OFFICIAL

Agenda Item 2.1

NHS Highland

Meeting:	**Highland Health & Social Care Committee**
Meeting date:	**3 September 2025**
Title:	**Finance Report – Month 3 2025/2026**
Responsible Executive/Non-Executive:	**Arlene Johnstone, Chief Officer**
Report Author:	**Elaine Ward, Deputy Director of Finance**

Report Recommendation:

The Committee is asked to **Examine** and **Consider** the content of the report and take **Limited Assurance**.

1 Purpose

This is presented to the Highland Health & Social Care Committee for:

- Assurance

This report relates to a:

- Annual Operating Plan

This report will align to the following NHSScotland quality ambition(s):

Safe, Effective and Person Centred

This report relates to the following Strategic Outcome(s)

Start Well		Thrive Well		Stay Well		Anchor Well	
Grow Well		Listen Well		Nurture Well		Plan Well	
Care Well		Live Well		Respond Well		Treat Well	
Journey Well		Age Well		End Well		Value Well	
Perform well	X	Progress well		**All** Well Themes			

2 Report summary

2.1 Situation

This report is presented to enable discussion on the NHS Highland financial position at Month 3 (June) 2025/2026.

2.2 Background

NHS Highland submitted a financial plan to Scottish Government for the 2025/2026 financial year in March 2025. This plan presented an initial budget gap of £115.596m. When cost reductions/ improvements were factored in the net position was a gap of £55.723m. The Board received feedback on the draft Financial Plan which requested submission of a revised plan with a net deficit of no more that £40m. A revised plan was submitted in line with this request in June 2025 and this revised plan has been accepted by Scottish Government.

The Board continues to be escalated at level 3 within the NHS Scotland Escalation Framework. Work continues internally and with the support of SG to improve the financial position by identifying opportunities and implementing new ways of working which will support a move to financial balance.

2.3 Assessment

At the end of June 2025 (Month 3) an overspend of £17.868m is reported with this forecast to increase to £40.005m by the end of the financial year. The forecast position is predicated on the assumption that further work will enable delivery of a breakeven position within ASC by 31 March 2026. This currently presents a risk of £19.933m to the Board.

Within the Highland Health & Social Care Partnership a year to date overspend of £10.190m is reported with this forecast to increase to £25.371m by the end of the financial year. This forecast overspend includes £19.933m relating to ASC which overall the Board is assuming will move to financial balance by the end of the financial year.

2.4 Proposed level of Assurance

Substantial		Moderate	
Limited	X	None	

Comment on the level of assurance

It is only possible to give limited assurance at this time. The position reported aligns with the Scottish Government expected position but still presents a position with is significantly adrift from financial balance.

3 Impact Analysis

3.1 Quality/ Patient Care

The impact of quality of care and delivery of services is assessed at an individual scheme level using a Quality Impact Assessment tool. All savings are assessed using a Quality Impact Assessment (QIA).

3.2 Workforce

There is both a direct and indirect link between the financial position and staff resourcing and health and wellbeing. Through utilisation of the QIA tool, where appropriate, the impact of savings on these areas is assessed.

3.3 Financial

Scottish Government has recognised the financial challenge on all Boards for 2024/2025 and beyond and are continuing to provide additional support to develop initiatives to reduce the cost base both nationally and within individual Boards. NHS Highland continues to be escalated at level 3 in respect of finance.

3.4 Risk Assessment/Management

There is a risk associated with the delivery of the Value & Efficiency programme. The Board are developing further plans to generate cost reductions/ improvements. There is an emerging risk associated with allocations – this has been reflected in the forecast year end position.

3.5 Data Protection

There are no Data Protection risks associated with this report.

3.6 Equality and Diversity, including health inequalities

An impact assessment has not been completed because it is not applicable

3.7 Other impacts

None

3.8 Communication, involvement, engagement and consultation

The Board has carried out its duties to involve and engage both internal and external stakeholders where appropriate through the following meetings:

- Executive Directors Group – via monthly updates and exception reporting
- Monthly financial reporting to Scottish Government

3.9 Route to the Meeting

This has been previously considered by the following groups as part of its development. The groups have either supported the content, or their feedback has informed the development of the content presented in this report.

