

Meeting:	Shetland NHS Board
Date:	6 October 2020
Report Title:	2020-21 Financial Position Update as at Month 5, August 2020.
Reference Number:	Board Paper 2020/21/36
Author / Executive Lead/ Job Title:	Colin Marsland, Director of Finance

Decisions / Action required:

The Board is asked to note:

- Appendix A, Month 3 financial summary shows a £2.8m overspend.
- Appendix B, NHS Shetland Funding Allocation as at Month 5

The position at month 5, August 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 incurred by NHS Shetland.

A submission on these additional costs, plus lost income and savings proposals deferred offset by costs that were not incurred up to Month 3 was submitted on 18 September 2020.

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 5 is Covid-19 pandemic. The additional costs at the end of month 5 total £2.9m but this is offset by £0.8m in patient travel costs that did not occur. That leaves an underlying [gap](#) of £0.6 that is linked to redesigns required to address the gap in funding from efficiency savings schemes and non-recurring £0.2m in staff cost pressures offset by £0.1m from the contingency reserve.

The Quarter 1 financial return submitted on 18 September 2020 and 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.

The Scottish Government is expected during October 2020 to confirm the funding that will be allocated to Board's to effectively manage the collective response to Covid-19 pandemic by Health Boards and our partners.

Sustainable clinical staffing models still remains a top priority to address as the use of locum and bank staff to maintain safe staffing models in essential services. Until there is recruitment to fill the substantive Consultant vacant posts in Mental Health, General Medicine and Anaesthetic Services there will be continuing cost pressures arising from additional costs incurred. These individuals though are ensuring safe service exist.

There is has also been the use of agency staff in both Hospital and Community Nursing services as well as Midwifery Service, Laboratories and Radiology Services.

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 £2.8m 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 pass through allocations of £447k 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 principally an emergency treatment only service the income generated was £53k below plan.

The over spend at month 5 in Human Resources and Support Services Directorate of £195k is entirely attributable to computer equipment bought in respect of the Covid-19 pandemic.

The over spend at month 5 in the Finance Directorate of £784k is also linked to the Covid-19 pandemic as the “Major Emergency” budget unit historically maps here. At month 5 there £825k in Covid-19 charged here rather than to specific service area.

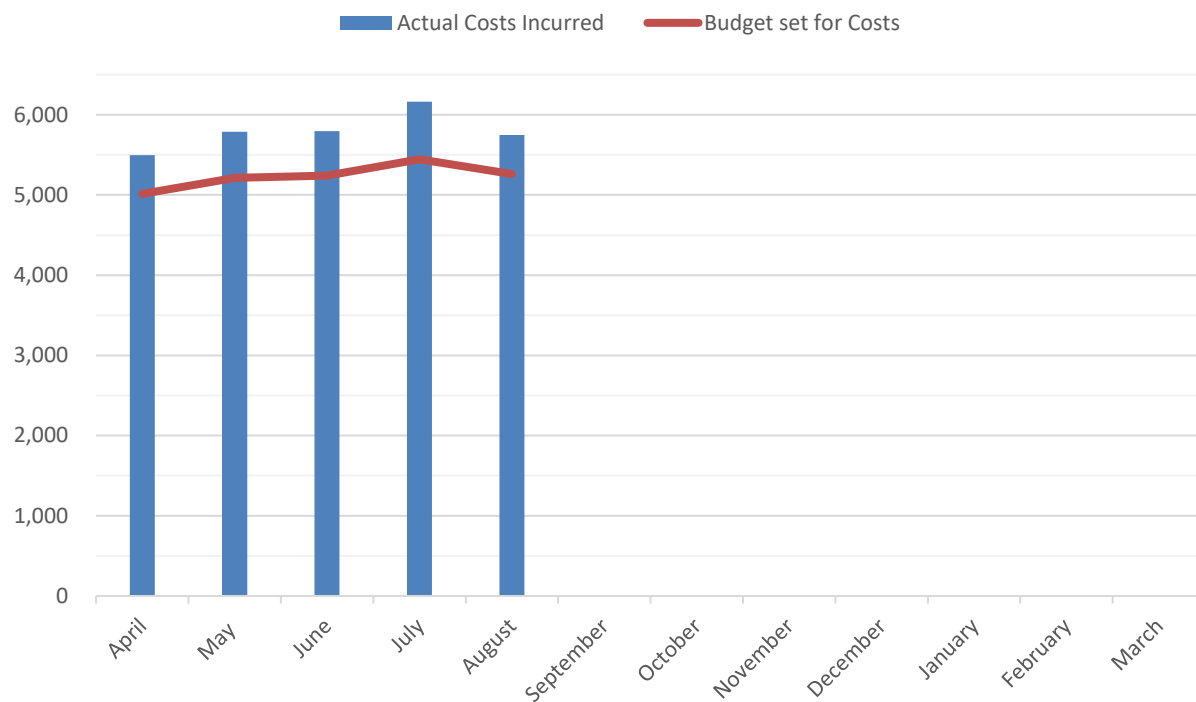
There are still staff cost pressures outside Covid-19 as locums are still required to fill substantive vacancies in Mental Health, Anaesthetics and General Medicine. There is on-going recruitment to these vacancies and pathway redesign models being explored to reduce the reliance on locums and costs 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 below illustrates the monthly position of expenditure against the Board’s resources available as set out in the approved budget. This constantly shows that expenditure is greater than available resources in each month for the reasons highlighted above. The underlying detail of the actual monetary values is [set out](#) in Table 1 in Appendix 1. Year to date expenditure is 10.8% above the current budget.

