

FINANCE AND RESOURCES COMMITTEE

Minutes of the meeting of the Finance and Resources Committee held at 9.30 on Wednesday 22 October 2025 via Microsoft Teams.

Present: Mr M. Connor, Non-Executive Board Member (Chair); Cllr S. Akhtar, Non-Executive Board Member; Mr P. Allenby, Non-Executive Board Member; Mr A. Fleming, Non-Executive Board Member; Mr G. Gordon, Non-Executive Board Member; Mr R. Roberts, Non-Executive Board Member.

In attendance: Mr B. Barron, Director of Capital Planning; Ms M. Campbell, Director of Estates and Facilities; Mr J. Crombie, Deputy Chief Executive; Ms T. Gillies, Medical Director; Facilities; Mr C. Marriott, Director of Finance; Mr A. McCreddie, Deputy Director of Finance; Mr D. Thomson, Board Secretary; Mr. C. Kerr, Programme Director, Capital Planning; Ms I. Tricker, Interim Head of Property and Asset Management; Ms S. Smith, Senior Innovation Programme Manager; Ms J. Hopton, Programme Director, Facilities; Ms S. Rippinger, Senior Circular Economy and Waste Minimisation Manager; Mr A. Hay, Deputy Head of Procurement (item 4.6) ; Ms J. Paris-Newton, Programme Manager, Sustainability & Value (item 5.3); and Mr G. Ormerod, Committee Administrator (minutes)

Observing (Talent Management): Ms. O. McConnell; Ms L. Sinclair; Mr P. Maguiness; Ms S. Smith; Ms. N. Rigglesford; Mrs T. Stewart; Ms R Middlemiss; Mr J. Hollington.

Apologies: Professor C. Hiscox, Chief Executive and Ms A. MacDonald, Executive Nurse.

Chair's Welcome

The Chair welcomed members to the meeting and Talent Management colleagues observing today's meeting.

Members were reminded that they should declare any financial or non-financial interests they had in the items of business for consideration, identifying the relevant agenda item and the nature of their interest. No interests were declared.

15. DECLARATION OF INTEREST

15.1 None

16. COMMITTEE BUSINESS

17. Draft minutes of the meeting held on 20 August 2025

17.1 Members accepted the minutes from the meeting held on 20 August 2025 as a correct record, with the exception of paragraph 10.1.3. Paragraph 10.1.3 was updated to show that the £20m had been identified in the system through sustainability funding, which allowed the board to create non-recurring funding.

17.2 Running Action Note

17.2.1 The updated action note had been previously circulated. All updates discussed would be included in the action plan circulated before the next meeting.

17.3 Committee Terms of Reference Annual Review

- 17.3.1 The Chair confirmed that the Terms of Reference have been reviewed recently and proposed no new additions.
- 17.3.2 Mr Thompson advised that the Terms of Reference should be reviewed annually as part of the blueprint for good governance and aligned with the board assurance framework and other committees for collective reporting before being formally signed off by the Board prior to the next financial year.
- 17.3.3 Mr Allenby advised there might be a future need for resources to support transformation and monitor performance.
- 17.3.4 Members agreed the current Terms of Reference.

18. **CAPITAL**

18.1 Property and Asset Management Improvement Programme (PAMIP)

- 18.1.1 Mr Kerr reported no major issues on the project tracker. The BCP update is progressing with the Scottish Government, was discussed at LCIG this week and will be submitted in November, with the final BCP due to this committee on 17 December. For the BCP 2025/26 programme, funding has been received to deliver nine major and seven small projects. Under the equipment budget, £3.7m has been allocated for high-risk equipment and assets.
- 18.1.2 As the PAEP reprovision project advances, the project team must be expanded and the authorised PCP budget increased to support IPCT training and communications. The paper proposes that additional funding will be requested from the Scottish Government. Four contractors have progressed to commercial evaluation following an initial submission review. A communications plan for the public and PAEP users is required to manage the impact of delays.
- 18.1.3 Liberton Hospital faces a challenge decanting patients to other facilities. Ferryfield, which is partly empty, could temporarily accommodate patients from Ellen's Glen while works proceed there. Some overnight patients have already been moved from Liberton to Ellen's Glen.
- 18.1.4 A tender was put forward for works to the top and bottom floors, but the scope has changed, and the costs are higher than anticipated because bathroom en suites must be removed due to water-control issues and fully reinstated. Groundworks start on Monday to support Hospital-at-Home operations, increase staff parking for home visits and install vehicle charging.
- 18.1.5 Ellen's Glen remains on programme for completion by 19 December and staff at Liberton have been informed. The main challenge is IT, as the site is highly IT dependent. Additional works required a contractor re-tender for groundworks; the re-tender was priced on a competitive basis for the ground floor to secure best overall value, and retendering again would miss the final deadline.