- EDG
- FRPC

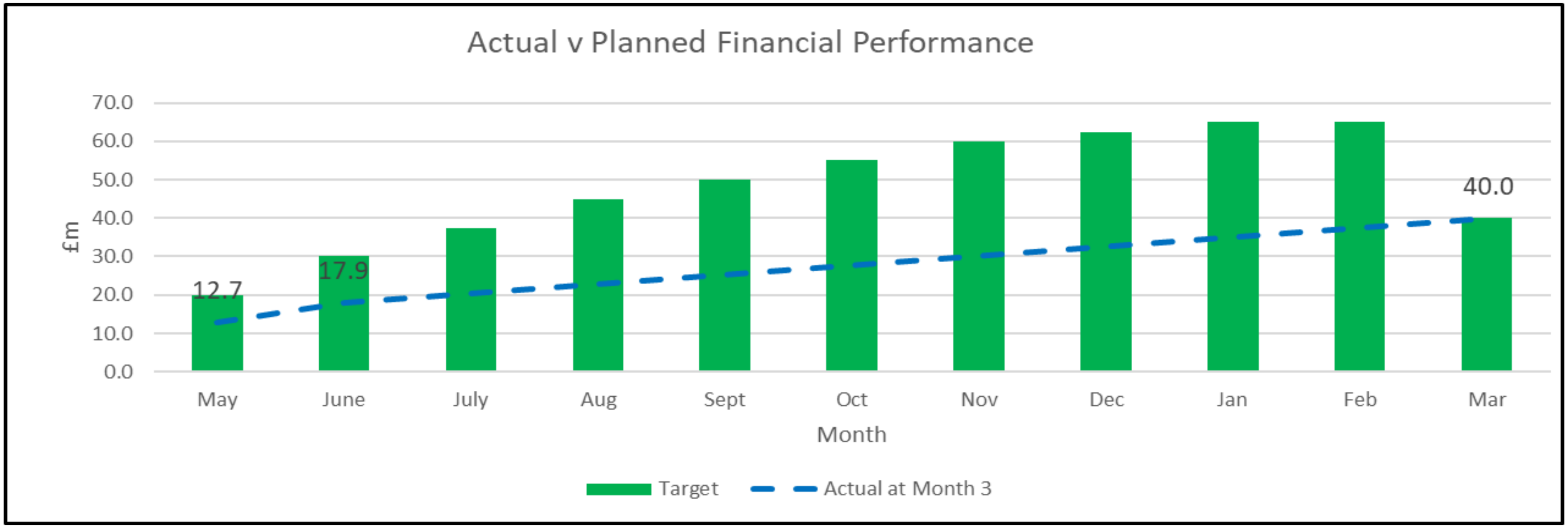
4.1 List of appendices

N/A

Finance Report –Month 3 (June) 2025/2026

MONTH 3 2025/2026 – JUNE 2025

NHS Highland



Target	YTD £m	YE Position £m
Delivery against Revenue Resource Limit (RRL) DEFICIT/ SURPLUS	17.9	40.0
Deliver against plan DEFICIT/ SURPLUS	12.1	0.0

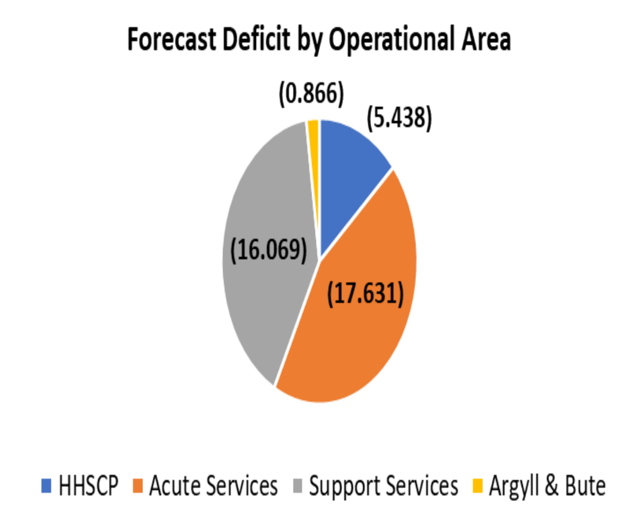
- No brokerage available in 2025/2026
- SG requested plan with a deficit no greater than £40m
- Current forecast is £40m worse than RRL but in line with SG request and revised plan submitted to SG in June 2025

MONTH 3 2025/2026 – JUNE 2025

Current Plan £m	Summary Funding & Expenditure	Plan To Date £m	Actual To Date £m	Variance To Date £m	Forecast Outturn £m	Forecast Variance £m
1,324.906	**Total Funding**	315.863	315.863	-	1,324.906	-
	Expenditure					
494.055	HHSCP	120.608	130.797	(10.190)	519.427	(25.371)
	ASC Position to breakeven				(19.933)	19.933
	Revised HHSCP				499.493	(5.438)
336.356	Acute Services	82.116	88.748	(6.632)	353.987	(17.631)
195.921	Support Services	44.120	44.833	(0.713)	211.990	(16.069)
1,026.332	**Sub Total**	**246.843**	**264.378**	**(17.535)**	**1,065.471**	**(39.139)**
298.574	Argyll & Bute	69.019	69.352	(0.333)	299.440	(0.866)
1,324.906	**Total Expenditure**	**315.863**	**333.731**	**(17.868)**	**1,364.911**	**(40.005)**

