



<b>Meeting:</b>	Shetland NHS Board
<b>Date:</b>	17 August 2021
<b>Report Title:</b>	2021-22 Financial Performance Management Report Update – Month 3, June 2021.
<b>Reference Number:</b>	Board Paper 2021/22/30
<b>Author / Executive Lead/ Job Title:</b>	Colin Marsland, Director of Finance

### Decisions / Action required:

Board is asked to note:

- [Appendix A](#), Month 3 financial summary shows an overspend of £1.1M, that represents a 6.5% over spend year to date;
- [Appendix B](#), NHS Shetland confirmed funding allocation as at month 3 is £58.5M. This includes £0.7 in respect of Covid-19 pandemic response; and
- Covid-19 costs are outlined in [Table 4](#), the financial position at Month 3 assumes that all these costs will be met in 2021-22. However Board's cost are £0.4M more than funding received to date so a potential risk.

### 1. High Level Summary:

- 1.1. In 2021-22, NHS Boards are still required to achieve a year end balanced financial position in-line with statutory financial obligation under section 85 of the National Health Services (Scotland) ACT 1978. The Board met this obligation.
- 1.2. The Board's over spend of £1.1m primarily comprises two causes:
  - 1.2.1 Staff costs due to locums £0.7m
  - 1.2.2 Unachieved efficiency savings year to date £0.5M
- 1.3. For the Board to achieve a balanced financial position in 2021-22, the issue of sustainable clinical staffing models 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. The Board and the IJB have an agreed joint objective to achieve a sustainable financial position by 2023. This requires therefore requires the Board to ensure there is continual progress on the delivery of recurrent savings target as a key management action to address in 2021-22 and future years to meet the objective to achieve a sustainable financial position by 2023.
- 1.5. At present there is £2m gap in the 2021-22 recurring savings target that is yet to be fully addressed with schemes. Work will progress on addressing this gap.

## Corporate Priorities and Strategic Aims:

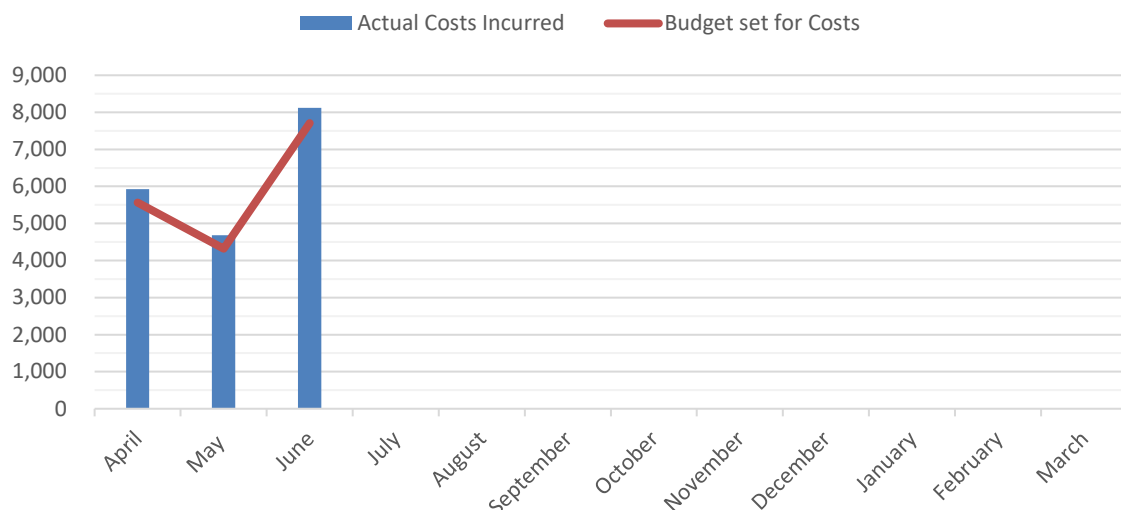
This paper address two of the Boards corporate objectives:

- 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, at month 3 the Board has a year to date over spend of £1.1M that will need to contained within the Board's overall finance resource allocation from Scottish Government.
- 2.2 There are still staff cost pressures outside Covid-19, 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. These models may require additional funding compared to the existing approved staff model budgeted establishment costs.
- 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 The large increase in budget and expenditure in month 3 primary relates to pay and IJB reserve funding of £1.5m. Pay increase is caused by recognising:
  - 2.4.1 the Agenda for Change pay award for 2021-22 at 4% starting;
- 2.5 To achieve long-term sustainable financial balance the Board has the following two principle issues it currently needs to address:
  - 2.5.1 Reducing the reliance upon use of locums, especially for on-call work
  - 2.5.2 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.

