Agenda Item 2.1

NHS Highland

Meeting:	**Highland Health & Social Care Committee**
Meeting date:	**5 November 2025**
Title:	**Finance Report – Month 5 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 5 (August) 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 August 2025 (Month 5) an overspend of £29.144m 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 £19.936m to the Board.

Within the Highland Health & Social Care Partnership a year to date overspend of £17.347 is reported with this forecast to increase to £23.661m by the end of the financial year. This forecast overspend includes £19.936m 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.

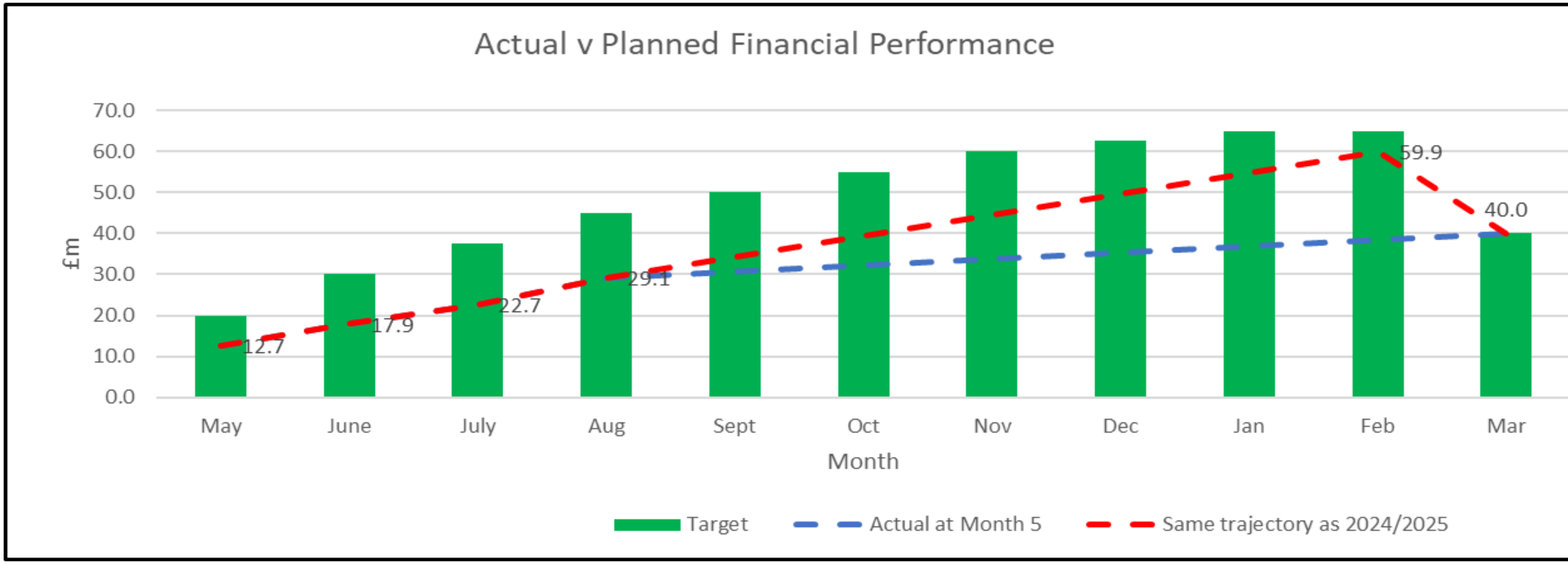
- EDG
- FRPC

4.1 List of appendices

N/A

Finance Report –Month 5 (August) 2025/2026
HHSCC – 5 November 2025

MONTH 5 2025/2026 – AUGUST 2025



Target	YTD £m	YE Position £m
Delivery against Revenue Resource Limit (RRL) DEFICIT/ SURPLUS	29.1	40.0
Deliver against plan DEFICIT/ SURPLUS	15.9	0.0

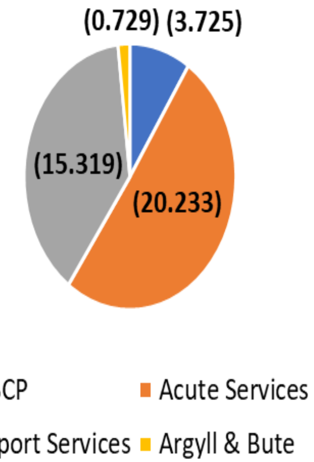
- No brokerage available in 2025/2026
- SG requested plan with a deficit no greater than £40m
- SG have confirmed that an allocation of £40m (non-repayable) will be made to cover the planned overspend – if the actual position is higher that this no further funding will be made available
- Current forecast is £40m worse than RRL but in line with SG request and revised plan submitted to SG in June 2025

