

NHS Shetland

Meeting:	Shetland NHS Board
Meeting date:	19 September 2023
Agenda reference:	Board Paper 2023/24/31
Title:	2023-24 Financial Performance Management Report Update – Month 4, July 2023
Responsible Executive/Non-Executive:	Colin Marsland, Director of Finance
Report Author:	Colin Marsland, Director of Finance

1 Purpose

This is presented to the Board for:

- Awareness

This report relates to:

- Annual Operating Plan

This aligns to the following NHS Scotland quality ambition(s):

- Safe
- Effective
- Person Centred

2 Report summary

2.1 Situation

The purpose of this paper advises Board of the expenditure against Revenue Resource Limit at month four, July, for 2023-24.

It highlights financial issues to manage these to ensure the year-end out-turn meets both the Board's statutory obligation to breakeven and corporate objective to provide best value for resources and deliver financial balance.

Board is asked to note the position at month eleven, July 2023, is £1.6m over spent.

There are underlying work force pressures in our local service models causing this over spend. These will need addressed in 2023-24 if statutory obligation is to be met. The yearend forecast currently is currently under review taking account of local information and plans regarding the timing for delivery of efficiency savings and workforce planning.

2.2 Background

In 2023-24, whilst addressing local issues to continue to manage living with Covid-19, 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. One of the Board's strategic aim is also to provide best value for resources and deliver financial balance. Joint strategic plans set 2023 as the year to achieve this aim.

The Board agreed the 2023-24 annual financial and medium term plan on 22 June 2023.

The summary financial points at month four are:

- Appendix A, financial summary statement shows a over spend year to date at just under £1.6m, this represents a 6.6% over spend on the year to date plan;
- Appendix A, as outlined in the financial summary statement shows the primary cause of the deficit is pay at £1.1m over spent;
- Appendix B, identifies the plan of how £2.6m efficiency savings target for 2023-24 will be delivered in full;
- Appendix B, though now identifies that 38.8% of that plan is recurrently delivered; and
- Appendix C, NHS Shetland confirmed funding allocation at £67.2M.

2.3 Assessment

2.3.1 Patient Care

Patient care is being maintained by the use of locum and agency staff to ensure the Board maintains safe staffing levels in essential services.

Long term sustainable clinical staffing models remains a top priority to address as will provide more effective and efficient use of resources leading to better overall outcomes. This should also improve the ability to create our objective of patient centred care through ensuring sufficient organisational capacity and resilience.

2.3.2 Workforce

For the Board to achieve a balanced financial position in 2023-24 and beyond, the issue of sustainable clinical staffing models still remains a top priority to address. The locum and bank staff though are being deployed to maintain safe staffing levels in essential services. This is to ensure a safe patient centred service exist and whilst managing clinical risk. Summary of these costs are highlighted in Table 1.

	Medical Staff £000's	Nursing / Other £000's	Total £000's
Acute and Specialist Services	428	134	562
Community Health	286	136	422
Total	714	270	984

Until there is recruitment to fill the substantive GP vacancies both in our and out of hours, Consultant vacant posts in Mental Health, General Medicine and Anaesthetic Services and Nursing there will be continuing cost pressures arising from additional costs incurred. In respect of advertising these posts our main recruitment tool is currently NHS Scotland on-line recruitment tool and have a standing annual subscription to BMJ website.

Recruitment to these post has been challenging for a number of years. Longer-term will be essential to successfully resolve these workforce resource pressure. Internally funding these costs as recurrent will further increases the budgeted resource gap between income and expenditure. This would increase the level of efficiency savings required to be made to ensure there is a balanced financial plan per statutory obligation to breakeven.

It was agreed at the Finance and Performance Committee that the Staff Governance Committee will take the lead in respect to seeking assurance over the Board's recruitment activities and processes. The issue of staff retention Internal Audit have an assignment to explore our underlying retention issues. Our turnover rate has been amongst the highest in NHS Scotland territorial Boards for a number of years.

At Month 4 the actual expenditure on locum and agency staff totals £2.0m. The summary split of this is shown in Table 2. Staff vacancies fund part of these costs along with other allocations such as planned care resources as outlined in Table 2. This creates the cost pressure identified in Table 1.

