

NHS Highland



NHS
Highland
na Gàidhealtachd

Meeting:

Meeting date:

Title:

Responsible Executive/Non-Executive:

Report Author:

NHS Highland Board Meeting

10 July 2026

Finance Report – Month 2 2026/2027

Heledd Cooper, Director of Finance

Elaine Ward, Deputy Director of Finance

Report Recommendation:

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

1 Purpose

This is presented to NHS Highland Board 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 draft financial position at Month 2 (May) 2026/2027.

2.2 Background

NHS Highland submitted a financial plan to Scottish Government for the 2026/2027 financial year in March 2026. This plan presented an initial budget gap of £123.177m. When cost reductions/ improvements were factored in the net position was a gap of £36.957m. Notification of additional funding reduced the opening gap to £113.177m and brought the net gap down to £26.957m. This net gap reflects expected receipt of £40m deficit support funding.

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 and de-escalation.

2.3 Assessment

At the end of May 2026 (Month 2) a year to date overspend of £13.166m is reported with this forecast to increase to £62.940m by financial year end. Deficit Support funding will bring this down to £22.940m.

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 financial plan submitted by the Board but 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 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 ongoing delivery of the Value & Efficiency programme. The Board continues to review this position and seeks to develop further plans to generate cost reductions/ improvements and seek mitigating actions which support the current forecast.

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
- Finance, Resources & Performance Committee

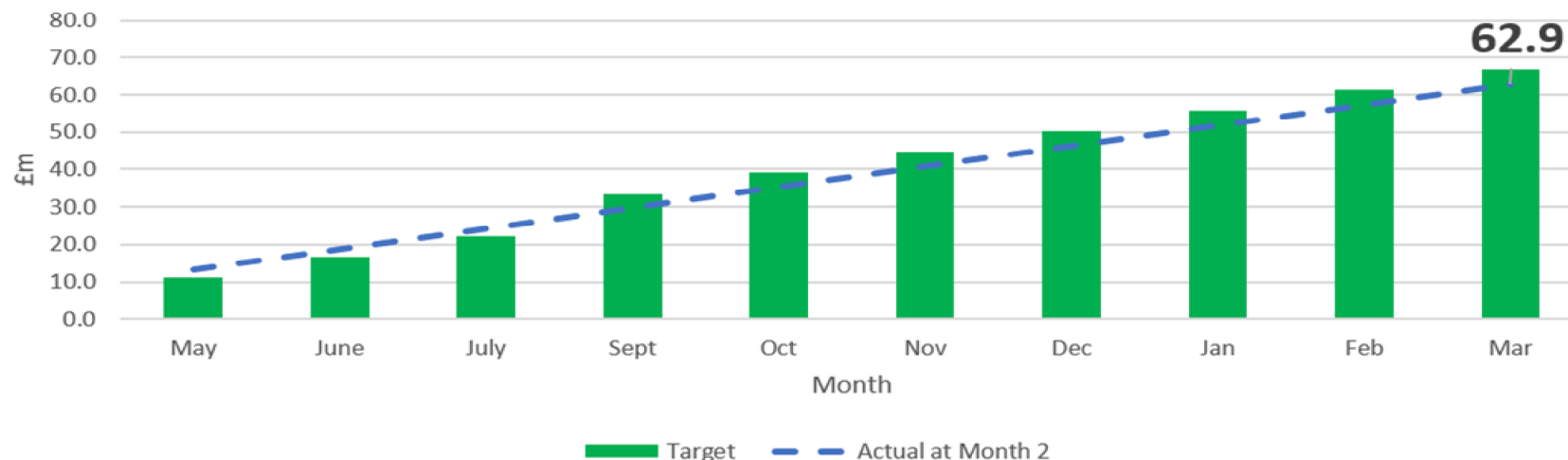
4.1 List of appendices

Finance Report – Month 2 (May 2026/2027)

Finance Report –Month 2 (May) 2026/2027

MONTH 2 2026/2027 – MAY 2026

Actual v Planned Financial Performance



Target	YE Position £m
Delivery against Revenue Resource Limit (RRL) DEFICIT/ SURPLUS	62.9
Deliver against plan DEFICIT/ SURPLUS	4.0

