NHS Shetland

Meeting:	Board
Meeting date:	22 September 2026
Agenda reference:	Board Paper 2026/27/31
Title:	Financial Performance Management Report Update – 2026-2027 at Month 4, July 2026
Responsible Executive/Non-Executive:	Colin Marsland, Director of Finance
Report Author:	Colin Marsland, Director of Finance

1 Purpose

This is presented to Board for:

- Awareness

This report relates to:

- Annual Operating Plan

This aligns to the following NHS Scotland quality ambition(s):

- Safe
- Effective
- Person Centred

2 Report summary

2.1 Situation

The purpose of this paper is to advises the Board members of the out-turn expenditure against Revenue Resource Limit as at Month 4 for 2026-27.

There are underlying work force pressures in our local service models causing significant over spend. Actions to address these will need to occur during 2026-27 to achieve our statutory obligation to breakeven this year and in the longer term.

The Month 4, out-turn position is £1.0m over spent. This compares to £1.1m in 2025-26.

The current forecast for the out-turn position in 2026-27 is still breakeven as per the financial plan submitted to the Scottish Government for 2026-27.

Further management action though is required to address underlying recruitment issues and deliver cost reductions through recurring efficiencies to achieve financial sustainability.

Table 1: Top Three Key Planning Assumptions on 2026-27 Financial Plan	
Assumption Narrative	Month 4 Out-turn Position
1. Reduction from 2025-26 additional pay cost of AFC agency posts above budget would reduce by 49% to £0.3m	Out-turn over spend is £0.08m less than last year, so down 29.4%. Adverse to plan by £0.06m.
2. Reduction from 2025-26 additional pay cost of Medical and Dental staff above budget would reduce by 10% to £2.0m	Out-turn over spend is £0.17m more than last year, so increased by 27.9%. The increase in excess Consultant and GP costs is the primary cause of the movement. Adverse to plan by £0.07m.
3. Achieve £2.3m in non-recurring savings on top of the £0.3m recurring savings identified in the plan to offset cost pressures from staff engaged on non NHS terms and conditions. Please note this is different to 3.0% recurring baseline target set by Scottish Government which was £2.6m	Actual local savings target is create savings to offset over expenditure against approved budget. The original target of £0.3m for recurrent savings has been fully delivered. The additional pay costs the Board incurs requires offsetting non-recurring savings to achieve breakeven out-turn. These savings are not yet being made.

2.2 Background

In 2026-27, NHS Boards are still required to achieve a year end balanced financial position in-line with statutory financial obligation under section 85 of the National Health Services (Scotland) ACT 1978. Currently this has been redefined as over a rolling three-year period that was set-out in our Annual Delivery Plan agreed by the Board in April 2026.

The summary financial points at month five are:

- Appendix A, financial summary statement shows an over spend at £1.0m, this represents a 3.3% adverse variance on the year to date plan;
- Appendix A, as outlined in the financial summary statement shows the primary cost pressure that has to be managed is pay at £1.1m over spent;
- Appendix B, identifies the plan of how £2.7m efficiency savings for 2026-27 is proposed to be delivered, not all these schemes are on track to deliver their planned target;
- Appendix B, though identifies £0.2m achieved year to date and that 69.6% of this is delivered on a recurrent basis; and
- Appendix C, NHS Shetland confirmed funding allocation at Month 4 is £95.4m.

2.3 Assessment

2.3.1 Patient Care

Patient care is not at risk. The use of “temporary” staff on NHS and non-NHS terms and conditions are being engaged to fill gaps in service and in some areas to add resilience.

Long-term sustainable clinical staffing models remains a top priority to address as will provide more effective and efficient use of resources leading to better overall outcomes. This should also improve the ability to create our objective of patient centred care through ensuring sufficient organisational capacity and resilience.

2.3.2 Workforce

For the Board to achieve a balanced financial position in 2026-27 and beyond, the issue of sustainable clinical staffing models remains a top priority to address. The recovery planning proposals will need to address realistic clinical models within resource limits.

