

<b>Meeting:</b>	Shetland NHS Board
<b>Date:</b>	12 October 2021
<b>Report Title:</b>	2021-22 Financial Performance Management Report Update – Month 5, August 2021.
<b>Reference Number:</b>	Board Paper 2021/22/48
<b>Author / Executive Lead/ Job Title:</b>	Colin Marsland, Director of Finance

### Decisions / Action required:

Board is asked to note:

- [Appendix A](#), Month 5 financial summary statement shows a £1.9M over spend year to date, this represents a 6.6% over spend on the year to date plan;
- [Appendix B](#), NHS Shetland confirmed funding allocation as at month 5 is £61.0M. This includes £0.7m in respect of Covid-19 pandemic response; and
- [Appendix A](#), Month 5 as outlined in [Table 3](#) shows a deficit in efficiency savings achieved to date of £0.7m.

### 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 £1.9m primarily comprises two causes:
  - 1.2.1 Staff costs due to additional costs of locums £1.3m, [Table 1](#); and
  - 1.2.2 Unachieved efficiency savings year to date £0.7M, [Table 3](#).
- 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. The locum and bank staff though are being deployed to maintain safe staffing models in essential services. Thus ensuring a safe patient centred service exist.
- 1.4. Until there is recruitment to fill the substantive GP vacancies and Consultant vacant posts in Mental Health, General Medicine and Anaesthetic Services there will be continuing cost pressures arising from additional costs incurred.
- 1.5. 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.

1.6. At present there is £2.1m 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 5 the Board has a year to date over spend of £1.9M that will need to be 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 and agency staff, Table 1, are still required to fill substantive medical staff vacancies in General Practice, Mental Health, Anaesthetics and General Medicine.

	Medical Staff £000's	Nursing £000's	Total £000's
Acute and Specialist Services	697	0	697
Community Health	487	131	618
Total	1,184	131	1,315

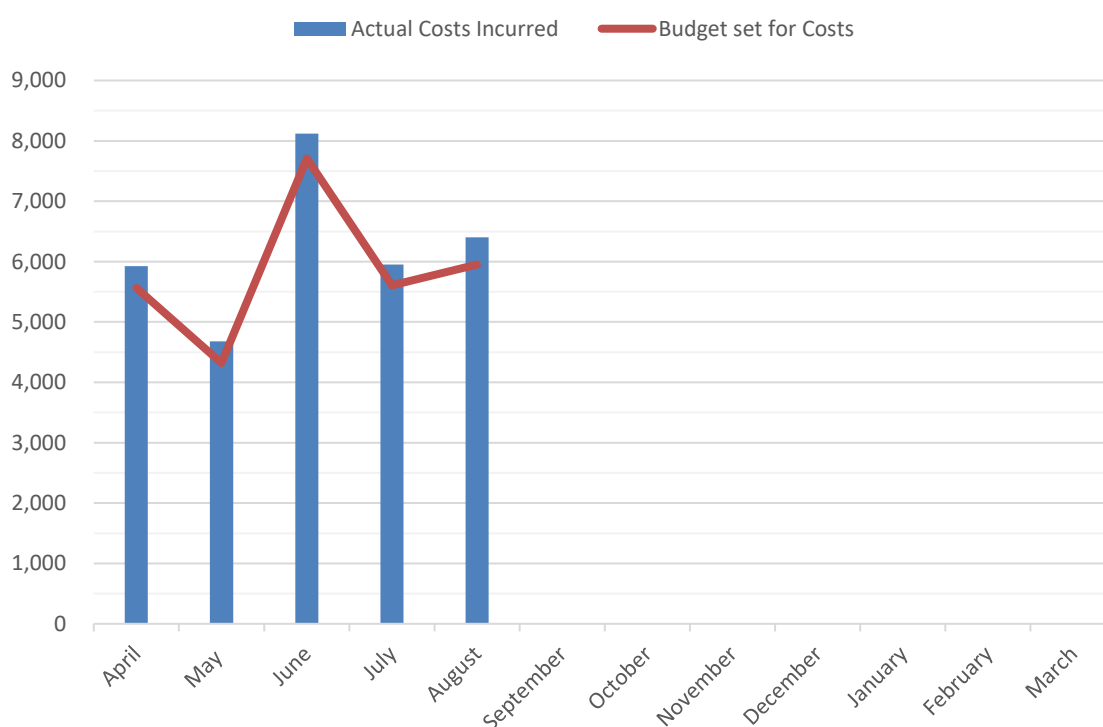
2.3 There is on-going recruitment to these vacancies. Pathway redesign models are also being explored to reduce the reliance on locums and costs being incurred. These models may require additional funding compared to the existing approved staff model budget for staff establishment costs.