Table 2: Agency and Locum Staff Costs and Funding				
Staff Group Analysis	Cost	Funding Via Vacancies	Funding via Other Route	Net Cost
	£000's	£000's	£000's	£000's
Consultant Locums	911	415	40	456
Consultant Agency	178	33	29	116
Agency Nursing	397	161	0	236
Agency General Practitioners	442	300	0	142
Other Staff Groups	85	26	25	34
Grand Total	2,013	935	94	984

The current staff model are potentially at risk to changes in workforce life style choices that may no longer value a traditional full-time post.

With lifestyle changes may also may be looking for opportunities to work globally, have more time for pursuits outside of work and not to work an on-call rota that has a high frequency commitment as our current local practice in secondary care in particular.

There is also a national shortage of staff in several disciplines and we are competing with other NHS Bodies for same pool of staff. Unique selling point of why Shetland is required to be articulated to identify NHS Shetland from other NHS bodies as potential employer.

Appropriate staff training and development included within national professional training schemes to address skill needs in a remote and rural setting can assist in the medium to longer term it will not address the immediate short-term.

The total over spend on staff expenditure costs though is £1.1m which is slightly more than the actual cost pressure caused by locum and agency costs. This is primarily due to other additional staff costs in the Acute Directorate.

The 2023-24 financial plan assumed there would be a £0.8m non-recurring efficiency saving gain from vacant posts. At Month 4 this assumed £0.25m in cost avoidance from not filling posts. The actual budget removed is slightly less at £0.2m.

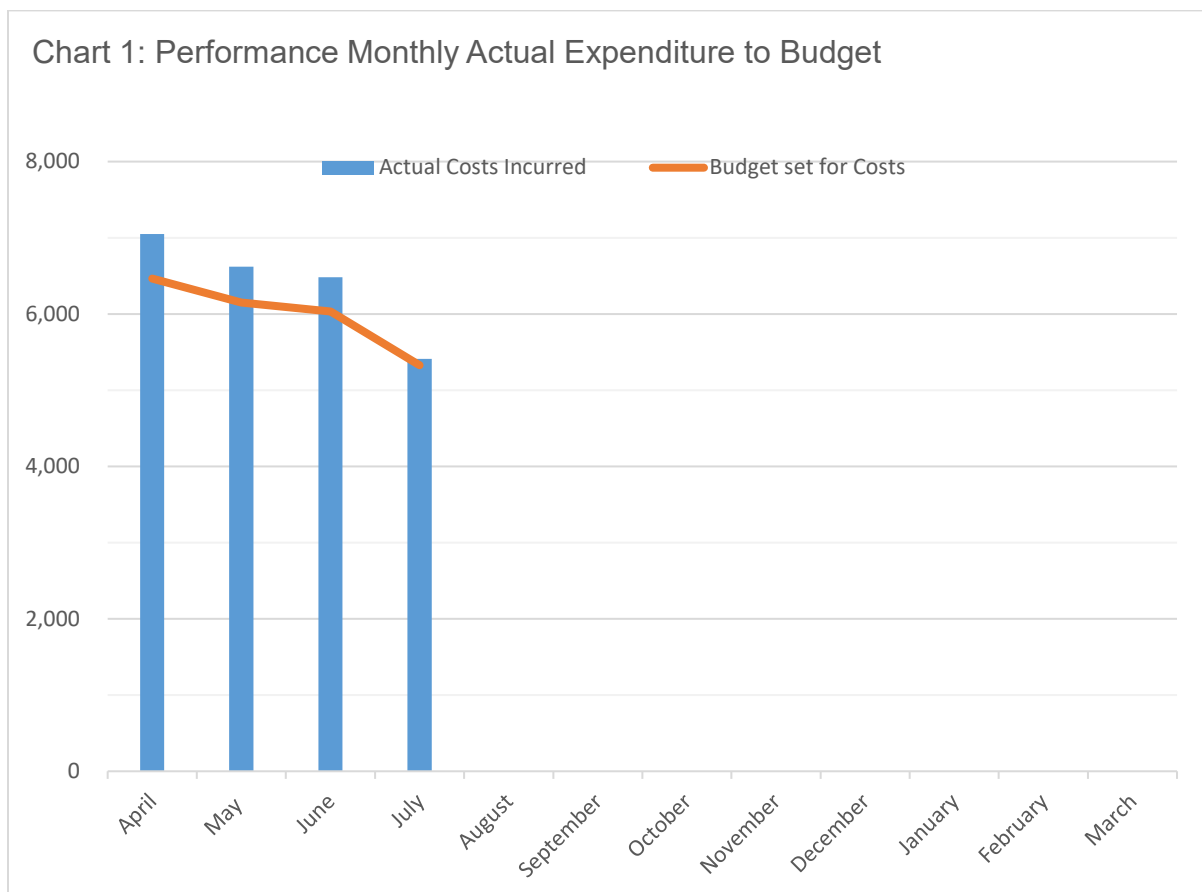
2.3.3 Financial

Chart 1 below illustrates the monthly position of expenditure incurred against the Board’s resources available as set out in our approved budgets.