MONTH 3 2025/2026 SUMMARY

- Overspend of £17.868m reported with this forecast to increase to £40.005m by the end of the financial year
- This is in line with the revised financial plan submitted to Scottish Government at the beginning of June 2025
- Assuming that ASC will deliver a breakeven position at the end of the financial year



MONTH 3 2025/2026 – JUNE 2025

KEY RISKS

- ASC – At this stage there is no plan in place to deliver breakeven by the end of the financial year
- Supplementary staffing – ongoing reliance due to system pressures and recruitment challenges
- ASC pressures – suppliers continuing to face sustainability challenges, NI impact on independent sector providers
- Health & Care staffing
- Financial impact of Agenda for Change pay award from 2023
- Price increases in excess of inflationary assumptions
- SLA Uplift
- Allocations less than anticipated

MITIGATIONS

- Ongoing robust governance structures around agency nursing utilisation
- Sustainability funding received from SG
- Additional funding for AfC non pay element of 2023/2024 pay award

MONTH 3 2025/2026 – JUNE 2025

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	HHSCP					
279.502	NH Communities	67.755	73.569	(5.814)	299.592	(20.090)
60.886	Mental Health Services	14.988	15.610	(0.622)	63.041	(2.154)
169.499	Primary Care	42.674	42.761	(0.087)	170.794	(1.295)
(15.833)	ASC Other includes ASC Income	(4.810)	(1.143)	(3.667)	(14.001)	(1.832)
494.055	**Total HHSCP**	**120.608**	**130.797**	**(10.190)**	**519.427**	**(25.371)**
	HHSCP					
311.767	Health	76.317	78.682	(2.366)	317.206	(5.438)
182.288	Social Care	44.291	52.115	(7.824)	202.221	(19.933)
494.055	**Total HHSCP**	**120.608**	**130.797**	**(10.190)**	**519.427**	**(25.371)**

Locum/ Agency & Bank Spend	In Month £'000	YTD £'000
Locum	484	1,117
Agency (Nursing)	132	524
Bank	863	2,577
Agency (exclu Med & Nurs)	338	685
Total	**1,817**	**4,903**

HHSCP

- YTD overspend of £10.190m reported with this forecast to increase to £25.371m by the end of the financial year
- ASC overspend forecast at £19.933 – assuming delivery of 3% V&E cost reductions/ improvements
- Drugs/ prescribing pressure forecast at £0.588m
- Locum costs of £1.021m contributing to overspend within Primary Care
- Supplementary staffing costs of £4.903m incurred to date
- High cost out of area placements continue to impact on the Mental Health position

MONTH 3 2025/2026 – JUNE 2025
NORTH HIGHLAND COMMUNITIES

Annual Plan £000	Detail	Plan to Date £000	Actual to Date £000	Variance to Date £000	Forecast Outturn £000	Var from Curr Plan £000
80,295	Inverness & Nairn	19,978	21,996	(2,018)	88,394	(8,099)
58,467	Ross-shire & B&S	14,432	15,896	(1,464)	65,398	(6,931)
52,059	Caithness & Sutherland	12,812	13,324	(512)	53,495	(1,436)
62,707	Lochaber, SL & WR	15,389	15,626	(237)	65,577	(2,870)
7,970	Management	993	2,714	(1,721)	9,233	(1,263)
8,581	Community Other AHP	2,013	1,791	222	7,953	629
9,423	Hosted Services	2,137	2,222	(85)	9,542	(120)
279,502	**Total NH Communities**	**67,755**	**73,569**	**(5,814)**	**299,592**	**(20,090)**
95,111	**Health**	**22,105**	**23,686**	**(1,581)**	**96,491**	**(1,380)**
184,392	**ASC**	**45,650**	**49,883**	**(4,233)**	**203,102**	**(18,710)**

NORTH HIGHLAND COMMUNITIES

- YTD overspend of £5.814m reported with this forecast to increase to £20.090m by the end of the financial year
- Elements of unfunded services with ECS, Chronic Pain and Sexual Health impact on position
- A number of vacancies within services is leading to high levels of supplementary staffing spend although these have reduced from 2024/2025
- Supplementary staffing costs of £4.903m incurred to date
- Overspends within the equipment store due to increased demand and inflationary pressures in drugs and surgical supplies are contributing to the overspend position