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.

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.

The year to date performance of the Board in delivering efficiency schemes is set-out in Chart 2 below. The financial 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](#) in Appendix 1 and [Table 3](#).

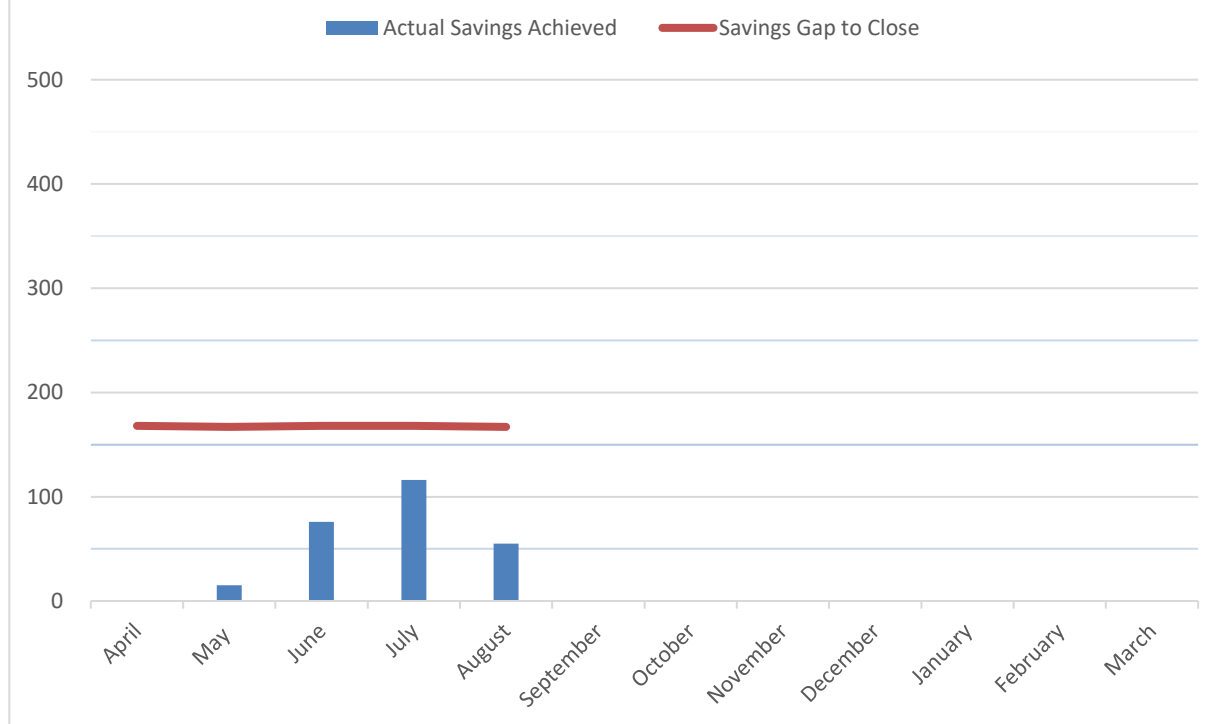
To achieve the 2020-21 annual target of just over £2m requires just over £167k to be achieved each month. At month 5 only £262k out of the target of £838k has been achieved. This achievement rate at 31.3% has therefore seen less than 1/3 of the target being met so far this year.

