



Meeting:	Shetland NHS Board
Date:	27 April 2021
Report Title:	2020-21 Financial Performance Management Report Update as at Month 11, February 2021.
Reference Number:	Board Paper 2021/22/03
Author / Executive Lead/ Job Title:	Colin Marsland, Director of Finance

### Decisions / Action required:

Board is asked to note:

- [Appendix A](#), Month 11 financial summary shows a small surplus of £0.1M.
- [Appendix B](#), NHS Shetland Funding Allocation as at Month 11 is £74.0M
- Year-end forecast is a small surplus so the Board will meet the financial statutory obligation

### 1. High Level Summary:

- 1.1. NHS Boards are still required to achieve a balanced financial position in 2020-21 in-line with statutory financial obligation under section 85 of the National Health Services (Scotland) ACT 1978. The Board will meet this obligation.
- 1.2. The current projected net revenue cost for Covid-19 response including those incurred by IJB for Social Care is £7.9m [Table 4](#) Appendix 1.
- 1.3. 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 currently ensuring a safe patient centred service exist.
- 1.4. 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. Therefore the recurrent delivery of savings target remains a key management action to address in 2021-22 and future years.

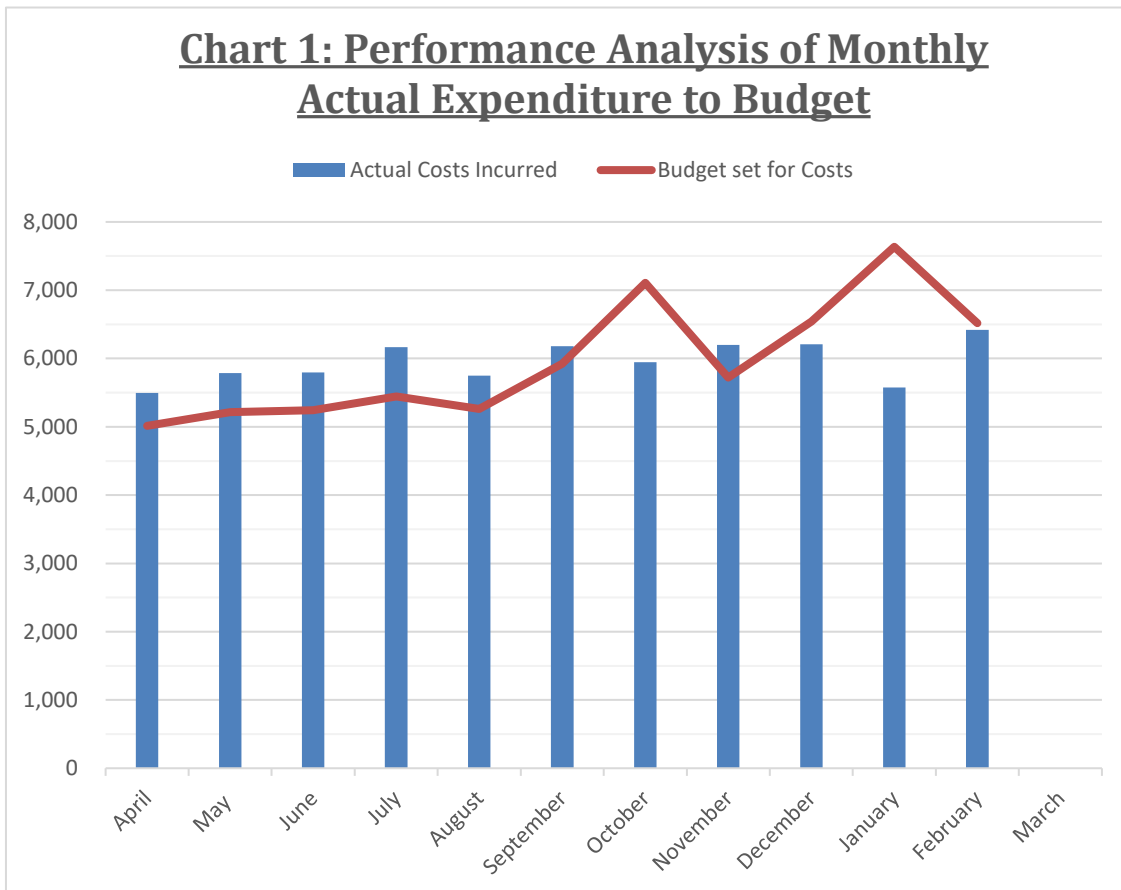
## Corporate Priorities and Strategic Aims:

