Agenda Item 2.1

NHS Highland

Meeting:	**Highland Health & Social Care Committee**
Meeting date:	**2 September 2026**
Title:	**Finance Report – Month 3 2026/2027**
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 HHSCC 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) 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 June 2026 (Month 3) a year to date overspend of £21.13m is reported with this forecast to increase to £62.940m by the end of the financial year. Deficit Support funding will bring this down to £22.940m.

The HHSCP is reporting a year to date overspend of £9.922m with this forecast to increase to £30.775m by financial year end. £27.119m of this forecast overspend relates to Adult Social Care.

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 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

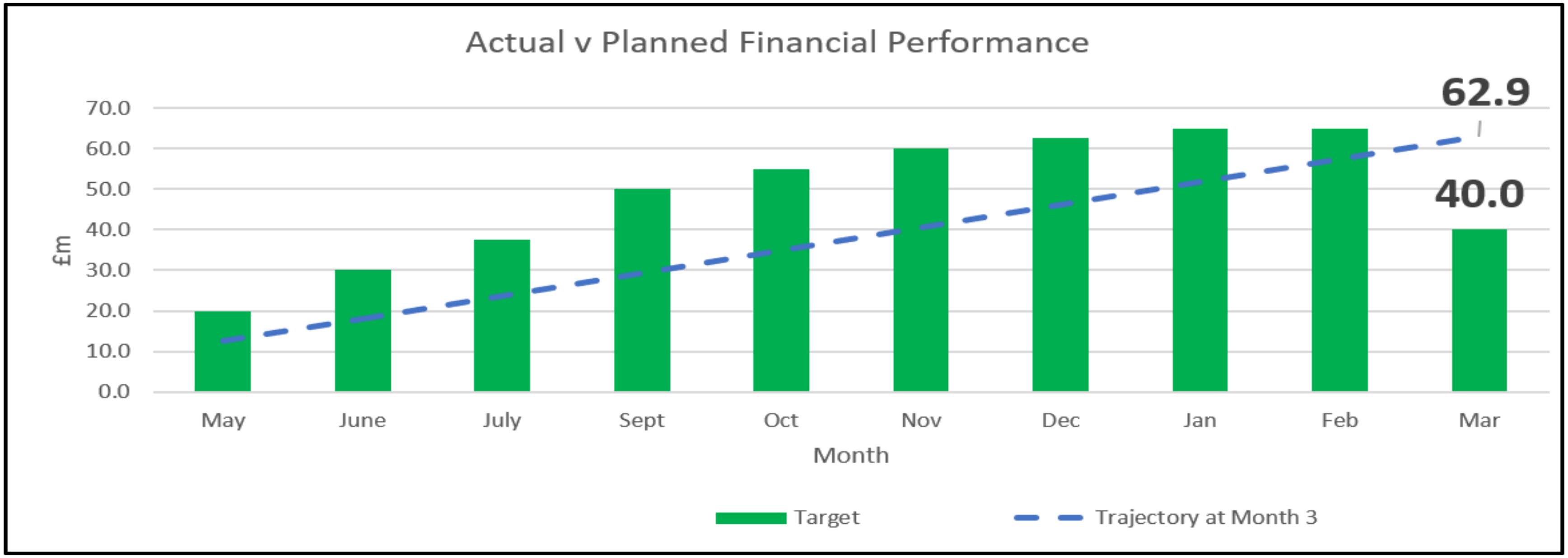
Finance Report – Month 3 (June) 2026

NHS Highland

HHSCC Finance Report –Month 3 (June) 2026/2027

MONTH 3 2026/2027 – JUNE 2026

NHS Highland

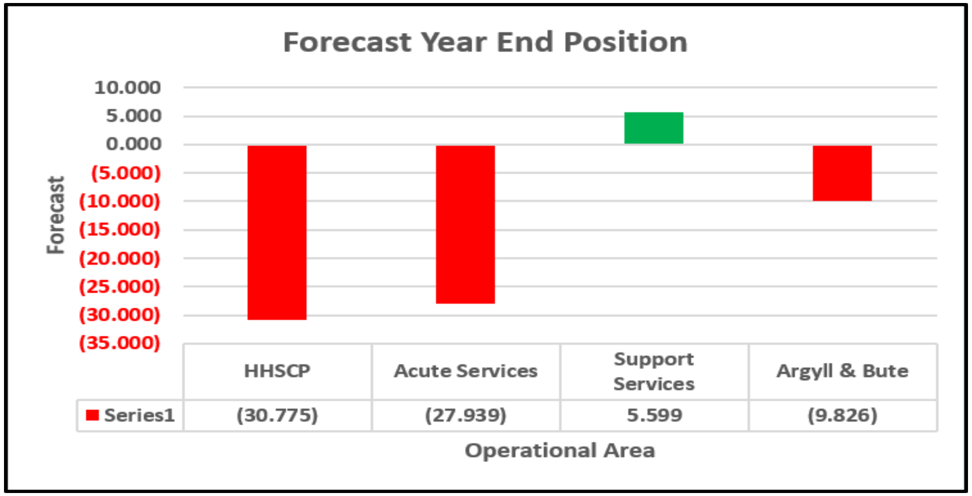


Target	YE Position £m
Delivery against Revenue Resource Limit (RRL) DEFICIT/ SURPLUS	62.9
Deliver against plan DEFICIT/ SURPLUS	4.0

- 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 3 2026/2027 – JUNE 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
1,252.480	**Total Funding**	306.986	306.986	-	1,252.480	-
	Expenditure					
527.063	HHSCP	129.508	139.431	(9.922)	557.838	(30.775)
348.411	Acute Services	85.226	95.073	(9.847)	376.350	(27.939)
62.703	Support Services	18.397	19.791	(1.395)	57.104	5.599
938.178	**Sub Total**	**233.131**	**254.295**	**(21.164)**	**991.292**	**(53.114)**
314.302	Argyll & Bute	73.855	74.104	(0.249)	324.128	(9.826)