2.4 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 2 in Appendix 1.

2.5 The primary cause of expenditure being greater than budget is pay costs. The underlying cause relates to the use of locums in key vacancies to sustain key essential services to ensure safe staffing issues. In non-pay costs there has been a significant rise in specialist high cost medicines due to licencing of new medicines.

- 2.6 There is sit a small offset in patient travel costs. Relates to number travelling off island being lower than historic levels as services off island not yet fully re-mobilised to pre-covid-19 levels.
- 2.7 To achieve long-term sustainable financial balance the Board has the following two principle issues it currently needs to address:
- 2.7.1 Reducing the reliance upon use of locums, especially for on-call work
- 2.7.2 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.

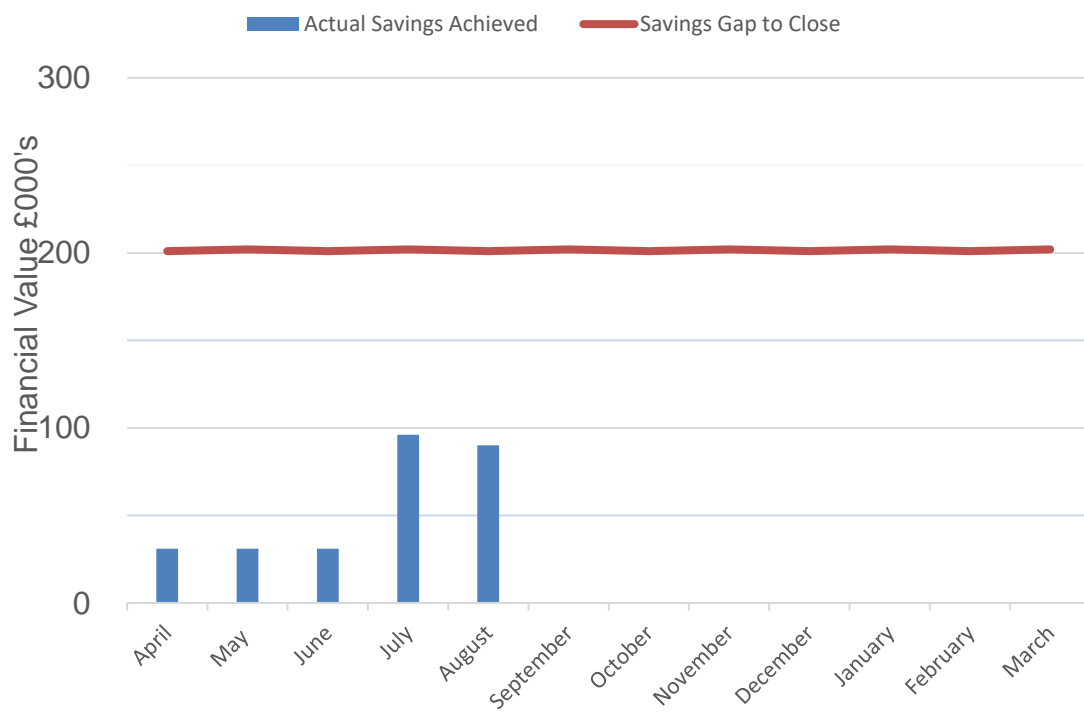
**Chart 1: Performance Analysis of the Monthly Actual Expenditure to Budget**



- 2.8 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.
- 2.9 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.
- 2.10 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.