The use of locum and bank staff is predominately to maintain safe staffing levels in essential services at current activity levels. This is to ensure a safe patient centred service exists whilst managing clinical risk. Table 2 below summarises these costs.

Table 2: Additional Cost of Locum and Agency Staff above Base Budget			
	Medical Staff £000's	Nursing / Other £000's	Total £000's
Acute and Specialist Services	607	147	754
Community Health	288	55	343
Total	895	202	1,097

As with previous years, finance reports, the cost pressure in 2026-27 from use of staff outside NHS terms and conditions continues to challenge our ability to breakeven.

Longer-term until there is recruitment to fill the substantive GP vacancies, Consultant vacant posts in Mental Health, General Medicine and Anaesthetic Services and Nursing with permanent staff on NHS terms and conditions there will be continuing cost pressures. These additional costs incurred can only become affordable through internally funding via increasing the level of recurring efficiency savings from other services. However, the Board would need to consider and agree this represents best value for providing quality, effective and safe services, delivered in the most appropriate setting for the patient.

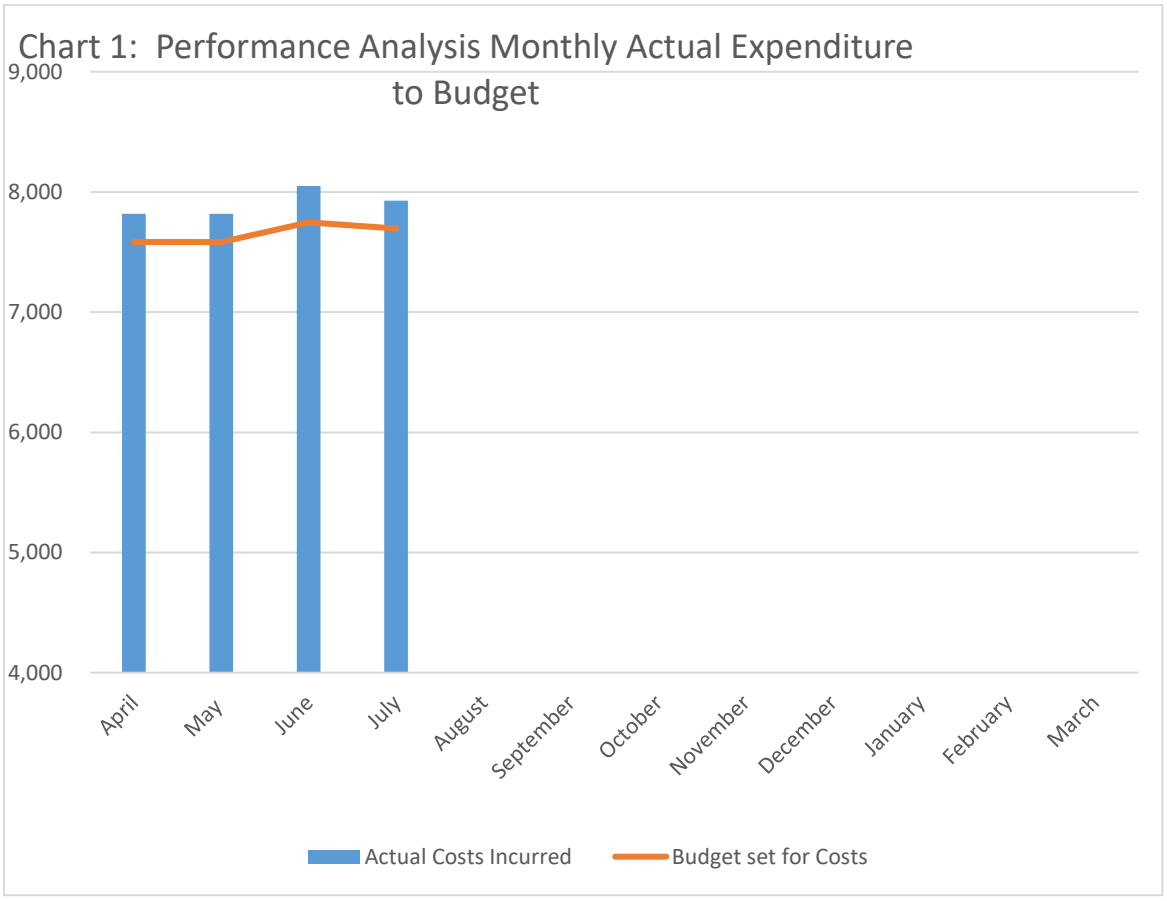
Table 3: Agency and Locum Staff Costs and Funding				
Staff Group Analysis	Cost	Funding Via Vacancies	Funding via Other Route	Net Cost
	£000's	£000's	£000's	£000's
Consultant Locums	915	472	45	398
Consultant Agency	347	24	101	222
Resident Doctors	108	0	0	108
Agency Nursing	160	38	0	122
Agency General Practitioners	195	28	0	167
Other Staff Groups	112	26	6	80
Grand Total	1,837	588	152	1,097