MONTH 5 2025/2026 – AUGUST 2025

NHS Highland

Current Plan £m	Summary Funding & Expenditure	Plan To Date £m	Actual To Date £m	Variance To Date £m	Forecast Outturn £m	Forecast Variance £m
1,338.440	**Total Funding**	530.799	530.799	-	1,338.440	-
	Expenditure					
503.799	HHSCP	206.775	224.122	(17.347)	527.460	(23.661)
	ASC Position to breakeven				(19.936)	19.936
	Revised HHSCP				507.524	(3.725)
340.944	Acute Services	140.917	151.574	(10.657)	361.177	(20.233)
189.846	Support Services	65.354	66.220	(0.866)	205.165	(15.319)
1,034.589	**Sub Total**	**413.046**	**441.916**	**(28.870)**	**1,073.865**	**(39.276)**
303.851	Argyll & Bute	117.753	118.027	(0.274)	304.580	(0.729)
1,338.440	**Total Expenditure**	**530.799**	**559.943**	**(29.144)**	**1,378.445**	**(40.005)**

Forecast Deficit by Operational Area



MONTH 5 2025/2026 SUMMARY

- Overspend of £29.144m 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
- High risk assumption that ASC will deliver a breakeven position at the end of the financial year
- Also assuming V&E programme will deliver in full – there is currently a risk adjusted gap of £18.852m between plans and the V&E target

MONTH 5 2025/2026 – AUGUST 2025

NHS Highland

KEY RISKS

- ASC – At this stage there is no agreed plan in place to deliver breakeven by the end of the financial year
- Delivery of the Value & Efficiency Cost Reduction/ Improvement programme
- 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
- Potential impact associated with the cost of new drugs
- Financial impact of fragile services
- Potential impact of any trade tariffs
- 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
- Funding anticipated from Highland Council in respect of NI rate increase – amount to be agreed
- SG have confirmed a £40m allocation will be available to enable delivery of a breakeven position at year end – based on delivery of a position in line with the financial plan

MONTH 5 2025/2026 – AUGUST 2025

NHS Highland

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	HHSCP					
294.834	NH Communities	122.216	128.581	(6.366)	308.975	(14.141)
62.614	Mental Health Services	25.895	26.551	(0.656)	63.248	(0.634)
169.589	Primary Care	70.903	71.241	(0.338)	170.855	(1.266)
(23.238)	ASC Other includes ASC Income	(12.239)	(2.251)	(9.988)	(15.619)	(7.619)
503.799	**Total HHSCP**	**206.775**	**224.122**	**(17.347)**	**527.460**	**(23.661)**
	HHSCP					
321.439	Health	133.040	135.511	(2.472)	325.163	(3.725)
182.360	Social Care	73.736	88.611	(14.876)	202.296	(19.936)
503.799	**Total HHSCP**	**206.775**	**224.122**	**(17.347)**	**527.460**	**(23.661)**

Locum/ Agency & Bank Spend	In Month £'000	YTD £'000
Locum	510	2,053
Agency (Nursing)	85	931
Bank	821	4,367
Agency (exclu Med & Nurs)	273	1,121
Total	**1,690**	**8,472**

HHSCP

- YTD overspend of £17.347m reported with this forecast to increase to £23.661m by the end of the financial year
- ASC overspend forecast at £19.936 – this assumes delivery of £6.192m of V&E cost reductions/ improvements
- Drugs/ prescribing pressure forecast at £0.470m
- Locum costs of £0.871m contributing to overspend within Primary Care
- Supplementary staffing costs of £8.472m incurred to date
- High cost out of area placements continue to impact on the Mental Health position