- 2.11 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.
- 2.12 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 3](#) and [Table 4](#) in Appendix 1.
- 2.13 To achieve the 2021-22 annual target of just over £2.4m requires just over £200k to be achieved each month. At the month 5, £278.9k year to date has been achieved. These savings, year to date, are split as £160.1k on a recurrent basis and £118.8k non recurrent. This only represents a year to date achievement rate of 27.7% of the target being met. Recurrent schemes annual value total currently sits at £369.2k, 15.3% of the annual target.

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



- 2.4 [Table 4](#) 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.
- 2.5 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.

- 2.6 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.
- 2.7 Chief Executive Directorate and Estates are likely to reach their historic target through non-recurrent actions in 2021-22. However that does address the underlying gap in recurring savings previously attributed to these services.
- 2.8 In respect of the new pooled savings for 2021-22 £15.0k has been achieved on a recurrent basis and £32.7k on a non-recurrent 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  
September 2021

## Appendix A

### NHS Shetland

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

	Annual Budget	Year to Date Budget as at Month 4	Expenditure at Month 4	Variance
	2021–22	2021–22	2021–22	2021–22
<b>Funding Sources</b>				
Core RRL	£52,950,232	£22,062,597	£22,062,597	£0
Earmarked	£8,715,685	£3,631,535	£3,631,535	£0
Non Recurrent	£7,701,549	£2,750,921	£2,750,921	£0
AME Depreciation	£1,683,378	£701,408	£701,408	£0
AME Other	£309,000	£0	£0	£0
Other Operating Income	£2,656,822	£1,178,147	£1,125,334	-£52,813
Gross Income	£74,016,666	£30,324,608	£30,271,795	-£52,813
<b>Resource Allocations</b>				
Pay	£40,215,618	£17,911,969	£19,127,533	-£1,215,564
Drugs & medical supplies	£7,913,626	£2,696,931	£2,720,572	-£23,641
Depreciation	£1,683,378	£701,408	£749,011	-£47,603
Healthcare purchases	£12,946,517	£5,040,133	£5,019,351	£20,782
Patient Travel	£2,376,678	£859,924	£632,199	£227,725
FMS Expenditure	£1,270,378	£517,182	£498,164	£19,018
AME Other Expenses	£309,000	£0	£0	£0
Other Costs	£9,191,134	£3,325,588	£3,454,671	-£129,083
Gross expenditure	£75,906,329	£31,053,135	£32,201,501	-£1,148,366
Funding Gap	-£1,889,663	-£728,527	-£1,929,706	

Appendix A continued

Shetland NHS Board Financial Position as at the end of August 2021	WTE		Annual Budget	2021–22 Month 5 Position		
	Budget	Year to Date		Budget	Actual	Variance (Over) / Under
Acute and Specialist Services	238.22	246.16	£17,770,485	£7,393,496	£8,490,491	(£1,096,995)
Community Health and Social Care	256.51	226.85	£23,856,301	£10,245,335	£10,977,141	(£731,806)
Commissioned Clinical Services	3.43	2.89	£13,590,858	£5,162,544	£4,888,761	£273,783
<b>Sub-total Clinical Services</b>	<b>498.16</b>	<b>475.90</b>	<b>£55,217,644</b>	<b>£22,801,375</b>	<b>£24,356,393</b>	<b>(£1,555,018)</b>
Dir Public Health	12.76	53.03	£1,616,542	£1,127,348	£1,100,158	£27,190
Dir Finance	15.22	45.48	£1,526,921	£913,610	£912,899	£711
Reserves	0.00	0.00	£2,813,816	(£301,192)	(£6,324)	(£294,868)
Medical Director	2.77	2.44	£147,113	£78,292	£67,893	£10,399
Dir Human Res & Support Services	38.36	45.74	£3,041,950	£1,235,754	£1,284,093	(£48,339)
Head of Estates	75.23	77.21	£4,114,356	£2,097,514	£2,148,733	(£51,219)
Office of the Chief Executive	23.16	21.26	£2,881,502	£1,193,760	£1,212,322	(£18,562)
<b>Overall Financial Position</b>	<b>665.66</b>	<b>721.07</b>	<b>£71,359,844</b>	<b>£29,146,461</b>	<b>£31,076,167</b>	<b>(£1,929,706)</b>