This shows that expenditure is usually greater than available resources in each month primary due to use of locum and agency staff.

Expenditure in Month 1 is higher than normal. This was due to staff engaged under Agenda for Change (AfC) receiving pay award bonus that month. This £0.4m bonus payment has been matched by the “One-off Payment – Pay Award” allocation in Appendix C by the Scottish Government.

In Month 4 though is under spent against the budget. This is primary due to additional funding being received above the original plan and performance in delivery of efficiency.

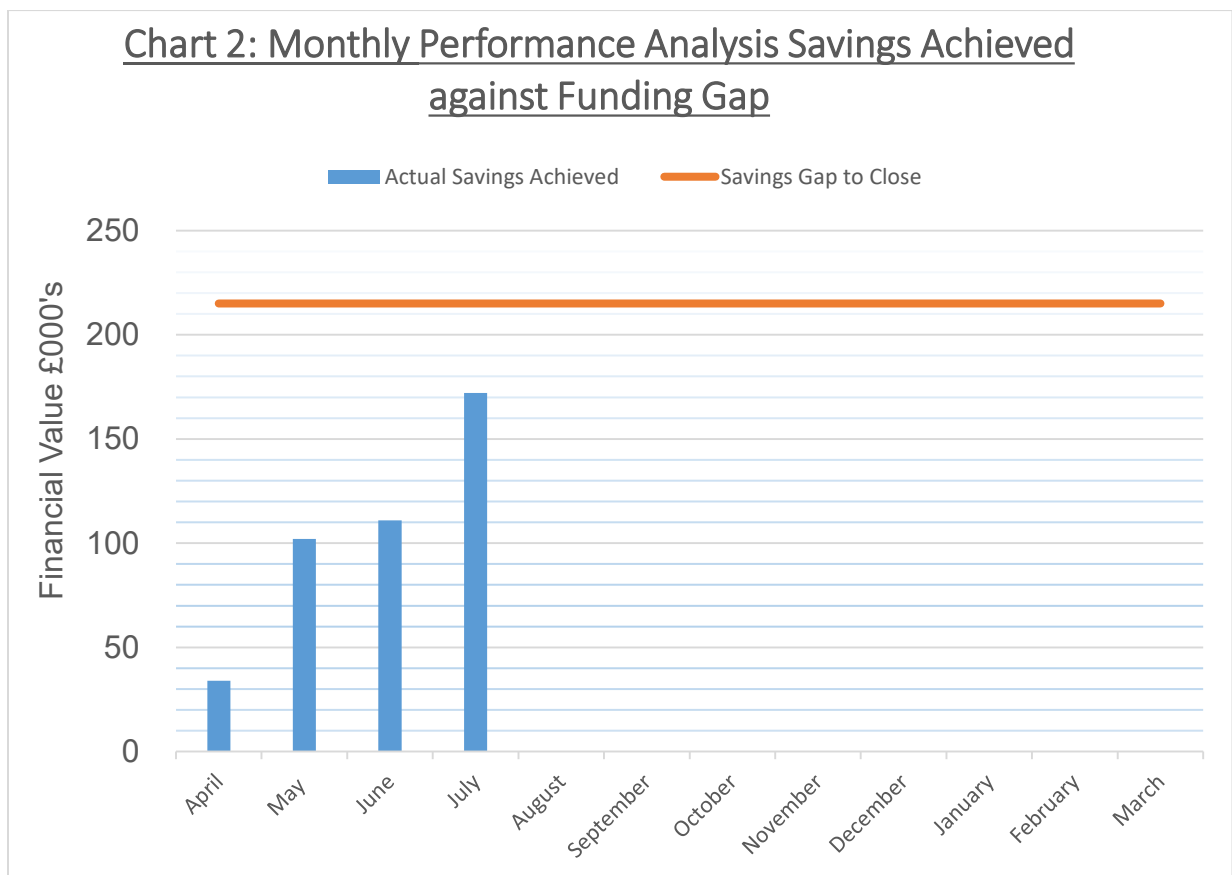


In Month 4 though there is still the continuation of the trend in pay over spend caused by the use of staff engaged outside standard NHS terms and conditions.

