Agenda Item 2.1

NHS Highland

Meeting:	**Highland Health & Social Care Committee**
Meeting date:	**1 July 2026**
Title:	**Finance Report – Year End 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 FRPC 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 & Highland Health & Social Care financial position at the end of the 2025/2026 financial year.

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 was 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

A year end underspend of £0.196m is reported. This position includes an overspend of £21.844m within ASC. Delivery of this position has been supported by deficit support funding received from Scottish Government, a contribution to the ASC position from the Highland Council and system pressure funding from SG.

Within the Highland Health & Social Care Partnership an overspend of £23.910m is reported this includes the ASC position mentioned above.

2.4 Proposed level of Assurance

Substantial		Moderate	x
Limited		None	

Comment on the level of assurance

It is only possible to give moderate 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 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.

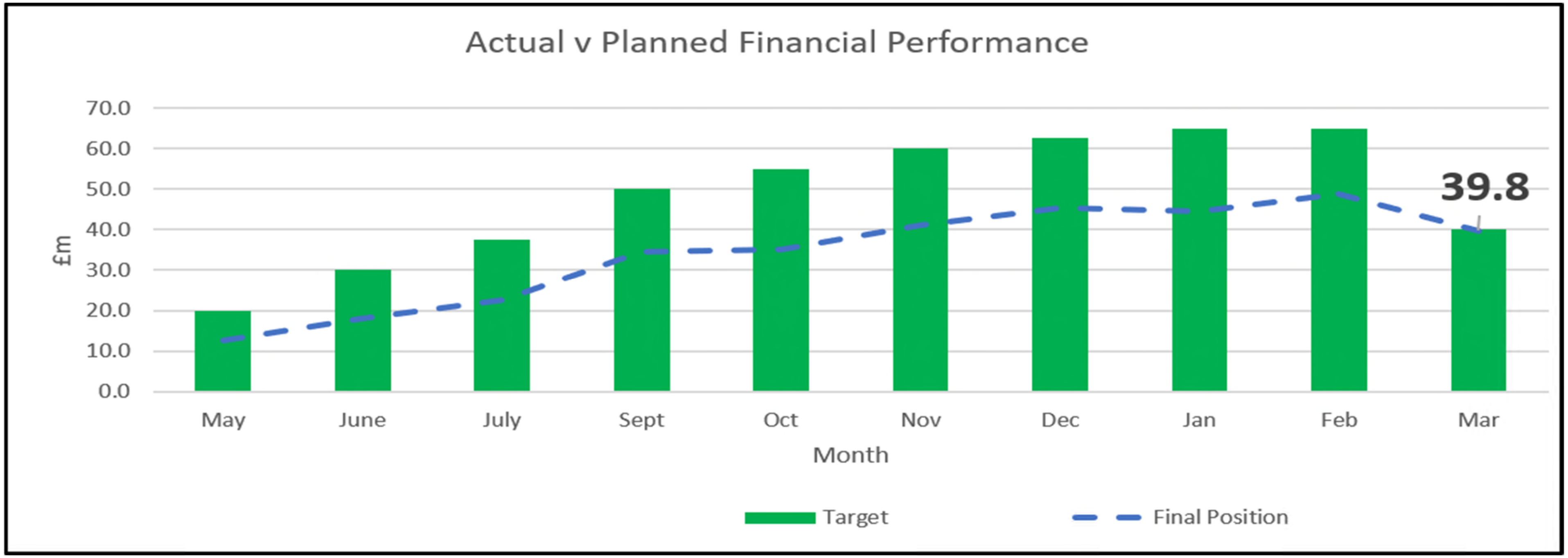
- EDG
- FRPC

4.1 List of appendices

Finance Report – 2025/2026 Year End

Finance Report – 2025/2026 Year End

FINAL 2025/2026 POSITION

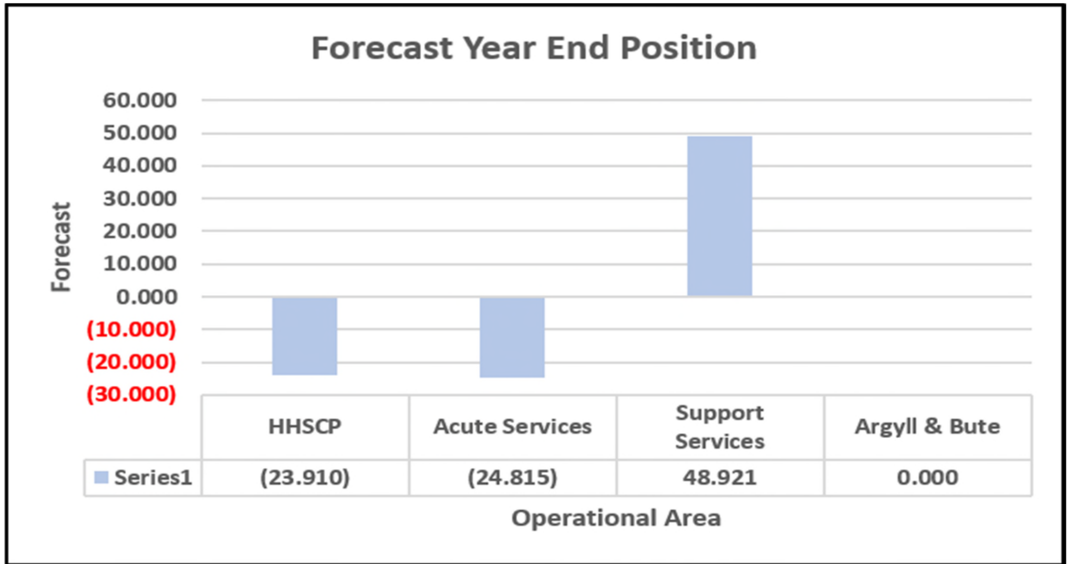


Target	YE Position £m
Delivery against Revenue Resource Limit (RRL) DEFICIT/ SURPLUS	39.8
Deliver against plan DEFICIT/ SURPLUS	0.2

- No brokerage available in 2025/2026
- SG requested plan with a deficit no greater than £40m