MONTH 3 2025/2026 – JUNE 2025
MENTAL HEALTH SERVICES

NHS Highland

Annual Plan £000	Detail	Position to Date: Plan to Date £000	Position to Date: Actual to Date £000	Position to Date: Variance to Date £000	Forecast Outturn: Forecast Outturn £000	Forecast Outturn: Var from Curr Plan £000
	Mental Health Services					
45,287	Complex Care	11,069	11,878	(808)	48,407	(3,119)
9,486	Medical & Specialist Hlth Prof	2,363	2,192	170	9,198	289
2,755	Business Enabling Services	882	761	121	2,099	656
3,359	Psychological Therapies	673	779	(106)	3,337	22
60,886	**Total Mental Health Services**	**14,988**	**15,610**	**(622)**	**63,041**	**(2,154)**
47,158	**Health**	**11,537**	**12,236**	**(699)**	**49,920**	**(2,763)**
13,729	**ASC**	**3,451**	**3,374**	**77**	**13,120**	**608**

MENTAL HEALTH SERVICES

- YTD overspend of £0.622m reported with this forecast to increase to £2.154m by the end of the financial year
- Supplementary staffing costs due to increased acuity of patients is the main driver – however, work is ongoing to bring down the level of overall supplementary staffing spend
- Out of area placements continue to be a significant driver to the overspend position

MONTH 3 2025/2026 – JUNE 2025
PRIMARY CARE

Annual Plan £000	Detail	Position to Date: Plan to Date £000	Position to Date: Actual to Date £000	Position to Date: Variance to Date £000	Forecast Outturn: Forecast Outturn £000	Forecast Outturn: Var from Curr Plan £000
	Primary Care					
58,852	GMS	15,265	15,760	(495)	60,409	(1,557)
73,762	GPS	18,080	18,385	(306)	74,015	(253)
27,227	GDS	6,756	6,078	678	25,704	1,523
6,149	GOS	1,603	1,610	(8)	6,176	(27)
3,509	PC Management	971	927	43	4,490	(981)
169,499	**Total Primary Care**	**42,674**	**42,761**	**(87)**	**170,794**	**(1,295)**

PRIMARY CARE

- YTD overspend of £0.0.87m reported with this forecast to increase to £1.295m by the end of the financial year
- Vacancies in PC management and GDS continue to mitigate pressures in GMS and GPS
- Locum usage within the Board’s 2C practices is forecast at £1.021m by the end of the financial year
- Out of area placements continue to be a significant driver to the overspend position
- Prescribing and 2C practices are key areas within the Value & Efficiency programme for 2025/2026

MONTH 3 2025/2026 – ADULT SOCIAL CARE

Services Category	Annual Budget £000's	YTD Budget £000's	YTD Actual £000's	YTD Variance £000's	Outturn £000's	YE Variance £000's
Total Older People - Residential/Non Residential Care	64.594	15.958	15.774	0.184	63.711	0.883
Total Older People - Care at Home	39.103	9.632	11.106	(1.473)	44.769	(5.666)
Total People with a Learning Disability	50.250	12.498	15.063	(2.565)	60.895	(10.645)
Total People with a Mental Illness	10.410	2.595	2.589	0.006	10.387	0.024
Total People with a Physical Disability	9.373	2.340	2.856	(0.516)	11.345	(1.971)
Total Other Community Care	13.629	3.332	2.997	0.336	13.199	0.429
Total Support Services	(5.072)	(2.065)	1.537	(3.602)	(2.501)	(2.571)
Care Home Support/Sustainability Payments	-	-	0.193	(0.193)	0.417	(0.417)
Total Adult Social Care Services	**182.288**	**44.291**	**52.115**	**(7.824)**	**202.221**	**(19.933)**

ADULT SOCIAL CARE

- YTD an overspend of £7.824m is reported with this forecast to increase to £19.933m by the end of the financial
- The overall financial position for the Board assumes that ASC will deliver a breakeven position by the end of the financial year
- £1.248m of supplementary staffing costs within in-house care homes are included within the year to date position

