

Meeting:	Shetland NHS Board
Date:	15 th December 2020
Report Title:	2020-21 Financial Position Update as at Month 7, October 2020.
Reference Number:	Board Paper 2020/21/44
Author / Executive Lead/ Job Title:	Colin Marsland, Director of Finance

Decisions / Action required:

The Board is asked to note:

- Appendix A, Month 7 financial summary shows a £1.9m overspend.
- Appendix B, NHS Shetland Funding Allocation as at Month 7

The position at month 7, October 2020, includes the additional costs that arise from the Covid-19 pandemic and includes from the Scottish Government the funding received to date to cover the 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 and indicative funding of £4.0m for 2020-21 has been received so far.

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 7 is Covid-19 pandemic. The additional costs at the end of month 7 total £4.5m but this is offset by £1.0m in patient travel costs that did not occur and funding of £1.8m to give a net position of £1.7m cost pressure. That leaves an underlying gap of £0.4m that is linked to redesigns required to address the gap in funding from efficiency savings schemes and non-recurring £0.2m in non Covid-19 staff cost pressures offset by £0.2m from the contingency reserve.

The Scottish Government during October 2020 confirmed the initial funding that will be allocated to Board's to effectively manage the collective response to Covid-19 pandemic by Health Boards and our partners. This currently stands at £4.0m however additional funds are still expected. The current projected revenue cost for Covid-19 response including those incurred by IJB for Social Care is £7.7m [Table 4](#) Appendix 1.

NHS Shetland is one of five Boards where the current costs of our Covid-19 response is greater than our allocation. Scottish Government is planning further discussions with these Boards. These five Boards are being asked to review and confirm forecast costs.

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.

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 £1.9m at month 7.

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, £189k, which also impacted the laundry income, £43k, generated from the local hotel industry. As the salaried Dental Service was operating principally an emergency treatment only service the income generated was £74k below plan. These are the principles reasons “Other Operating Income” shows a shortfall £301k at Month 7 in Appendix A.

The over spend at month 7 in Human Resources and Support Services Directorate of £192k is entirely attributable to computer equipment bought in respect of the Covid-19 pandemic.

The under spend at month 7 in the Finance Directorate of £461k is also linked to the Covid-19 pandemic as the “Major Emergency” budget unit historically maps here. At month 7 there is £1,473k in Covid-19 funding allocated here against costs of £987k charged here rather than to specific service area. This is temporary as funds will be apportioned appropriately to service areas in month 7 and any shortfall in funding will be shown in the “Major Emergency” budget unit.

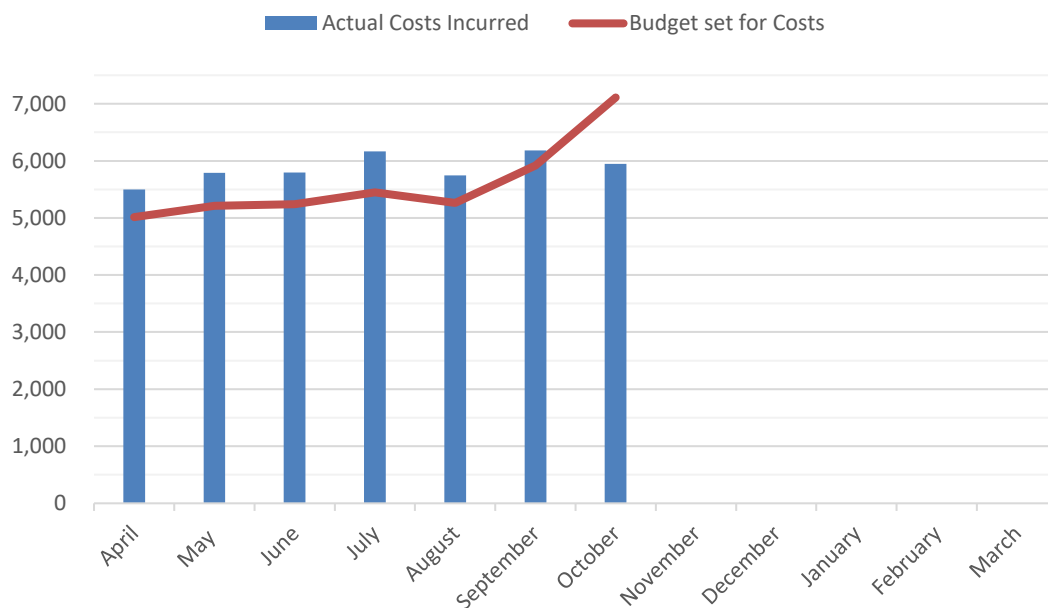
There are still staff cost pressures outside Covid-19 as locums are still required to fill substantive vacancies in Mental Health, Anaesthetics and General Medicine. There is on-going recruitment to these vacancies and pathway redesign models being explored to reduce the reliance on locums and costs 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, except month 7 due to additional funding received. The underlying detail of the actual monetary values is [set out](#) in Table 1 in Appendix 1. Year to date expenditure is 4.9% above the current year to date 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](#) and [Table 3](#) in Appendix 1.

