

NHS Shetland

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| Meeting: | Board |
| Meeting date: | 26 April 2022 |
| Agenda reference: | Board Paper 2022/23/03 |
| Title: | 2021-22 Financial Performance Management Report Update – Month 11, February 2022 |
| 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 the Board of the expenditure against Revenue Resource Limit at month eleven, February, for 2021-22. It highlights financial issues together with the actions required to manage these to ensure the year-end out-turn meets the Board's statutory obligation to breakeven.

The Board is asked to note the position at month 11, February 2022.

Due to Covid-19 funding the Board will break even in 2021-22. However there are underlying pressures in our local service models that will need addressed in 2022-23.

2.2 Background

In 2021-22, whilst addressing local issues to manage Covid-19 pandemic, 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 summary financial points at month 11 are:

- Appendix A, financial summary statement shows a £0.7M over spend year to date, this represents a 1.0% 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 £1.9m over spent;
- Appendix A, as outlined in Table 3 shows a deficit in efficiency savings achieved to date of £0.8m is the other main contributing factor to the deficit; and
- Appendix B, NHS Shetland confirmed funding allocation as at month 11 is £80.7M. This includes £8.7m in respect of Covid-19 pandemic response.

2.3 Assessment

2.3.1 Quality/ Patient Care

Patient care is being maintained by the use of locum and agency staff to maintain safe staffing models 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. This should 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 2021-22 and beyond, 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. Summary of these costs are highlighted in Table 1.

| | Medical Staff £000's | Nursing / Other £000's | Total £000's |
|-------------------------------|-------------------------|---------------------------|-----------------|
| Acute and Specialist Services | 1,100 | 0 | 1,100 |
| Community Health | 1,195 | 353 | 1,548 |
| Total | 2,295 | 353 | 2,648 |

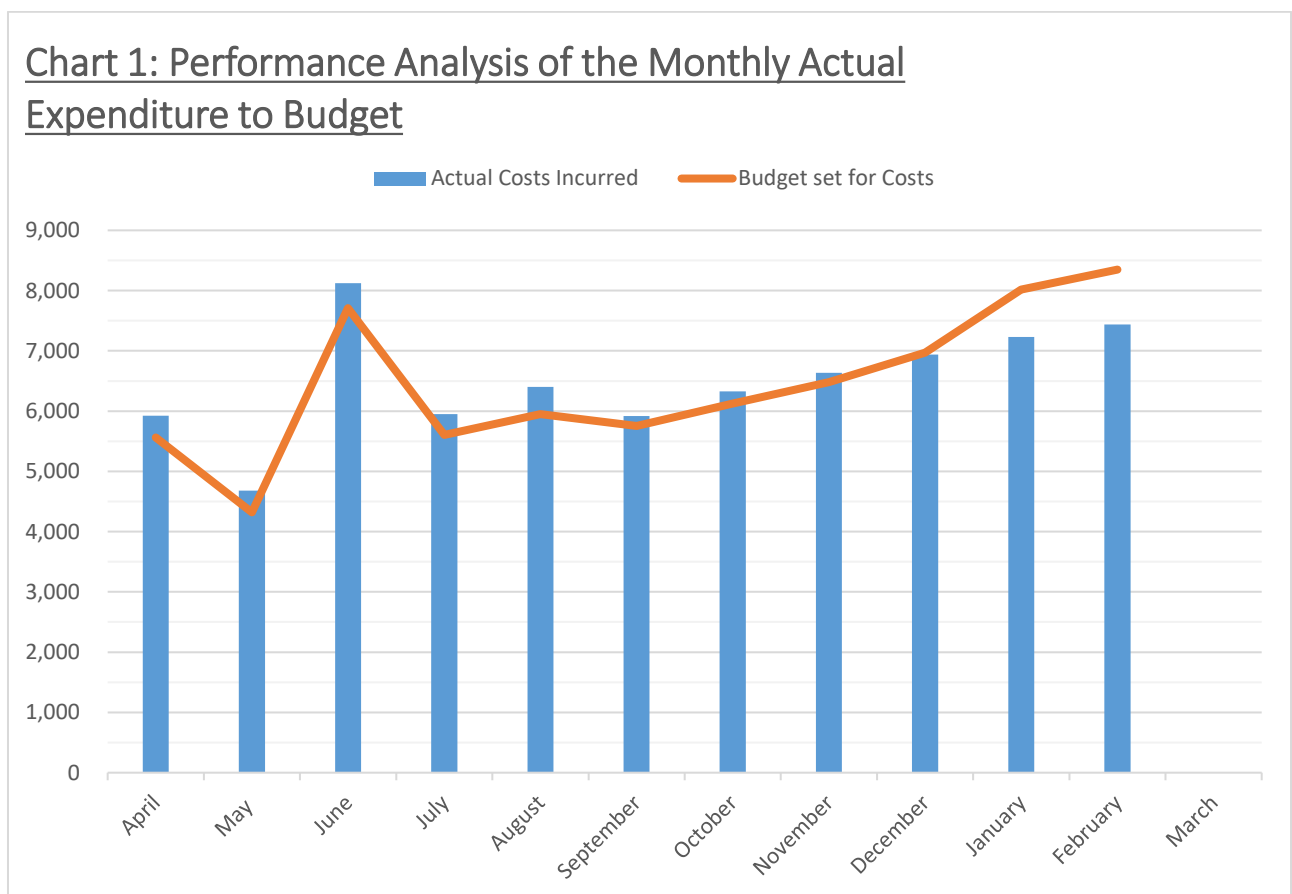
Until there is recruitment to fill the substantive GP vacancies, Consultant vacant posts in Mental Health, General Medicine and Anaesthetic Services and Nursing there will be continuing cost pressures arising from additional costs incurred. Recruitment to these post may be challenging but will be essential to successfully resolve this resource pressure.

