

NHS Shetland

Meeting:	Shetland NHS Board
Meeting date:	19 November 2024
Agenda reference:	Board Paper 2024/25/40
Title:	Financial Performance Management Report Update – Draft 2024-2025 at Month 6, September 2024
Responsible Executive/Non-Executive:	Colin Marsland, Director of Finance
Report Author:	Colin Marsland, Director of Finance

1 Purpose

This presentation to the Board is for your:

- 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 the Board of the out-turn expenditure against Revenue Resource Limit as at Month 6 for 2024-25 and the pertinent issues behind this position.

The Month 6 out-turn position is £2.8m over spent. This compares to £1.9m in 2023-24.

2.2 Background

In 2024-25, NHS Boards are 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. Sub-sequentially this been redefined as over a rolling three-year period that was set-out in our Annual Delivery Plan agreed by the Board in April 2024.

The summary financial points at month six are:

- Appendix A, financial summary statement shows an over spend at £2.8m, this represents a 7.4% variance on the year to date plan;
- Appendix A, as outlined in the financial summary statement shows the primary cost pressure that has been managed is pay at £1.9m over spent; and
- Appendix B, though identifies £1.5m achieved year to date and that only 25.9% of this is delivered so far on a recurrent basis.

2.3 Assessment

The three-year financial plan assumed the Board would be £0.7m over spent in 2024-25 but achieve a break-even position over the current three-year business cycle.

The financial plan included a number of planning assumptions. Table 1, summaries the performance against the top three most significant financial assumptions in the plan.

Assumption Narrative	Month 6 Out-turn Position
1. Reduce from 2024-25 additional pay cost of AFC posts above budget would reduce by 60% to £0.250m	Out-turn over spend is £0.07m less than last year, so down 20.8%. Adverse to plan by £0.14m.
2. Reduce from 2024-25 additional pay cost of Medical and Dental staff above budget would reduce by 53% to £1.0m	Out-turn over spend is £0.33m more than last year, so up by 29.4.0%. Adverse to plan by £0.92m.
3. Achieve £1.0m in non-recurring savings on top of the £3.5m savings target	Actual savings achieved out-turn was £1.20m but only £0.35m recurrently. So £0.46m behind overall trajectory.

There are underlying work force pressures in our local service models causing significant over spend. At month 6, table 1 highlights a £1.0m adverse variance to plan on our use of staff not on standard NHS employment terms. Actions to address this will need to occur during 2024-25 to achieve our statutory obligation to breakeven this year and in the longer term to return to a sustainable service that is also fiscally viable.

To achieve the planning out-turn position in 2024-25 will be challenging. This will require further management action required to address underlying issues and deliver cost reductions through either recurring or non-recurring efficiencies.

2.3.1 Patient Care

Patient care is not at risk. The use of “temporary” staff on NHS and non-NHS terms and conditions are being engaged to fill gaps in service and some areas to add resilience.

Long-term sustainable clinical staffing models remains a top priority to address. This 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 2024-25 and beyond, the issue of sustainable clinical staffing models remains a top priority to address. The recovery planning proposals will need to address realistic clinical models within our resource limits.

The use of locum and bank staff is predominately to maintain safe staffing levels in essential services at current activity levels. This is to ensure a safe patient centred service exists whilst managing clinical risk. As with previous years, finance reports, the cost pressure in 2024-25 from use of staff outside NHS terms and conditions continues to challenge our ability to breakeven.

At Month 6, the actual expenditure on staff not on standard NHS employment terms and conditions totals £3.3m. Summary split of this is in Table 2. Staff vacancies part fund these costs along with other allocations such as planned care resources as outlined in Table 2.