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

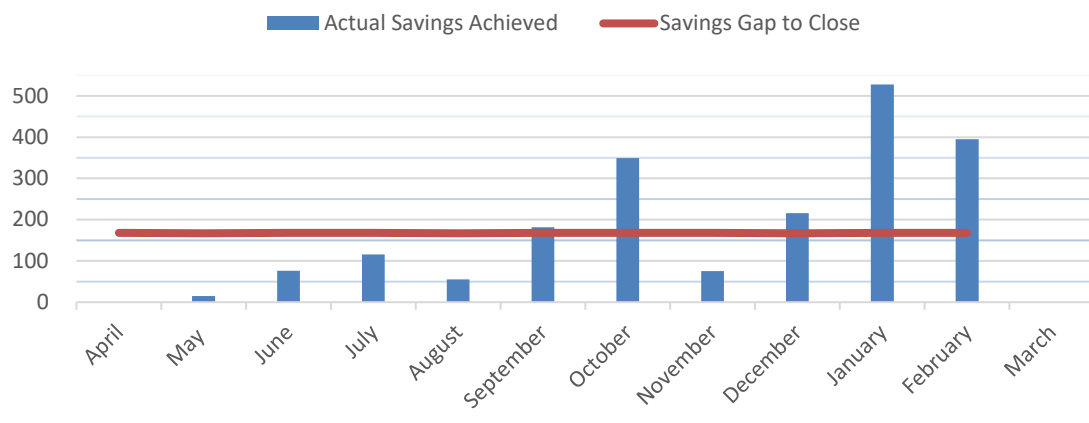
## 2. Key Issues:

- 2.1. As outlined in Appendix A, the Board has a small surplus of £96k at Month 11.
- 2.2. There are still staff cost pressures outside Covid-19, £732k, as locums are still required to fill substantive vacancies in General Practice, Mental Health, Anaesthetics and General Medicine. There is on-going recruitment to these vacancies. Pathway redesign models are also being explored to reduce the reliance on locums and costs being incurred.
- 2.3. Chart 1 below illustrates the monthly position of expenditure against the Board's resources available as set out in the approved budget. This shows that expenditure is usually greater than available resources in each month for the reasons highlighted above. Exceptions are caused by additional Covid-19 funding received and then allocated to services. The underlying detail of the actual monetary values is [set out](#) in Table 1 in Appendix 1.



- 2.4. To achieve long-term sustainable financial balance the Board has the following two principle issues it currently needs to address:
  - 2.4.1. Reducing the reliance upon use of locums, especially for on-call work
  - 2.4.2. 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.
- 2.5. External Audit again highlighted in 2019-20 our need to focus on delivering recurring efficiency savings as essential for longer-term financial sustainability.
- 2.6. 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 to address the underlying gap and the future annual target projected at 3.0% efficiency savings in-line with Scottish Government policy.
- 2.7. 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.
- 2.8. 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.
- 2.9. To achieve the 2020-21 annual target of just over £2m requires just over £167k to be achieved each month. At Month 11, £2,007k out of the target of £1,845k has been achieved. This is an achievement rate at 108.8% of the target being met so far this year. Based upon current information it is expected that the in-year savings target will be met but not on a recurrent basis though.
- 2.10. In January and February 2021 the over achievement of savings was due to two principle factors:
  - 2.10.1. Recurring SLA contract adjustment with NHS Grampian
  - 2.10.2. Non recurrent Covid-19 funding to support of £112k in respect of prescribing schemes delayed due to pandemic.
- 2.11. Contract discussion with NHS Grampian on the various Acute clinical SLA's has reached conclusions that will allow both £500k recurrent savings to be achieved in 2020-21 that will bridge the savings gap elsewhere in the 2020-21 which is why in Appendix B in February is a £447k reduction in our Covid-19 funding.
- 2.12. [Table 3](#) in Appendix A outlines how the 2020-21 savings year to date have been achieved on a Directorate unit level a Month 11 and the split between recurrent and non-recurrent savings.

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



- 2.13. 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 11 savings achieved from these schemes total £415k. 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.
- 2.14. 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 and other prescribing savings £101k. The balance £112k in the savings target as outlined above is being treated as a Covid-19 cost pressure.
- 2.15. In both Clinical Services efficiency savings schemes identified currently do not match the target set for 2020-21. This will cause the Board to have unachieved recurring savings to be carried forward in to 2020-21.
- 2.16. 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. At Month 11, £297k on the contingency reserve has been phased in to the ledger on straight 1/12<sup>th</sup> basis.