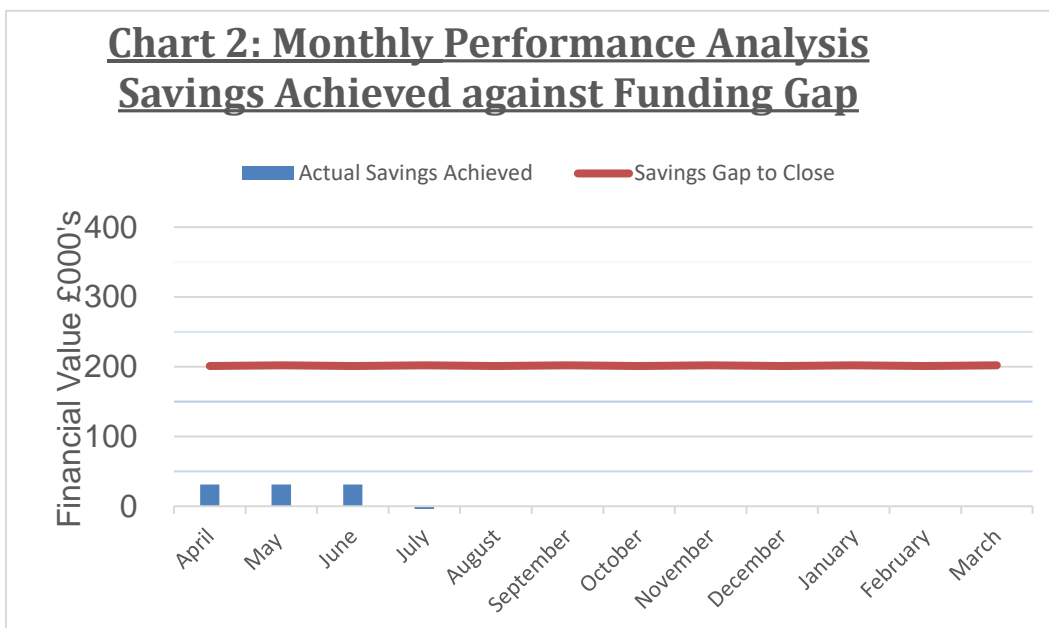
## Chart 1: Performance Analysis of Monthly Actual Expenditure to Budget



- 2.6 External Audit again highlighted in 2020-21 annual accounts our need to focus on delivering recurring efficiency savings as essential for longer-term financial sustainability. However in 2021-22 the Board is following their suggestion of holding new savings centrally and allocating to projects.
- 2.7 Although the Covid-19 pandemic has re-prioritise key focus of the Board to address the immediate response to ensure public health and well-being is ensured, it still remains essential for longer-term financial sustainability that a focus to address the underlying gap and the future annual target projected at 3.0% efficiency savings in-line with Scottish Government policy is not forgotten.
- 2.8 However as plans are developed to implement the principles arising out of the Clinical Strategy review that these schemes take due recognition of resource constraints in both finance and staff with appropriate skills.
- 2.9 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, help address access targets whilst tackling climate change impact in line with strategies and policies agreed at June Board meeting.
- 2.10 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.
- 2.11 To achieve the 2021-22 annual target of just over £2.4m requires just over £200k to be achieved each month. At the month 3, £92.3k year to date has been achieved and this is all on a recurrent basis. This is an achievement

rate at 15.3% of the target being met. Recurrent schemes annual value total is £369.2k, 15.3% of the annual target.

2.12 [Table 3](#) in Appendix A outlines how the 2021-22 savings year have been achieved on a Directorate unit level and the split between recurrent and non-recurrent savings.