Staff Group Analysis	Cost £000's	Funding Via Vacancies £000's	Funding via Other Route £000's	Net Cost £000's
Consultant Locums	1,525	579	98	848
Consultant Agency	348	57	175	116
Junior Doctors	50	0	0	50
Agency Nursing	449	206	0	243
Agency General Practitioners	767	275	7	485
Other Staff Groups	139	33	63	43
Grand Total	3,278	1,150	343	1,785

Continuing at this same rate of expenditure would likely see yearend expenditure total £6.6m, which is £0.1m more than last year. Therefore, this current level of use makes achieving the planned out-turn position as likely not achievable in the current year. The principle cause so far, of why expenditure has not fallen in line with plan is General Practitioners additional costs that are up by 137% at Month 6 compared to last year. The total over spend on staff expenditure costs at £1.9m roughly matches the cost pressure caused by staff engaged on non-NHS terms and conditions at Month 6.

2.3.3 Financial

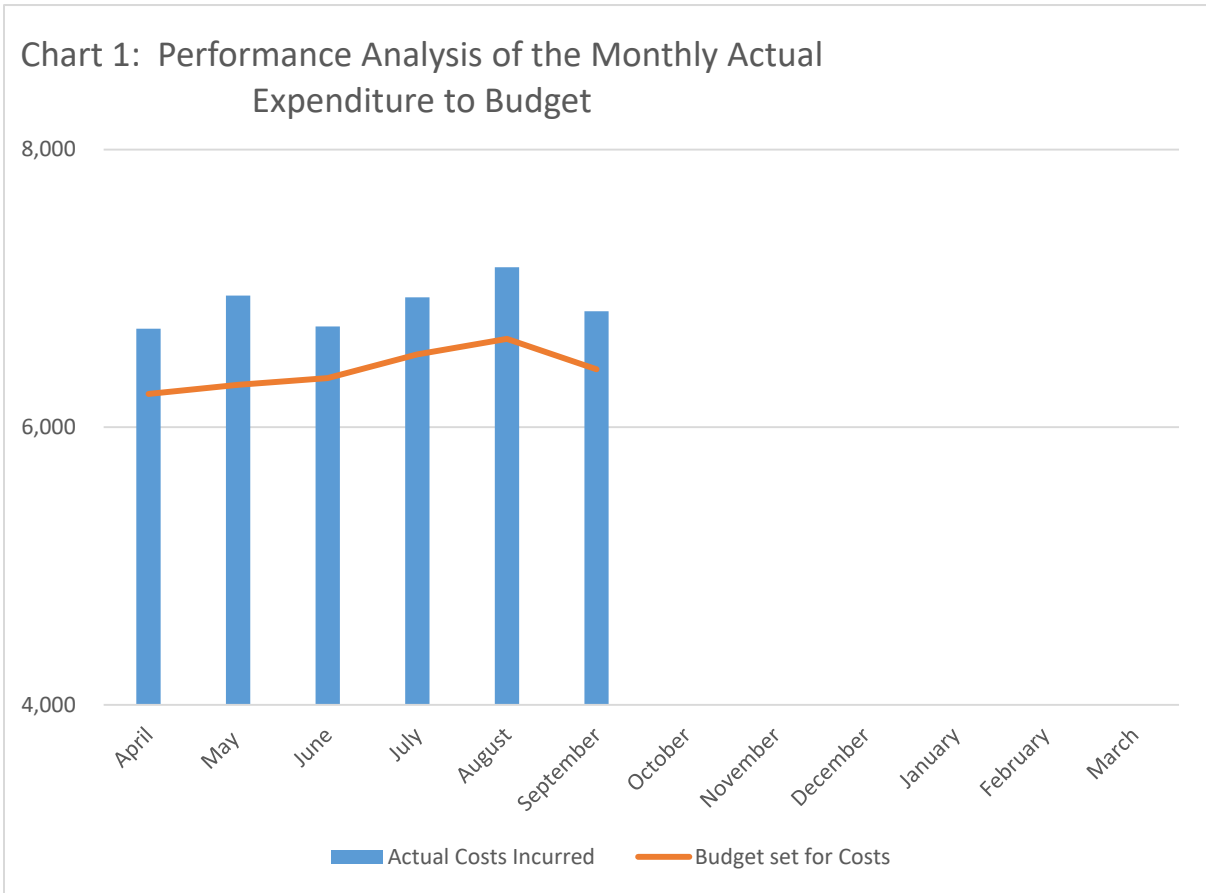
Chart 1 below illustrates the monthly position of expenditure incurred against the Board's resources available as set out in our approved budgets.