- SG have previously confirmed that an allocation of £40m (non-repayable) will be made to cover the planned overspend
- Draft year end position is £39.8m worse than RRL and £0.2m less than the target set by SG
- SG have provided a further £10m to support the Board position and this is reflected within the position

FINAL 2025/2026 POSITION

Summary Funding & Expenditure	Full Yr Budget £m	Full Yr Actual £m	Variance £m
Total Funding	1,407.798	1,407.798	-
Expenditure			
HHSCP	515.106	539.015	(23.910)
Acute Services	348.158	372.974	(24.815)
Support Services	248.836	199.915	48.921
Sub Total	**1,112.100**	**1,111.904**	**0.196**
Argyll & Bute	295.698	295.698	-
Total Expenditure	**1,407.798**	**1,407.602**	**0.196**



MONTH 12 2025/2026 SUMMARY

- Full year underspend of £0.196m reported.
- This position includes a further £10m of funding from SG to support the Board position & £5m contribution from Highland Council to support the ASC position.

FINAL 2025/2026 POSITION

Summary Funding & Expenditure	Current Plan £m
RRL Funding - SGHSCD	
Baseline Funding	978.843
Baseline Funding GMS	5.291
FHS GMS Allocation	84.454
Supplemental Allocations	112.474
Non Core Funding	43.71
Total Confirmed SGHSCD Funding	**1,224.770**
Anticipated funding	
Non Core allocations	45.941
Core allocations	0.000
Total Anticipated Allocations	45.941
Total SGHSCD RRL Funding	**1,270.711**
Integrated Care Funding	
Adult Services Quantum from THC	149.282
Childrens Services Quantum to THC	(12.194)
Total Integrated care	137.088
Total NHS Highland Funding	**1,407.798**

FUNDING

- £1,407.749m of funding confirmed at this stage in the year end process
- Allocations made throughout the financial year