To achieve the 2020-21 annual target of just over £2m requires just over £167k to be achieved each month. At month 7 only £793k out of the target of £1,174k has been achieved. This is an achievement rate at 67.5% of the target being met so far this year. If that rate is replicated in the final five months there would be a shortfall of £653k.

[Table 3](#) in Appendix A outlines how the 2020-21 savings year to date have been achieved on a Directorate unit level a month 7 and the split between recurrent and non-recurrent savings.

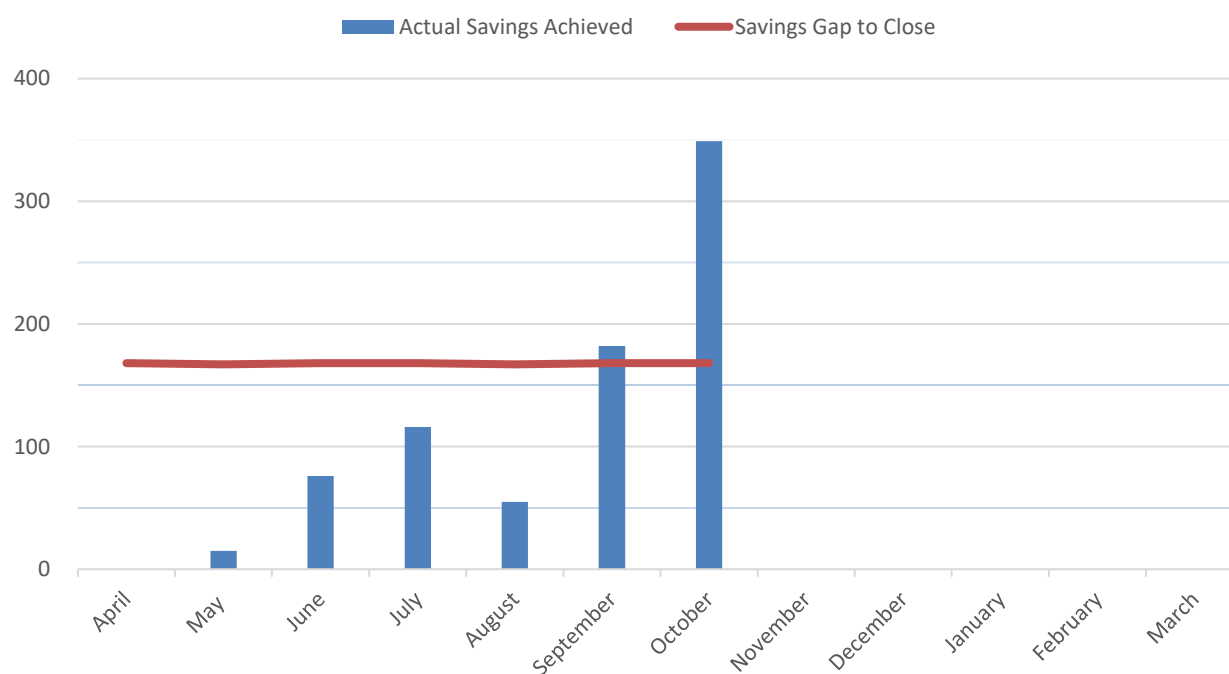
Acute and Specialist services principle plan for redesign work in 2020-21 to deliver savings has been impacted by Covid-19 pandemic as elective out-patient services consultations have been significantly impacted by mobilisation plan through cancelled clinics that were deemed non-essential. However the 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. Target savings for such schemes was £700k in 2020-21 but cessation of elective out-patients followed by remobilisations at levels below historic rates is impacting the delivery of these schemes. However the impact of elective out-patients activity changes is though reflected in the Patient Travel under spend.

Community Health and Social Care principle efficiency savings scheme in 2020-21 relate to prescribing £377k. Although GP prescribing costs are down on the same period last year linking these to the proposed schemes is difficult to track at present. However Pharmacy presented a [paper](#), agenda item 3, to the IJB Board in September 2020 that identified the schemes being actively pursued in 2020-21 and estimated savings in the region of £100k.

In both Clinical Services efficiency savings schemes identified currently do not match the target set.