MONTH 5 2025/2026 – AUGUST 2025
NORTH HIGHLAND COMMUNITIES

Current Plan £000	Detail	Plan to Date £000	Actual to Date £000	Variance to Date £000	Forecast Outturn £000	Var from Curr Plan £000
83.221	Inverness & Nairn	34.967	37.444	(2.477)	89.762	(6.542)
61.046	Ross-shire & B&S	25.540	27.356	(1.816)	66.162	(5.115)
52.858	Caithness & Sutherland	22.085	22.401	(0.316)	53.540	(0.681)
63.653	Lochaber, SL & WR	26.402	27.008	(0.607)	65.488	(1.835)
16.084	Management	6.039	7.481	(1.442)	16.572	(0.488)
8.601	Community Other AHP	3.472	3.072	0.399	7.838	0.764
9.370	Hosted Services	3.712	3.818	(0.106)	9.614	(0.244)
294.834	**Total NH Communities**	**122.216**	**128.581**	**(6.366)**	**308.975**	**(14.141)**
104.238	**Health**	**42.495**	**43.311**	**(0.816)**	**104.455**	**(0.217)**
190.595	**ASC**	**79.720**	**85.270**	**(5.550)**	**204.520**	**(13.924)**

NORTH HIGHLAND COMMUNITIES

- YTD overspend of £6.366m reported with this forecast to increase to £14.141m 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
- Non-pay is forecasting a pressure of £2.930m by financial year end – this includes elements of the vaccination service which is over budget
- Overspends within the equipment store due to increased demand and inflationary pressures in drugs and surgical supplies are also contributing to the overspend position

MONTH 5 2025/2026 – AUGUST 2025
MENTAL HEALTH SERVICES

Current Plan £m's	Summary Funding & Expenditure	Plan to Date £m's	Actual to Date £m's	Variance to Date £m's	Forecast Outturn £m's	Var from Curr Plan £m's
	Mental Health Services					
47.742	Adult Mental Health	19.925	20.379	(0.455)	48.826	(1.084)
9.767	CMHT	4.068	3.997	0.071	9.654	0.113
1.702	LD	0.611	0.876	(0.265)	1.461	0.242
3.403	D&A	1.291	1.299	(0.008)	3.307	0.096
62.614	**Total Mental Health Services**	**25.895**	**26.551**	**(0.656)**	**63.248**	**(0.635)**

47.611	**Health**	**19.641**	**20.959**	**(1.318)**	**49.853**	**(2.241)**
15.003	**ASC**	**6.254**	**5.592**	**0.662**	**13.396**	**1.606**

MENTAL HEALTH SERVICES

- YTD overspend of £0.656m reported with this forecast to reduce to £0.635m by the end of the financial year
- Supplementary staffing costs due to increased acuity of patients is the main driver – however, work continues to bring down the level of overall supplementary staffing spend.
- Recruitment challenges are driving up locum costs within psychiatry but the overall level of vacancies is masking the full cost of supplementary staffing
- Out of area placements continue to be a significant driver to the overspend position - £1.835m

MONTH 5 2025/2026 – AUGUST 2025
PRIMARY CARE

Current Plan £m's	Detail	Plan to Date £m's	Actual to Date £m's	Variance to Date £m's	Forecast Outturn £m's	Var from Curr Plan £m's
	Primary Care					
61.699	GMS	26.246	26.920	(0.674)	63.186	(1.487)
71.667	GPS	29.861	29.842	0.020	71.658	0.009
26.550	GDS	11.060	10.269	0.791	25.317	1.233
6.189	GOS	2.653	2.666	(0.013)	6.217	(0.029)
3.485	PC Management	1.082	1.545	(0.462)	4.477	(0.992)
169.589	**Total Primary Care**	**70.903**	**71.241**	**(0.338)**	**170.855**	**(1.266)**

PRIMARY CARE

- YTD overspend of £0.338m reported with this forecast to increase to £1.266m by the end of the financial year
- Ongoing 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 £0.871m by the end of the financial year
- Prescribing and 2C practices are key areas within the Value & Efficiency programme for 2025/2026

MONTH 5 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	65.020	27.187	26.679	0.509	63.500	1.520
Total Older People - Care at Home	40.193	16.798	18.913	(2.115)	45.022	(4.829)
Total People with a Learning Disability	53.382	22.359	25.715	(3.356)	62.081	(8.699)
Total People with a Mental Illness	11.652	4.865	4.343	0.522	10.372	1.280
Total People with a Physical Disability	10.271	4.304	4.811	(0.507)	11.283	(1.012)
Total Other Community Care	13.727	5.720	5.113	0.607	12.923	0.805
Total Support Services	(11.885)	(7.496)	2.784	(10.280)	(3.301)	(8.584)
Care Home Support/Sustainability Payments	0.000	0.000	0.254	(0.254)	0.417	(0.417)
Total Adult Social Care Services	**182.360**	**73.736**	**88.611**	**(14.876)**	**202.296**	**(19.936)**