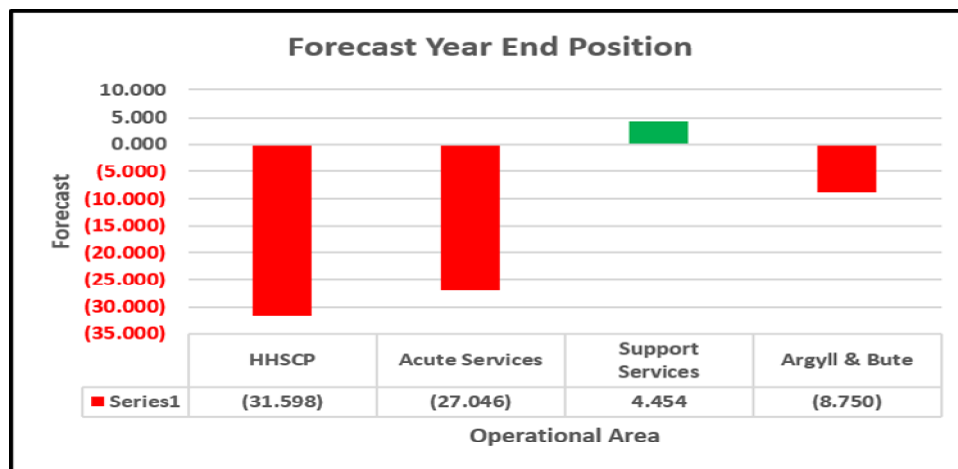
- No brokerage available in 2026/2027
- SG have indicated that deficit support funding of £40m will be available – this will be non-repayable
- Forecast year end position is £62.9m worse than RRL and £4.0m less than the plan submitted to SG

MONTH 2 2026/2027 – MAY 2026

Current Plan £m	Summary Funding & Expenditure	Plan To Date £m	Actual To Date £m	Variance To Date £m	Forecast Outturn £m	Forecast Variance £m
1,242.234	Total Funding	208.695	208.695	-	1,242.234	-
	Expenditure					
527.395	HHSCP	86.358	92.437	(6.079)	558.993	(31.598)
346.406	Acute Services	56.655	62.962	(6.307)	373.452	(27.046)
54.444	Support Services	16.970	17.591	(0.622)	49.990	4.454
928.245	Sub Total	159.983	172.991	(13.008)	982.435	(54.190)
313.990	Argyll & Bute	48.712	48.870	(0.158)	322.740	(8.750)
1,242.234	Total Expenditure	208.695	221.861	(13.166)	1,305.175	(62.940)

SUMMARY

- Year to date overspend of £13.166m reported with this forecast to increase to £62.940m by the end of the financial year
- This position is £4.017m better than the financial plan submitted to Scottish Government
- This improvement is due to agreement that NHS GG&C will only charge 75% of the previously notified SLA increase – discussions continue to assess and agree the activity and cost profile
- Forecast includes the assumption that the savings target will be delivered in full



PRIOR YEAR COMPARISON



Detail	2025/2026			2026/2027		Improvement/ (Deterioration) £m
	Full Year Budget £m	Full Year Actual £m	Variance £m	Forecast at Month 2 £m	Variance at Month 2 £m	
HHSCP	515.106	539.015	(23.910)	558.993	(31.598)	(7.688)
Acute Services	348.158	372.974	(24.815)	373.452	(27.046)	(2.231)
Support Services	248.836	199.915	48.921	49.990	4.454	(44.468)
Total HHSCP	1,112.100	1,111.904	0.196	982.435	(54.190)	(54.387)
Argyll & Bute	295.698	295.698	-	337.667	(8.750)	(8.750)
Total HHSCP	1,407.798	1,407.602	0.196	1,320.102	(62.940)	(63.137)

- The Month 2 forecast for 2026/2027 predicts a deterioration of £63.137m against the final 2025/2026 position.
- The 2025/2026 outturn reflects deficit support funding of £40m and a £5m contribution from Highland Council to reduce the ASC overspend.
- The 2026/2027 forecast is in line with the financial plan submitted to Scottish Government

MONTH 2 2026/2027 – MAY 2026



Summary Funding & Expenditure	Current Plan £m
RRL Funding - SGHSCD	
Baseline Funding	1,020.628
Baseline Funding GMS	5.291
FHS GMS Allocation	86.600
Supplemental Allocations	4.593
Non Core Funding	-
Total Confirmed SGHSCD Funding	1,107.926
Anticipated funding	
Non Core allocations	83.743
Core allocations	50.566
Total Anticipated Allocations	134.309
Total SGHSCD RRL Funding	1,242.234
Total NHS Highland Funding	1,242.234