[Table 3](#) in Appendix A outlines how the 2020-21 savings year to date have been achieved on a Directorate unit level a month 5 and the split between recurrent and non-recurrent savings.

Acute and Specialist services principle plan for redesign work in 2020-21 to deliver savings has been impacted by Covid-19 pandemic as elective out-patient services consultations have been significantly impacted by mobilisation plan through cancelled clinics that were deemed non-essential. However the use of e-technology and change

in essential clinical pathways in using Near-me and telephone consultations may reduce potential barrier to resistance in the use of technology across all services. At present these shown non-recurrently but a review of longer-term service sustainability is expected to reclassify these as recurrent.

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



In reporting the delivery of savings in 2020-21 to Scottish Government the contingency reserve is being utilised as a non-recurring savings measure but is not included in this analysis in. At month 5, £135k on the contingency reserve has been phased in to the ledger on straight 1/12th basis.

Project office for the co-ordination and to support services in the delivery of clinical pathways redesigns that ensure future clinical models deliver both sustainable and quality focused service provision The project office will also assist in both the Boards and IJB's strategic objective for financial sustainability by 2023 through the delivery of efficiency savings being generated by the redesigned pathways.

Colin Marsland
Director of Finance
28 September 2020

Appendix A

NHS Shetland

2020-21 Financial Out-turn at Month 5

	<u>Annual Budget</u>	<u>Year to Date Budget as at Month 5</u>	<u>Expenditure as at Month 5</u>	<u>Variance as at Month 5</u>
	<u>2020-21</u>	<u>2020-21</u>	<u>2020-21</u>	<u>2020-21</u>
	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
<u>Funding Sources:</u>				
Core RRL	52,375,949	21,662,920	21,662,920	0
Earmarked Recurring	8,919,839	3,645,485	3,645,485	0
Non Recurrent	2,626,130	831,804	831,804	0
AME Depreciation	1,455,537	606,474	606,474	0
AME Other	144,000	5,126	5,126	0
Operating Income	2,533,208	1,098,107	834,479	-263,628
Gross Income Total	68,054,663	27,849,916	27,586,288	-263,628
<u>Resource Expenses:</u>				
Pay	35,793,879	14,912,529	17,252,609	-2,340,080
Drugs and Medical supplies	7,619,345	3,003,645	2,927,829	75,816
Depreciation	1,455,537	606,474	606,474	0
Healthcare Purchases	13,104,407	5,150,383	5,178,542	-28,158
Patient Travel	2,614,324	1,017,744	218,948	798,796
FHS Expenditure	1,208,965	450,882	484,791	-33,909
AME Other Expenses	144,000	5,126	5,126	0
Other Costs	7,662,254	3,279,445	3,731,901	-452,456
Gross Expenditure	69,602,711	28,426,229	30,406,221	-1,979,992
Funding Gap	-1,548,049	-576,313	-2,819,933	

Appendix A continued:

Shetland NHS Board Financial Position as at the end of August 2020	WTE		Annual Budget	2020-21 Yearend Position		
	Budget	YTD		Budget	Actual	Variance (Over)/ Under
Acute and Specialist Services	239.80	245.08	15,418,941	6,381,525	8,261,149	(1,879,624)
Community Health and Social Care	251.99	224.17	22,249,192	8,916,162	9,856,954	(940,792)
Commissioned Clinical Services	3.43	3.28	14,410,287	5,608,605	4,695,242	913,363
Sub-total Clinical Services	495.22	472.53	52,078,420	20,906,291	22,813,344	(1,907,052)
Dir Public Health	15.94	15.35	903,020	373,846	371,412	2,434
Dir Finance	13.30	44.76	950,388	356,896	1,141,114	(784,219)
Reserves	0.00	0.00	2,487,966	55,659	(83,290)	138,949
Medical Director	0.15	0.14	47,000	8,570	11,823	(3,253)
Dir Human Res & Support Svs	39.43	37.51	2,528,725	1,035,574	1,230,322	(194,748)
Head Of Estates	76.06	73.33	3,921,000	2,355,785	2,441,580	(85,795)
Office Of The Chief Executive	23.30	21.84	2,604,935	1,082,875	1,069,123	13,752
Overall Financial Position	663.40	665.46	65,521,454	26,175,496	28,995,429	(2,819,933)