1,252.480	**Total Expenditure**	**306.986**	**328.399**	**(21.413)**	**1,315.420**	**(62.940)**



SUMMARY

- Year to date overspend of £21.413mm 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

	2025/2026			2026/2027		
Area	Full Year Budget £m	Full Year Actual £m	Variance £m	Forecast at Month 3 £m	Variance at Month 3 £m	Improvement/ (Deterioration) £m
NH Communities	301.067	315.099	(14.032)	328.581	(26.233)	(12.201)
Mental Health Services	62.738	64.961	(2.223)	66.438	(1.623)	0.599
Primary Care	171.093	171.618	(0.525)	175.851	(0.815)	(0.290)
ASC Other (includes ASC Income)	(19.792)	(12.662)	(7.130)	(13.032)	(2.103)	5.027
TOTAL HHSCP	515.106	539.015	(23.910)	557.838	(30.775)	(6.865)
Health	328.169	330.235	(2.066)	336.478	(3.656)	(1.590)
Social Care	186.936	208.780	(21.844)	221.361	(27.119)	(5.275)
TOTAL	**515.106**	**539.015**	**(23.910)**	**557.838**	**(30.775)**	**(6.865)**

- The Month 3 forecast for 2026/2027 predicts a deterioration of £6.865m against the final 2025/2026 position.
- The 2025/2026 outturn reflects a £5m contribution from Highland Council to reduce the ASC overspend.

MONTH 3 2026/2027 – JUNE 2026 - HHSCP

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m	Forecast Outturn £m	Forecast Variance £m
	HHSCP					
302.348	NH Communities	74.589	81.185	(6.597)	328.581	(26.233)
64.815	Mental Health Services	16.117	17.069	(0.951)	66.438	(1.623)
175.036	Primary Care	43.574	43.319	0.254	175.851	(0.815)
(15.136)	ASC Other includes ASC Income	(4.771)	(2.143)	(2.628)	(13.032)	(2.103)
527.063	**Total HHSCP**	**129.508**	**139.431**	**(9.922)**	**557.838**	**(30.775)**
	HHSCP					
332.822	Health	82.131	84.693	(2.562)	336.478	(3.656)
194.242	Social Care	47.377	54.738	(7.361)	221.361	(27.119)
527.063	**Total HHSCP**	**129.508**	**139.431**	**(9.922)**	**557.838**	**(30.775)**

