

Meeting:	Shetland NHS Board
Date:	6 February 2021
Report Title:	2020-21 Financial Position Update as at Month 9, Dec 2020
Reference Number:	2020/21/57
Author / Executive Lead/ Job Title:	Colin Marsland, Director of Finance

**Decisions / Action required:**

The Board is asked to note:

- Appendix A, Month 9 financial summary shows a £2.1m overspend.
- Appendix B, NHS Shetland Funding Allocation as at Month 9

The position at Month 9, December 2020, includes the additional costs that arise from the Covid-19 pandemic and includes from the Scottish Government the funding received to December 2020 to cover the costs incurred by NHS Shetland.

A submission on the Covid-19 yearend forecast for additional costs, plus lost income and savings proposals deferred offset by costs that were not incurred was submitted on 15 January 2021. An allocation has subsequently been received on 5 February 2021 that will refund these costs in full. Therefore Covid-19 should not adversely impact the yearend out-turn position of the Board.

**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 9 is the Covid-19 pandemic. The additional costs at the end of Month 9 total £5.8m but this is offset by £1.2m in patient travel costs that did not occur and funding of £2.9m 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 current projected net revenue cost for Covid-19 response including those incurred by IJB for Social Care is £8.3m [Table 4](#) Appendix 1.

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. Including Covid-19 funding to support savings programmes impacted by the virus the Board will achieve the 2020-21 savings target. However this will not be on a recurrent basis so there will be a brought forward savings target carried into 2021-22.

## 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 £2.1m at Month 9. 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 to lockdown impacting the number of non Shetland residents receiving treatment as tourism ceased, £258k, which also impacted the laundry income, £55k, generated from the local hotel industry. These are the principles reasons “Other Operating Income” shows a shortfall of £315k at Month 9 in Appendix A.

The over spend at Month 9 in Human Resources and Support Services Directorate of £285k is primary attributable to computer and telecom equipment bought in respect of the Covid-19 pandemic.

The under spend at Month 9 in the Finance Directorate of £1,746k is also linked to the Covid-19 pandemic as the “Major Emergency” budget unit historically maps here. At Month 9 there is £2,976k in Covid-19 funding allocated here against costs of 1,226k charged here rather than to specific service area. This is temporary as funds will be apportioned appropriately to service areas in Month 10.

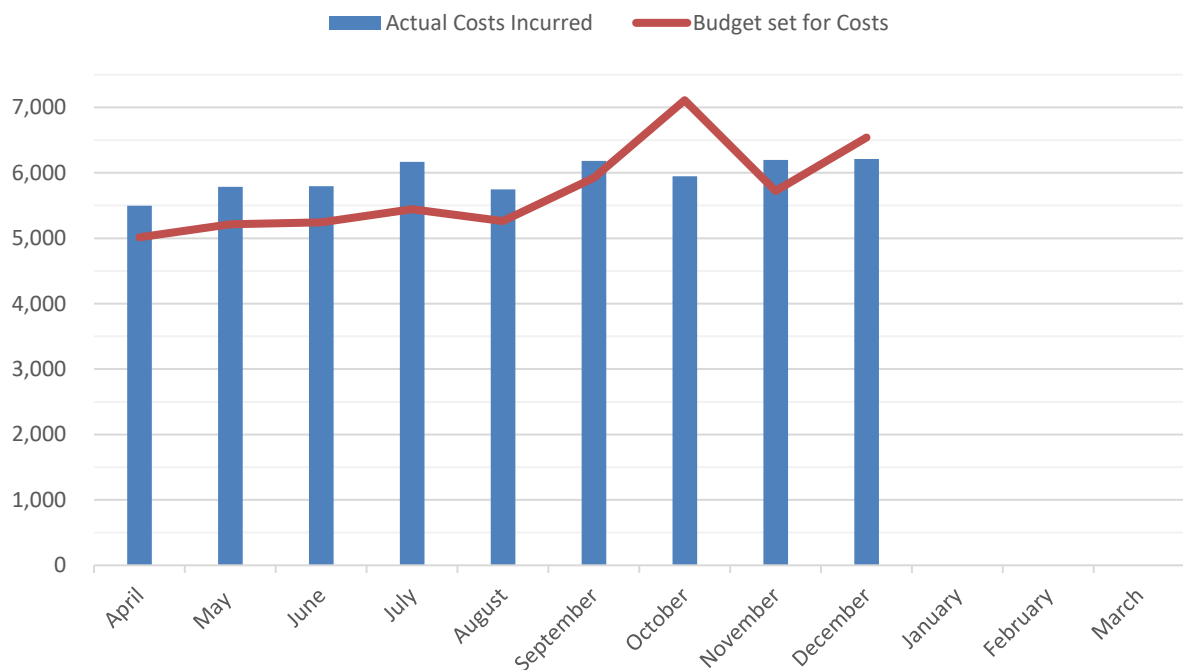
There are still staff cost pressures outside Covid-19 as locums are still required to fill substantive vacancies in Mental Health, Anaesthetics and General Medicine. There is on-going recruitment to these vacancies and pathway redesign models being explored to reduce the reliance on locums and costs 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 9 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 4.0% 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 has had 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.