2.13 Acute and Specialist services principle plan for redesign work in 2020-21 to deliver savings was 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. The savings identified year to date are an estimate of the recurrent value of schemes that have been in operation in prior years. This may be a conservative value of the true impact of these schemes. The value of existing and new schemes are being monitored to identify actual savings being delivered via repatriation. However repatriation model alone will likely not be sufficient to deliver the total in the target.

2.14 Community Health and Social Care has yet to identify projects for 2021-22 against its target. GP prescribing costs have been an historic area where savings have been achieved however to deliver the target the scope will need to be wider than just prescribing.

2.15 In respect of the new pooled savings for 2021-22 no project has yet been confirmed to offset this target.

**Implications:**

**Service Users, Patients and Communities:**

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  
August 2021

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

**2021–22 Draft Financial Yearend Out-turn**

	<b>Annual Budget</b>	<b>Year to Date Budget as at Month 3</b>	<b>Expenditure at Month 3</b>	<b>Variance</b>
	<b>2021–22</b>	<b>2021–22</b>	<b>2021–22</b>	<b>2021–22</b>
<b>Funding Sources</b>				
Core RRL	52,950,232	13,237,558	13,237,558	0
Earmarked	8,669,685	2,167,421	2,167,421	0
Non Recurrent	5,562,576	1,764,388	1,764,388	0
AME Depreciation	1,683,378	420,845	420,845	0
AME Other	309,000	0	0	0
Other Operating Income	2,394,920	597,588	563,648	-33,940
Gross Income	71,569,791	18,187,800	18,153,860	-33,940
<b>Resource Allocations</b>				
Pay	38,884,062	10,629,860	11,307,165	-677,305
Drugs & medical supplies	7,908,820	1,983,962	2,002,348	-18,386
Depreciation	1,683,378	1,683,378	1,683,378	0
Healthcare purchases	12,958,627	3,019,840	2,985,726	34,114
Patient Travel	2,376,678	514,963	370,191	144,772
FMS Expenditure	1,270,378	321,710	312,974	8,736
AME Other Expenses	309,000	0	0	0
Other Costs	8,227,382	546,220	627,126	-80,906
<b>Gross expenditure</b>				
	73,618,325	18,699,933	19,288,908	-588,975
<b>Funding Gap</b>				
	-2,048,534	-512,133	-1,135,048	

Appendix A continued

Shetland NHS Board Financial Position as at the end of June 2021	WTE		Annual Budget	2021–22 Month 3 Position		
	Budget	Year to Date		Budget	Actual	Variance (Over) / Under
Acute and Specialist Services	237.00	246.60	17,340,087	4,384,330	5,072,896	(688,566)
Community Health and Social Care	255.31	230.59	23,590,614	6,117,231	6,502,080	(384,849)
Commissioned Clinical Services	3.43	2.66	13,590,858	3,081,823	2,901,437	180,386
<b>Sub-total Clinical Services</b>	<b>495.74</b>	<b>479.85</b>	<b>54,521,559</b>	<b>13,583,384</b>	<b>14,476,413</b>	<b>(893,029)</b>
Dir Public Health	12.76	52.92	1,284,487	652,855	639,537	13,318
Dir Finance	15.22	45.82	1,312,966	550,065	535,257	14,808
Reserves	0.00	0.00	1,971,079	(180,715)	(3,825)	(176,890)
Medical Director	2.57	2.27	144,467	43,898	38,980	4,918
Dir Human Res & Support Services	38.48	45.93	2,966,743	725,558	777,369	(51,811)
Head of Estates	76.00	77.98	4,085,737	1,501,767	1,537,717	(35,950)
Office of the Chief Executive	23.16	21.26	2,887,833	713,400	723,812	(10,412)
<b>Overall Financial Position</b>	<b>663.93</b>	<b>726.03</b>	<b>69,174,871</b>	<b>17,590,212</b>	<b>18,725,260</b>	<b>(1,135,048)</b>