This shows that expenditure, so far, is greater than available resources in each month primary due to use of temporary and additional staff.

At Month 6, in addition to the excess pay costs the use of temporary staff incurs accommodation and travel costs so far creates a further cost pressure of £0.20m.

GP prescribing there is still a shortage of supply issue in certain community prescription drugs. This issue is not specific to Shetland and affects all the territorial Boards in NHS Scotland. These shortages started in August 2022. Until these market shortages are resolved expected rate of inflation in the cost of GP prescribing will be higher than the

norm. In the current year to date July, cost inflation rate locally was 3.1%. Items dispensed decreased by 2.6%. Due to drugs on short supply not yet working out the procurement cycle, the GP prescribing budget will likely over spend in year by £0.48m.



The top 5 services with over spends account for more than 90% of the Board's year to date revenue expenditure overspend. They only account for 20% expenditure budget. These five services are listed in Table 3 below:

Service Area	Annual Budget	Year to Date Budget	Year to Date Expenditure	Year to Date Variance	Year to Date Variance
GP Primary Care	£6,447,821	£3,153,805	£4,024,453	(£870,648)	-27.61%
General Medicine	£1,483,960	£749,666	£1,262,484	(£512,818)	-68.41%
GP Prescribing	£4,976,732	£2,525,419	£2,820,239	(£294,820)	-11.67%
Mental Health	£2,090,142	£1,066,130	£1,357,073	(£290,943)	-27.29%
Anaesthetist	£952,579	£495,156	£642,476	(£147,320)	-29.75%
Overall Total	£15,951,234	£7,990,176	£10,106,725	(£2,116,549)	-26.5%

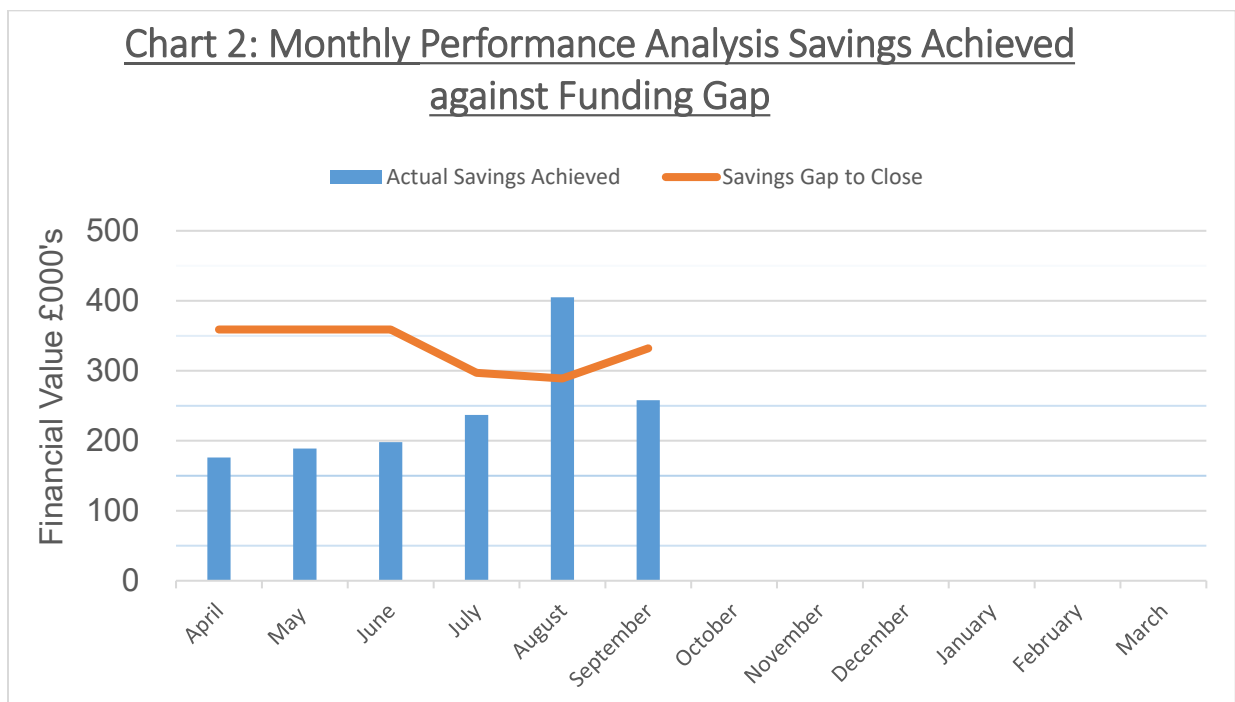
The Board's longer-term financial sustainability requires a focus on addressing our local underlying gap and the future annual target projected efficiency savings, at 3.0% in-line with Scottish Government policy.