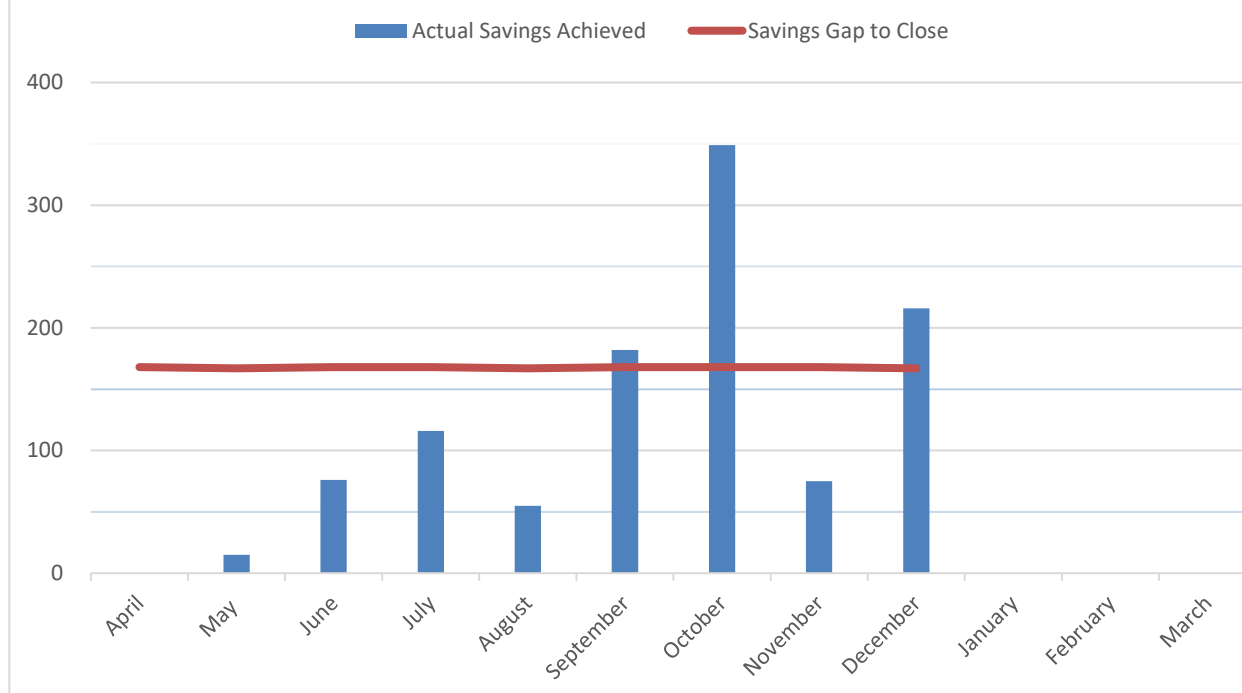
To achieve the 2020-21 annual target of just over £2m requires just over £167k to be achieved each month. At Month 9 only £1,084k out of the target of £1,509k has been achieved. This is an achievement rate at 77.8% of the target being met so far this year. Based upon current information post Month 9 close down it is expected that the in-year savings target will be made. However this will predominately be made on a non-recurrent basis.

[Table 3](#) in Appendix A outlines how the 2020-21 savings year to date have been achieved on a Directorate unit level a Month 9 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. As at month 9 savings achieved from these schemes total £314k. However the impact of elective out-patients activity changes is though reflected in the Patient Travel under spend that has £1.5m year forecast underspend. This is the offset saving in Covid-19 out-turn forecast in [Table 4](#) in Appendix 1. Locally the budget has now been transferred fund Covid-19.

