

<b>Meeting:</b>	Shetland NHS Board
<b>Date:</b>	18 August 2020
<b>Report Title:</b>	2020-21 Financial Position Update as at Month 3, June 2020.
<b>Reference Number:</b>	Board Paper 2020/21/23
<b>Author / Executive Lead/ Job Title:</b>	Colin Marsland, Director of Finance

#### Decisions / Action required:

The Board is asked to note:

- Appendix A, Month 3 financial summary shows a £1.6m overspend.
- Appendix B, NHS Shetland Funding Allocation as at Month 3

The position at month 3, June 2020, includes the additional costs that arise from the Covid-19 pandemic but does not yet include funding from the Scottish Government to cover these costs.

A submission on these additional costs, plus lost income and savings proposals deferred offset by costs that were not incurred was due for submission on 14 August.

#### High Level Summary:

NHS Boards are still required to achieve a balanced financial position in 2020-21.

The primary cause of the over spend at month 3 is Covid-19 pandemic. The additional costs at the end of month 3 total £1.8m but this is offset by £0.5m in patient travel costs that did not occur. That leaves an underlying [gap](#) of £0.3 that is linked to redesigns required to address the gap in funding from efficiency savings schemes.

Scottish Government Month 3 financial return on the impact of the Covid19 Pandemic consequences on net costs incurred by NHS Shetland that was due on 14 August 2020 will inform the allocation for reimbursing the impact of Covid19 pandemic.

The re-mobilisation plan submitted on 31 July 2020 will inform the basis of discussion with Scottish Government in consequential Covid-19 pandemic funding for 2020-21.

#### Corporate Priorities and Strategic Aims:

This paper address two of the Boards corporate objectives:

- To ensure sufficient organisational capacity and resilience
- To provide best value for resources and deliver financial balance

#### Key Issues:

As outlined in Appendix A, the Board has an over spend of £1.6m however the Board is yet to receive an allocation adjustment to cover the net consequences of Covid-19 pandemic. However as outlined in Appendix B the Board has received a pass through allocation of £298k in respect of Social Care additional costs for Covid-19 pandemic.

The impact of Covid-19 pandemic in addition to increasing our staff costs significantly required alterations to be made to our premises and an investment in additional clinical and IT equipment to ensure the health and safety of both staff and patients.

The impact of the Covid-19 pandemic also impacted the operating activity income of the Board due lockdown impacting the number of non Shetland residents receiving treatment as tourism ceased which also impacted the laundry income generated from the local hotel industry. As the salaried Dental Service was operating an emergency treatment only service the income generated was £32k below plan.

The over spend at month 3 in Human Resources and Support Services Directorate of £101k is entirely attributable to computer equipment bought in respect of the Covid-19 pandemic.

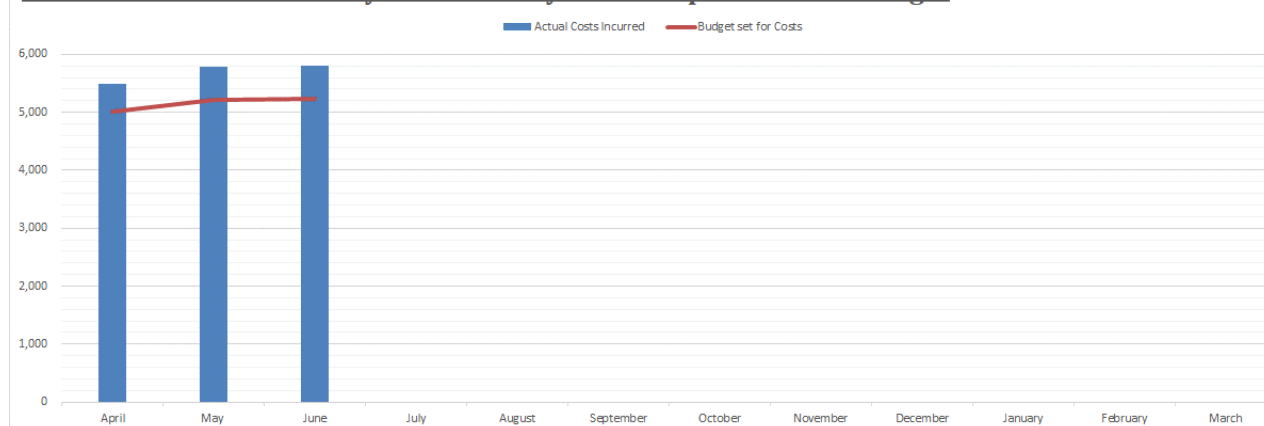
The over spend at month 3 in the Finance Directorate of £416k is also linked to the Covid-19 pandemic as the “Major Emergency” budget unit historically maps here. At month 3 there £437k in Covid-19 charged here rather than to specific service area.