- YTD overspend of £9.922m reported with this forecast to increase to £30.775m by the end of the financial year
- Full year ASC overspend currently forecast at £27.119m
- Locum costs of £0.600m contributing to forecast overspend within Primary Care
- Supplementary staffing costs of £5.407m 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

Locum/ Agency & Bank Spend	In Month £'000	YTD £'000
Locum	443	1,340
Agency (Nursing)	305	973
Bank	803	2,505
Agency (Non Med)	253	589
Total	**1,803**	**5,407**

MONTH 3 2026/2027 – JUNE 2026 – NH 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
84.460	Inverness & Nairn	21.038	23.435	(2.397)	95.901	(11.441)
63.408	Ross-shire & B&S	15.649	17.644	(1.995)	70.951	(7.543)
54.468	Caithness & Sutherland	13.517	14.256	(0.739)	57.663	(3.194)
64.700	Lochaber, SL & WR	16.141	16.272	(0.130)	68.235	(3.534)
16.563	Management	4.074	4.998	(0.924)	17.111	(0.548)
8.836	Community Other AHP	2.203	1.968	0.236	8.395	0.441
9.912	Hosted Services	1.965	2.612	(0.647)	10.326	(0.413)
302.348	**Total NH Communities**	**74.589**	**81.185**	**(6.597)**	**328.581**	**(26.233)**

107.809	**Health**	**26.179**	**27.842**	**(1.663)**	**108.220**	**(0.411)**
194.539	**ASC**	**48.410**	**53.344**	**(4.934)**	**220.361**	**(25.822)**

NORTH HIGHLAND COMMUNITIES

- £1.381m of supplementary staffing costs within in-house care homes
- £0.348m
- £0.120m unfunded services within Chronic Pain
- £0.113m of pressures within the equipment store along with £0.385m of SLA pressures

MONTH 3 2026/2027 – JUNE 2026 – MH & LD 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
49.159	Adult Mental Health	12.343	13.014	(0.671)	51.586	(2.427)
10.329	CMHT	2.583	2.488	0.096	10.095	0.234
1.606	LD	0.331	0.653	(0.322)	1.111	0.495
3.722	D&A	0.860	0.913	(0.053)	3.645	0.077
64.816	**Total Mental Health Services**	**16.117**	**17.069**	**(0.951)**	**66.437**	**(1.623)**
49.977	**Health**	**12.379**	**13.532**	**(1.153)**	**52.407**	**(2.430)**
14.838	**ASC**	**3.738**	**3.537**	**0.202**	**14.032**	**0.807**

MENTAL HEALTH & LEARNING DISABILITIES SERVICES

- £2.721m supplementary staffing due to clinical need and high level of absences
- £0.300m of OOA costs which has now transferred to community services
- £0.107m of Buvidal drug costs

MONTH 3 2026/2027 – JUNE 2026 – PRIMARY CARE SERVICES

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
65.679	GMS	16.285	16.746	(0.462)	67.000	(1.321)
73.308	GPS	18.137	17.642	0.495	74.054	(0.746)
26.821	GDS	6.978	6.472	0.507	25.549	1.272
6.559	GOS	1.723	1.725	(0.003)	6.572	(0.013)
2.668	PC Management	0.451	0.733	(0.283)	2.676	(0.007)
175.036	**Total Primary Care**	**43.574**	**43.319**	**0.254**	**175.851**	**(0.815)**

PRIMARY CARE SERVICES

- £0.966m of locum pressure within the 2c Practices due to recruitment issues
- £0.200m enhanced service pressure mainly in the diabetes service
- £0.450m BAF pressure
- £0.745m Prescribing pressure mainly due to GLP-1

MONTH 3 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	66.760	16.588	18.625	(2.037)	74.313	(7.553)
Total Older People - Care at Home	41.215	10.223	11.139	(0.917)	48.008	(6.793)
Total People with a Learning Disability	53.766	13.378	14.548	(1.170)	62.226	(8.460)
Total People with a Mental Illness	11.391	2.843	2.666	0.176	11.025	0.366
Total People with a Physical Disability	10.271	2.566	2.579	(0.013)	11.481	(1.210)
Total Other Community Care	13.899	3.536	3.350	0.186	13.833	0.067
Total Support Services	(3.061)	(1.756)	1.706	(3.462)	0.263	(3.324)
Care Home Support/Sustainability Payments	-	-	0.124	(0.124)	0.211	(0.211)
Total Adult Social Care Services	**194.242**	**47.377**	**54.738**	**(7.361)**	**221.361**	**(27.119)**