At month 11 the actual expenditure on locum and agency staff totals £7.2m. The summary split of this is shown in Table 2. Staff vacancies fund part of these costs along with Covid-19 resources as outlined in Table 2 leaving 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 Covid-19 | Net Cost |
| | £000's | £000's | £000's | £000's |
| Consultant Locums | 2,074 | 1,008 | 84 | 982 |
| Consultant Agency | 1,193 | 106 | 482 | 605 |
| Agency Nursing | 2,034 | 314 | 1,367 | 353 |
| Agency General Practitioners | 1,717 | 872 | 137 | 708 |
| Other Staff Groups | 172 | 95 | 77 | 0 |
| Grand Total | 7,190 | 2,395 | 2,147 | 2,648 |

2.3.3 Financial

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 due to use of locum and agency staff and shortfall on efficiency savings target as highlighted in chat 2.



In non-pay there is an offset under spend of £0.6m in patient travel costs. This 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.

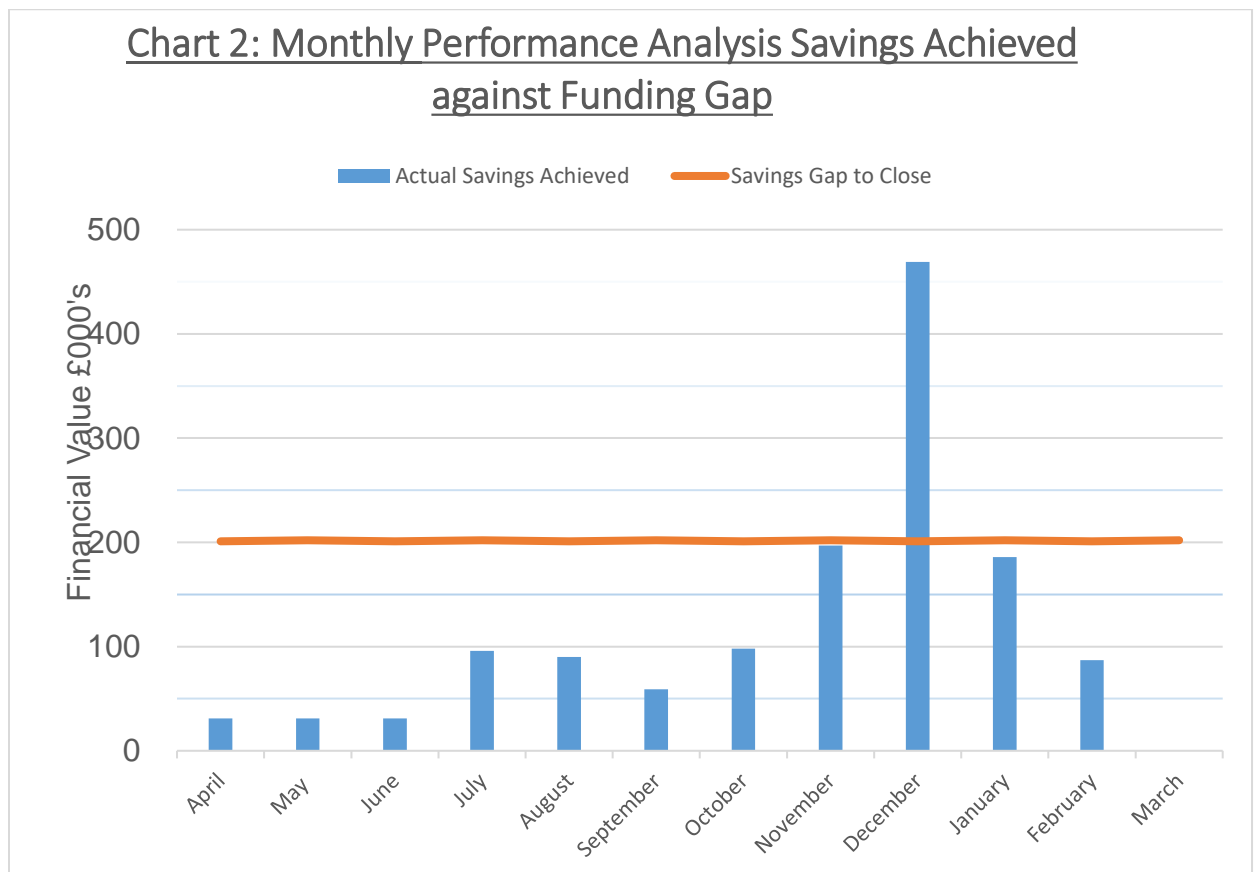
The other main under spend in month 11 is that Board is starting to recognise commitments against budgets are likely to not materialise as enough information is available to prudently reach that conclusion.