The principle non pay over spend as at Month 4 is a £0.17m cost pressure arising from the travel and accommodation expenses associated with temporary visiting staff.

There is still a shortage of supply issue in certain community prescription drugs. This issue is not specific to Shetland and effects all the territorial Boards in NHS Scotland. At present though only April 2023 GP prescribing costs are known for 2023-24. Lack of detail on prescribing is a risk all Boards are currently facing. NSS is working to resolve the processing and scanning issues that are the root cause of the data shortage.

Living with the Covid-19 phase still maintains a key issue for the Board to address as part of our continuing responsibility to ensure public health and well-being locally. However whilst doing this it still remains essential for the Board longer-term financial sustainability that there is a focus to address the underlying gap and the future annual target projected efficiency savings, at 3.0% in-line with Scottish Government policy.



Plans are to be developed to implement the principles arising out of the Clinical Strategy review. These schemes to implement pathway developments need to take due recognition of resource constraints in both finance and staff with appropriate skills.

To achieve the 2023-24 annual target of just under £2.6m we require to be achieving £215k each month in a straight line basis as illustrated in chart 2.

Our local target at 3.3% of assumed funding is in-line with Scottish Government policy. This target includes both new efficiency savings target and the roll forward balance from 2022-23.

Up to month 4 the year to date target has been met. However work is looking at how to better aligning the savings target with the actual schemes delivery.

Recurrent schemes currently in place that have commenced have an annual value just under £0.4m, Table 4. This though is only 13.8% of the annual target. Therefore at

present it is projected there will be a balance of unachieved savings being carried in to 2023-24. There was though an assumption in the financial plan at the June board meeting that not all savings will be recurrent. Therefore a balance was expected to be carried in to 2024-25.

Additional savings above the target though is required to achieve balance as base savings target do not provide sufficient funding to cover the additional cost of staff engaged outside standard NHS terms and conditions during the year.

2.3.4 Risk Assessment/Management

There is risk to the sustainability of the Board if the proposed sustainable models of care and pathways developed cannot attract sustainable level of suitably qualified staff.

Redesign of pathways that need to occur in line with Board and partners aims to deliver locally set objectives need to ensure staffing models are realistic and recruitment plans are reviewed and put in place for successful appointment to key vacant posts.

Ensuring there is sufficient organisational capacity and resilience within our available resources is a challenge that needs to be met.

2.3.5 Equality and Diversity, including health inequalities

An impact assessment has not been completed because this has no immediate 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.

2.3.6 Other impacts

Plans to address issues raised will need consultation and engagement with a number of stakeholders

2.3.7 Communication, involvement, engagement and consultation

No communication and consultation has taken place prior to submission to Board.

2.3.8 Route to the Meeting

This draft report has not been shared prior to sharing for this meeting.

2.4 Recommendation

• Awareness –

This report is for Board to stimulate discussion on our collective forward actions to ensure sustainable local healthcare provision for our community here in Shetland.

There are four action that EMT on behalf of the Board will need to review and address in the short and medium term:

Strategic:

1. How recruitment plans and process can be put in place to successful recruit to the key vacant posts for longer term financial and clinical sustainability;
2. Identify recurring projects to address the recurrent savings targets public bodies are expected to achieve each year in each of the next 3 years operating plan;

Operational:

3. Identify projects to address the recurrent savings targets public bodies are expected to achieve each year: and
4. Actions to address the current over spends and recovery plan to break even.