Plans will continually be under development or review to implement the principles arising out of the Clinical Strategy review. These schemes to review or implement pathway developments need though take due recognition of resource constraints in available finance, technology and staff with appropriate skills.

The Board's underlying gap entering 2024-25 was just under £3.5m. To return to financial balance the plan is to achieve £1.9m in recurrent savings in each year of the current three-year plan. In 2024-25, including savings to offset cost pressure £4.5m of savings is required to address the gap between income and expenditure.

Overall delivery as illustrated in chart 2 and detail outlined in Appendix B the Board has delivered £1.5m in efficiency savings as at Month 6.

This though is principally via non-recurring savings at £1.08m (74.1%). The main cause of these savings was via staff vacancies at just under £0.81m.



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, and 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

This paper is produced solely for this committee to discuss.

2.3.8 Route to the Meeting

Executive Management Team discussed an earlier longer version of this report.

2.4 Recommendation

- **Awareness –**

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

There are two actions that EMT will need to review and address on behalf of the Board 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; and
2. Identify recurring projects to address the recurrent savings targets that public bodies are to achieve each year in each of the next 3 years operating plan.

3 List of appendices

The following appendices are included with this report:

- Appendix A, 2024-25 Financial Statement Yearend Out-turn
- Appendix B, Efficiency Savings Plan 2024-25
- Appendix C, NHS Shetland 2024-25 Scottish Government Allocation Received

Appendix A

NHS Shetland

2024–25 Financial Statement Yearend Out-turn

	Annual Budget	Year to Date Budget as at Month 6	Expenditure at Month 6	Variance Year to Date
	2024–25	2024–25	2024–25	2024–25
Funding Sources				
Core RRL	£69,057,314	£32,361,961	£32,361,961	£0
Earmarked	£6,045,183	£3,022,592	£3,022,592	£0
Non Recurrent	£3,640,743	£1,820,372	£1,820,372	£0
AME Depreciation	£2,421,334	£1,210,667	£1,210,667	£0
AME Other	£119,876	£59,938	£59,938	£0
Other Operating Income	£3,898,064	£2,102,959	£2,243,704	£140,745
Gross Income	£85,182,514	£40,578,489	£40,719,234	£140,745
Resource Allocations				
Pay	£47,528,578	£23,251,695	£25,113,237	(£1,861,542)
Drugs & medical supplies	£10,735,978	£5,444,830	£5,932,203	(£487,373)
Depreciation	£2,421,334	£1,210,667	£1,210,667	£0
Healthcare purchases	£13,024,748	£5,995,397	£5,998,961	(£3,564)
Patient Travel	£2,086,753	£1,013,286	£895,323	£117,963
FMS Expenditure	£1,003,427	£458,159	£478,664	(£20,505)
AME Other Expenses	£119,876	£59,938	£59,938	£0
Other Costs	£10,090,860	£3,676,511	£3,861,890	(£185,379)
Gross expenditure	£87,011,554	£41,110,483	£43,550,883	(£2,440,400)
Funding Gap or Surplus	(£1,829,040)	(£531,994)	(£2,831,649)	