At Month 4, the actual expenditure on locum and agency staff totals £1.8m. Summary split of this is in Table 3 above. Staff vacancies part fund these costs along with other allocations such as planned care causing a net £1.1m over spend. Continuing at this same rate of expenditure would likely see yearend expenditure total £5.5m, which is the same as last year. The key staff assumptions in table 1 is not yet being met.

In respect of General Practitioners (GPs) for our registered practice population of 22,981 at 1 July 2026 there is a budget of 18.92wte, so equivalent to 1,215 patients per GP. This compares favourably to 2,187 patients per GP in England according to British Medical Association data on General Practitioners as at July 2026.
In respect of 18.92 wte posts, 15.26 wte posts are filled, 80.7%, by a mix of staff who permanently live on Shetland and those on permanent contracts as rotational post to work here. This leave a vacancy gap of 3.56 wte that are filled via local bank GPs and GPs engaged via GP Joy. The Boards local GP bank has 17 registered GPs and GP Joy scheme has 54 registered GPs on that scheme.
In addition to GPs there is a clinical nurse workforce of 32.41 wte working as part of the practice teams supporting as well as Pharmacists and Allied Healthcare Professionals.
The total over spend variance on staff expenditure costs is £1.1m, Appendix A. Staff overspend is slightly greater than the Board's overall total. The cost pressure caused by staff engaged on non-NHS terms and conditions accounts for 99.5% of that variance. Although staff engaged on non-NHS terms and conditions were required to ensure safe staffing it does not assist in the Board achieving best value from the overall resources available to improve the overall health and wellbeing of our local community.

2.3.3 Financial

Chart 1 below illustrates the monthly position of expenditure incurred against the Board's resources available as set out in our approved budgets.



This shows that expenditure is greater than available resources in all months to date due to use of temporary and additional staff. In addition to the excess pay costs the use of

temporary staff incurs accommodation and travel costs that year to date also creates a further cost pressure of £0.1m in others costs in Appendix A in other costs.

Expenditure on drugs is in line with budget year to date and it is medical supplies, primarily in Acute Services that is causing the variance in Appendix A.

The Board's longer-term financial sustainability requires a focus on addressing the future annual target projected efficiency savings, at 3.0% in-line with Scottish Government policy.