<b>Implications:</b>	
<b>Service Users, Patients and Communities:</b>	Effective management of the financial position should be driven by and support the objective to optimise health gain for the population through the best use of resources.
<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  
April 2021

**Appendix A**  
**NHS Shetland**

**2020–21 Financial Out-turn at Month 11**

	<b>Annual Budget</b>	<b>Year to Date Budget as at Month 11</b>	<b>Expenditure at Month 11</b>	<b>Variance</b>
	<b>2020–21</b>	<b>2020–21</b>	<b>2020–21</b>	<b>2020–21</b>
<b>Funding Sources</b>				
Core RRL	52,370,639	48,006,419	48,006,419	0
Earmarked	8,452,605	7,748,221	7,748,221	0
Non Recurrent	11,396,131	8,521,780	8,521,780	0
AME Depreciation	1,455,537	1,334,242	1,334,242	0
AME Other	402,000	11,278	11,278	0
Other Operating Income	2,375,320	2,154,888	2,245,723	90,835
<b>Gross Income</b>	<b>76,452,232</b>	<b>67,776,828</b>	<b>67,867,663</b>	<b>90,835</b>
<b>Resource Allocations</b>				
Pay	41,988,672	38,415,985	39,147,627	<b>-731,642</b>
Drugs & medical supplies	7,663,230	6,936,242	6,922,152	14,090
Depreciation	1,455,537	1,334,242	1,334,242	0
Healthcare purchases	13,698,692	11,783,858	11,338,304	445,554
Patient Travel	684,336	661,865	679,150	<b>-17,285</b>
FMS Expenditure	1,432,846	1,258,483	1,247,540	10,943
AME Other Expenses	402,000	11,278	11,278	0
Other Costs	9,020,726	7,212,856	7,091,708	121,148
<b>Gross expenditure</b>	<b>76,346,039</b>	<b>67,614,809</b>	<b>67,772,001</b>	<b>-157,192</b>
<b>Funding Gap</b>	<b>106,193</b>	<b>162,019</b>	<b>95,662</b>	

Appendix A continued

Shetland NHS Board Financial Position as at the end of February 2021	WTE		Annual Budget	2020–21 Yearend Position		
	Budget	Year to Date		Budget	Actual	Variance (Over) / Under
Acute and Specialist Services	240.43	243.75	19,174,312	17,218,681	18,458,987	(1,240,306)
Community Health and Social Care	251.82	223.49	25,189,995	22,159,898	22,766,063	(606,165)
Commissioned Clinical Services	3.43	3.07	12,478,022	11,347,027	10,198,700	1,148,327
Sub-total Clinical Services	495.68	470.30	56,842,329	50,725,606	51,423,750	(698,144)
Dir Public Health	15.14	28.38	1,500,292	1,420,870	1,353,622	67,248
Dir Finance	14.60	44.84	2,544,924	2,340,482	2,276,412	64,069
Reserves	0.00	0.00	2,885,347	13,650	(479,058)	492,708
Medical Director	0.15	0.55	68,824	47,445	38,397	9,047
Dir Human Res & Support Services	39.93	39.05	3,296,031	2,829,266	2,747,346	81,921
Head of Estates	76.22	74.63	4,248,120	5,789,285	5,817,873	(28,588)
Office of the Chief Executive	23.36	21.89	2,691,045	2,455,335	2,347,935	107,400
<b>Overall Financial Position</b>	665.08	679.63	74,076,912	65,621,941	65,526,278	95,662

## 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
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Actual costs incurred	5,498	5,788	5,797	6,165	5,747	6,180	5,947	6,198	6,209	5,577	6,420	
Budget set for costs	5,014	5,215	5,241	5,445	5,260	5,921	7,110	5,723	6,541	7,636	6,516	
Surplus/ Deficit £	(484)	(573)	(556)	(720)	(487)	(259)	1,163	(475)	332	2,059	96	
Surplus / Deficit %	-9.7%	-11.0%	-10.6%	-13.2%	-9.3%	-4.4%	16.4%	-8.3%	5.1%	27.0%	1.5%	
Year to date variance £	(484)	(1,057)	(1,613)	(2,333)	(2,820)	(3,079)	(1,916)	(2,391)	(2,059)	0	96	
% Year to date variance	-9.7%	-10.3%	-10.4%	-11.2%	-10.8%	-9.6%	-4.9%	-5.3%	-4.0%	0.0%	0.1%	