FINAL 2025/2026 POSITION

NHS Highland

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m
	HHSCP			
301.067	NH Communities	301.067	315.099	(14.032)
62.738	Mental Health Services	62.738	64.961	(2.223)
171.093	Primary Care	171.093	171.618	(0.525)
(19.792)	ASC Other includes ASC Income	(19.792)	(12.662)	(7.130)
515.106	**Total HHSCP**	**515.106**	**539.015**	**(23.910)**
	HHSCP			
328.169	Health	328.169	330.235	(2.066)
186.936	Social Care	186.936	208.780	(21.844)
515.106	**Total HHSCP**	**515.106**	**539.015**	**(23.910)**

Locum/ Agency & Bank Spend	In Month £'000	YTD £'000
Locum	288	4,762
Agency (Nursing)	262	3,154
Bank	883	10,976
Agency (Non Med)	223	2,699
Total	**1,656**	**21,592**

HHSCP

- Full year overspend of £23.910m reported
- ASC overspend at £21.844m – reflects known pressures, slippage on original V&E plan, additional NI funding confirmed from Highland Council and £5.000m contribution from Highland Council to support the ASC position
- Locum costs of £1.007m contributing to overspend within Primary Care
- Supplementary staffing costs of £21.592m incurred during the year
- High cost out of area placements have impacted on the Mental Health position

YEAR END POSITION – ADULT SOCIAL CARE

NHS Highland

Services Category	Annual Budget £000's	YTD Budget £000's	YTD Actual £000's	YTD Variance £000's
Total Older People - Residential/Non Residential Care	65,063	65,063	69,137	(4,073)
Total Older People - Care at Home	40,217	40,217	45,680	(5,463)
Total People with a Learning Disability	53,455	53,455	58,534	(5,079)
Total People with a Mental Illness	11,372	11,372	9,813	1,559
Total People with a Physical Disability	10,268	10,268	11,184	(916)
Total Other Community Care	14,132	14,132	12,635	1,498
Total Support Services	(7,570)	(7,570)	1,209	(8,779)
Care Home Support/Sustainability Payments	-	-	590	(590)
Total Adult Social Care Services	**186,936**	**186,936**	**208,780**	**(21,844)**

ADULT SOCIAL CARE

- An overspend of £21.844mm is reported this reflects a contribution of £5.000m from Highland Council
- The overall impact of the ASC position on the Board position has been mitigated via additional support from Scottish Government
- NI funding received from Highland Council and reflected in the position
- £4.982m of supplementary staffing costs within in-house care homes are included within the position

YEAR END POSITION – ADULT SOCIAL CARE

NHSH Care Homes Supplementary Staffing

Care Home	Month 12 Agency £000's	Month 12 Bank £000's	Total YTD £000's
Ach an Eas	-	29	395
An Acarsaid	0	13	217
Bayview House	15	22	299
Caladh Sona	-	-	1
Dail Mhor House	-	0	0
Grant House	4	3	302
Home Farm	56	12	768
Invernevis	13	15	350
Lochbroom	-	9	194
Mackintosh Centre	-	0	20
Mains House	28	7	508
Moss Park	16	7	692
Melvich	-	4	68
Pulteney	-	29	332
Seaforth	-	24	296
Strathburn	-	6	25
Telford	15	6	272
Wade Centre	-	19	243
Total	**147**	**205**	**4,982**

- Significant spend across a number of care homes – Home Farm, Mains House and Moss Park remain the highest spend areas
- Spend in Month 12 is £0.061m higher than in Month 11

YEAR END POSITION -
NORTH HIGHLAND COMMUNITIES

NHS Highland

Detail	Plan to Date £000	Actual to Date £000	Variance to Date £000
Inverness & Nairn	84.170	91.723	(7.553)
Ross-shire & B&S	62.258	67.007	(4.748)
Caithness & Sutherland	53.057	54.036	(0.980)
Lochaber, SL & WR	63.284	64.925	(1.641)
Management	19.700	19.645	0.055
Community Other AHP	8.451	7.521	0.930
Hosted Services	10.147	10.241	(0.095)
Total NH Communities	**301.067**	**315.099**	**(14.032)**