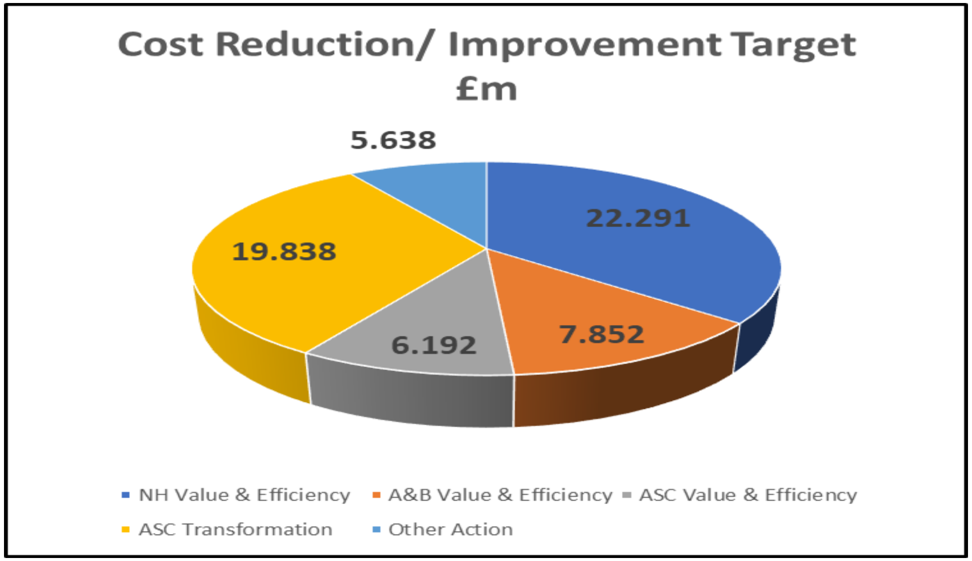
MONTH 3 2025/2026 – ADULT SOCIAL CARE

NHSH Care Homes Supplementary Staffing

Care Home	Month 3 Agency £000's	Month 3 Bank £000's	Cumulative Total YTD £000's
Ach an Eas	-	25	74
An Acarsaid	-	16	46
Bayview House	2	27	80
Caladh Sona	-	-	-
Dail Mhor House	-	-	-
Grant House	77	15	124
Home Farm	61	12	232
Invernevis	11	16	95
Lochbroom	-	16	50
Mackintosh Centre	-	2	4
Mains House	29	3	137
Moss Park	72	5	157
Melvich	-	5	16
Pulteney	-	21	82
Seaforth	-	24	70
Strathburn	-	-	-
Telford	-	14	40
Wade Centre	-	8	41
Total	**251**	**209**	**1,248**

- Ongoing reliance on agency/ bank staffing within Home Farm and Mains House
- Accelerating spend within Moss Park

MONTH 3 2025/2026 – JUNE 2025



Area of Cost Reduction/ Improvement	Target £000s
NH Value & Efficiency	22.291
A&B Value & Efficiency	7.852
ASC Value & Efficiency	6.192
ASC Transformation	19.838
Other Action	5.638
Follow up actions post March Fin Plan Submission	10.180
Total Cost Reduction/ Improvement Target	**71.991**

COST REDUCTON/ IMPROVEMENT

- NHS Highland submitted a financial plan to Scottish Government in March 2025 detailing a cost reduction/ improvement programme of £54.235m
- Whilst a further submission was made in Jue with a revised net financial gap of £40.005m the savings programme within the March submission remained unchanged