ADULT SOCIAL CARE

- YTD an overspend of £14.876m is reported with this forecast to increase to £19.936m by the end of the financial
- Forecast assumes delivery of £6.192m of V&E cost reductions/ improvements
- The overall financial position for the Board assumes that ASC will deliver a breakeven position by the end of the financial year
- £1.991m of supplementary staffing costs within in-house care homes are included within the year to date position

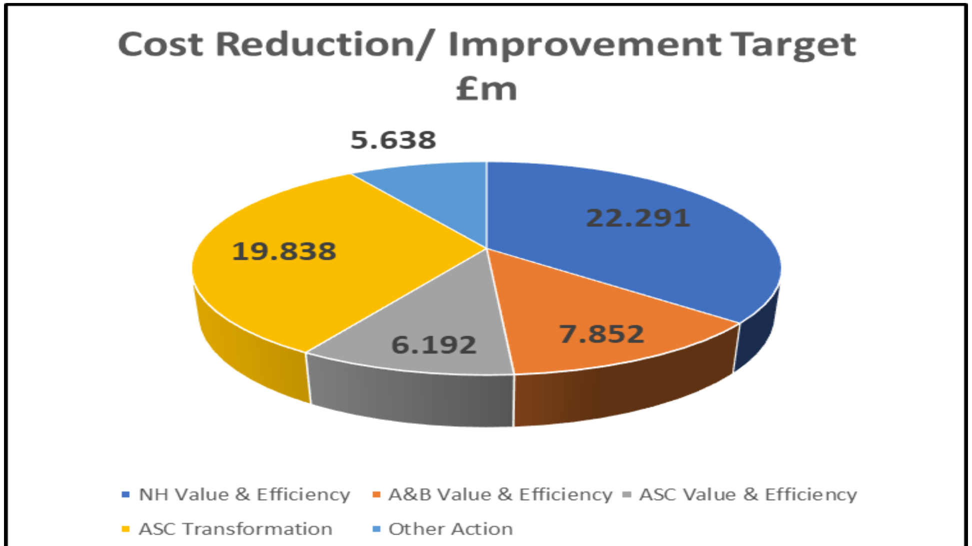
MONTH 5 2025/2026 – ADULT SOCIAL CARE

NHSH Care Homes Supplementary Staffing

Care Home	Month 5 Agency £000's	Month 5 Bank £000's	Total YTD £000's
Ach an Eas	13	14	126
An Acarsaid	-	13	73
Bayview House	-	24	130
Caladh Sona	-	-	-
Dail Mhor House	-	-	-
Grant House	7	15	94
Home Farm	24	7	380
Invernevis	5	15	147
Lochbroom	-	21	89
Mackintosh Centre	-	4	12
Mains House	22	6	208
Moss Park	76	6	327
Melvich	7	3	33
Pulteney	-	22	127
Seaforth	-	19	115
Strathburn	-	-	-
Telford	2	1	55
Wade Centre	1	16	73
Total	**155**	**187**	**1,991**

- Ongoing reliance on agency/ bank staffing within Home Farm, Mains House & Moss Park
- Highest monthly spend now within Moss Park

MONTH 5 2025/2026 – AUGUST 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 5 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**	15,276	-7,015	**22,291**	10,293	-11,998	**22,291**	1,546	1,886	-18,859
Value & Efficiency - Argyll & Bute	**7,852**	7,852	0	**7,852**	6,297	-1,555	**7,852**	3,637	0	-4,215
Total Value & Efficiency	**30,143**	23,128	-7,015	**30,143**	16,590	-13,553	**30,143**	**5,183**	**1,886**	**-23,073**
Value & Efficiency - ASC	**6,192**	1,735	-4,457	**6,192**	893	-5,299	**6,192**	0	50	-6,142
Total Value & Efficiency incl ASC	**36,335**	24,863	-11,472	**36,335**	17,483	-18,852	**36,335**	**5,183**	**1,936**	**-29,215**