Health	**109.103**	**106.685**	**2.418**
ASC	**191.964**	**208.414**	**(16.450)**

NORTH HIGHLAND COMMUNITIES

- Full year overspend of £14.032m reported
- Elements of unfunded services with ECS, Chronic Pain and Sexual Health have been the main drivers for the position
- The high level of supplementary staffing spend has continued to be mitigated by vacancies in all areas of the service
- Pressures within the equipment store contributed to an overspend in non-pay costs

YEAR END POSITION -
MENTAL HEALTH SERVICES

NHS Highland

Summary Funding & Expenditure	Plan to Date £m's	Actual to Date £m's	Variance to Date £m's
Mental Health Services			
Adult Mental Health	47.635	49.410	(1.775)
CMHT	9.902	9.651	0.251
LD	1.894	2.787	(0.893)
D&A	3.306	3.113	0.194
Total Mental Health Services	**62.738**	**64.961**	**(2.223)**

Health	**47.973**	**51.932**	**(3.959)**
ASC	**14.765**	**13.028**	**1.737**

MENTAL HEALTH SERVICES

- Overspend of £2.223m reported at financial year end.
- Supplementary staffing costs due to increased acuity of patients and vacancies was a significant driver for the position
- Recruitment challenges have drivien up locum costs within psychiatry (£1.595m) but the overall level of vacancies masked the full cost of supplementary staffing
- Out of area placements contributed £1.688m to the overspend position

YEAR END POSITION - PRIMARY CARE

Detail	Plan to Date £m's	Actual to Date £m's	Variance to Date £m's
Primary Care			
GMS	65.793	66.752	(0.959)
GPS	70.421	69.747	0.674
GDS	26.519	24.805	1.714
GOS	6.435	6.460	(0.025)
PC Management	1.925	3.854	(1.929)
Total Primary Care	**171.093**	**171.618**	**(0.525)**

PRIMARY CARE

- Full year overspend of £0.525m reported
- Ongoing vacancies in GDS mitigated pressures in GMS and GPS
- Supplementary staffing costs of £1.800m within Board run 2C practices was mitigated by the number of vacancies across all practices.

FINAL 2025/2026 POSITION
SUPPLEMENTARY STAFFING

	2025/2026 YTD £'000	2024/2025 YTD £'000	Inc/ (Dec) YTD £'000
HHSCP	20,927	21,650	(723)

Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m
Pay			
Medical & Dental	29.408	28.619	0.789
Medical & Dental Support	4.685	4.634	0.050
Nursing & Midwifery	76.055	77.347	(1.292)
Allied Health Professionals	18.840	17.497	1.343
Healthcare Sciences	0.034	0.000	0.034
Other Therapeutic	12.521	11.179	1.342
Support Services	7.752	7.437	0.315
Admin & Clerical	25.689	24.051	1.639
Senior Managers	0.408	0.190	0.218
Social Care	62.248	55.616	6.631
Ambulance Services	0.436	0.461	(0.025)
Vacancy factor/pay savings	(0.294)	(0.007)	(0.287)
Total Pay	237.783	227.025	10.757

SUPPLEMENTARY STAFFING

- 2025/2026 spend is £0.723m less than 2024/2025
- Pay underspend of £10.757m reported at the end of Month 12

FINAL 2025/2026 POSITION

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)