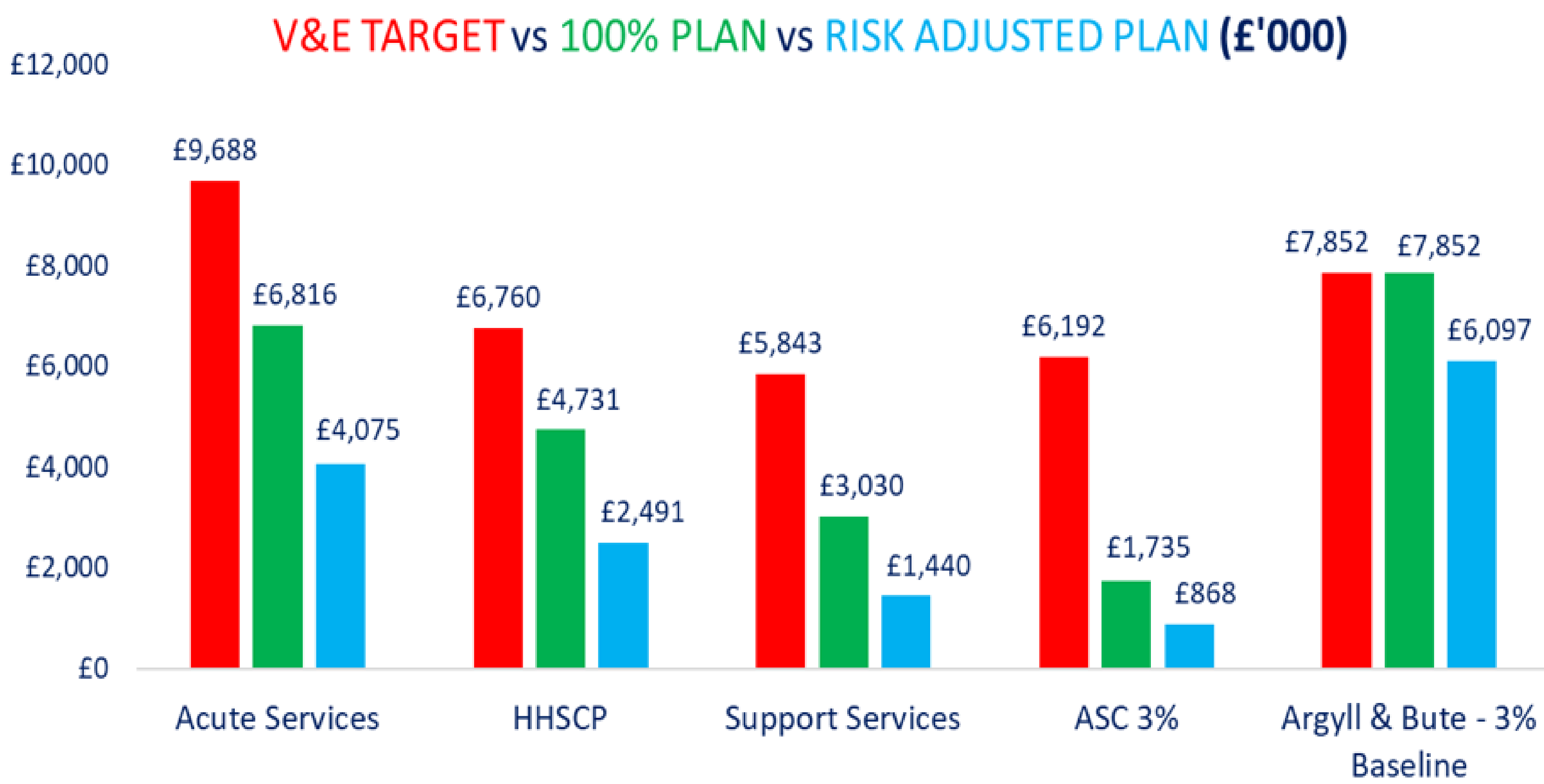
MONTH 3 2025/2026 – VALUE & EFFICIENCY

In the 2025–26 financial year, savings are reported on a risk-adjusted basis. This approach factors in the probability of risks impacting the achievement of the financial plan. The framework categorises risks into five types: Idea, Opportunity, Plans in Progress, Fully Developed, and Moved to Delivery.

2025-26 Value & Efficiency Plan (£'000)

Reduction Programmes	100%			Risk Adjusted Forecast (RAF)			Savings Achieved			
	Allocated Target	Current Plan	Plan GAP	Allocated Target	Risk Adjusted Forecast (RAF)	Risk Adjusted Plan GAP	Allocated Target	Budget Savings Achieved	Cost Reductions Achieved	Current Savings GAP
Value & Efficiency - North Highland	**22,291**	14,578	-7,713	**22,291**	8,006	-14,284	**22,291**	625	706	-20,960
Value & Efficiency - Argyll & Bute	**7,852**	7,852	0	**7,852**	6,097	-1,755	**7,852**	1,982	0	-5,870
Total Value & Efficiency	**30,143**	22,430	-7,713	**30,143**	14,103	-16,039	**30,143**	**2,607**	**706**	**-26,830**
Value & Efficiency - ASC	**6,192**	1,735	-4,457	**6,192**	868	-5,325	**6,192**	0	0	-6,192
Total Value & Efficiency incl ASC	**36,335**	24,165	-12,170	**36,335**	14,971	-21,364	**36,335**	**2,607**	**706**	**-33,022**

MONTH 3 2025/2026 – VALUE & EFFICIENCY – TARGET, PLAN & RISK ADJUSTED PLAN BY AREA



Note: Acute Services Savings Target increased in M3 from £7.750m to £9.688m.

(Cath Lab And Private Patients)

MONTH 3 2025/2026 – VALUE & EFFICIENCY RECURRING/ NON-RECURRING BREAKDOWN

2025-26 Value & Efficiency Plan (£'000)										
Reduction Programmes as per Area and Recurrence	Value at 100%			Risk Adjusted Forecast (RAF)			Savings Achieved			
	Current Plan	Recurrent	Non-Recurrent	Risk Adjusted Forecast (RAF)	Recurrent	Non-Recurrent	Allocated Target	Recurrent	Non-Recurrent	Current Savings GAP
% of the Plan	% Rec/Non-Rec vs Curr Plan	72%	28%	% Rec/Non-Rec vs RAF	61%	39%	% Achieved vs Target	6%	3%	
Value & Efficiency - North Highland	14,578	10,692	3,885	8,006	5,713	2,294	22,291	816	515	-20,960
Value & Efficiency - Argyll & Bute	7,852	5,552	2,300	6,097	2,797	3,300	7,852	1,332	650	-5,870
Value & Efficiency (North Highland)	22,430	16,244	6,185	14,103	8,510	5,594	30,143	2,148	1,165	**-26,830**
Value & Efficiency - ASC	1,735	1,135	600	868	568	300	6,192	0	0	-6,192
Total Value & Efficiency incl ASC	24,165	17,379	6,785	14,971	9,077	5,894	36,335	2,148	1,165	**-33,022**

The total planned savings (100% plan) are £24.165m, with £17.379 million expected to be recurrent.