3 List of appendices

The following appendices are included with this report:

- Appendix No A , 2023–24 Financial Statement Year to date Out-turn at Month 4
- Appendix No B, Efficiency Savings Plan 2023-24
- Appendix No C, NHS Shetland 2023–24 Scottish Government Allocation Received

Appendix A

NHS Shetland

2023–24 Financial Statement Year to date Out-turn at Month 4

	Annual Budget	Year to Date Budget as at Month 4	Expenditure at Month 4	Variance
	2023–24	2023–24	2023–24	2023–24
Funding Sources				
Core RRL	£62,163,757	£19,301,022	£19,301,022	£0
Earmarked	£11,032,105	£3,677,368	£3,677,368	£0
Non Recurrent	£1,943,728	£158,406	£158,406	£0
AME Depreciation	£2,480,470	£826,823	£826,823	£0
AME Other	£69,069	£13,023	£13,023	£0
Other Operating Income	£2,860,196	£1,038,230	£1,039,768	£1,538
Gross Income	£80,549,325	£25,014,872	£25,016,410	£1,538
Resource Allocations				
Pay	£44,824,573	£15,145,952	£16,240,194	(£1,094,242)
Drugs & medical supplies	£8,749,626	£3,072,474	£3,112,691	(£40,217)
Depreciation	£2,480,470	£826,823	£826,823	£0
Healthcare purchases	£13,307,989	£4,003,223	£4,032,725	(£29,502)
Patient Travel	£2,263,968	£597,612	£597,612	£0
FMS Expenditure	£1,353,133	£415,472	£411,386	£4,086
AME Other Expenses	£69,069	£13,023	£13,023	£0
Other Costs	£9,282,872	£1,381,711	£1,367,799	£13,912
Gross expenditure	£82,331,700	£25,456,290	£26,602,253	(£1,145,963)
Funding Gap or Surplus	(£1,782,375)	(£441,418)	(£1,585,843)	

Appendix A continued

Shetland NHS Board Financial Position as at the end of July 2023	Annual Budget	2023–24 Month 4 Position		
		Budget	Actual	Variance (Over) / Under
Acute and Specialist Services	£19,906,137	£6,841,447	£7,869,652	(£1,028,205)
Community Health and Social Care	£26,231,989	£8,721,837	£9,285,957	(£564,119)
Commissioned Clinical Services	£14,298,045	£4,115,452	£3,955,205	£160,247
Sub-total Clinical Services	£60,436,171	£19,678,737	£21,110,814	(£1,432,077)
Dir Public Health	£1,806,192	£615,977	£579,254	£36,723
Dir Finance	£3,572,385	£1,178,356	£1,158,692	£19,664
Reserves	£1,204,485	(£1,018,916)	(£793,478)	(£225,438)
Medical Director	£363,644	£119,892	£107,787	£12,105
Dir Human Res & Support Services	£3,524,719	£1,137,585	£1,144,020	(£6,435)
Head of Estates	£4,931,718	£1,651,707	£1,698,095	(£46,388)
Office of the Chief Executive	£1,849,815	£613,305	£557,301	£56,004
Overall Financial Position	£77,689,129	£23,976,642	£25,562,485	(£1,585,843)

Appendix A continued

Table 2: Shetland Health Board: Monthly Analysis of Expenditure versus Budget for 2023–24—Source data used in respect of Chart 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	7,050	6,620	6,481	5,411								
Budget set for costs	6,465	6,149	6,034	5,328								
Surplus/ Deficit £	(585)	(471)	(447)	(83)								
Surplus / Deficit %	-9.0%	-7.7%	-7.4%	-1.6%								
Year to date variance £	(585)	(1,056)	(1,503)	(1,586)								
% Year to date variance	-9.0%	-8.4%	-8.1%	-6.6%								

Appendix A continued

Appendix B

Efficiency Savings Plan and Performance

Table 3: Shetland Health Board: Monthly Performance Analysis Savings Achieved versus Funding Gap for 2023–24—Source data used in Chart 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	34.0	102.0	111.0	172.0								
Savings gap to close	215.0	215.0	215.0	215.0								
Surplus/ Deficit £	(181)	(113)	(104)	(43)								
Surplus / Deficit %	-84.2%	-52.6%	-48.4%	-20.0%								
Year to date variance £	(181)	(294)	(398)	(441)								

Appendix B continued

Table 4: 2023–24 Efficiency Savings Delivery Performance Analysed by Management Service Areas

Shetland Health Board Savings Plan 2023–24		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	576.4	280.0	1.5	4.5	100.0	50.6
Community Services	Director of Health & Social Care	321.9	321.9	0.0	0.0	363.1	55.4
Off Island Healthcare	Director of Finance	0.0	323.9	108.0	323.9	201.2	50.4
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	26.6	3.0	18.6	26.6	0.0
Chief Executive	Chief Executive	9.2	9.2	3.1	9.2	58.0	68.1
Medical Director	Medical Director	0.0	0.0	0.0	0.0	0.0	0.0
Estates	Head of Estates	0.0	0.0	0.0	0.0	0.0	22.0
Finance	Director of Finance	0.0	0.0	0.0	0.0	6.6	0.0
Board Wide / Reserves	Director of Finance	1,645.9	38.6	12.9	0.0	870.4	43.5
Overall Board Targets for 2023–24		2,580.0	1,000.2	128.5	356.2	1,625.9	290.0
Overall Target Achieved in 2023–24 (YTD)		418.5					
Overall Target Achieved in 2023–24 (FYE)		356.2					