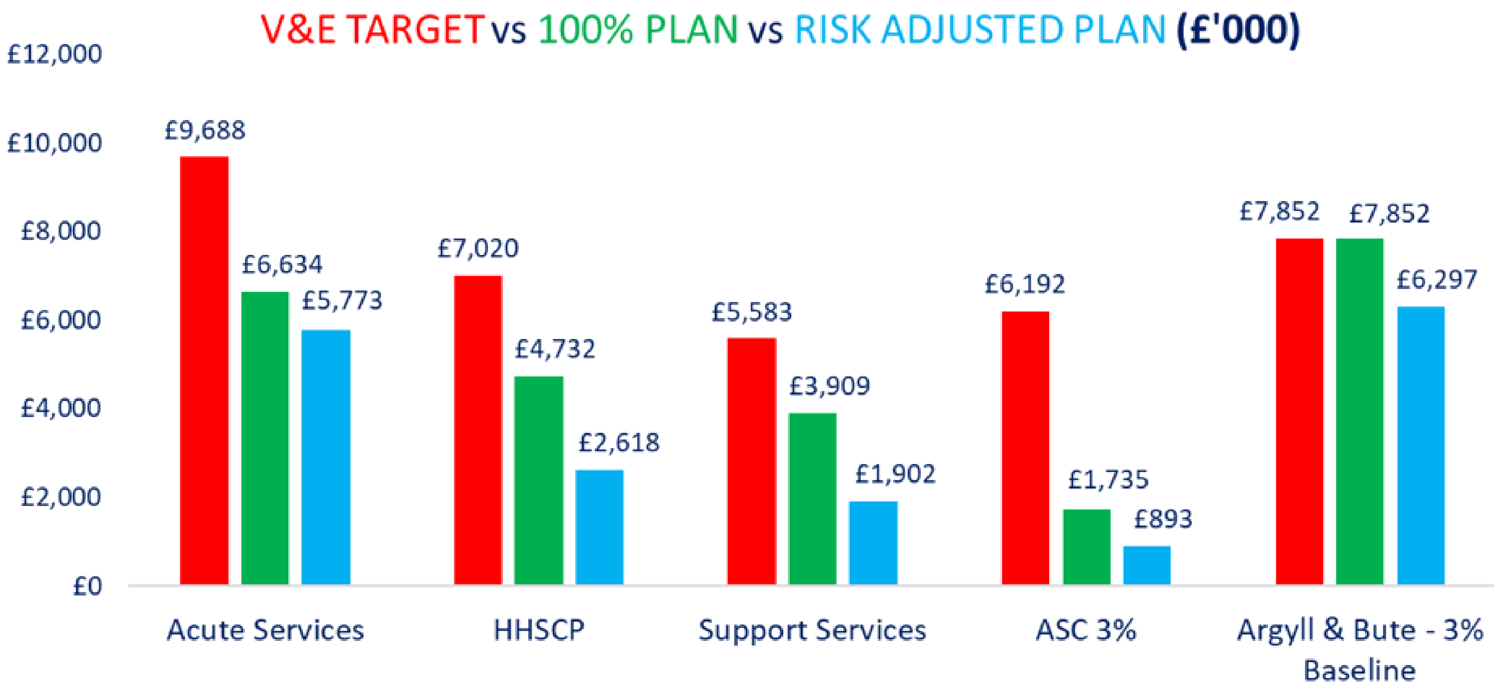
The financial plan submitted to the Scottish Government includes a target of achieving 3% efficiency savings across both North Highland and Argyll & Bute.

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

There is currently a shortfall of **£11.472m** (11.554m in M4) between the 2025–26 savings target and current delivery plan at its 100% value.

MONTH 5 2025/2026 – VALUE & EFFICIENCY – TARGET, PLAN & RISK ADJUSTED PLAN BY AREA

NHS Highland



100% Plan Movement Overview

- Increases observed in both the Acute and Support Services plans.
- No changes reported within HHSCP, ASC, or A&B.

Risk-adjusted plans

- Increase across Acute, HHSCP, and Support Services, reflecting improved confidence in delivery.

