

NHS Shetland

Meeting:	Shetland NHS Board
Meeting date:	26 June 2025
Title:	Financial Performance 2024/25 and Forward Plan for 2025/26
Agenda reference:	Board Paper 2025/26/27
Responsible Executive/Non-Executive:	Colin Marsland, Director of Finance
Report Author:	Karl Williamson, Head of Finance & Procurement

1. Purpose

This is presented to the Board/Committee for:

- Awareness

This report relates to:

- Annual Operating Plan
- NHS Board / Integration Joint Board Strategy or Direction

This aligns to the following NHSScotland quality ambition(s):

- Safe
- Effective
- Person-centred

2. Report summary

2.1. Situation

The Board is asked to note the financial performance for 2024/25 and the forecast challenges and plans for 2025/26. NHS Shetland has achieved a near break-even financial position in 2024/25 due to effective cost management, strategic investment, and strengthened governance structures. A key enabler of this result was the establishment and continued oversight of the Finance and Sustainability Group (FSG). This paper summarises how the FSG has supported financial recovery and how it will play a pivotal role in future sustainability.

2.2. Background

NHS Shetland continues to operate in a constrained financial environment with static funding projections. In response, a Finance and Sustainability Group (FSG) was formalised in early 2024 to strengthen financial governance and align strategic priorities with Scottish Government directives. The Board ended 2024/25 with a small surplus (£0.016 million) and has seen a 22% reduction in the recurring savings gap. Going forward, NHS Shetland must deliver £2.974 million in savings in 2025/26.

2.3. Assessment

2.3.1. Quality / patient care

FSG has ensured that financial recovery activities are aligned with NHS Shetland's commitment to person-centred care and that containment measures do not undermine service quality. Innovations such as digital care and sustainable workforce planning support continuity of care.

2.3.2. Workforce

The FSG led a Workforce Rapid Review and helped shape the Integrated Workforce Plan (2025–2028). This has strengthened NHS Shetland's ability to manage recruitment, reduce reliance on temporary staff, and support long-term workforce sustainability.

2.3.3. Financial

The final 2024/25 outturn showed a surplus of £0.016 million. Key contributors included:

£1.291 million DIA recurrent uplift.

£0.593 million in recurring savings.

£0.410 million (7.2%) reduction in agency and locum spending.

The FSG provided essential governance and scrutiny across financial plans and efficiency measures, improving transparency and tracking.

2.3.4. Risk assessment/management

Key financial risks include:

Continued reliance on non-recurrent savings.

Uncertainty around future allocations.

Workforce sustainability.

The FSG's enhanced governance structure addresses these risks through improved scenario planning, containment reviews, and strengthened internal audit responses.

2.3.5. Equality and Diversity, including health inequalities

An impact assessment is built into the FSG's governance model and will be applied where service transformation or cost-saving decisions have the potential to affect equality outcomes.

2.3.6. Other impacts

FSG's work links directly to the successful implementation of the Strategic Delivery Plan, Workforce Plan, and Digital Strategy. The group supports decarbonisation through initiatives like the Transport Review, delivering both cost savings and reduced emissions.

2.3.7. Communication, involvement, engagement and consultation

FSG launched a monthly financial update via internal newsletters and simplified financial infographics to support wider staff engagement. Staff are increasingly aware of savings targets and are invited to contribute ideas and feedback.

2.3.8. Route to the meeting

EMT – xx/xx/xxxx

2.4. Recommendation

- **Awareness** – For Members' information only.

3. List of appendices

The following appendices are included with this report:

Appendix 1 – Financial Performance Report 2024/25 and Look Ahead to 2025/26

Financial Performance 2024/25 and Forward Plan for 2025/26

Part 1: Summary of 2024/25 Performance and Achievements

In 2024/25, NHS Shetland operated in a challenging environment but delivered a year of progress and stability. The Board concluded the financial year with a small surplus of £0.016 million, successfully meeting all statutory financial targets.

Key highlights include:

The work of the Finance and Sustainability Group (FSG) underpinned many of the year's achievements by ensuring financial governance and sustainability planning were integrated into operational decisions.

Recurrent Funding for Distant Islands Allowance (DIA)

NHS Shetland received an additional £1.291 million in recurrent funding from the Scottish Government to address historical underfunding linked to inflationary uplifts in the Distant Islands Allowance. This allocation was instrumental in delivering the positive year-end financial position and has materially reduced the organisation's savings requirement entering 2025/26.

This funding represents a clear signal that the Scottish Government recognises and is willing to support the unique operational and financial challenges faced by Scotland's island Boards.