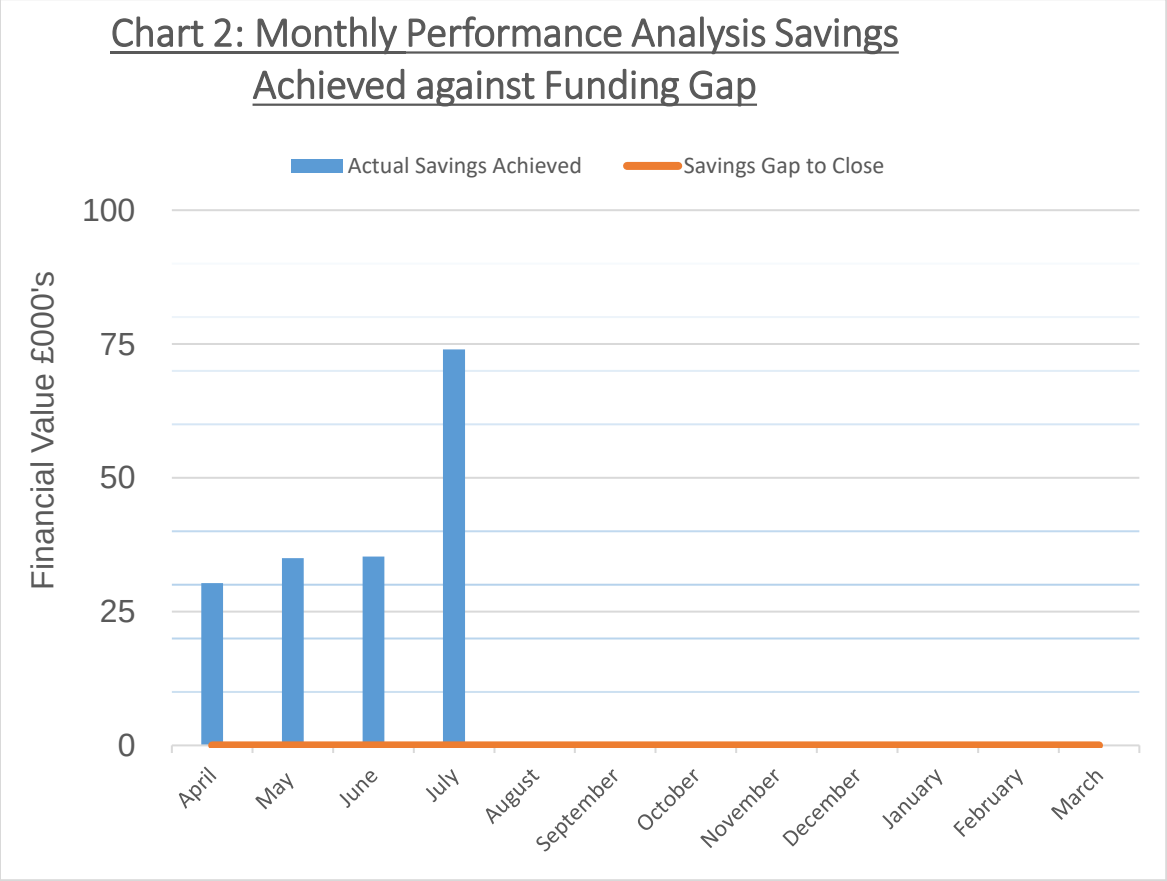
Plans will continually be under development or review to implement the principles arising out of the Clinical Strategy review. These schemes to review or implement pathway developments need though take due recognition of resource constraints in available finance, technology and staff with appropriate skills. Realism on available of potential suitable staff with relevant training may be the greatest constraint.

The Board's underlying surplus entering 2026-27 is £0.5m that is allocated to an investment reserve to facilitate service redesign and create recurring efficiency savings.

In 2026-27, plan requires savings to offset forecast cost pressure £2.3m from staff engaged on non NHS terms and conditions to address the gap between income and expenditure that causes per the financial plan.

Overall delivery as illustrated in chart 2 and detail outlined in Appendix B the Board has delivered £0.17m in efficiency savings as at Month 4.

This though year to date is principally via recurring savings at £0.12m (69.6%). This though is well short of the Scottish Government target for recurring savings at £2.6m.



2.3.4 Risk Assessment/Management

There is risk to the sustainability of the Board if the proposed sustainable models of care and pathways developed cannot attract sustainable level of suitably qualified staff.