MONTH 5 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	RAF	Recurrent	Non-Recurrent	Allocated Target	Recurrent	Non-Recurrent	Current Savings GAP
% of the Plan	% Rec/Non-Rec vs Curr Plan	66%	34%	% Rec/Non-Rec vs RAF	69%	31%	% Achieved vs Target	14%	5%	
Value & Efficiency - North Highland	15,276	12,215	3,061	10,293	8,918	1,375	22,291	3,099	333	-18,859
Value & Efficiency - Argyll & Bute	7,852	3,124	4,728	6,297	2,547	3,750	7,852	2,037	1,600	-4,215
Value & Efficiency (North Highland)	23,128	15,339	7,789	16,590	11,465	5,125	30,143	5,136	1,933	**-23,073**
Value & Efficiency - ASC	1,735	1,135	600	893	593	300	6,192	50	0	-6,142
Total Value & Efficiency incl ASC	24,863	16,474	8,389	17,483	12,058	5,425	36,335	5,186	1,933	**-29,215**

The total planned savings (100% plan) are £24,863m with £16,474m expected to be recurrent.

After adjusting for risk, the total expected savings drop to £17,483m with £12,058m being recurrent.

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

MONTH 5 2025/2026 – VALUE & EFFICIENCY – HHSCP

NHS Highland

Reduction Programmes	Target Allocated	Value & Efficiency Plan as per Scheme			Savings Achieved (All budget savings recorded on the ledger and YTD cost		
		Current Plan @ 100%	Risk Adjusted Forecast	GAP (Target less Risk Adj	Savings Achieved	Recurrent	Non-Recurrent
HHSCP							
AHP Direct Engagement		50	25		0	0	0
Dental Redesign		851	851		851	851	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	5		0	0	0
New Craigs Hospital - Supplementary Nursing Staff		410	205		0	0	0
Oral Nutritional Supplements (ONS) Direct Supply		5	3		0	0	0
Police Custody/ SARC/ Forensic Medical Examiner (FME)		100	10		0	0	0
Prescribing - Highland - HHSCP		1,179	1,024		557	557	0
Prescribing - Sustainable - HHSCP		0	0		0	0	0
Supplementary Staffing - Medical - MH -SUPP REDUCTION IN LOCUM C		50	36		22	22	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
Vaccination Service		150	75		0	0	0
Time to Care		500	50		0	0	0
Total HHSCP	**7,020**	**4,732**	**2,618**	**-4,402**	**1,431**	**1,431**	**0**

MONTH 5 2025/2026 – AUGUST 2025
SUPPLEMENTARY STAFFING

NHS Highland

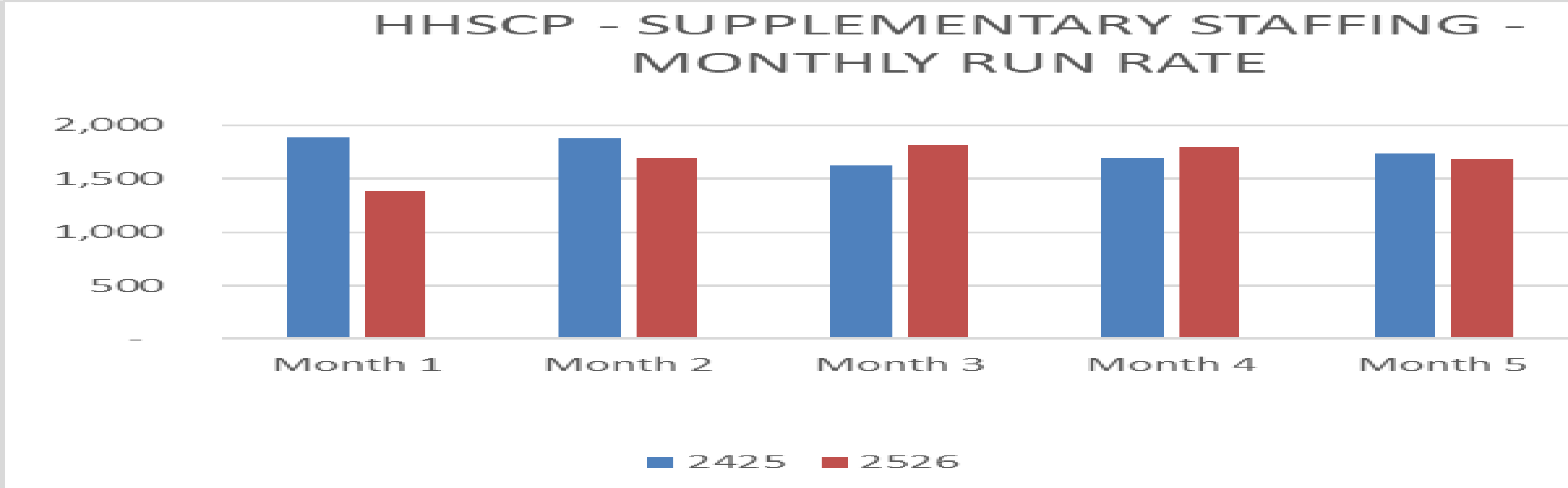
	2025/2026 YTD £'000	2024/2025 YTD £'000	Inc/ (Dec) YTD £'000
HHSCP	8,393	8,817	(424)