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



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. GP prescribing savings in 2020-21 will be in the region of £164k.

In both Clinical Services efficiency savings schemes identified currently do not match the target set for 2020-21. This will cause unachieved recurring savings to be carried forward in to 2020-21.

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 9, £243k on the contingency reserve has been phased in to the ledger on straight 1/12<sup>th</sup> basis.

Contract discussion with NHS Grampian on the various clinical SLA's has reached conclusions that will allow both recurrent and non-recurrent savings to be achieved in 2020-21 that will bridge the savings gap in 2020-21.

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 and started during January 2021.

<b>Implications:</b>	
<b>Service Users, Patients and Communities:</b>	None
<b>Human Resources and Organisational Development:</b>	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).
<b>Equality, Diversity and Human Rights:</b>	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.
<b>Partnership Working</b>	None identified
<b>Legal:</b>	Obligations under section 85 of the National Health Services (Scotland) 1978.
<b>Finance:</b>	Highlights potential financial risks associated with the revenue position.
<b>Assets and Property:</b>	None directly identified
<b>Environmental:</b>	None directly identified
<b>Risk Management:</b>	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.
<b>Policy and Delegated Authority:</b>	
<b>Previously considered by:</b>	

Colin Marsland  
 Director of Finance  
 February 2021

## Appendix A

### NHS Shetland

#### 2020-21 Financial Out-turn at Month 9

	Annual Budget	Year to Date Budget as at Month 8	Expenditure at Month 8	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	52,370,639	39,277,979	39,277,979	0
Earmarked	8,452,605	6,339,454	6,339,454	0
Non Recurrent	6,668,075	4,751,294	4,751,294	0
AME Depreciation	1,455,537	1,091,653	1,091,653	0
AME Other	144,000	9,227	9,227	0
Other Operating Income	2,782,693	2,153,985	1,838,793	-315,192
Gross Income	71,873,549	53,623,592	53,308,400	-315,192

#### **Resource Allocations**

Pay	40,186,863	30,024,750	31,359,930	-1,335,180
Drugs & Medical supplies	8,915,286	6,780,620	6,673,746	106,874
Depreciation	1,455,537	1,091,653	1,091,653	0
Healthcare Purchases	13,461,542	9,672,363	9,696,554	-24,191
Patient Travel	963,900	642,985	626,308	16,677
FMS Expenditure	1,237,148	1,045,191	1,058,549	-13,358
AME Other Expenses	144,000	9,227	9,227	0
Other Costs	6,272,968	4,782,113	4,851,506	-69,393
Gross Expenditure	72,637,244	54,048,902	55,367,473	-1,318,571

Funding Gap	-763,695	-425,310	-2,059,073
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Appendix A continued:

Shetland NHS Board Financial Position as at the end of December 2020	WTE		Annual Budget	2020-21 Yearend Position		
	Budget	YTD		Budget	Actual	Variance (Over) / Under
Acute and Specialist Services	241.14	243.55	17,111,568	12,679,827	14,831,840	(2,152,013)
Community Health and Social Care	251.82	223.62	22,859,361	17,044,311	18,524,220	(1,479,909)
Commissioned Clinical Services	3.43	3.15	12,612,299	8,895,067	8,679,697	215,371
<b>Sub-total Clinical Services</b>	<b>496.39</b>	<b>470.31</b>	<b>52,583,228</b>	<b>38,619,205</b>	<b>42,035,756</b>	<b>(3,416,552)</b>
Dir Public Health	15.14	23.70	903,020	671,168	910,768	(239,600)
Dir Finance	14.60	44.68	4,869,388	3,625,095	1,879,560	1,745,535
Reserves	0.00	0.00	1,507,472	90,072	(164,229)	254,302
Medical Director	0.15	0.12	47,000	20,963	9,447	11,515
Dir Human Res & Support Services	39.93	38.13	2,620,456	1,830,417	2,115,407	(284,990)
Head Of Estates	76.06	73.93	3,937,484	4,649,457	4,823,353	(173,896)
Office Of The Chief Executive	23.36	21.89	2,622,808	1,963,231	1,918,618	44,613
<b>Overall Financial Position</b>	<b>665.63</b>	<b>672.77</b>	<b>69,090,856</b>	<b>51,469,608</b>	<b>53,528,680</b>	<b>(2,059,072)</b>