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.

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.

To achieve the 2021-22 annual target of just over £2.4m requires just over £200k to be achieved each month. At the month 11 there is still a balance of £0.9m to address as outstanding in the current year.

Recurrent schemes currently in place have an annual value that total £649k. This is only 27.4% of the annual target. Therefore at present there is a balance of £1.8m being carried in to 2022-23.



The reason that December 2021 shows a surplus in efficiency savings being made is due to Community Services recognising non-recurring saving made in the year.

2.3.4 Risk Assessment/Management

There is risk to the sustainability of the Board if sustainable models of care that have pathways that sustainable staffing that ensure sufficient organisational capacity and resilience within available resources.

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.

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 the Board.

2.3.8 Route to the Meeting

This report was not considered by other committees prior to submission to the Board.

2.4 Recommendation

- **Awareness –**

This report is for Board Members' information only and to stimulate discussion on our forward actions.

There are two action that EMT will need to review and address in the short to medium term:

1. How recruitment plan and process can be put in place to successful recruit to the key vacant posts; and
2. Identify projects to address the recurrent savings targets public bodies are expected to achieve each year.

3 List of appendices

The following appendices are included with this report:

- Appendix No A , 2021–22 Financial Statement Year to date Out-turn at Month 11
- Appendix No B, NHS Shetland 2021–22 Scottish Government Allocation Received

Appendix A

NHS Shetland

2021–22 Financial Statement Year to date Out-turn at Month 11

| | Annual Budget | Year to Date Budget as at Month 11 | Expenditure at Month | Variance |
|-----------------------------|---------------|------------------------------------|----------------------|-------------|
| | 2021–22 | 2021–22 | 2021–22 | 2021–22 |
| Funding Sources | | | | |
| Core RRL | £53,883,565 | £49,393,268 | £49,393,268 | £0 |
| Earmarked | £9,536,754 | £8,742,025 | £8,742,025 | £0 |
| Non Recurrent | £15,507,897 | £11,130,096 | £11,130,096 | £0 |
| AME Depreciation | £1,721,290 | £1,577,849 | £1,577,849 | £0 |
| AME Other | £20,000 | £0 | £0 | £0 |
| Other Operating Income | £2,647,342 | £2,527,670 | £2,639,769 | £112,099 |
| Gross Income | £83,316,848 | £73,370,908 | £73,483,007 | £112,099 |
| Resource Allocations | | | | |
| Pay | £44,916,602 | £41,620,729 | £43,569,923 | -£1,949,194 |
| Drugs & medical supplies | £8,523,790 | £7,925,898 | £8,041,731 | -£115,833 |
| Depreciation | £1,721,290 | £1,577,849 | £1,577,849 | £0 |
| Healthcare purchases | £13,037,374 | £11,901,256 | £11,554,120 | £347,136 |
| Patient Travel | £2,233,732 | £2,001,221 | £1,410,251 | £590,970 |
| FMS Expenditure | £1,464,541 | £1,160,220 | £1,099,301 | £60,919 |
| AME Other Expenses | £20,000 | £0 | £0 | £0 |
| Other Costs | £12,286,712 | £8,024,954 | £6,947,192 | £1,077,762 |
| Gross expenditure | £84,204,041 | £74,212,127 | £74,200,367 | £11,760 |
| Funding Gap | -£887,193 | -£841,219 | -£717,360 | |