FUNDING

- £1.242.234m of funding confirmed up to the end of May 2026
- Minimal allocations received other than Baseline and recurring allocations from 2025/2026

MONTH 2 2026/2027 – MAY 2026



Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	HHSCP					
302.655	NH Communities	49.797	53.538	(3.740)	329.143	(26.488)
64.528	Mental Health Services	10.756	11.500	(0.744)	67.151	(2.623)
174.867	Primary Care	29.006	28.664	0.342	175.952	(1.085)
(14.656)	ASC Other includes ASC Income	(3.201)	(1.265)	(1.937)	(13.253)	(1.402)
527.395	Total HHSCP	86.358	92.437	(6.079)	558.993	(31.598)
	HHSCP					
333.177	Health	54.720	56.212	(1.491)	337.667	(4.489)
194.218	Social Care	31.638	36.226	(4.588)	221.326	(27.108)
527.395	Total HHSCP	86.358	92.437	(6.079)	558.993	(31.598)

Locum/ Agency & Bank Spend	In Month £'000	YTD £'000
Locum	529	633
Agency (Nursing)	225	392
Bank	803	1,714
Agency (exclu Med & n)	143	347
Total	1,699	3,086

HHSCP

- YTD overspend of £6.079m reported with this forecast to increase to £31.598m by the end of the financial year
- Full year ASC overspend currently forecast at £27.108m
- Locum costs of £0.934m contributing to forecast overspend within Primary Care
- Supplementary staffing costs of £3.086m incurred YTD
- Previous high cost out of area placement costs have reduced but the pressure will continue into 2026/2027 with a crossover of care

MONTH 2 2026/2027 – 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	66,465	11,060	11,902	(841)	73,295	(6,829)
Total Older People - Care at Home	40,946	6,833	7,919	(1,086)	48,173	(7,227)
Total People with a Learning Disability	53,625	8,959	9,996	(1,037)	62,484	(8,858)
Total People with a Mental Illness	11,384	1,898	1,728	170	11,114	270
Total People with a Physical Disability	10,263	1,721	1,232	489	11,779	(1,516)
Total Other Community Care	14,084	2,346	2,175	171	14,135	(51)
Total Support Services	(2,551)	(1,180)	1,165	(2,344)	147	(2,698)
Care Home Support/Sustainability Payments	-	-	109	(109)	199	(199)
Total Adult Social Care Services	194,218	31,638	36,226	(4,588)	221,326	(27,108)

ADULT SOCIAL CARE

- An overspend of £27.108m is forecast by the end of the financial year
- £0.857m of supplementary staffing costs within in-house care homes are included within the position

MONTH 2 2026/2027 – ADULT SOCIAL CARE



NHSH Care Homes Supplementary Staffing

Care Home	Month 2		Total YTD £000's
	Agency £000's	Bank £000's	
Ach an Eas	-	37	75
An Acarsaid	3	12	37
Bayview House	5	28	61
Caladh Sona	-	-	-
Dail Mhor House	-	2	2
Grant House	8	6	24
Home Farm	66	18	146
Invernevis	9	29	69
Lochbroom	-	21	47
Mackintosh Centre	-	4	5
Mains House	25	9	62
Moss Park	50	11	104
Melvich	-	0	3
Pulteney	1	35	70
Seaforth	-	29	60
Strathburn	-	8	17
Telford	10	2	34
Wade Centre	-	20	42
Total	177	273	857

- Significant levels of spend across a number of care homes continues – Home Farm & Mains House are the highest spend areas
- If spend continues at the same rate as Months 1 & 2 full year spend will be higher than in 2026/2027
- Supplementary staffing spend is part of the ASC cost containment programme and will continue to be reviewed in detail on an ongoing basis