Appendix B continued

Table 5: 2023-24 Efficiency Savings Plan

Recurring Efficiency Savings Proposals	Planning	Low Risk	Medium Risk	High Risk	Commentary
Off Island Patient Pathways Redesign to Shetland	250,000	125,000	125,000	0	Patient repatriation of services to Shetland. Recognising projects from 2022-23 that will become recurrent.
Acute Services Miscellaneous Efficiency Savings from other Schemes:	30,000	4,516	25,484	0	Other small scale scheme and budget resets
Pharmacy Drugs: Procurement and other Controls	150,000		150,000	0	IJB Project regarding on island prescribing opportunities
Community Health: Network Enabled Care	60,000		60,000	0	IJB Led Project concerning Walls and Bixter
Directly Provided CHCP Services: other Schemes	111,851		111,851	0	IJB led project part of £475k in paper previously at IJB
Human Resources	26,585	18,559	8,026	0	Outstanding target from prior years budget reviews to identify
Chief Executive Office	9,212	9,212		0	Outstanding target from prior years budget reviews to identify
Procurement	38,569	38,569			Movement in CNORIS Board share
Off Island Commissioned Healthcare Savings: Planning Assumption	200,000	200,000		0	Budget planning reset on New Medicine Fund taking account of current expenditure and SG funding via VPAS regime.
Off Island Commissioned Healthcare Savings Contracts	123,908	123,908		0	Contract Change Activity Based
Overall Total Recurring Efficiency Savings Proposals	1,000,125	519,764	480,361	0	
Recurring Savings Target 2022-23	2,579,993				

Appendix B continued

Table 5: 2023-24 Efficiency Savings Plan

<u>Non-recurring Efficiency Savings Proposals</u>	<u>LDP Plan</u>	<u>Low Risk</u>	<u>Medium</u>	<u>High Risk</u>	
Staff Vacancy Factor Cost Reduction	750,000	375,000	375,000	0	Vacancy factor based upon 2022-23 experience
Acute Off Island Patient Pathways Redesign Non Recurring Schemes	100,000		100,000	0	
Community Services Non recurring : IJB Workforce Rebalancing	363,149		363,149	0	IJB led project part of £475k in paper previously at IJB
Chief Executive Non Recurring Plan:	58,000	25,200	32,800	0	Planning Gain posts that are joint working NHS Orkney & PMO
Off Island Commissioned Healthcare Non-recurring:	201,221	146,677	54,544	0	Orthopaedic Contract plus slippage on national developments in 2023-24
Procurement	3,498	3,498		0	Car insurance premium 2023-24. Fluctuates each year.
Review of Technical issues from shared national suggestions	50,000		50,000	0	Review and implementation of Financial Improvement Group opportunities.
Other planning gains non-recurrent	100,000	29,858	70,142	0	Non-recurring gains caused by slippage in projects for a variety of reasons.
Overall Total Non-Recurring Efficiency Savings Proposals	1,625,868	580,233	1,045,635	0	
Overall Total Efficiency Savings in Plan	2,625,993			-	