## Appendix A continued

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
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Actual savings achieved	0	15	76	116	55	182	349	75	216	528	395	
Savings gap to close	168	167	168	168	167	168	168	168	167	168	168	
Surplus/ Deficit £	(168)	(152)	(92)	(52)	(112)	14	181	(93)	49	360	227	
Surplus / Deficit %	-100.0%	-91.0%	-54.8%	-31.0%	-67.1%	8.3%	107.7%	-55.4%	29.3%	214.3%	135.1%	
Year to date variance £	(168)	(320)	(412)	(464)	(576)	(562)	(381)	(474)	(425)	(65)	162	

## 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	639.4	639.4
Community Services	Director of Health & Social Care	853.2	284.5	268.8	290.9	431.0	402.2
Off Island Healthcare	Director of Finance	0.0	562.1	506.9	562.1	114.0	104.5
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	26.6	26.1
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	24.4	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	873.2	800.1	879.6	1,245.4	1,206.7
<b>Overall Target Achieved in 2020–21 (YTD)</b>		<b>2,006.7</b>					
<b>Overall Target Achieved in 2020–21 (FYE)</b>		<b>879.6</b>					

**Appendix A continued**

Table 4: Covid-19 Response Plan Financial Summary

Covid-19 Impact Summary	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	5,647	1,617	7,264	1,011	6,399	1,782	8,181	1,085
Offsetting reductions	(1,400)	(2)	(1,402)	(77)	(1,500)	(2)	(1,502)	(85)
Unachieved savings	0	209	209	0	0	213	213	0
Net Covid-19 impact	4,247	1,824	6,071	934	4,899	1,993	6,892	1,000

## Appendix B

### NHS Shetland 2020–21 Scottish Government Allocation Received

Month	Narrative	Baseline	Earmarked	Non-recurring	AME	Net Running Total
April	Baseline allocation	£53,831,486				£53,831,486
April to December	Previous adjustments listed in February 2021 Board Report	(£5,310)	£8,452,605	£5,331,825		£67,610,606
January	GP minimum earnings expectation			£170,973		£67,781,579
January	Reporting radiographer training			£8,540		£67,790,119
January	Reimbursement shingles vaccine 20/21			£13,484		£67,803,603
January	Top-up of Fluenz vaccine costs in 20/21			£4,542		£67,808,145
January	NSD funding return			£41,438		£67,849,583
January	Adult social care winter plan			£80,000		£67,929,583
January	Wellbeing funding			£2,491		£67,932,074
January	Positron emission tomography scans adjustment			(£43,707)		£67,888,367

Month	Narrative	Baseline	Earmarked	Non-recurring	AME	Net Running Total
January	Mental Health Strategy Action 15 Workforce 2 <sup>nd</sup> part			£3,000		£67,891,3367
January	Reduce drug deaths			£23,722		£67,915,089
January	ScotSTAR 2020/21			(£26,107)		£67,888,982
January	Primary Care Improvement Fund (PCIF) balance			£169,694		£68,058,676
January	Mental Health Strategy Action 15 balance			£98,589		£68,157,265
January	ADP balance			£83,056		£68,240,321
January	Covid-19 Q1–4 Allocation—tranche 2			£3,836,748		£70,627,069
January	Community Living Change			£77,972		£70,705,041
January	Further integration authority support			£362,252		£71,067,293
January	AME non-core expenditure: provisions				£309,000	£72,826,293
January	AME non-core expenditure: impairments				£66,000	£72,892,293
January	AME non-core expenditure: donated asset depreciation				£27,000	£72,919,293
February	GP dispensing: medicines delivery service			£26,923		£72,946,216

Month	Narrative	Baseline	Earmarked	Non-recurring	AME	Net Running Total
February	Adult Flu vaccine costs in 2020/21			£17,027		£72,963,243
February	Primary Care - island harmonisation			£1,200,000		£74,163,243
February	Adjustment to Covid-19 funding			(£447,000)		£73,716,243
February	Annual leave additional accrual			£300,000		£74,016,243
February	Insulin pumps			£21,210		£74,037,453
February	Discovery - 2020-21		(£2,843)			£74,034,610