- 18.1.6 Forecast spending has changed due to additional work identified. Mr Allenby welcomed the underspend and effective forecasting but flagged the rising administrative burden from capital bidding and reporting. Mr Crombie noted the burden will grow further because of the Scottish Hospital Inquiry and said early discussions are under way to consolidate processes and reduce duplication.
- 18.1.7 Mr Fleming suggested calculating the administrative and reporting costs of producing business cases to quantify the work. He asked for the latest position on additional bids and on PAEP project timescales and service installation costs, including any water requirements from Scottish Water. Mr Barron confirmed there are serviced sites. The contractor and partner programme plans a 2.5-year build with final completion in 2030/31. Groundworks are expected to be completed by 2028. Water requirements need to be checked further; recent discussions have focused on electricity.
- 18.1.8 Mr Roberts queried whether PAEP IPC and communications roles would be permanent, how workload would vary, and whether staff would be embedded in the team or dedicated to PAEP. Mr Crombie confirmed the IPCT post will be full time and specialist within IPCT. The communications role will be flexible but will lead the project's engagement work. Mr Barron highlighted the importance of user engagement at various stages, including group modelling during the design process.
- 18.1.9 Mr Gordon said environmental projects are supported by the Scottish Government and asked for clarification on the allocation of a shared £10m and how the £20m has been split across separate areas. Ms Tricker said she has not received formal confirmation for Western General Hospital (WGH). A formal letter has been requested outlining the split between emissions/decarbonisation and main project funding. If the WGH is awarded one of the major projects, the decarbonisation funding would be applied to WGH. There is £10m for decarbonisation and £20m for project funding (lighting etc.), but no confirmation that the two allocations are linked.
- 18.1.10 Cllr Akhtar asked whether PAEP services that have been devolved to other areas would be brought back or remain in their current locations, noting that consolidation would improve environmental impact. Mr Crombie advised that patient feedback has been positive; the services are specialist and should be centralised and contained, and this approach will continue.
- 18.1.11 Members queried the risks of contracting ahead of confirmed funding and whether Scottish Government support might be withdrawn. Mr Marriott confirmed funding was secured in last year's budget and that quarterly update meetings with Scottish Government are ongoing.
- 18.1.12 The Committee approved the report's recommendations.

18.2 National HSDU Resilience Plans

- 18.2.1 Mr Crombie provided a verbal update on HSDU across NHS Scotland. He reported that the NHS Grampian shutdown will continue for a further two weeks and that major upgrading work is required to replace kit. He advised this situation has uncovered a lack of resilience for HSDU across NHS Scotland.
- 18.2.2 Discussion at the Chief Executive forum has taken place; £3 million has been identified and the external provider Steris has been considered, with a capacity pot available should it be required. The Scottish Government is taking a more focused, medium-term approach to options at Cowlares.
- 18.2.3 Mr Crombie confirmed that additional capacity has been provided and that work is under way to review how to make this area more resilient; he added that Cowlares would not provide full capacity for NHS Lothian and that HSDU work comprises temporary, phased resilience upgrades to maintain provision.
- 18.2.4 Ms Campbell confirmed that NHS Lothian is still supporting Grampian with 50 trays.

18.3 RIE Commercial Compromise Joint Lifecycle Management

- 18.3.1 The paper updates members on the position to be taken once the supplementary agreement with Consort is finalised and funding is transferred. Consort will be retained and paid through 2027; the funding will service sub-debt, meet operational costs and settle payments to Equans for catering services. The available funds are estimated at £80m, much of which is pre-committed to projects set out in the report. Current project workstreams include fire-stopping, resilience design, HSDU and emergency power generator provision; all projects will follow committee approval processes.
- 18.3.2 Mr Marriott emphasised the paper's importance in tracking the £80m position and reminded the board that responsibility transfers after the supplementary agreement is signed. He reported ongoing conversations with Scottish Government, confirmation that they are sighted on the liability and approval of the process and noted RIE financial pressures.
- 18.3.3 Mr Roberts raised concerns about spend and deliverability, especially fire work (3.1.6) which Consort struggled to complete due to limited space; delivery will return to us and space needs must be identified. CM said formulary capital would not change automatically on PFI return; any change must link to business continuity funding and Scottish Government engagement.
- 18.3.4 Mr Barron reported that Ward 203 is now the designated decant ward. Each ward decant typically lasts about 10 weeks and has required IPCT works, fire-alarm upgrades and wall repairs. Fire detection installation has encountered several issues. A proposed 17-bed side extension was rejected due to timescales, capital impact and lack of short-term benefit.
- 18.3.5 Mr Barron advised that required fire-safety notices and cladding remediation will involve internal and external works, will take several years to complete and must be managed against tight timescales to ensure safety and regulatory compliance.