There are still staff cost pressures outside Covid-19 as locums are still required to fill substantive vacancies in Mental Health, Anaesthetics and General Medicine. There is on-going recruitment to these vacancies and pathway redesign models being explored to reduce the reliance on locums and costs being incurred.

To achieve long-term sustainable financial balance the Board has two principle issues it currently needs to address these are:

1. Reducing the reliance and use of locums, especially for on-call work
2. Achieving recurring efficiency savings to address the financial gap through redesign of services that meet quality and access targets sustainably through innovations that reduce the underlying cost.

**Chart 1: Performance Analysis of Monthly Actual Expenditure to Budget**



The delivery of efficiency schemes in 2020-21 is still essential to deliver a balanced financial position.

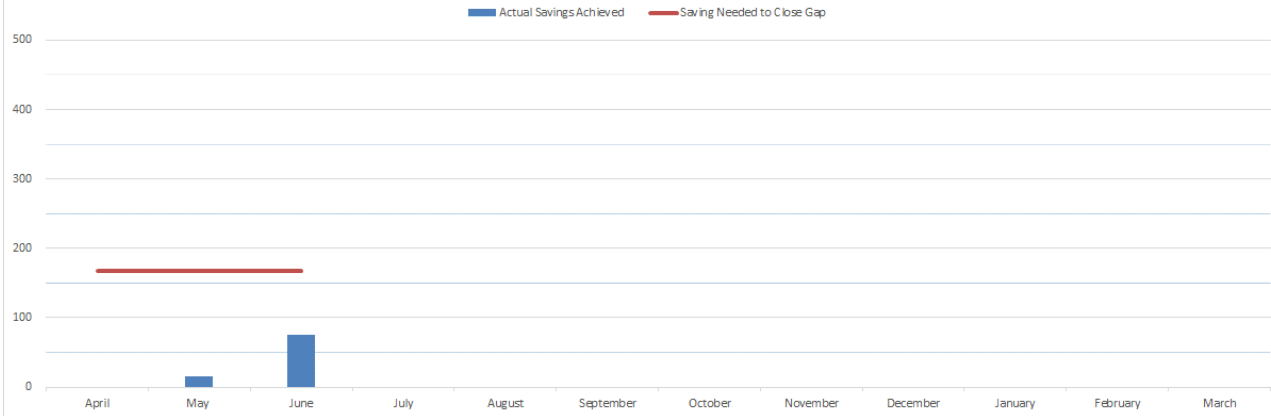
The analysis of the Board’s year to date performance in achieving savings against the target required to address the underlying funding gap in the financial plan is highlighted in Table 2.

Although the Covid-19 pandemic is likely to have an impact on the ability to undertake strategic redesign in 2020-21 with public consultation and delivery of these schemes it still remains essential for longer-term financial sustainability that a focus remains here. The Covid-19 pandemic has caused a stepped change in attitude to the use of remote medical technologies for both patient and clinicians that can provide opportunities for increased repatriation of services that could improve the patients experience via the minimisation of patient travel both on and off island and in addressing access targets.

External Audit have again highlighted in 2019-20 the need to focus on delivering recurring efficiency savings as essential for longer-term financial sustainability.

At month 3 only £76k of the year to date savings has been achieved. This is £412k less than the plan. The Covid-19 pandemic is specifically responsible for £121k of this total not being met. The balance of £291k is due to schemes not in place yet.