Appendix A continued

Table 1: Shetland Health Board: Monthly Analysis of Expenditure versus Budget for 2020-21 - Source data used in respect of Graph 1												
	April	May	June	July	August	September	October	November	December	January	February	March
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Actual Costs Incurred	5,498	5,788	5,797	6,165	5,747							
Budget set for Costs	5,014	5,215	5,241	5,445	5,260							
Surplus / Deficit £	(484)	(573)	(556)	(720)	(487)							
Surplus / Deficit %	-9.7%	-11.0%	-10.6%	-13.2%	-9.3%							
Year to Date Variance £	(484)	(1,057)	(1,613)	(2,333)	(2,820)							
Year to Date Variance %	-9.7%	-10.3%	-10.4%	-11.2%	-10.8%							

Table 2: Shetland Health Board: Monthly Performance Analysis Savings Achieved versus Funding Gap for 2020-21 - Source data used in Graph 2												
	April	May	June	July	August	September	October	November	December	January	February	March
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Actual Savings Achieved	0	15	76	116	55							
Savings Gap to Close	168	167	168	168	167							
Surplus / Deficit £	(168)	(152)	(92)	(52)	(112)							
Surplus / Deficit %	-100.0%	-91.0%	-54.8%	-31.0%	-67.1%							
Year to Date Variance £	(168)	(320)	(412)	(464)	(576)							

Appendix A continued

Table 3 2020-21 Efficiency Savings Delivery Performance Analysed By Management Service Areas

Shetland Health Board Savings Plan 2020-21		Recurring Savings				Non Recurring Savings	
Area	Lead Officer	Original Directorate target	Potential Identified	Achieved YTD	Achieved FYE	Potential Identified	Achieved YTD
Acute Services	Director of Nursing	1,079.5	0.0	0.0	0.0	120.3	120.3
Community Services	Director Health & Social Care	853.2	16.8	0.0	23.2	0.0	0.0
Off Island Healthcare	Director of Finance	0.0	262.1	109.2	262.1	49.9	20.8
Public Health	Director of Public Health	0.0	0.0	0.0	0.0	0.0	0.0
Human Resources	Director of Human Resources	26.6	0.0	0.0	0.0	0.8	0.8
Chief Executive	Chief Executive	10.6	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	16.0	0.0	0.0	0.0	0.0	0.0
Finance	Director of Finance	26.6	26.6	11.1	26.6	0.0	0.0
Board Wide/Reserves	Director of Finance	0.0	0.0	0.0	0.0	0.0	0.0
Overall Board Targets for 2018-19		2,012.5	305.5	120.3	311.9	171.0	141.9
Overall Target Achieved in 2020-21 (YTD)		262.2					
Overall Target Achieved in 2020-21 (FYE)		311.9					

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
July	Improvement to Forensic medical health services			£106,980		£54,203,658
July	Vitamins for pregnant & breastfeeding women and infants u/1			£1,972		£54,205,630
July	Open University nursing students - 2019/20 quarter 3rd & 4th payments.			£55,000		£54,260,630
July	Cancer access funding			£49,000		£54,309,630
July	Type 2 Diabetes Framework			£65,800		£54,375,430
July	eHealth Strategic Allocation			£211,354		£54,586,784
July	Integrated Primary & Community Care Fund			£36,000		£54,622,784
July	Covid-19 Social Care Sustainability - Tranche 2			£149,000		£54,771,784
August	Breastfeeding Projects year 3			£54,564		£54,826,348
August	Public Dental Service		£2,766,806			£57,593,154
August	Public Health - Test & Protect programme			£17,036		£57,610,190
August	Outcomes Framework		£511,100			£58,121,290
August	Primary Care Improvement Fund 2020/21–Tranche 1		£229,738			£58,351,028
August	PFG Commitment - School Nursing Service Posts - 1st Tranche			£46,000		£58,397,028