- 18.3.6 Mr Fleming queried clarity on scope, solutions and affordability, and asked that priorities be clearly defined so work is driven by them. Mr Barron agreed that the supplementary agreement contains several schedules, one of which triggers specific work on signing and covers electrical resilience, including required generators plus an additional unit. A contract provision of £10m is in place to convert this into a delivery project. Mr Barron said the supplementary agreement also addresses void detection (which sits within the enforcement notice) and HSDU matters, including steam generation and fire-safety resilience; each project will deliver at different times.
- 18.3.7 Mr Marriott noted the board is inheriting works from Consort and has prioritised water, fire and ventilation through fundamental reviews, which informed the supplementary agreement. He referenced national reports on risks at PFI hand back and recommended this forum be used to discuss project delivery and the financial impact across the estates.
- 18.3.8 The recommendations outlined within the report were approved.

18.4 Royal Infirmary Fire Safety Risk update

- 18.4.1 Ms Campbell presented the previously circulated paper. She confirmed that there is no change to the risk profile for rating or grading.
- 18.4.2 Work on compartmentation and decanting continues to progress on time and to a high standard but once work on the Level 1 design progresses it will affect the decant. Several items are being progressed to comply with the enforcement notice, but there are delays in some areas.
- 18.4.3 Mr Barron confirmed that substantial work is needed to comply with the enforcement notice, which is linked to the fire strategy. The enforcement specifically covers external walls and cavities. A solution is needed to address these either from the outside in or by installing sprinklers within the hospital. The deadline for completion is the end of January 2026. Additional fire-strategy work will follow from the external walls and cavities issue.
- 18.4.4 Mr Barron said void detection is another area included in the enforcement notice. The service has proposed using the HEPACART to access above ceilings, decant patients, and carry out surveys and designs to install Level 1 fire detection. The current problem is that each ward requires a specific design and decanting plan before the surveys can proceed.
- 18.4.5 Mr Robers asked what proportion of the total work is covered by the projects escalated within the report and what assurance is available that escalation will resolve the issues. Mr Barron advised that work is progressing well and that fire experts ACRON have been appointed jointly to ensure jobs are completed on time and appropriate measures are in place.
- 18.4.6 Mr Allenby noted that the enforcement notice was served on all three parties, and that liability is joint. He asked whether corrective action will be completed before 2027. Mr Marriott confirmed an update had been given at the private board and that there is active dialogue with the Scottish Fire and Rescue Service and Consort, but said work is unlikely to be complete by the handover date. Mr Allenby warned that

legal action against the board could be possible under the enforcement notice once the handover from Consort is complete.

18.4.7 Members approved the recommendations within the report

18.5 Royal Infirmary Facilities Risk

18.5.1 Ms Campbell provided an update on the pre-circulated paper, which was taken as read. There is no change to the risk profile. Ms Campbell confirmed that a strategic review will be completed once the legal issues are resolved and that, once the document has been agreed and signed, this will give greater flexibility in how money is allocated to risks on the site.

18.5.2 Mr Fleming asked whether key electrical areas can be protected in the event of a power outage. Ms Campbell confirmed that the order for the generators is known, reallocation plans are in place, and the team knows which systems can be switched off if required.

18.5.3 Members approved the recommendations within the report.

18.6 Procurement Annual Report

18.6.1 Mr Hay presented an update on the Procurement Annual Report, focusing on national capabilities and regional work. The compliance position is assessed through a capability assessment, which reflects well on the procurement team and places them in a strong position for future work. Publication of this work provides transparency on spending. The procurement report subgroup continues to meet to discuss the areas detailed in Section 2.