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 7, £189k 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.

Staff have now been appointed to this team with expected start dates in January 2021.

Implications:	
Service Users, Patients and Communities:	None
Human Resources and Organisational Development:	No specific issues identified. However the delivery of individual savings schemes may affect individual staff members or teams. Relevant scheme may be subject to both Quality Impact Assessment and Equality Impact Assessment (EIA).
Equality, Diversity and Human Rights:	This has no 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.
Partnership Working	None identified
Legal:	Obligations under section 85 of the National Health Services (Scotland) 1978.
Finance:	Highlights potential financial risks associated with the revenue position.
Assets and Property:	None directly identified
Environmental:	None directly identified
Risk Management:	Organisation has reputational damage if it fails to achieve financial balance at year-end. In future years any over spend will have to be repaid to the Scottish Government.
Policy and Delegated Authority:	
Previously considered by:	

Colin Marsland
Director of Finance
December 2020

Appendix A

NHS Shetland

2020-21 Financial Out-turn at Month 7

	Annual Budget	Year to Date Budget as at Month 5	Expenditure at Month 5	Variance
<u>Funding Sources</u>	<u>2020-21</u>	<u>2020-21</u>	<u>2020-21</u>	<u>2020-21</u>
Core RRL	52,370,639	30,549,539	30,549,539	0
Earmarked	8,392,005	4,895,336	4,895,336	0
Non Recurrent	6,343,855	2,904,976	2,904,976	0
AME Depreciation	1,455,537	849,063	849,063	0
AME Other	144,000	7,177	7,177	0
Other Operating Income	2,709,188	1,633,052	1,331,607	-301,445
Gross Income	71,415,224	40,839,143	40,537,698	-301,445
<u>Resource Allocations</u>				
Pay	38,294,920	22,336,148	24,194,878	-1,858,730
Drugs & Medical supplies	7,624,984	4,381,383	4,181,286	200,097
Depreciation	1,455,537	849,063	849,063	0
Healthcare Purchases	13,402,407	7,503,898	7,539,405	-35,508
Patient Travel	2,406,051	1,424,842	390,821	1,034,021
FMS Expenditure	1,196,830	651,502	686,351	-34,849
AME Other Expenses	144,000	7,177	7,177	0
Other Costs	7,876,993	4,065,986	4,604,185	-538,198
Gross Expenditure	72,401,722	41,219,999	42,453,167	-1,233,167
Funding Gap	-986,498	-380,856	-1,915,469	

Appendix A continued:

Shetland NHS Board Financial Position as at the end of October 2020	WTE		Annual Budget	2020-21 Yearend Position		
	Budget	YTD		Budget	Actual	Variance (Over) / Under
Acute and Specialist Services	240.77	244.23	16,840,128	9,170,493	11,470,391	(2,299,898)
Community Health and Social Care	252.63	223.81	22,770,079	13,139,468	14,314,860	(1,175,391)
Commissioned Clinical Services	3.43	3.28	14,202,014	7,837,300	6,639,420	1,197,880
Sub-total Clinical Services	496.83	471.32	53,812,221	30,147,262	32,424,671	(2,277,409)
Dir Public Health	15.94	18.29	903,020	522,305	594,939	(72,634)
Dir Finance	14.60	44.16	3,369,388	1,973,972	1,512,885	461,086
Reserves	0.00	0.00	1,401,368	102,928	(85,929)	188,857
Medical Director	0.15	0.13	47,000	16,304	14,889	1,415
Dir Human Res & Support Services	39.87	37.50	2,620,456	1,412,375	1,604,093	(191,718)
Head Of Estates	76.06	73.57	3,926,126	3,503,687	3,571,376	(67,689)
Office Of The Chief Executive	23.30	21.86	2,626,457	1,527,258	1,484,635	42,623
Overall Financial Position	666.75	666.82	68,706,036	39,206,091	41,121,560	(1,915,469)

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 £000's	May £000's	June £000's	July £000's	August £000's	September £000's	October £000's	November £000's	December £000's	January £000's	February £000's	March £000's
Actual cost incurred	5,498	5,788	5,797	6,165	5,747	6,180	5,947					
Budget set for costs	5,014	5,215	5,241	5,445	5,260	5,921	7,110					
Surplus / Deficit £	(484)	(573)	(556)	(720)	(487)	(259)	1,163					
Surplus / Deficit %	-9.7%	-11.0%	-10.6%	-13.2%	-9.3%	-4.4%	16.4%					
Year to date variance £	(484)	(1,057)	(1,613)	(2,333)	(2,820)	(3,079)	(1,916)					
Year to date variance %	-9.7%	-10.3%	-10.4%	-11.2%	-10.8%	-9.6%	-4.9%					

