18 weeks Standard: 90%	 97.7% (Mar 2024 – 97.4%) (Scottish Average – 91.6%)
Psychological therapy Percentage of patients to start treatment within 18 weeks of referral Standard: 90%	 77.8% (Mar 2024 – 75.5%) (Scottish Average – 78.6%)
Cancer Treatment Percentage of patients beginning treatment within 31 days of decision to treat Standard: 95%	 90% (Mar 2024 – 89.5%) (Scottish Average – 94.1%)
Cancer Treatment Percentage of patients beginning treatment within 62 days of urgent referral Standard: 95%	 52.5% (Mar 2024 - 55%) (Scottish Average – 68.9%)

Standard	Performance at March 2025
Treatment Time Guarantee (TTG) Proportion of patients that were seen within 12 weeks TTG Standard: 100%	 44.4% (Mar 2024 – 43.9%) (Scottish Average – 56.7%)

Key:

-  Currently below acceptable limits (more than 5% below standard)
-  Currently requiring improvement (no more than 5% below standard)
-  Currently achieving standard

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