18.6.2 The report notes delivery of £3m savings in 2024/25 while maintaining safe frontline services. These savings include the £1m anticipated savings, and the market continues to change. Savings activity is supported by the procurement and finance savings group. Financial recovery remains the team's primary objective, and they are making progress. Inflation is currently 3.3%, contributing to a challenging market position due to geopolitical risks, higher labour costs, National Insurance increases and energy prices.

18.6.3 Cllr Akhtar highlighted that the East and North procurement savings (section 2.2.4) are paused, delaying benefits. Modern apprenticeship spends and community benefits are low; these depend on increased construction activity. The formal East and North project are paused but ready to resume; the Director of Procurement is supporting NHS Tayside and NHS Fife.

18.6.4 Members welcomed the £3m savings and asked how this aligns with the overall target and whether shared regional services could scale delivery. Mr Hay said procurement and finance are working together, with Lothian leading regional collaboration and prepared to progress further.

18.6.5 Mr McCredie highlighted the non-pay efficiency group and the range of activity underway to address cost pressures and confirmed that business units will be set targets above 3% as part of their own plans.

18.6.6 Members accepted the report's recommendations.

18.7 Public Sector Reform Act Disclosures

18.7.1 Mr Marriott presented an update on Public Sector Reform Act disclosures and the requirement under the Public Services Reform (Scotland) Act 2010 to publish information on expenditure and other matters annually.

18.7.2 Members highlighted the associated costs of £105k for overseas travel and the £139k hospitality recharge and asked whether larger items should be pulled out for visibility. Mr Marriott confirmed that work has been ongoing to limit hospitality costs and overseas travel, noting that travel is classified as employee training and has been restricted over the years.

18.7.3 Mr McCredie advised that costs are often subject to Freedom of Information (FOI) requests, that publishing this information is useful, and that a great deal of work has been done to reduce expenditure. Performance in this area has improved in recent years.

18.7.4 Mr Allenby asked about disclosure of gifts received by staff. Mr Thompson advised that the Principles of Good Business Conduct set out the rules on interests, gifts and hospitality, and that no member of staff should accept gifts unless they are of no monetary value. He advised that revised rules may be issued by the Scottish Government in liaison with HR directors and will be shared with subsequent committees.

18.7.5 Ms Akhtar asked what is being done to build on modern apprenticeships and to highlight work on anchor institutes. She emphasised the opportunity to continue developing this. Mr Marriott advised that opportunities are being created and that there is an active, ongoing focus on the matter.

18.7.6 The recommendations set out in the report were approved by members.

19 **REVENUE**

19.1 Financial Position

19.1.1 Mr McCredie provided a financial update confirming the position shows an overspend of £2.8m and a year-end forecast of £22m. Efficiency savings are being delivered but not in full; further savings are expected towards the end of the year. Within the £22m forecast there remains a shortfall to achieve a balanced position. Key financial pressures relate to non-pay costs and additional resources made available this year; non-pay flexibility and SLA benefits are expected to materialise in Month 6.

- 19.1.2 All pay awards are still to be finalised; full funding is expected. Agreement on Agenda for Change pay is 4.25%, with a provision that if inflation exceeds that level the increase will be inflation plus 1%, which is expected to be funded by the Scottish Government.
- 19.1.3 The paper notes three ambitions: to achieve financial balance for this year as previously expected; to create budgetary flexibility to support reprofiling for 2026/27 across over- and underspent areas; and to reduce the recurring gap and shortfall. A mid-year review is currently under way and will be presented in December, with an anticipated improved position.
- 19.1.4 Mr Allenby noted recurring themes across the paper and asked how the 3% target will be delivered by each business unit. Mr McCredie advised that the system takes the 3% target seriously: 2024/25 achieved a 7% reduction, so 3% appears more realistic. Services are identifying opportunities, including work with agencies and nursing; savings this year have come from drug procurement and biosimilars. Mr McCredie warned this year will be difficult and some savings may be non-recurrent; the 3% is the Scottish Government target. Finding efficiencies is the only viable route to cost reduction while maintaining service levels, but the board may need to consider difficult choices in future to sustain the target.
- 19.1.5 Members discussed the link between the Board and IJBs. Mr McCredie advised that transformation programmes will continue, including efficiency initiatives and strategic programme boards with integrated services to support delivery. Mr Crombie added that the Unscheduled Care Strategic Programme Board focuses on options to meet demand and that there is clear IJB leadership on linking key issues.
- 19.1.6 Mr Roberts asked for clarity around the 3% target and associated financial information. Mr McCredie advised that £64m represents the 3% target; some schemes have been identified but several are falling short (below 2%), and work is ongoing to increase delivery into 2026/27.
- 19.1.7 Members accepted the report's recommendations.