Table 2: Shetland Health Board Monthly Performance Analysis Savings Achieved versus Funding Gap for 2020-21- Source data used in Graph 2												
	April £000's	May £000's	June £000's	July £000's	August £000's	September £000's	October £000's	November £000's	December £000's	January £000's	February £000's	March £000's
Actual savings achieved	0	15	46	116	55	182	349					
Savings gap to close	168	167	168	168	167	168	168	167	168	168	167	168
Surplus / Deficit £	(168)	(152)	(92)	(52)	(112)	14	181					
Surplus / Deficit %	-100%	-91.0%	-54.8%	-31.0%	-67.1%	8.3%	107.7%					
Year to date variance £	(168)	(320)	(412)	(464)	(576)	(562)	(381)					

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 Year to Date	Achieved Full Year Effect	Potential Identified	Achieved Year to Date
		£000's	£000's	£000's	£000's	£000's	£000's
Acute Services	Director of Nursing	1,079.5	0.0	0.0	0.0	350.8	350.8
Community Services	Director Health & Social Care	853.2	83.3	46.7	89.7	217.9	162.8
Off Island Healthcare	Director of Finance	0.0	262.1	152.9	262.1	49.9	29.1
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	19.0	19.0
Medical Directorate	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	15.4	15.4
Finance	Director of Finance	26.6	26.6	15.5	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 Savings Target for 2020-21		2,012.5	372.0	215.1	378.4	653.8	578.0
Overall savings target achieved year to date in 2020-21				793.0			
Overall Full Year Effect Savings Target Achieved				378.4			

Table 4 Covid-19 Response Plan Financial Summary

Table 4 Scottish Government COVID-19 Impact Summary Submission	YTD				Forecast			
	Health Board	HSCP(s)-NHS	NHS Total	HSCP(s)-LA	Health Board	HSCP(s)-NHS	NHS Total	HSCP(s)-LA
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Additional costs	3,486	1,031	4,517	557	5,794	1,721	7,515	923
Offsetting Reductions	(1,010)	0	(1,010)	(36)	(1,500)	(10)	(1,510)	(47)
Unachieved savings	276	220	496	0	447	377	824	0
Net COVID-19 Impact	2,752	1,251	4,002	521	4,741	2,089	6,830	876

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
September	Hospital Eye care Services - Community Optometry costs			£11,160		£58,408,188

<u>Month</u>	<u>Narrative</u>	<u>Baseline</u>	<u>Earmarked</u>	<u>Non-recurring</u>	<u>AME</u>	<u>Net Running Total</u>
September	Top Sliced Funding Reduction for various SG National Priority Initiatives	-£5,310		-£19,862		£58,383,016
September	National Shared Services Specialist Services Risk Share			-£286,989		£54,096,027
September	2020/21 DDTF ADP Funding			£8,896		£58,104,923
September	Pre-registration pharmacists - top-slice		-£12,243			£58,092,680
September	GP Premises Funding			£7,371		£58,100,051
September	Type 2 Diabetes Framework			£28,200		£58,128,251
September	Implementation of Excellence in Care			£35,650		£58,163,901
September	Staffing to oversee implementation of Health Staffing Act			£32,729		£58,196,630
September	Primary Medical Services		£4,474,000			£62,670,630
September	Primary Care Rural Fund			£111,134		£62,781,764
September	Perinatal Funding Bid - 2020/21			£19,683		£62,801,447
September	SLA Children's Hospices Across Scotland			-£29,204		£62,772,243
September	COVID-19 Q1-4 Funding Allocation			£3,487,000		£66,259,243
September	Test & Protect programme - adjustment to 278			£17,036		£66,242,207
September	Mental Health Strategy Action 15 Workforce - First Tranche			£15,227		£66,257,434
October	Primary Care Out of Hours Funding			£24,337		£66,281,771
October	Preparing for Winter 2020/21			£47,213		£66,328,984
October	Community Pharmacy Practitioner Champions		£5,000			£66,333,984
October	Mental Health Outcomes Framework		£268,043			£66,602,027
October	Childhood obesity prevention			£34,000		£66,636,027
October	Covid-19 additional funding for GPs			£100,195		£66,736,222
October	Prescribing tariff reduction to Pharmacist Global sum		-£235,202			£66,501,020
October	Unscheduled Care: 6 Essential Actions - Building on Firm Foundations			£32,611		£66,533,631
October	Redesign of Urgent Care			£47,943		£66,581,574
October	New Medicines Fund		£384,763			£66,966,337