MONTH 2 2026/2027 – MAY 2026



Current Plan £000	Division	Plan to Date £000	Actual to Date £000	Variance to Date £000	Forecast Outturn £000	Forecast Variance £000
99.503	Medical Division	16.533	18.839	(2.306)	113.657	(14.154)
27.214	Cancer Services	4.537	4.962	(0.426)	29.037	(1.823)
80.834	Surgical Specialties	13.275	13.999	(0.724)	85.408	(4.574)
43.083	Woman and Child	7.165	7.555	(0.391)	45.241	(2.158)
52.673	Clinical Support Division	8.749	9.006	(0.257)	54.909	(2.235)
(21.086)	Raigmore Senior Mgt & Central Cost	(4.040)	(1.805)	(2.235)	(20.927)	(0.159)
30.649	NTC Highland	4.949	4.672	0.277	30.371	0.278
312.870	Sub Total - Raigmore	51.167	57.228	(6.061)	337.696	(24.826)
16.278	Belford	2.656	2.703	(0.047)	16.970	(0.692)
17.257	CGH	2.832	3.031	(0.199)	18.786	(1.529)
346.406	Total for Acute	56.655	62.962	(6.307)	373.452	(27.046)

Locum/ Agency & Bank Spend	In Month £'000	YTD £'000
Locum	1,118	2,192
Agency (Nursing)	171	180
Bank	770	1,639
Agency (exclu Med & N)	110	224
Total	2,169	4,235

ACUTE

- £6.307m overspend reported YTD with this forecast to increase to £27.046m by the end of the financial year
- Supplementary staffing continues to impact the financial position with £4.235m spent in the period to end May 2026
- At this stage a significant reduction in the costs relating to resident rota compliance is anticipated with a pressure of £0.135m forecast
- Further £1.606m of a pressure from resident doctor expansion posts forecast

MONTH 2 2026/2027 – MAY 2026



Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	Support Services					
31.336	Central Services	18.125	18.832	(0.706)	30.620	0.716
(149.245)	ASC Quantum	(24.874)	(24.874)	-	(149.245)	-
24.674	Central Reserves	-	-	-	21.355	3.319
12.194	Childrens Services	2.032	2.03	-	12.194	-
47.942	Corporate Services	7.282	7.065	0.217	44.898	3.044
56.602	Estates Facilities & Capital Planning	9.896	9.023	0.873	56.297	0.305
18.462	eHealth	2.778	3.308	(0.530)	19.893	(1.431)
12.478	Tertiary	1.729	2.206	(0.477)	13.978	(1.500)
54.444	Total	16.970	17.591	(0.622)	49.990	4.454

Locum/ Agency & Bank Spend	In Month £'000	YTD £'000
Locum	8	5
Agency (Nursing)	-	(55)
Bank	258	196
Agency (Non Med)	(34)	(16)
Total	231	130

SUPPORT SERVICES

- Overspend of £0.622m reported year to date with this forecast to move to an underspend for £4.454m by the end of the financial year.
- Full delivery of V&E savings and the reduced GG&C SLA are incorporated in the Support Services forecast at this time
- Provisions costs and higher than anticipated property maintenance costs are being mitigated by a number of vacancies across facilities team.
- At this stage there is no emerging pressure relating utilities but this continues to be an area of detailed review
- Within eHealth further increases in the costs of service contracts continues to be the main driver for the overspend. The service is also carrying costs associated with the implementation of a number of systems – once fully implemented savings should be released from other areas to fund these costs on an ongoing basis.
- Out of Area Forensic Psychiatry costs, rheumatology drugs and increasing SLA costs continue to drive the overspend within Tertiary

MONTH 2 2026/2027 – MAY 2026



Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	Argyll & Bute - Health					
165.365	Hospital & Community Services	27.632	27.967	(0.335)	167.349	(1.984)
22.568	Acute & Complex Care	3.724	3.713	0.011	23.113	(0.545)
13.074	Children & Families	2.190	2.255	(0.065)	13.224	(0.150)
45.448	Primary Care inc NCL	7.564	7.308	0.256	45.791	(0.343)
25.769	Prescribing	4.149	4.101	0.048	25.609	0.160
11.958	Estates	1.979	2.066	(0.087)	12.068	(0.110)
8.491	Management Services	1.456	1.503	(0.046)	8.669	(0.178)
21.317	Central/Public health	0.018	(0.042)	0.060	18.917	2.400
-	GGC SLA Rebasing Reserve & Rebs	-	-	-	8.000	(8.000)
313.990	Total Argyll & Bute	48.712	48.870	(0.158)	322.740	(8.750)

Locum/ Agency & Bank Spend	In Month £'000	YTD £'000
Locum	791	1,068
Agency (Nursing)	164	164
Bank	250	566
Agency (exclu Med & n	100	147
Total	1,305	1,945