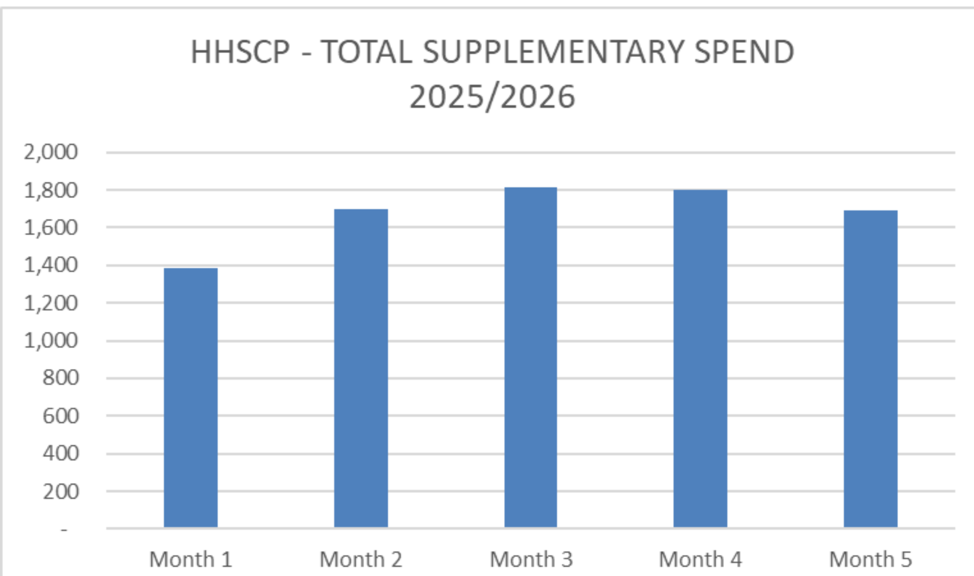
Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m
	Pay			
28.889	Medical & Dental	12.048	11.990	0.058
4.650	Medical & Dental Support	1.937	1.920	0.018
75.129	Nursing & Midwifery	31.264	31.400	(0.136)
18.628	Allied Health Professionals	7.716	7.238	0.478
0.034	Healthcare Sciences	0.014	0.000	0.014
10.925	Other Therapeutic	4.407	4.688	(0.281)
8.027	Support Services	3.343	3.202	0.141
25.189	Admin & Clerical	10.437	9.966	0.471
0.403	Senior Managers	0.168	0.077	0.091
61.366	Social Care	25.559	22.876	2.682
0.435	Ambulance Services	0.181	0.113	0.068
(2.811)	Vacancy factor/pay savings	(1.184)	-	(1.184)
230.863	Total Pay	95.891	93.470	2.421

SUPPLEMENTARY STAFFING

- Recorded spend at end of Month 5 is £0.424m lower than at same point in 2024/2025
- Pay underspend of £2.421m reported at the end of month 5

MONTH 5 2025/2026 – AUGUST 2025
SUPPLEMENTARY STAFFING





- Month 5 spend is £0.040m higher than Month 4
- Increase again is due to increasing supplementary staffing use within Moss Park Care Home

MONTH 5 2025/2026 – AUGUST 2025

NHS Highland

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m
	Expenditure by Subjective spend			
230.863	Pay	95.891	93.470	2.421
63.549	Drugs and prescribing	26.571	26.692	(0.121)
3.946	Property Costs	1.629	2.177	(0.548)
23.217	General Non Pay	6.857	6.379	0.478
5.919	Clinical Non pay	2.403	2.483	(0.079)
7.910	Health care - SLA and out of area	3.164	3.098	0.067
120.451	Social Care ISC	50.488	57.399	(6.911)
87.016	FHS	36.113	36.091	0.023

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