Cost Containment and Efficiency Measures

These measures were designed and monitored with oversight from the FSG, which helped identify opportunities and reinforce discipline in financial controls across directorates.

Agency and locum staffing costs were reduced by £0.410 million (7.2%), primarily through more effective use of internal resources and bank arrangements.

A total of £0.593 million in recurring savings was delivered in-year.

The underlying recurring financial gap reduced by 22.0%, from £2.066 million to £1.612 million, reflecting steady progress in financial recovery.

Capital Investment and Service Improvement

While FSG's direct role in capital decisions was limited, its broader financial scrutiny ensured investment choices aligned with long-term sustainability goals.

The launch of the Helyer MRI Suite in June 2024 provided a step change in diagnostic access, supported by community fundraising and capital investment.

Overall capital expenditure in 2024/25 totalled £4.852 million, including strategic investments in infrastructure and staff accommodation.

Workforce and Recruitment Efforts

These efforts were supported by a Workforce Rapid Review led by the FSG, shaping the development of a three-year Integrated Workforce Plan.

NHS Shetland improved its annual staff turnover to 10.9%, down from 15.0% the previous year.

Workforce sustainability initiatives, such as enhanced accommodation and direct recruitment channels, helped to manage the impact of long-standing clinical vacancies.

Digital Innovation and Remote Care

FSG has advocated for digital optimisation as part of the savings and transformation agenda, including telemedicine as a cost-effective access model.

The number of remote outpatient attendances rose to 10,298, representing a 27% increase from 2023/24 and demonstrating improved access and reduced patient travel.

Part 2: The Challenge for 2025/26 and the Path Forward

For 2025/26, NHS Shetland is entering the year with a gross Board budget of £92.397 million and a savings requirement of £2.974 million (3.2%). This consists of:

£1.612 million in carried-forward unachieved recurrent savings from 2024/25, and £1.362 million in new savings required to balance the 2025/26 position.

This represents a significant reduction in the savings gap compared to prior projections, primarily due to the additional DIA funding received in 2024/25. The uplift has provided the Board with increased baseline resilience and confirms the willingness of the Scottish Government to address the specific pressures faced by remote and island healthcare systems.

Financial Governance Arrangements for 2025/26

To maintain strategic alignment and financial control:

The governance framework was shaped in large part by the FSG, which ensures proposals are strategically aligned and recurrent savings are prioritised.

All savings will be retained centrally until individual plans are developed and approved by the Executive Management Team (EMT).

Directorate allocations will only be adjusted once approved savings plans are in place and shown to align with the Board's overall strategic priorities.

An exception process exists for any new, unfunded posts approved by EMT; in such cases, the relevant directorate's savings target will be increased accordingly to offset the cost pressure.

This approach ensures that financial planning is disciplined, strategically led, and risk-managed.

Strategic Transformation Aligned to the 15 Box Grid

FSG has played a coordinating role across these workstreams, ensuring that transformation initiatives also contribute meaningfully to financial recovery and sustainability.

The Board's approach to transformation and sustainability in 2025/26 is underpinned by the 15 Box Grid, which links all savings activity to the six strategic workstreams of the Strategic Delivery Plan:

Planned Care

Urgent and Unscheduled Care

Preventative and Proactive Care

Shifting the Balance of Care

Support Systems

Effective Partnerships

This model ensures that financial improvement actions are not solely cost-reduction measures, but also represent long-term changes that enhance service quality, patient outcomes, and operational sustainability.

Priority areas for early action in 2025/26 include:

Tighter scrutiny of supplementary staffing and vacancies.

Optimisation of digital platforms, including telemedicine and AI-supported pathway redesign.

Reviews of transport, accommodation, and estates utilisation to identify cost-saving opportunities.

Continued partnership work across Shetland's integrated health and care system.

Conclusion

The Finance and Sustainability Group (FSG) has been instrumental in shaping NHS Shetland's strategic financial direction. Its influence is seen across workforce planning, savings monitoring, communications, and transformation alignment. The group's establishment reflects a cultural shift toward embedded financial accountability and long-term sustainability as integral to healthcare delivery.

NHS Shetland ended 2024/25 in a position of financial stability due to a combination of operational discipline, targeted investment, and strategic financial support from the Scottish Government in the form of the £1.291 million DIA uplift.

For 2025/26, a £2.974 million savings requirement remains a significant challenge. However, the Board is approaching this with strengthened governance, a reduced baseline gap, and a clear framework for service transformation via the 15 Box Grid.

By maintaining a clear focus on strategic priorities, financial accountability, and patient-centred care, NHS Shetland is well-positioned to continue delivering high-quality services while progressing towards long-term sustainability.