ARGYLL & BUTE

- An overspend of £0.158m is reported YTD with this forecast to increase to £8.750m
- Supplementary staffing spend for the period to the end of May is £1.945m
- The year end position includes the impact of the NHS GG&C SLA rebasing

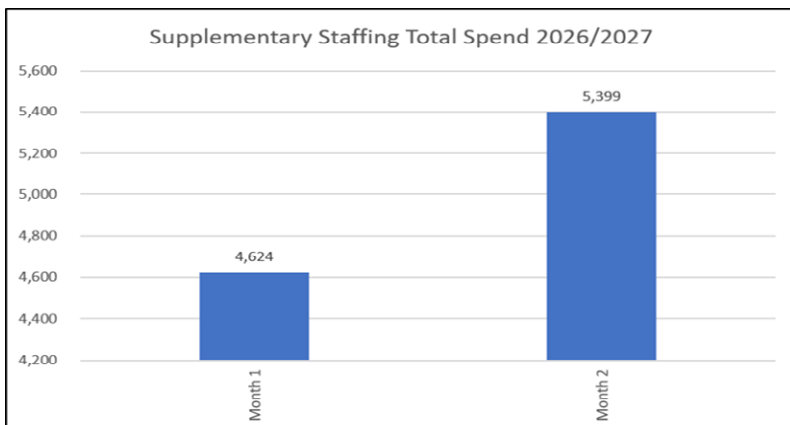
MONTH 2 2026/2027 – MAY 2026

SUPPLEMENTARY STAFFING



	2025/2026 YTD £'000	2024/2025 YTD £'000	Inc/ (Dec) YTD £'000
HHSCP	3,604	3,086	518
Estates & Facilities	51	178	(127)
E Health	-	1.17	(1)
Corporate	25	138	(113)
Central	(566)	(186)	(379)
Acute	4,414	4,235	179
Tertiary	-	-	-
Argyll & Bute	1,384	1,945	(560)
TOTAL	8,912	9,396	(484)

Recorded spend at end of Month 2 is £0.484m lower than at same point in 2025/2026



Month 2 spend is £0.776m higher than Month 1

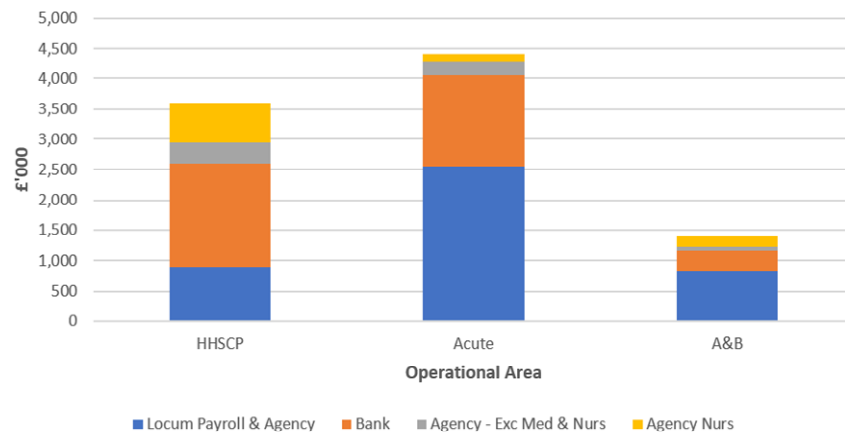
Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m
	Pay			
141.012	Medical & Dental	23.408	25.093	(1.684)
8.018	Medical & Dental Support	1.344	1.671	(0.327)
251.788	Nursing & Midwifery	41.793	42.854	(1.060)
49.124	Allied Health Professionals	8.102	7.810	0.292
19.698	Healthcare Sciences	3.309	3.106	0.204
29.305	Other Therapeutic	4.836	4.321	0.515
57.060	Support Services	9.467	9.173	0.294
99.953	Admin & Clerical	16.363	15.980	0.383
3.401	Senior Managers	0.567	0.578	(0.012)
66.991	Social Care	11.455	10.502	0.953
11.967	Vacancy factor/pay savings	(1.298)	0.000	(1.298)
738.316	Total Pay	119.346	121.087	(1.741)