After adjusting for risk, the total expected savings drop to £14.971 million, with £9.077 million being recurrent.

The savings plans from North Highland currently make up the largest contribution across all areas.

MONTH 3 2025/2026 – VALUE & EFFICIENCY – HHSCP

Reduction Programmes	Target Allocated	Value & Efficiency Plan as per Scheme			Savings Achieved (All budget savings recorded on the ledger and YTD cost reductions)		
		Current Plan @ 100%	Risk Adjusted Forecast	GAP (Target less Risk Adj Forecast)	Savings Achieved	Recurrent	Non-Recurrent
HHSCP							
AHP Direct Engagement		50	25		0	0	0
Dental Redesign		1,000	750		0	0	0
HHSCP - Clinical Stores		5	3		0	0	0
HHSCP - Postages		10	1		0	0	0
HHSCP - Unfunded Posts		100	50		0	0	0
HHSCP Travel		59	6		0	0	0
MHLD Discharge Pathway		50	5		0	0	0
MHLD Notes Retrieval		5	0		0	0	0
MHLD Reduction in Costs / Out of Area Placements		425	193		0	0	0
MHLD Reduction in Drug Costs		10	5		0	0	0
MHLD Reduction in Travel and Transport (inc taxis and pool cars)		50	25		0	0	0
New Craigs Hospital - Supplementary Nursing Staff		410	205		0	0	0
Oral Nutrional Supplements (ONS) Direct Supply		5	3		0	0	0
Police Custody/ SARC/ Forensic Medical Examiner (FME)		100	100		19	19	0
Prescribing - Highland - HHSCP		1,179	967		329	329	0
Prescribing - Sustainable - HHSCP		0	0		0	0	0
Supplementary Staffing - Medical - MH -SUPP REDUCTION IN LOCUM COSTS		50	32		14	14	0
Supplementary Staffing - Nursing - HHSCP (Community Hospitals)		579	58		0	0	0
Supplementary Staffing Primary Care 2C		0	0		0	0	0
TARA HHSCP		144	14		0	0	0
Time to Care		500	50		0	0	0
Total HHSCP	**6,760**	**4,731**	**2,491**	**-4,269**	**362**	**362**	**0**

MONTH 3 2025/2026 – JUNE 2025
SUPPLEMENTARY STAFFING

	2025/2026 YTD £'000	2024/2025 YTD £'000	Inc/ (Dec) YTD £'000
HHSCP	4,902	5,386	(484)

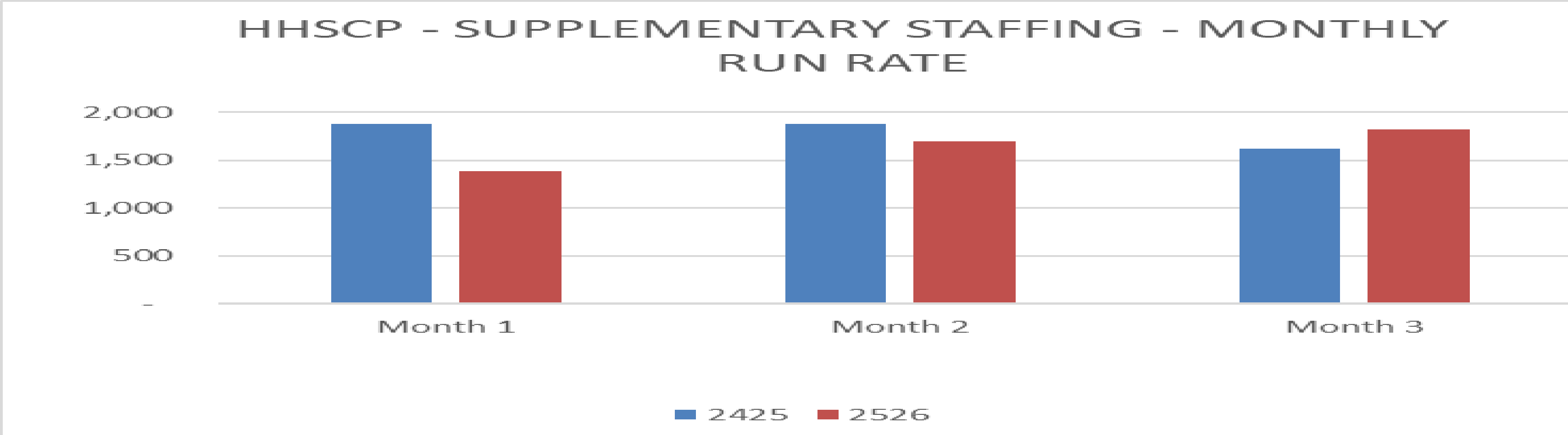
Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m
	Pay			
28.177	Medical & Dental	7.050	6.853	0.198
4.647	Medical & Dental Support	1.130	1.115	0.015
75.039	Nursing & Midwifery	18.180	17.815	0.365
18.578	Allied Health Professionals	4.472	4.251	0.222
0.034	Healthcare Sciences	0.008	0.000	0.008
10.107	Other Therapeutic	2.294	2.594	(0.300)
8.163	Support Services	1.989	1.846	0.143
24.043	Admin & Clerical	5.758	5.644	0.114
0.403	Senior Managers	0.101	0.039	0.061
58.333	Social Care	14.198	13.255	0.943
0.435	Ambulance Services	0.106	0.058	0.048
(2.794)	Vacancy factor/pay savings	(0.710)	0.000	(0.710)
225.166	Total Pay	54.577	53.470	1.107