19.2 Financial Plan 2026/27

- 19.2.1 Mr McCredie updated members on the initial high-level Finance Plan for 2026/27, noting that an agreed budget is expected to follow in January 2026. He identified four key figures for the plan, highlighting a recurring gap of £73m, which has reduced. The plan assumes an increased cost base, a 3.75% pay award and local cost assumptions to be confirmed through Scottish Government and aligned nationally.
- 19.2.2 Recurring resources and uplifts have been modelled with pay assumptions fully funded at 2.8%. The Scottish Government will provide support for Agenda for Change, including a £300m allocation for protected learning time, reduction of further working hours to 36 hours, and banding reviews for Bands 5–6.
- 19.2.3 The New Medicines Fund and sustainability funding form part of a shared £150m allocation; this follows a total funding level of £250m, which is lower than in 2024/25.

- 19.2.4 Mr McCredie advised that 3% savings plans are required against £67m. Some areas remain short of the 3% target, and there is some non-recurrent support in the current and upcoming financial year. Assumptions on additional expenditure will be refined over the coming months, with updates on drugs and local work in pharmacy and care teams.
- 19.2.5 Mr Fleming enquired how transformational change will be financed. Mr McCredie responded that the board has set a 3% efficiency target, is focused on maximising existing resources and is establishing invest-to-save proposals. He emphasised the difficulty of securing recurring funding and the significant challenge of consistently delivering 3% efficiencies. Directorates were asked to prioritise recurring cost pressures, identify required savings and outline mechanisms for budget reallocation.
- 19.2.6 The recommendations outlined in the report were approved by members.

19.3 Corporate Accommodation

- 19.3.1 Ms Paris-Newton provided an update on the previously circulated report on the preferred options for corporate accommodation. She confirmed that the previous office move was completed in 2025, and that workshops and forums were held using a SMARTER working approach. She outlined the risk assessment, associated costs and business case contained in the report and explained how the decision was reached.
- 19.3.2 Members noted the report's key points, and the clear process used to develop the options, and praised the work for progressing in a short timescale.
- 19.3.3 The recommendations within the report were approved.

20. **SUSTAINABILITY**

20.1 Climate Emergency and Sustainability update

- 20.1.1 Ms Hopton updated the on the report, outlining the current status from each team assessment, and described how delivery risks and environmental changes were measured against the Sustainable Development Framework.
- 20.1.2 Members noted the following highlights within the report:
- Performance on greenhouse gas emissions was moved from red to amber due to an overall reduction in 2024/25 and ongoing work through the Medical Gases Committee.
 - Governance and FRCs reported this area as red because of changes across public sector organisations and increased monitoring by SEPA, and they emphasised the need to ensure compliance across the whole organisation.
 - The built environment remains red, but there has been some progress on the biosimilar programme.
 - The importance of governance and compliance with legislation was emphasised, managing the risks and reporting on them. The status update identifies four areas

of non-compliance relating to clinical waste and assigns ownership for managing these risks.

- The circular economy strategy presents a significant opportunity to reduce spend by cutting waste and consumption. Progress has been made on waste reduction, but further work is required to improve data on consumption and to expand reuse and repair initiatives.

20.1.3 Members highlighted that the organisation currently buys single-use items that become waste and stressed the need to change this mindset to achieve financial and environmental benefits.

20.1.4 Members noted the direction of the LSDF for sustainability and its alignment with the transformation agenda and different ways of working.

20.1.5 The report was noted for information by members.

20.2 Climate Emergency and Environmental Sustainability

20.2.1 The Chair outlined the concerns from the recent non-executive meetings and advised that he had agreed to meet with Deputy Chief Executive to discuss these. The DCE would then take a process forward to address the concerns raised and bring this back to F&R in the near future.

20.2.2 Committee members agreed that Non-Executive Board members would discuss the matter with the Deputy Chief Executive.

21. **REFLECTIONS ON THE MEETING**

21.1 Matters to be highlighted at the next Board meeting – None

21.12 Matters to be highlighted to another Board Committees – None

22. **Date of Next Meeting**

22.1 9.30am on Wednesday 17 December 2025

***Agreed by Chair
17 December 2026***