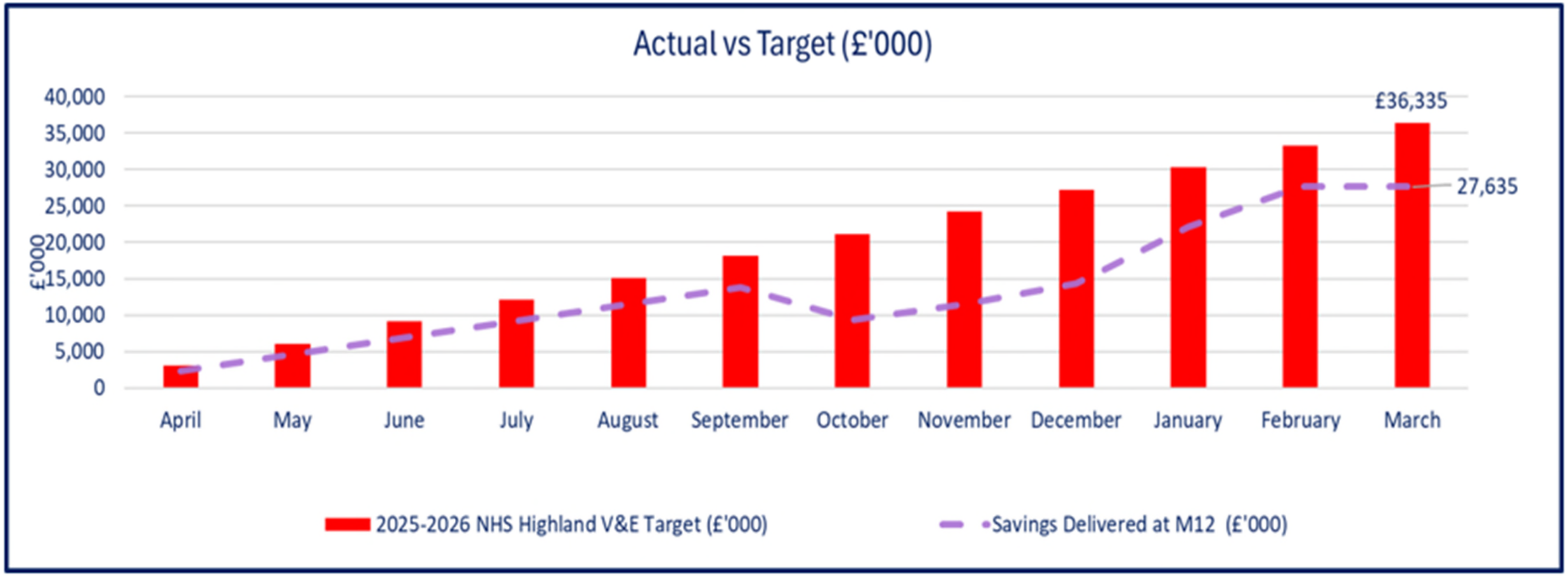
Reduction Programmes - Area	100%			Risk Adjusted Forecast (RAF)			Savings Achieved				
	Allocated Target	Current Plan	Plan GAP	Allocated Target	Risk Adjusted Forecast (RAF)	Risk Adjusted Plan GAP	Allocated Target	Budget Savings Achieved	Cost Reductions Achieved	Total Savings Achieved	Current Savings GAP
Value & Efficiency - North Highland	**22,291**	18,663	-3,628	**22,291**	18,663	-3,628	**22,291**	9,163	9,500	18,663	-3,628
Value & Efficiency - Argyll & Bute	**7,852**	6,365	-1,487	**7,852**	6,365	-1,487	**7,852**	6,365	0	6,365	-1,487
Total Value & Efficiency	**30,143**	25,028	-5,115	**30,143**	25,028	-5,115	**30,143**	**15,528**	**9,500**	**25,028**	**-5,115**
Value & Efficiency - ASC	**6,192**	2,607	-3,585	**6,192**	2,607	-3,585	**6,192**	0	2,607	2,607	-3,585
Total Value & Efficiency incl ASC	**36,335**	**27,635**	**-8,699**	**36,335**	**27,635**	**-8,699**	**36,335**	**15,528**	**12,108**	**27,635**	**-8,699**

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

This equates to a total Value & Efficiency savings goal of **£36.335m** for the FY 2025–26

At the end of the financial year there is a shortfall of **£8.699m (£12.019 in M11)** between savings target and savings delivered.

FINAL 2025/2026 POSITION



Summary

- Red Bars: Represent the cumulative 2025–2026 NHS Highland V&E Target (£'000) for each month from April to March, reaching £36,335 by March.
- Purple Dashed Line: Indicates Savings Delivered as at M12 (£'000) of £27.635
- GAP: £8.699m