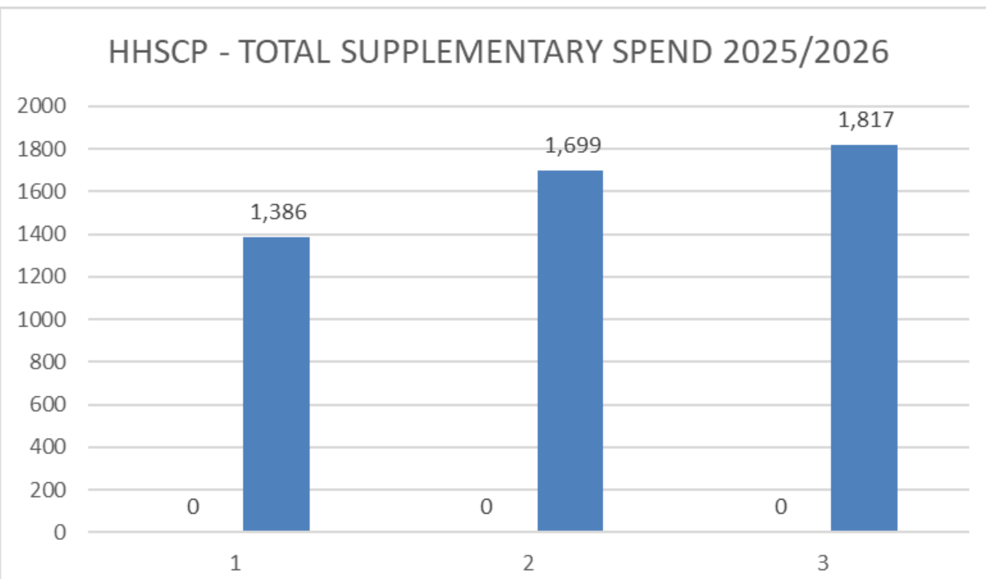
SUPPLEMENTARY STAFFING

- Recorded spend at end of Month 3 is £0.484m lower than at same point in 2024/2025
- Pay underspend of £1.107m reported at the end of month 3

MONTH 3 2025/2026 – JUNE 2025
SUPPLEMENTARY STAFFING

NHS Highland





- Month 3 spend is £0.118m higher than Month 2
- Increase reflects increasing supplementary staffing use within Moss Park Care Home

MONTH 3 2025/2026 – JUNE 2025

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m
	Expenditure by Subjective spend			
225.166	Pay	54.577	53.470	1.107
63.138	Drugs and prescribing	15.753	16.122	(0.369)
3.946	Property Costs	0.978	1.198	(0.220)
29.322	General Non Pay	6.443	3.508	2.935
6.184	Clinical Non pay	1.444	1.471	(0.027)
7.692	Health care - SLA and out of area	1.860	1.924	(0.064)
113.418	Social Care ISC	28.269	33.917	(5.648)
84.910	FHS	21.275	21.374	(0.099)

SUBJECTIVE ANALYSIS

- Pressures continue to be seen within most spend categories
- Vacancies across all staff groups continues to mitigate the high level of spend on supplementary staffing