ADULT SOCIAL CARE

- An overspend of £27.119m is forecast by the end of the financial year
- £1.381m of supplementary staffing costs within in-house care homes are included within the position

MONTH 3 2026/2027 – ADULT SOCIAL CARE

NHSH Care Homes Supplementary Staffing

Care Home	Month 3 Agency £000's	Month 3 Bank £000's	Total YTD £000's
Ach an Eas	-	36	111
An Acarsaid	7	9	53
Bayview House	9	34	105
Caladh Sona	-	-	-
Dail Mhor House	-	1	2
Grant House	2	4	30
Home Farm	66	17	228
Invernevis	33	16	118
Lochbroom	-	24	71
Mackintosh Centre	-	1	6
Mains House	39	8	108
Moss Park	97	13	213
Melvich	-	1	4
Pulteney	-	30	100
Seaforth	-	30	90
Strathburn	-	6	23
Telford	24	1	59
Wade Centre	-	18	59
Total	**277**	**247**	**1,381**

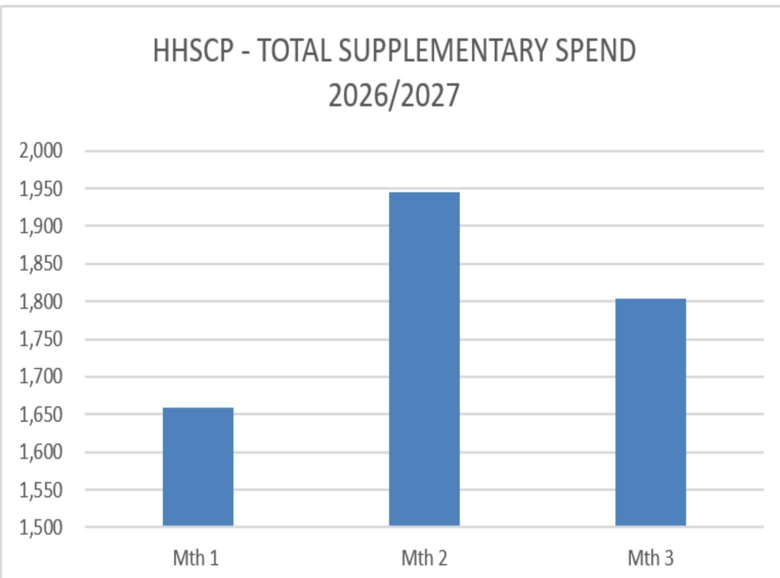
- Significant levels of spend across a number of care homes continues – Home Farm & Moss Park are the highest spend areas
- Spend at the end of Month 3 is £0.133m higher than the corresponding period in 2025/2026
- Supplementary staffing spend continues to be an area of focus for the ASC cost containment programme. However, ongoing staffing pressures are driving a reliance on high cost agency and bank staffing

MONTH 3 2026/2027 – JUNE 2026
SUPPLEMENTARY STAFFING

NHS Highland

	2026/2027 YTD £'000	2025/2026 YTD £'000	Inc/ (Dec) YTD £'000
HHSCP	4,902	5,407	(505)

Recorded spend at end of Month 3 is £0.505m lower than at same point in 2025/2026