Appendix B continued

NHS SHETLAND		JULY 2023																	
Savings - Schemes and Trajectories																			
Savings in-Year	Full Year Trajectory £000	YTD Achieved £000	YTD Recurring £000	YTD Non-Rec £000s	Risk Rating	April Actual	May Actual	June Actual	July Actual	August Forecast	Septem Forecast	October Forecast	Novem Forecast	Decem Forecast	January Forecast	February Forecast	March Forecast	Total	
Service Redesign and Reform																			
Scheme 1: IJB Rebalancing	475	8		8	Medium Risk	2	2	2	2	2	2	77	77	77	77	77	78	475	
Scheme 2: Vacancy Factor extracted from actual vacant posts	750	166		166	Low Risk	46	47	62	12	73	73	73	73	73	73	73	73	750	
Scheme 3: Network Enabled Care	60	0			Medium Risk												60	60	
Scheme 4: Temporary Staff Gains	58	37		37	Low Risk	12	6	6	12	12	9							58	
Scheme 5: Repatriation of Services	350	0			Medium Risk								175			90	85	350	
Total Service Redesign and Reform	1,693	211	0	211		60	55	70	26	87	84	150	325	150	150	240	296	1,693	
Prescribing																			
Scheme 1: GP Prescribing	150	0			Medium Risk							25	25	25	25	25	25	150	
Scheme 2: Acute Medicine Prescribing	200	65	65		Low Risk	16	16	17	16	17	17	17	17	17	17	16	17	200	
Total Prescribing	350	65	65	0		16	16	17	16	17	17	42	42	42	42	41	42	350	
Other Non-Pay, Procurement, Estates, Infrastructure																			
Scheme 1: Acute Savings non pay efficiencies	30	0			Medium Risk												30	30	
Scheme 2: Corporate Services non pay efficiencies	36	8	8		Medium Risk	2	2	2	2	3	2	2	3	2	2	3	11	36	
Scheme 3: External Contracts	124	41	41		Low Risk	10	11	10	10	11	10	10	11	10	10	11	10	124	
Scheme 4: NHS Contract Reviews	200	50	50		Low Risk	12	13	12	13	12	13	12	13	12	13	12	63	200	
Scheme 5: Procurement	42	14	13	1	Low Risk	4	3	4	3	4	3	4	3	4	3	4	3	42	
Scheme 6: Review of Balance Sheet Opportunities	101	30		30	Medium Risk			30										101	
Scheme 7: Implementing FIG Opportunities	50	0			Medium Risk												50	50	
Total Non-Pay (Other)	583	143	112	31		28	29	58	28	30	28	28	30	28	28	30	238	583	
Total Planned Savings Schemes	2,626	419	177	242		104	100	145	70	134	129	220	397	220	220	311	576	2,626	

Appendix C

NHS Shetland 2022–23 Scottish Government Allocation Received

Month	Narrative	Baseline	Earmarked	Non-recurring	AME	Net Running Total
June	Baseline Funding Allocations	£60,458,455				£60,458,455
June	Primary Care Out of Hours - Allocation 1			£16,728		£60,475,183
June	GP Contract Management Fund & Pre-Hospital Emergency Care Tranche 1			£27,359		£60,502,542
June	Cervical Exclusion Audit for GP practices			£352		£60,502,894
June	Public Health Teams	£30,145				£60,533,039
June	Administration of the Child Death Review process			£3,969		£60,537,008
June	Long Covid Support Fund - Tranche 1		£9,573			£60,546,581
June	Childrens' Weight Management			£65,800		£60,612,381
June	Type 2 Diabetes Prevention and Adult Weight Management			£131,600		£60,743,981
June	Breastfeeding project aligned to Project Charters			£26,000		£60,769,981
June	OU students Backfill - Q3 & 4 academic year 2022/23			£35,000		£60,804,981
June	Health and Care Staffing Act			£42,758		£60,847,739
June	Funding for Bands 2-4	£168,090				£61,015,829
June	One-off Payment - Pay Award			£405,000		£61,420,829
June	Residual Baseline Pay Award Uplift	£1,185,000				£62,605,829
June	New Medicines Funding Additional Allocation			£479,000		£63,084,829
July	One-off payment for community pharmacy naloxone kits			£1,200		£63,086,029
July	Excellence in Care and Audiology training			£49,771		£63,135,800
July	Planned Care (Waiting Times baseline)	£633,101				£63,768,901
July	Cancer Waiting Times - pathway improvement			£51,000		£63,819,901
July	New Medicines Fund Planning Allocation			£718,108		£64,538,009
July	District Nursing commitment		£36,000			£64,574,009
July	Delivery of Flu and Covid-19 vaccination programmes		£382,991			£64,957,000

Month	Narrative	Baseline	Earmarked	Non-recurring	AME	Net Running Total
July	ADP Programme for Government uplift	£81,386				£65,038,386
July	ADP / NM Tranche 1 & AfC			£186,021		£65,224,407
July	Primary Care Harmonisation	£1,200,000				£66,424,407
July	Primary Care Improvement Fund - Tranche 1		£803,782			£67,228,189
July	Scottish Trauma Network	£7,580				£67,235,769