**Chart 2: Monthly Performance Analysis Savings Achieved against Funding Gap**



## Appendix A

### NHS Shetland

#### 2020-21 Financial Out-turn at Month 3

	Annual Budget	Year to Date Budget as at Month 3	Expenditure at Month 3	Variance
<b><u>Funding Sources</u></b>	<b><u>2020-21</u></b>	<b><u>2020-21</u></b>	<b><u>2020-21</u></b>	<b><u>2020-21</u></b>
Core RRL	52,375,949	12,596,013	12,596,013	0
Earmarked	8,919,839	2,158,846	2,158,846	0
Non Recurrent	2,154,995	347,703	347,703	0
AME Depreciation	1,455,537	363,884	363,884	0
AME Other	144,000	3,076	3,076	0
Other Operating Income	2,453,067	521,474	471,215	-50,259
Gross Income	67,503,386	15,990,996	15,940,737	-50,259
<b><u>Resource Allocations</u></b>				
Pay	35,409,661	8,850,507	10,301,545	1,451,038
Drugs & Medical supplies	7,515,289	1,853,913	1,793,408	60,505
Depreciation	1,455,537	363,884	363,884	0
Healthcare Purchases	13,532,790	3,089,798	3,083,732	6,066
Patient Travel	2,676,989	610,647	96,637	514,010
FMS Expenditure	1,208,965	270,530	296,048	-25,519
AME Other Expenses	144,000	3,076	3,076	0
Other Costs	7,496,549	1,375,743	1,615,640	-239,897
Gross Expenditure	69,439,780	16,418,098	17,553,971	1,135,873
Funding Gap	-1,936,394	-427,102	-1,613,234	

Appendix A continued:

Shetland NHS Board Financial Position as at the end of June 2020	WTE		Annual Budget	2020-21 Yearend Position		
	Budget	YTD		Budget	Actual	Variance (Over) / Under
Acute and Specialist Services	238.86	248.08	14,999,393	3,960,840	5,212,787	(1,251,947)
Community Health and Social Care	251.33	225.12	22,168,812	5,363,251	5,818,895	(455,644)
Commissioned Clinical Services	3.43	3.28	14,572,918	3,281,767	2,748,689	533,078
<b>Sub-total Clinical Services</b>	<b>493.62</b>	<b>476.48</b>	<b>51,741,123</b>	<b>12,605,858</b>	<b>13,780,370</b>	<b>(1,174,513)</b>
Dir Public Health	15.44	14.16	859,239	224,939	204,377	20,562
Dir Finance	13.30	41.89	950,388	209,295	625,192	(415,896)
Reserves	0.00	0.00	2,446,908	3,978	(80,789)	84,767
Medical Director	0.15	0.15	47,000	9,905	8,042	1,863
Dir Human Res & Support Serv.	39.79	37.20	2,528,725	630,416	731,252	(100,836)
Head Of Estates	76.06	72.92	3,867,760	1,132,196	1,176,616	(44,420)
Office Of The Chief Executive	22.30	21.50	2,609,175	652,936	637,696	15,239
<b>Overall Financial Position</b>	<b>660.66</b>	<b>664.31</b>	<b>65,050,318</b>	<b>15,469,522</b>	<b>17,082,756</b>	<b>(1,613,234)</b>



Appendix B

NHS Shetland 2020-21 Scottish Government Allocation Received

<u>Month</u>	<u>Narrative</u>	<u>Baseline</u>	<u>Earmarked</u>	<u>Non-recurring</u>	<u>AME</u>	<u>Net Running Total</u>
April	Baseline Allocation	£53,831,486				£53,831,486
April	Covid-19 - Integration Authority funding (Social Care)			£298,000		£54,129,486
April	Covid-19 prescribing pressure - return of 19/20 allocation			(£77,000)		£54,052,486
June	NHS Board contribution to funding of PASS contract			(£2,808)		£54,049,678
June	Child Healthy Weight			£47,000		£54,096,678