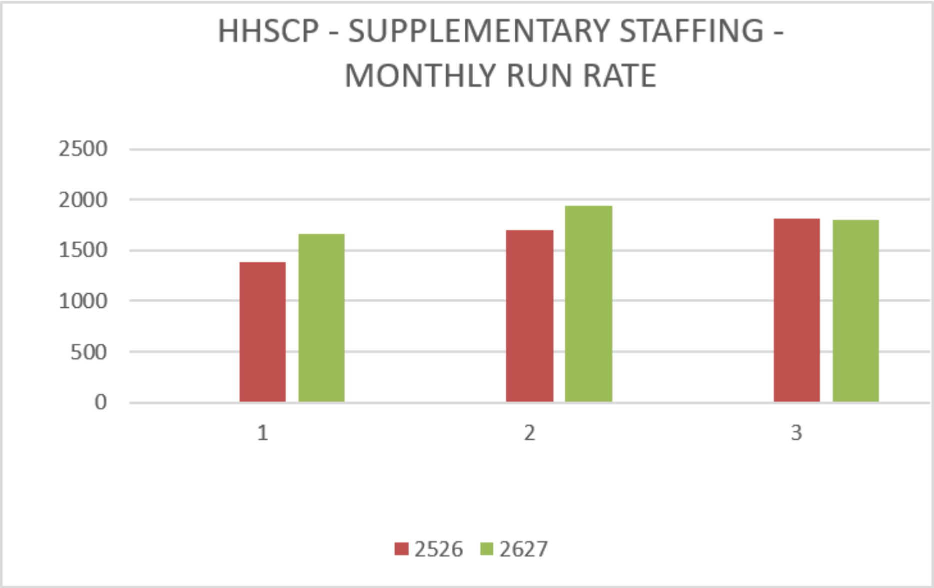


Month 3 spend is £0.142m lower than Month 2

Current Plan £m	Detail	Plan to Date £m	Actual to Date £m	Variance to Date £m
	Pay			
29.073	Medical & Dental	7.077	7.485	(0.409)
4.953	Medical & Dental Support	1.238	1.238	(0.000)
81.166	Nursing & Midwifery	19.637	20.584	(0.947)
19.921	Allied Health Professionals	4.860	4.749	0.110
0.035	Healthcare Sciences	0.009	0.000	0.009
13.069	Other Therapeutic	3.220	2.912	0.309
8.040	Support Services	2.009	2.004	0.005
26.573	Admin & Clerical	6.478	6.190	0.288
0.409	Senior Managers	0.102	0.042	0.060
62.616	Social Care	15.953	14.658	1.295
0.452	Ambulance Services	0.113	0.156	(0.042)
(0.477)	Vacancy factor/pay savings	0.125	0.000	0.125
245.832	Total Pay	60.820	60.018	0.801

Pay overspend of £0.801m reported at the end of Month 3

MONTH 3 2026/2027 – JUNE 2026
SUPPLEMENTARY STAFFING



Value & Efficiency Position for the FY 2026-27 Month 3

Summary

NHS Highland

2026-27 Value & Efficiency Dashboards as at 15/07/2026 M3

2026-27 Value & Efficiency Plan (£'000)										
Reduction Programmes - Area	Allocated Target	Original Plan (£'000)	Annual Plan Forecasted (£'000)	Plan GAP (Target to Forecasted Plan)	Budget Savings Achieved YTD (£'000)	Cost Reductions Achieved YTD (£'000)	Savings Achieved YTD (£'000)	Actual Savings Achieved in M3	Total Budget Savings Achieved for full Year (£'000)	Full Year Savings Next Year 2027-28 (£'000)
North Highland	**24,129**	9,828	7,963	-16,166	1,210	1,115	**2,325**	592	2,522	5,873
Argyll & Bute	**8,414**	8,414	4,795	-3,619	1,199	0	**1,199**	408	4,795	1,318
Total Value & Efficiency	**32,543**	**18,242**	12,758	-19,785	**2,408**	**1,115**	**3,524**	1,000	**7,317**	**7,191**
Adult Social Care	**6,581**	1,851	1,101	-5,480	0	850	**850**	850	0	1,851
Total Value & Efficiency incl ASC	**39,124**	**20,093**	**13,859**	**-25,265**	**2,408**	**1,965**	**4,374**	**1,850**	**7,317**	**9,042**

2025-26 Value & Efficiency Plan (£'000) MOVEMENT						
Reduction Programmes - Area	Annual Plan Forecasted M3	Annual Plan Forecasted M2	Movement	Savings Achieved M3	Savings Achieved M2	Movement
Value & Efficiency - North Highland	7,963	7,318	644	3,638	3,134	504
Value & Efficiency - Argyll & Bute	4,795	5,470	-675	4,795	4,494	301
Total Value & Efficiency	12,758	12,788	-31	8,433	7,628	805
Value & Efficiency - ASC	1,101	1,600	-499	850	0	850
Total Value & Efficiency incl ASC	13,859	14,388	-530	9,283	7,628	1,655