Appendix A continued

Shetland NHS Board Financial Position as at the end of September 2024	Annual Budget	2024–25 Month 6 Position		
		Budget	Actual	Variance (Over) / Under
Acute and Specialist Services	£21,082,187	£10,610,325	£11,955,270	(£1,344,945)
Community Health and Social Care	£28,331,157	£14,023,374	£15,016,450	(£993,076)
Commissioned Clinical Services	£14,275,252	£6,543,892	£6,404,931	£138,961
Sub-total Clinical Services	£63,688,596	£31,177,591	£33,376,651	(£2,199,060)
Dir Public Health	£2,409,695	£1,208,199	£1,043,758	£164,441
Dir Finance	£3,560,403	£1,763,007	£1,670,714	£92,293
Reserves	£480,989	(£1,137,493)	(£274,219)	(£863,273)
Medical Director	£366,704	£175,768	£189,492	(£13,724)
Dir Human Res & Support Services	£3,705,647	£1,763,480	£1,840,102	(£76,622)
Head of Estates	£5,339,057	£2,666,464	£2,666,190	£274
Office of the Chief Executive	£1,733,359	£858,514	£794,492	£64,022
Overall Financial Position	£81,284,450	£38,475,531	£41,307,180	(£2,831,649)

Appendix A continued

Table 4: Shetland Health Board: Monthly Analysis of Expenditure versus Budget for 2024–25—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	6,710	6,948	6,726	6,936	7,152	6,835						
Budget set for costs	6,240	6,305	6,354	6,524	6,636	6,417						
Surplus/ Deficit £	(470)	(643)	(372)	(412)	(516)	(418)						
Surplus / Deficit %	-7.5%	-10.2%	-5.9%	-6.3%	-7.8%	-6.5%						
Year to date variance £	(470)	(1,113)	(1,485)	(1,897)	(2,413)	(2,831)						
% Year to date variance	-7.5%	-8.9%	-7.9%	-7.5%	-7.5%	-7.4%						

Appendix A continued

Appendix B

Efficiency Savings Plan and Performance

Table 5: Shetland Health Board: Efficiency Savings Plan to address the planning assumption funding gap for 2024–25

Recurring Efficiency Savings Proposals	Planning	Low Risk	Medium	High Risk	Commentary
In-patient model review	229,000	111,081	117,919	0	Ambulatory Care service impact on the optimum in-patient bed compliment
Non Doctor Islands Nursing Review	44,319	44,319	0	0	Community nursing skill mix review
Pharmacy Drugs: Procurement and other Controls	417,000	199,000	0	218,000	IJB Project regarding on island prescribing opportunities
Community Health: Network Enabled Care	50,000	0	0	50,000	IJB Led Project concerning Walls and Bixter
Directly Provided CHCP Services: Procurement Schemes	15,709	15,709	0	0	IJB led project part of £475k in paper previously at IJB
Mental Health On-call Model	31,000	0	0	31,000	
Redesign of Shetland Mainland OOHs Provision	46,000	0	0	46,000	
IT M365 Licences	86,556		86,556	0	Shifting to NHS Scotland normal mix 365 licences (80/20)
Procurement	31,240	31,240	0	0	Patient Travel bus contract pick-up from Northlink Ferry Terminal, avoidance of taxi and bus claims.
Off Island Commissioned Healthcare Savings	129,000	129,000	0	0	
E-payroll	1,000	0	0	1,000	Switching staff from paper to e-Payslips
Other Board wide	791,176	0	0	791,176	Schemes still to be fully developed
Overall Total Recurring Efficiency Savings Proposals	1,872,000	530,349	204,475	1,137,176	