## Appendix A continued

Table 2: 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	5,950	6,401							
Budget set for costs	5,562	4,320	7,708	5,605	5,951							
Surplus/ Deficit £	(363)	(359)	(413)	(345)	(450)							
Surplus / Deficit %	-6.5%	-8.3%	-5.4%	-6.2%	-7.6%							
Year to date variance £	(363)	(722)	(1,135)	(1,480)	(1,930)							
% Year to date variance	-6.5%	-7.3%	-6.5%	-6.4%	-6.6%							

## Appendix A continued

Table 3: 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	96	90							
Savings gap to close	201	202	201	202	201							
Surplus/ Deficit £	(170)	(171)	(170)	(106)	(111)							
Surplus / Deficit %	-84.6%	-84.7%	-84.6%	-52.5%	-55.2%							
Year to date variance £	(170)	(341)	(511)	(617)	(728)							

## Appendix A continued

Table 4: 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 £000's	Potential Identified £000's	Achieved YTD £000's	Achieved FYE £000's	Potential Identified £000's	Achieved YTD £000's
Acute Services	Director of Nursing	1,079.4	353.3	153.8	369.2	91.5	91.5
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	20.0	8.3
Public Health	Director of Public Health	0.0	0.0	0.0	0.0	12.4	5.2
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	10.6	4.4
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	9.4	9.4
Finance	Director of Finance	0.0	0.0	0.0	0.0	0.0	0.0
Board Wide / Reserves	Director of Finance	722.9	15.0	6.3	0.0	0.3	0.0
<b>Overall Board Targets for 2021–22</b>		2,417.8	368.3	160.1	369.2	144.2	118.8
<b>Overall Target Achieved in 2021–2 (YTD)</b>		<b>278.9</b>					
<b>Overall Target Achieved in 2021–22 (FYE)</b>		<b>369.2</b>					

**Appendix A continued**

Table 5: 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	1,532	643	2,175	602	3,361	1,427	4,788	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	1,532	643	2,175	602	3,361	1,427	4,788	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	Various other allocations to June 2021	£710,000	£1,058,415	£2,099,210		£58,501,235
July	Breastfeeding projects year 4	-	-	£55,000		£58,556,235
July	Integrated Primary and Community Care	-	-	£36,000		£58,592,235
July	Local development aligned with DHAC Strategy	-	-	£211,354		£58,803,589
July	Implementation of Excellence in Care	-	-	£37,300		£58,840,889
July	Cancer waiting times	-	-	£49,000		£58,889,889
July	Primary Care Out of Hours Transformation	-	-	£24,422		£58,914,311
July	Ventilation Improvement Allowance	-	-	£24,422		£58,938,733
July	Realistic Medicine Leads and Programme Managers	-	-	£30,000		£58,968,733
July	Additional elective activity	-	-	£1,879,455		£60,848,188

Month	Narrative	Baseline	Earmarked	Non-recurring	AME	Net Running Total
July	Implementation of Health & Care Act	-	-	£34,038		£60,882,226
August	School Nurse commitment Tranche 1	-	£46,000	-		£60,928,226
August	Ultrasound activity	-	-	£17,359		£60,945,585
August	3rd & 4th quarter payments for OU students - year 2020/21	-	-	£32,500		£60,978,085
August	Vitamins for pregnant women and children	-	-	£1,972		£60,980,057
August	Training of Cardiac Physiologists	-	-	£23,760		£61,003,817