## Appendix A continued

Table 1: Shetland Health Board: Monthly Analysis of Expenditure versus Budget for 2021–22—Source data used in respect of 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 costs incurred	5,925	4,679	8,121									
Budget set for costs	5,562	4,320	7,708									
Surplus/ Deficit £	(363)	(359)	(413)									
Surplus / Deficit %	-6.5%	-8.3%	-5.4%									
Year to date variance £	(363)	(722)	(1,135)									
% Year to date variance	-6.5%	-7.3%	-6.5%									



## Appendix A continued

Table 2: Shetland Health Board: Monthly Performance Analysis Savings Achieved versus Funding Gap for 2021–22—Source data used in Graph 3

	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	31	31	31									
Savings gap to close	201	202	201									
Surplus/ Deficit £	(170)	(171)	(170)									
Surplus / Deficit %	-84.6%	-84.7%	-84.6%									
Year to date variance £	(170)	(341)	(511)									

## Appendix A continued

Table 3: 2021–22 Efficiency Savings Delivery Performance Analysed by Management Service Areas

Shetland Health Board Savings Plan 2021–22		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	1,079.4	369.2	92.3	369.2	0.0	0.0
Community Services	Director of Health & Social Care	562.3	0.0	0.0	0.0	0.0	0.0
Off Island Healthcare	Director of Finance	0.0	0.0	0.0	0.0	0.0	0.0
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	0.0	0.0
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	0.0	0.0	0.0	0.0	0.0	0.0
Board Wide / Reserves	Director of Finance	722.9	0.0	0.0	0.0	0.0	0.0
<b>Overall Board Targets for 2021–22</b>		2,417.8	369.2	92.3	369.2	0.0	0.0
<b>Overall Target Achieved in 2021–2 (YTD)</b>		<b>92.3</b>					
<b>Overall Target Achieved in 2021–22 (FYE)</b>		<b>369.2</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	730	330	1,060	361	3,030	1,275	4,305	1,375
Offsetting reductions	0	0	0	0	0	0	0	0
Unachieved savings	0	0	0	0	0	0	0	0
Net Covid-19 impact	730	330	1,060	361	3,030	1,275	4,305	1,375

## Appendix B

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

Month	Narrative	Baseline	Earmarked	Non-recurring	AME	Net Running Total
April	Baseline allocation	£54,633,610				£54,633,610
June	Mental Health Recovery and Renewal Fund (CAMHS and PT)	-	-	£644,893		£55,278,503
June	Mental Health Support for those hospitalised with Covid-19	-	-	£6,860		£55,285,363
June	6 Essential Actions - Building Capacity to Support Recovery	-	-	£32,725		£55,318,088
June	Redesign of Urgent Care Programme	-	-	£48,844		£55,366,932
June	District Nurse Posts	-	£23,865	-		£55,390,797
June	RMP3 Elective Care Activity allocations	-	-	£390,751		£55,781,548
June	Child Healthy Weight	-	-	£47,000		£55,828,548
June	Type 2 Diabetes / Adult weight management	-	-	£94,000		£55,922,548
June	Primary Care Rediscover the Joy	-	-	£165,625		£56,088,173
June	Test & Protect	-	-	£196,000		£56,284,173

Month	Narrative	Baseline	Earmarked	Non-recurring	AME	Net Running Total
June	Mental Health Strategy Action 15 Workforce - First Tranche	-	£78,150	-		£56,362,323
June	Covid and Extended Flu Vaccinations	-	-	£171,000		£56,533,323
June	Outcome Framework 2021-22	-	£540,014	-		£57,073,337
June	Primary Care Improvement Fund: Tranche 1	-	£302,340	-		£57,375,677
June	PASS contract	-	(£2,818)	-		£57,372,859
June	Top slice - NHS Ayrshire & Arran - Quarrier Unit	-	-	(£19,488)		£57,353,371
June	Perinatal and Infant Mental Health Services	-	£50,925	-		£57,404,296
June	Agenda for Change 21-22	£710,000	-	-		£58,114,296
June	Q1 Covid funding 2021-22	-	-	£321,000		£58,435,296
June	Funding uplift for Alcohol and Drug Partnerships	-	£65,939	-		£58,501,235