Redesign of pathways that need to occur in line with Board and partners' aims to deliver locally set objectives, and need to ensure staffing models are realistic and recruitment plans are reviewed and put in place for successful appointment to key vacant posts.

Ensuring there is sufficient organisational capacity and resilience within our available resources is a challenge that needs to be met.

2.3.5 Equality and Diversity, including health inequalities

An impact assessment has not been completed because this has no immediate implications for the Board's overall compliance. However any significant action plans to address either short-term or underlying issues will require an EQIA to be undertaken.

2.3.6 Other impacts

Plans to address issues raised will need consultation and engagement with a number of stakeholders

2.3.7 Communication, involvement, engagement and consultation

This paper is for information only.

2.3.8 Route to the Meeting

The specific report not been discussed elsewhere, although earlier draft was at EMT.

2.4 Recommendation

- **Awareness** –

  This report is to stimulate discussion on our collective forward actions for a sustainable local healthcare provision for our community here in Shetland in 2026-27 and beyond.

  There are still two principle actions that EMT will need to review and address on behalf of the Board in the short and medium term as filling all these vacant consultant posts in the current recruitment campaign unlikely:

  Strategic:

  1. How recruitment plans and process can be put in place to successful recruit to the key vacant posts for longer term financial and clinical sustainability; and
  2. Identify recurring projects to address the recurrent savings targets that public bodies are to achieve each year in each of the next 3 years operating plan.

3 List of appendices

The following appendices are included with this report:

- Appendix A, 2026-27 Financial Statement and Analysis
- Appendix B, Efficiency Savings Plan 2026-27
- Appendix C, NHS Shetland 2026-27 Scottish Government Allocation Received

Appendix A

NHS Shetland

2026–27 Financial Statement

	Annual Budget	Year to Date Budget as at Month 4	Expenditure at Month 4	Variance Year to Date
	2026–27	2026–27	2026–27	2026–27
Funding Sources				£0
Core RRL	£83,288,334	£25,174,531	£25,174,531	£0
Earmarked	£6,792,354	£2,264,118	£2,264,118	£0
Non Recurrent	£6,722,091	£2,240,697	£2,240,697	£0
AME Depreciation	£2,532,016	£844,005	£844,005	£0
AME Other	£113,474	£37,825	£37,825	£0
Other Operating Income	£3,829,199	£1,585,162	£1,732,624	£147,462
Gross Income	£103,277,468	£32,146,338	£32,293,800	£147,462
Resource Allocations				
Pay	£61,449,782	£19,318,532	£20,420,079	(£1,101,547)
Drugs & medical supplies	£11,474,221	£3,760,874	£4,027,218	(£266,344)
Depreciation	£2,532,016	£844,005	£844,005	£0
Healthcare purchases	£14,353,445	£4,353,897	£4,135,156	£218,741
Patient Travel	£2,153,646	£686,975	£683,707	£3,268
FMS Expenditure	£1,075,775	£324,095	£331,958	(£7,863)
AME Other Expenses	£113,474	£37,825	£37,825	£0
Other Costs	£9,629,940	£2,645,507	£2,815,944	(£170,437)
Gross expenditure	£102,782,299	£31,971,710	£33,295,892	(£1,324,182)
Funding Gap or Surplus	£495,169	£174,628	(£1,002,092)	