Appendix A continued

| Shetland NHS Board Financial Position as at the end of December 2021 | WTE | | Annual Budget | 2021–22 Month 11 Position | | |
|---|--------|-----------------|---------------|---------------------------|-------------|----------------------------|
| | Budget | Year to Date | | Budget | Actual | Variance (Over) / Under |
| Acute and Specialist Services | 247.90 | 249.90 | £19,365,994 | £17,540,710 | £18,828,508 | (£1,287,798) |
| Community Health and Social Care | 258.42 | 230.74 | £25,501,425 | £23,207,180 | £24,577,141 | (£1,369,961) |
| Commissioned Clinical Services | 3.43 | 3.36 | £13,462,725 | £12,189,329 | £11,228,808 | £960,521 |
| Sub-total Clinical Services | 509.75 | 483.99 | £58,330,144 | £52,937,219 | £54,634,457 | (£1,697,238) |
| Dir Public Health | 12.76 | 54.64 | £2,919,692 | £2,827,585 | £2,739,437 | £88,148 |
| Dir Finance | 17.42 | 46.89 | £2,384,611 | £2,237,145 | £2,114,878 | £122,267 |
| Reserves | 0.00 | 0.00 | £4,730,562 | £250,616 | (£708,141) | £958,757 |
| Medical Director | 7.04 | 7.40 | £455,689 | £414,879 | £390,255 | £24,624 |
| Dir Human Res & Support Services | 34.49 | 41.29 | £3,185,144 | £2,782,324 | £2,981,459 | (£199,135) |
| Head of Estates | 75.33 | 76.04 | £5,741,330 | £6,725,357 | £6,872,480 | (£147,123) |
| Office of the Chief Executive | 24.04 | 19.94 | £2,922,334 | £2,668,113 | £2,535,773 | £132,340 |
| Overall Financial Position | 680.83 | 730.20 | £80,669,506 | £70,843,238 | £71,560,598 | (£717,360) |

Appendix A continued

Table 2: Shetland Health Board: Monthly Analysis of Expenditure versus Budget for 2021–22—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 | 5,925 | 4,679 | 8,121 | 5,950 | 6,401 | 5,919 | 6,327 | 6,634 | 6,939 | 7,230 | 7,436 | |
| Budget set for costs | 5,562 | 4,320 | 7,708 | 5,605 | 5,951 | 5,755 | 6,124 | 6,483 | 6,971 | 8,015 | 8,349 | |
| Surplus/ Deficit £ | (363) | (359) | (413) | (345) | (450) | (164) | (203) | (151) | 32 | 785 | 913 | |
| Surplus / Deficit % | -6.5% | -8.3% | -5.4% | -6.2% | -7.6% | -2.8% | -3.3% | -2.3% | 0.5% | 9.8% | 10.9% | |
| Year to date variance £ | (363) | (722) | (1,135) | (1,480) | (1,930) | (2,094) | (2,297) | (2,448) | (2,416) | (1,631) | (718) | |
| % Year to date variance | -6.5% | -7.3% | -6.5% | -6.4% | -6.6% | -6.0% | -5.6% | -5.2% | -4.4% | -2.6% | -1.0% | |

Appendix A continued

Table 3: Shetland Health Board: Monthly Performance Analysis Savings Achieved versus Funding Gap for 2021–22—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 | 31 | 31 | 31 | 96 | 90 | 59 | 98 | 197 | 202 | 186.0 | 87.0 | |
| Savings gap to close | 201 | 202 | 201 | 202 | 201 | 202 | 201 | 202 | 201 | 202 | 201 | |
| Surplus/ Deficit £ | (170) | (171) | (170) | (106) | (111) | (143) | (103) | (5) | 1 | (16) | (114) | |
| Surplus / Deficit % | -84.6% | -84.7% | -84.6% | -52.5% | -55.2% | -70.8% | -51.2% | -2.5% | 0.5% | -7.9% | -56.7% | |
| Year to date variance £ | (170) | (341) | (511) | (617) | (728) | (871) | (974) | (979) | (978) | (727) | (841) | |