Appendix B continued

Table 5 continued: Shetland Health Board: Efficiency Savings Plan to address the planning assumption funding gap for 2024–25

<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	1,500,000	844,564	655,436	0	Vacancy factor based upon 2023-24 experience. Has exceed planning value contributing to gap.
Community Services Non recurring :Other Prescribing	0 45,000	18,776 0	0 45,000	0 0	Community non-recurring fortuitous gain
Off Island Commissioned Healthcare Non-recurring:	336,339	336,339	0	0	Golden Jubilee Contract Orthopaedic Contract plus slippage on national developments in 2023-24
Surplus on Sale of St Olaf Street	50,000	0	0	50,000	
Procurement	7,278	7,278	0	0	
Endowment Funded MRI Travel Saving	290,594	290,594	0	0	Annual value of 550 MRI scans avoided in Aberdeen
Review of Technical issues from shared national suggestions	356,920	0	0	356,920	
Other planning gains non-recurrent	23,869	0	0	23,869	
Overall Total Non-Recurring Efficiency Savings Proposals	2,610,000	1,497,551	700,436	430,789	
Overall Total Efficiency Savings in Plan	4,482,000	2,027,900	904,911	1,567,965	

Appendix B continued

Table 6: 2024–25 Efficiency Savings Delivery Performance Analysed by Management Service Areas

Shetland Health Board Savings Plan 2024–25		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	805.0	229.0	69.4	131.9	290.6	221.7
Community Services	Director of Health & Social Care	786.7	604.0	229.0	259.0	95.0	266.5
Off Island Healthcare	Director of Finance	129.0	129.0	64.5	129.0	336.3	168.2
Public Health	Director of Public Health	0.0	0.0	0.0	0.0	0.0	152.5
Human Resources	Director of Human Resources	94.6	86.6	0.0	0.0	0.0	114.2
Chief Executive	Chief Executive	0.0	0.0	0.0	0.0	58.0	66.0
Medical Director	Medical Director	0.0	0.0	0.0	0.0	0.0	18.1
Estates	Head of Estates	0.0	0.0	0.0	0.0	0.0	18.2
Finance	Director of Finance	31.2	31.2	15.6	31.2	0.0	51.8
Board Wide / Reserves	Director of Finance	2,635.5	792.2	0.0	0.0	1,830.1	7.3
Overall Board Targets for 2024–25		4,482.0	1,872.0	378.5	551.1	2,610.0	1,084.5
Overall Target Achieved in 2024–25 (YTD)		1,463.0					
Overall Target Achieved in 2024–25 (FYE)		551.1					

Appendix B continued

Efficiency Savings Plan and Performance

Table 7: Shetland Health Board: Monthly Performance Analysis Savings Achieved versus Funding Gap for 2024–25—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	176.0	189.0	198.0	237.0	405.0	258.0						
Savings gap to close	359.0	359.0	359.0	297.0	289.0	332.0						
Surplus/ Deficit £	(183)	(170)	(161)	(60)	116	(74)						
Surplus / Deficit %	-51.0%	-47.4%	-44.8%	-20.2%	40.1%	-22.3%						
Year to date variance £	(183)	(353)	(514)	(574)	(458)	(532)						