Appendix A continued

Shetland NHS Board Financial Position as at the end of July 2026	Annual Budget		2026–27 Month 4 Position		
			Budget	Actual	Variance (Over) / Under
Acute and Specialist Services	£26,164,536		£8,734,906	£9,809,109	(£1,074,203)
Community Health and Social Care	£32,448,544				(£171,548)
Commissioned Clinical Services	£16,034,613		£4,707,391	£4,728,716	(£21,325)
Sub-total Clinical Services	£74,647,693		£23,956,017	£25,223,093	(£1,267,076)
Dir Public Health	£2,727,148		£933,029	£898,142	£34,887
Dir Finance	£4,372,855		£1,441,515	£1,287,221	£154,294
Reserves	£5,159,734		£133,900	(£15,075)	£148,975
Medical Director	£459,126		£153,042	£121,341	£31,701
Dir Human Res & Support Services	£1,960,717		£592,209	£619,632	(£27,423)
Head of Estates	£5,991,943		£1,995,147	£2,049,616	(£54,469)
Office of the Chief Executive	£4,129,053		£1,405,906	£1,428,887	(£22,981)
Overall Financial Position	£99,448,269		£30,610,765	£31,612,857	(£1,002,092)

Appendix A continued

Table 5: Shetland Health Board: Monthly Analysis of Expenditure versus Budget for 2026–27—Source data used in respect of Chart 1

	April	May	June	July	August	September	October	November	December	January	February	March
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Actual costs incurred	7,817	7,819	8,050	7,927								
Budget set for costs	7,584	7,583	7,747	7,697								
Surplus/ Deficit £	(233)	(236)	(303)	(230)								
Surplus / Deficit %	-3.1%	-3.1%	-3.9%	-3.0%								
Year to date variance £	(233)	(469)	(772)	(1,002)								
% Year to date variance	-3.1%	-3.1%	-3.4%	-3.3%								

Appendix A continued

Appendix B

Efficiency Savings Plan and Performance

Table 6: Shetland Health Board: Monthly Performance Analysis Savings Achieved versus Funding Gap for 2026–27—Source data used in Chart 2

	April	May	June	July	August	September	October	November	December	January	February	March
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Actual savings achieved	30.3	35.0	35.3	74.0								
Savings gap to close	0.0	0.0	0.0	0.0								
Surplus/ Deficit £	30.3	35.0	35.3	74.0								
Surplus / Deficit %												
Year to date variance £	30.3	65.3	100.6	174.6								

Appendix B continued

Table 7: 2026–27 Efficiency Savings Delivery Performance Analysed by Management Service Areas

Shetland Health Board Savings Plan 2026–27		**Recurring Savings**				**Non-Recurring Savings**	
Area	**Lead Officer**	Directorate Original target £000's	Potential Identified £000's	Achieved YTD £000's	Achieved FYE £000's	Potential Identified £000's	Achieved YTD £000's
Acute Services	Director of Nursing	0.0	0.0	0.0	0.0	0.0	0.0
Community Services	Director of Health & Social Care	0.0	0.0	0.0	0.0	0.0	0.0
Off Island Healthcare	Director of Finance	0.0	100.0	33.3	100.0	105.0	35.0
Public Health	Director of Public Health	0.0	0.0	0.0	0.0	0.0	0.0
Human Resources	Director of Human Resources	0.0	0.0	0.0	0.0	0.0	0.0
Chief Executive	Chief Executive	0.0	0.0	0.0	0.0	0.0	0.0
Medical Director	Medical Director	0.0	0.0	0.0	0.0	0.0	0.0
Estates	Head of Estates	0.0	0.0	0.0	0.0	0.0	0.0
Finance	Director of Finance	0.0	79.2	26.4	79.2	0.0	0.0
Board Wide / Reserves	Director of Finance	2,597.2	185.6	61.9	185.6	25.4	18.0
Overall Board Targets for 2026–27		2,597.2	364.8	121.6	364.8	130.4	53.0
Overall Target Achieved in 2026–27 (YTD)		**174.6**					
Overall Target Achieved in 2026–27 (FYE)		**364.8**					