Appendix A continued

	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	6,180	5,947	6,198	6,209			
Budget set for Costs	5,014	5,215	5,241	5,445	5,260	5,921	7,110	5,723	6,541			
Surplus / Deficit £	(484)	(573)	(556)	(720)	(487)	(259)	1,163	(475)	332			
Surplus / Deficit %	-9.7%	-11.0%	-10.6%	-13.2%	-9.3%	-4.4%	16.4%	-8.3%	5.1%			
Year to Date Variance £	(484)	(1,057)	(1,613)	(2,333)	(2,820)	(3,079)	(1,916)	(2,391)	(2,059)			
Year to Date Variance %	-9.7%	-10.3%	-10.4%	-11.2%	-10.8%	-9.6%	-4.9%	-5.3%	-4.0%			

	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	182	349	75	216			
Savings Gap to Close	168	167	168	168	167	168	168	168	167			
Surplus / Deficit £	(168)	(152)	(92)	(52)	(112)	14	181	(93)	49			
Surplus / Deficit %	-100.0%	-91.0%	-54.8%	-31.0%	-67.1%	8.3%	107.7%	-55.4%	29.3%			
Year to Date Variance £	(168)	(320)	(412)	(464)	(576)	(562)	(381)	(474)	(425)			



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	473.6	473.6
Community Services	Director Health & Social Care	853.2	183.3	136.3	189.7	217.9	184.8
Off Island Healthcare	Director of Finance	0.0	363.3	196.6	363.3	49.9	37.5
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 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	15.4	15.4
Finance	Director of Finance	26.6	26.6	19.9	26.6	0.0	0.0
Board Wide/Reserves	Director of Finance	0.0	0.0	0.0	0.0	0.0	0.0
<b>Overall Board Targets for 2020-21</b>		2,012.5	573.2	352.9	579.6	776.6	731.1
<b>Overall Target Achieved in 2020-21 (YTD)</b>		<b>1,084.0</b>					
<b>Overall Target Achieved in 2020-21 (FYE)</b>		<b>579.6</b>					

Table 4 Covid-19 Response Plan Financial Summary

Table 4 Scottish Government COVID-19 Impact Summary Submission	YTD				Forecast			
	Health Board £000s	HSCP(s)-NHS £000s	NHS Total £000s	HSCP(s)-LA £000s	Health Board £000s	HSCP(s)-NHS £000s	NHS Total £000s	HSCP(s)-LA £000s
Additional costs	4,485	1,342	5,828	855	6,338	1,810	8,147	1,085
Offsetting Reductions	(1,215)	(2)	(1,217)	(70)	(1,500)	(2)	(1,502)	(85)
Unachieved savings	344	201	545	0	447	201	648	0
Net COVID-19 Impact	3,615	1,541	5,156	786	5,285	2,009	7,293	1,000

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 to October	Previous Adjustments listed in December 2020 Board report	(£5,310)	£8,822,005	£4,748,166		£66,966,337
November	Implementation of Best Start recommendations			£15,332		£66,981,669
November	1st & 2nd quarter payments for OU students - year 2020/21			£35,000		£ 67,016,669
November	Dementia PDS in Primary Care Project			£18,541		£ 67,035,210
November	Realistic Medicine Clinical Lead and Programme Manager posts			£40,000		£ 67,075,210
November	General Practice Digital Improvement 2020-21			£ 9,735		£ 67,084,945
November	Q2-4 Primary Care and Mental Health Covid-19 adjustment			£ 157,615		£ 67,242,560
November	Social Care- Additional Covid Funding			£ 93,016		£ 67,335,576
December	Disestablishment of 4 year GPST programme			£ 20,792		£ 67,356,368
December	GJNH - Top slice adjustment - Boards SLA's			(£140,301)		£ 67,216,067
December	Contribution to Pharmacy Global Sum		(£14,400)			£ 67,201,667
December	2020/21 Local Improvement Fund Tranche 2			£83,000		£ 67,284,667
December	Primary Care Improvement Fund Tranche 2		£ 75,000			£ 67,359,667
December	Adult social care winter plan			£140,000		£67,499,667
December	ASC Nurse Director support IPC			£60,000		£67,559,667
December	Carry forward of core revenue surplus 2019-20			£38,000		£67,597,667
December	Scottish Trauma Network Tranche 1 adjustment			£2,085		£67,599,752
December	District Nurse posts			£10,854		£67,610,606