Appendix C

NHS Shetland 2024–25 Scottish Government Allocation Received

Month	Narrative	Baseline	Non-recurring	Earmarked	AME	Net Running Total
May	Baseline Allocation	£62,389,000				£62,389,000
May	Recurring Allocation from 23/24	£5,799,836				£68,188,836
May	AfC Reform		£959,260			£69,148,096
May	Waiting times	£239,815				£69,387,911
May	Primary Care Phased Investment Programme		£365,000			£69,752,911
June	New Medicines Fund		£858,537			£70,611,448
June	Digital Health and Care Strategic Fund		£211,000			£70,822,448
June	IPACC Community Systems Funding		£13,384			£70,835,832
June	Primary Medical Services			£4,835,433		£75,671,265
June	Primary Care Improvement Fund Tranche 1			£851,656		£76,522,921
June	Primary Care Workforce and Rural Tranche 1		£239,000			£76,761,921
June	Out of Hours additional funding			£23,981		£76,785,902
June	General Medical Services with pension increase	£223,603				£77,009,505
June	General Dental Services	£16,068				£77,025,573
June	HCSA - NHS Board Implementation Leads		£44,325			£77,069,898
June	EiC - NHS Board Leads and eHealth Support	£49,771				£77,119,669
June	EiC - NHS Board Leads and eHealth Support		£1,727			£77,121,396
June	Open University Backfill - Q3&4 academic year 23/24		£50,000			£77,171,396
June	District Nursing	£51,000				£77,222,396
June	Administration of the Child Death Review Process	£3,969				£77,226,365
June	Scottish Vitamin Scheme - Healthy Start/Vitamin D			£2,169		£77,228,534
June	The Best Start: Continuity of carer and Bliss Baby Charter		£2,398			£77,230,932
June	Breastfeeding Projects		£0	£26,000		£77,256,932
June	Young Patients Family Fund - Tranche 1 funding		£39,216			£77,296,148
June	Pension Uplift	£651,161				£77,947,309
June	Collaborative Care Home Support Teams		£120,000			£78,067,309
June	SACT/Acute oncology	£22,187				£78,089,496

Month	Narrative	Baseline	Non-recurring	Earmarked	AME	Net Running Total
June	Long COVID Support Fund		£9,573			£78,099,069
June	Patient Advice and Support Service			-£2,788		£78,096,281
June	Urgent and Unscheduled Care Collaborative			£161,000		£78,257,281
June	Adjustment to STN baselined allocations (NoS)	£1,098				£78,258,379
June	Cancer Waiting Times	£51,000				£78,309,379
June	Enhanced Mental Health Outcomes Framework	£862,189				£79,171,568
June	Digital Mental Health Programme Licences and Support	£15,253		£0		£79,186,821
June	FVCV Delivery Allocation (staffing and venues)			£364,519		£79,551,340
June	ADP tranche 1 allocation & AfC uplift			£189,881		£79,741,221
June	ADP / PfG AfC uplift /recurring	£11,000				£79,752,221
June	Test and Protect 24-25 baselined funding	£12,600				£79,764,821
June	Adult weight management services and Type 2 Diabetes Prevention Framework	£131,600				£79,896,421
June	Children and young people's weight management services	£65,800				£79,962,221
July	RM Network costs and VBH&C Leadership Training		£40,000			£80,002,221
July	Hospital at Home - Older People		£185,628			£80,187,849
August	Pharmacy Contract £80m tariff transfer	(£303,192)				£79,884,657
September	Pharmacy Foundation Training Year Salaries			-£18,919		£79,865,738
September	Mental Health Pharmacy Funding			£12,317		£79,878,055
September	Digital Health & Care Integrated Primary and Community Care		£18,922			£79,896,977
September	Children's Hospices Across Scotland		-£33,574			£79,863,403
September	NSD- Non-Recurring Risk Share Top-Slice		-£282,477			£79,580,926
September	NSD- Recurring Risk Share Top-Slice	-£8,052	£0			£79,572,874
September	NSS- Logistics Top-slice	£0	-£69,000			£79,503,874
September	Discovery Benchmarking - PHS	-£2,685	£0			£79,501,189
September	Shortened Midwifery Programme backfill Q2, FY24/25		£7,500			£79,508,689
September	Dementia - Post Diagnostic Support Services		£16,787			£79,525,476
September	Additional PPE usage	£53,856				£79,579,332
September	PPE-Non-Recurring- Face Mask Fitting Q1- 2024/25		-£864			£79,578,468