Appendix B continued

Table 8: 2026-27 Efficiency Savings Plan

Recurring Efficiency Savings Proposals	Planning	Low Risk	Medium	High Risk	Commentary
Pharmacy Drugs: Procurement and other Controls	136,000	136,000		0	Drug tariff reductions, drug switches and patient structured medication reviews to ensure outcome optimisation
Estates & Facilities	21,597	21,597		0	Non Domestic Rates tariff reduction 2026-27
Patient Transport	77,911	77,911		0	Redesign opportunities and tariff changes in 2026-27
Salary Sacrifice: Employers Savings	28,000	28,000		0	Employer cost savings from salary sacrifice schemes
Off Island Commissioned Healthcare Savings:	100,000	100,000		0	
Procurement	1,275	1,275		0	Fuel Card Avoidance Procurement Saving
ePayroll	2,000		1,000	1,000	Switching staff from paper to e-Payslips, starts August 2026 so full saving not in 2026-27
Redesign Challenges Acute and Specialist Services				0	
Redesign Challenges Community Health and Social Care.				0	
Other Board wide				0	
Redesign Challenges	**tbc**				
Overall Total Recurring Efficiency Savings	366,783	364,783	1,000	**1,000**	

Appendix B continued

Table 8: 2026-27 Efficiency Savings Plan

Non-recurring Efficiency Savings Proposals	LDP Plan	Low Risk	Medium	High Risk	
Staff Vacancy Factor Cost Reduction	2,250,000	0	**2,250,000**	0	Vacancy factor based upon 2025-26 experience.
Off Island Commissioned Healthcare Non-recurring:	105,000	**105,000**		0	Contracts based upon 3 year rolling activity with highly variable activity
Procurement	2,629	**2,629**		0	Non recurring saving April to June 2026 only.
Review of Technical issues from shared national suggestions				0	
Other planning gains non-recurrent				0	
				0	
				0	
Overall Total Non Recurring Efficiency Savings Proposals	2,357,629	107,629	2,250,000	0	
Overall Total Efficiency Savings in Plan	2,724,412	472,412	2,251,000	1,000	

Appendix C

NHS Shetland 2025–26 Scottish Government Allocation Received

Month	Narrative	Baseline	Non-recurring	Earmarked	AME	Net Running Total
May	Young Patients Family Fund	£0	£79,616	£0		£79,616
May	Primary Medical Services	£0	£0	£5,662,044		£5,741,660
May	Realistic Medicine Network - Staff costs, training and development	£0	£0	£40,000		£5,781,660
May	Single Point of Contact - Oncology	£34,353	£0	£0		£5,816,013
May	Unscheduled Care Collaborative	£173,410	£0	£0		£5,989,423
May	Recurring Allocation from 2025-26	£323,104	£0	£0		£6,312,527
May	Baseline Allocation	£86,571,809	£0	£0		£92,884,336
May	NSD - NSSC Priority Developments	-£17,282	£0	£0		£92,867,054
May	NSD - Lutathera & Adult ECMO	-£21,050	£0	£0		£92,846,004
May	NSD - Risk Share	£0	-£459,201	£0		£92,386,803
May	NSD – Foxgrove	£0	-£35,307	£0		£92,351,496
May	NSD – HPV	£0	-£21,710	£0		£92,329,786
June	World Cup Public Holiday	£0	£93,555	£0		£92,423,341
June	Vitamin Scheme for pregnant women and children	£2,599	£0	£0		£92,425,940
June	Open University backfill quarter 3 & 4	£0	£45,000	£0		£92,470,940
June	Primary Care Improvement	£0	£0	£851,656		£93,322,596
June	Phased Investment programme	£0	£88,037	£0		£93,410,633
June	GP walk-in	£0	£697,707	£0		£94,108,340
June	Primary Care GP fellowships & Rediscover the Joy	£0	£222,861	£0		£94,331,201
June	Respiratory testing	£49,226	£0	£0		£94,380,427
June	Alcohol and Drugs partnerships	£0	£0	£219,258		£94,599,685
July	Post diagnostic support - Dementia	£0	£0	£18,191		£94,617,876
July	Children's Hospices Across Scotland	£0	-£46,778	£0		£94,571,098
July	Sustainability	£0	£779,629	£0		£95,350,727