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 | 407.1 | 374.3 | 393.6 | 409.7 | 324.3 |
| Community Services | Director of Health & Social Care | 562.3 | 180.0 | 165.0 | 180.0 | 382.3 | 374.9 |
| Off Island Healthcare | Director of Finance | 0.0 | 0.0 | 0.0 | 0.0 | 20.0 | 18.3 |
| Public Health | Director of Public Health | 0.0 | 0.0 | 0.0 | 0.0 | 12.4 | 11.4 |
| 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 | 9.7 |
| Medical Director | Medical Director | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Estates | Head of Estates | 16.0 | 16.0 | 14.6 | 16.0 | 16.0 | 16.0 |
| Finance | Director of Finance | 0.0 | 0.0 | 0.0 | 0.0 | 17.2 | 15.7 |
| Board Wide / Reserves | Director of Finance | 722.9 | 59.4 | 50.8 | 59.4 | 0.3 | 0.0 |
| Overall Board Targets for 2021–22 | | 2,417.8 | 662.5 | 604.7 | 648.9 | 868.4 | 770.4 |
| Overall Target Achieved in 2021–2 (YTD) | | 1,375.0 | | | | | |
| Overall Target Achieved in 2021–22 (FYE) | | 648.9 | | | | | |

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 | 3,040 | 1,625 | 4,665 | 1,958 | 3,338 | 1,767 | 5,105 | 2,118 |
| Offsetting reductions | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Unachieved savings | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Net Covid-19 impact | 3,040 | 1,625 | 4,665 | 1,958 | 3,338 | 1,767 | 5,105 | 2,118 |

Appendix B

NHS Shetland 2021–22 Scottish Government Allocation Received

| Month | Narrative | Baseline | Earmarked | Non-recurring | AME | Net Running Total |
|------------------|--|-------------|------------|---------------|-----|-------------------|
| April | Baseline allocation | £54,633,610 | - | - | - | £54,633,610 |
| June to December | Various other allocations to December 2021 | £1,011,503 | £6,365,510 | £12,740,441 | - | £74,751,064 |
| January | Young Patients Family Fund | - | - | £7,196 | - | £74,758,260 |
| January | Improvements to forensic medical services | - | - | -£10,200 | - | £74,748,060 |
| January | NHS Board international recruitment costs | - | - | £120,000 | - | £74,874,060 |
| January | Young Patients Family Fund | - | - | £20,376 | - | £74,894,436 |
| January | Primary Care Improvement Fund: Tranche 2 | - | £378,540 | - | - | £75,272,976 |
| January | GP Premises Improvement - Second Tranche | - | - | £7,327 | - | £75,280,303 |
| January | Mobile Theatre additional Ortho cases | - | - | £504,190 | - | £75,784,493 |
| January | GP Practices – Sustainability Payment | - | - | £74,744 | - | £75,859,237 |
| January | NSD Pay Uplift | -£13,759 | - | - | - | £75,845,478 |
| January | NSD - Burns hub handback | - | - | £6,993 | - | £75,852,471 |
| January | Arcus Training - phase 3 and, or 4 | - | - | -£6,346 | - | £75,846,125 |
| January | Positron Emission Tomography Scans - Adjustment | - | - | -£47,314 | - | £75,798,811 |
| January | Diabetic Technologies | - | - | £58,809 | - | £75,857,620 |
| January | SLA Children's Hospices Across Scotland | - | - | -£29,306 | - | £75,828,314 |
| January | Mental Health Strategy Action 15 Workforce - Tranche 2 | - | £73,902 | - | - | £75,902,216 |
| January | Discovery 2021-22 | - | -£2,833 | - | - | £75,899,383 |
| January | Covid-19 PPE Funding | - | - | £10,000 | - | £75,909,383 |
| January | Further 2021-22 Covid-19 Funding | - | - | £4,053,000 | - | £79,962,383 |
| January | Covid and Extended Flu Vaccinations | - | - | £305,000 | - | £80,267,383 |
| January | Test & Protect | - | - | £250,000 | - | £80,517,383 |
| February | Task Force Funding to ADPs | - | - | £29,306 | - | £80,546,689 |
| February | Improvements to forensic medical services | - | - | £10,298 | - | £80,556,987 |

| Month | Narrative | Baseline | Earmarked | Non-recurring | AME | Net Running Total |
|----------|--|----------|-----------|---------------|-----|-------------------|
| February | Audiology Equipment | - | - | 1,000 | - | £80,557,987 |
| February | Out of Hours additional Urgent Support 2021-22 | - | - | 25,000 | - | £80,582,987 |
| February | ScotSTAR Topslice | (26,499) | - | - | - | £80,556,488 |
| February | National Distribution Centre - Top-slice | - | (45,171) | - | - | £80,511,317 |
| February | GP Minimum Earnings Expectation 2021-22 | - | - | 154,311 | - | £80,665,628 |