Pay overspend of £1.741m reported at the end of Month 2

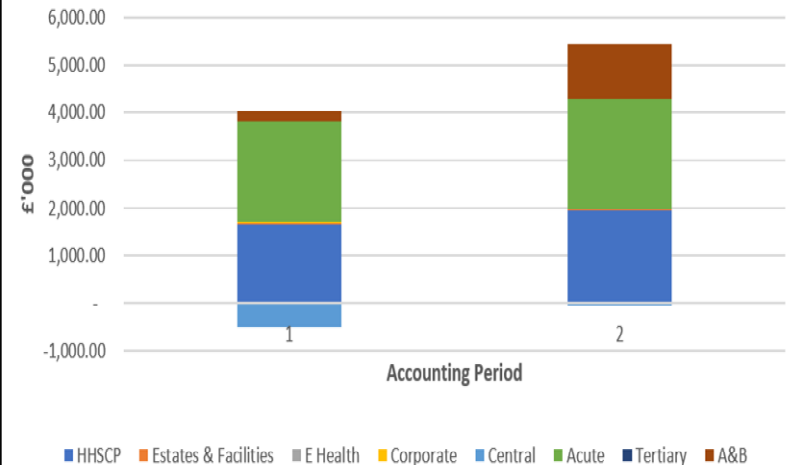
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SUPPLEMENTARY STAFFING

Operational Area Supplementary Staffing Spend by Type
Month 2 - May 2026



Supplementary Staffing Apr 26 - May 26



Supplementary Staffing - Monthly Run Rate



MONTH 2 2026/2027 – MAY 2026

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m
	Expenditure by Subjective spend			
738.316	Pay	119.346	121.087	(1.741)
142.681	Drugs and prescribing	23.598	23.210	0.388
56.519	Property Costs	9.184	9.111	0.073
43.926	General Non Pay	6.987	7.465	(0.477)
58.647	Clinical Non pay	9.721	11.130	(1.410)
188.062	Health care - SLA and out of area	43.043	44.361	(1.319)
140.316	Social Care ISC	23.437	26.415	(2.978)
128.801	FHS	21.311	21.066	0.244

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m
	Drugs and prescribing			
57.807	Hospital drugs	9.570	9.508	0.062
84.874	Prescribing	14.028	13.702	0.326
142.681	Total	23.598	23.210	0.388

SUBJECTIVE ANALYSIS

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

RISKS



- SLA with NHS GG&C – approx. £16m
- SLA with NHS Lanarkshire – have indicated that they will rebase for 2026/2027
- SLAs – Ongoing discomfort with possibility that some Boards may move away from nationally agreed position
- Ongoing discussion around charging for cross border ED attendances
- Agenda for Change Reform – overall funding package may not be sufficient to cover all costs and does not include NTC or ASC staff
- Funding for increased staffing within Maternity which was agreed to support Moray – potential that this funding will be diverted to NHS Grampian
- Non-delivery of cost reductions/ cost improvements
- Uncertainty around NCHC
- Sub national work
- Funding for work required for models of integration
- Business Systems Integration

OPPORTUNITIES



- Sub national work
- Ongoing dialogue around Models of Integration
- Continuous review of non-recurrent benefits
- NHS GG&C SLA restricted to 75% for 2026/2027

Value & Efficiency Position for the FY 2026-27 Month 2

Summary

The financial plan submitted to the Scottish Government includes a target of achieving 3% efficiency savings across both North Highland and Argyll & Bute.

2026-27 Value & Efficiency Plan (£'000)									
Reduction Programmes - Area	Allocated Target	Annual Plan Forecasted (£'000)	Plan GAP	Budget Savings Achieved YTD (£'000)	Cost Reductions Achieved YTD (£'000)	Savings Achieved YTD (£'000)	Actual Savings Achieved in M2	Total Budget Savings Achieved for full Year (£'000)	Full Year Savings Next Year 2027-28 (£'000)
North Highland	24,125	7,218	-16,907	1,063	791	1,854	1,077	2,343	5,319
Argyll & Bute	8,414	5,470	-2,944	749	0	749	399	4,494	1,646
Total Value & Efficiency	32,539	12,688	-19,851	1,812	791	2,603	1,476	6,837	6,965
Adult Social Care	6,581	1,600	-4,981	0	0	0	0	0	0
Total Value & Efficiency incl ASC	39,120	14,288	-24,832	1,812	791	2,603	1,476	6,837	6,965

2026-2027 V&E Target of £39.120m

Gap of £24.832m of plans against target

Full year savings for 2027-2028 includes Budget savings and cost reductions