

NHS Shetland

Meeting:	Board
Meeting date:	20 September 2022
Agenda reference:	Board Paper 2022/23/35
Title:	2022-23 Financial Performance Management Report Update – Month 4, July 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 four, July, for 2022-23. 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 4, July 2022, is £2.1m over spent.

There are underlying work force pressures in our local service models causing this over spend. These will need addressed in 2022-23 if statutory obligation is to be met. Board has advised the Scottish Government our yearend forecast currently is £4.0m over spent.

2.2 Background

In 2022-23, whilst addressing local issues 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.

The summary financial points at month 4 are:

- Appendix A, financial summary statement shows a £2.1m over spend year to date, this represents a 8.6% 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 £1.7m over spent;
- Appendix B, NHS Shetland confirmed funding allocation as at month 4 is £57.1M.

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 2022-23 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 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	505	346	851
Community Health	665	35	700
Total	1,170	381	1,551

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. Recruitment to these post may be challenging but will be essential to successfully resolve this resource pressure. The current £4.0m yearend forecast overspend is due to these costs.

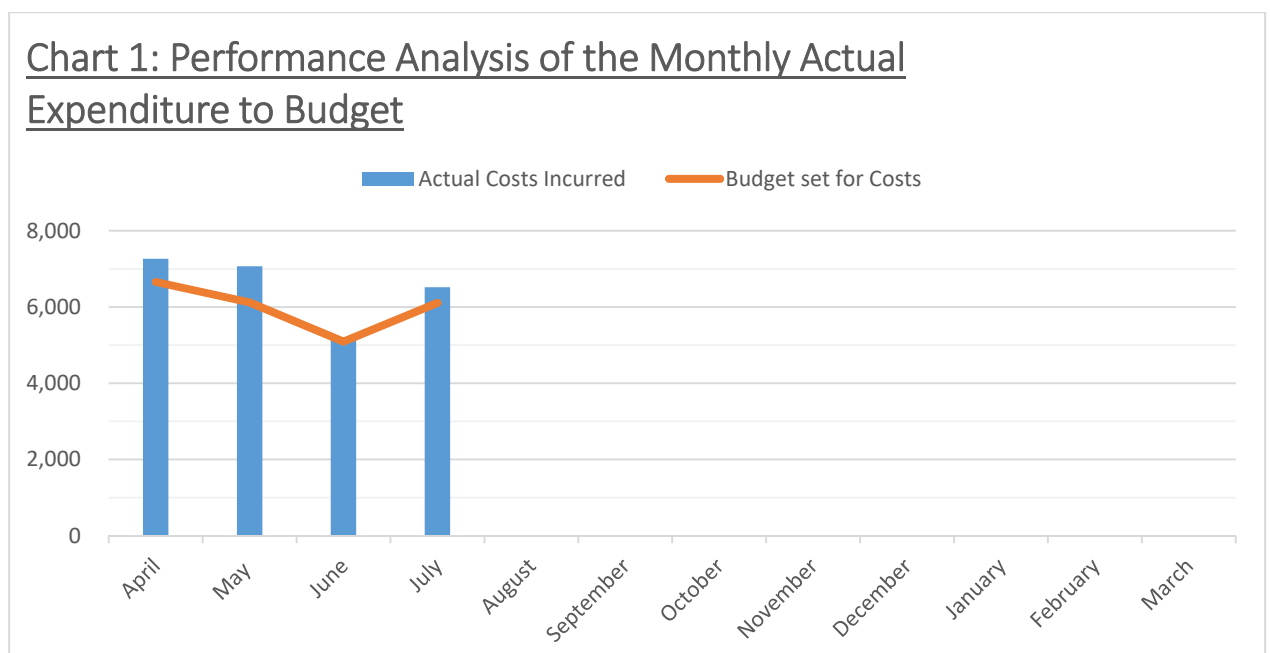
At month 4 the actual expenditure on locum and agency staff totals £2.9m. The summary split of this is shown in Table 2. Staff vacancies fund part of these costs along with Covid-19 resources as outlined in Table 2 leaving the cost pressure identified in Table 1.

Staff Group Analysis	Cost	Funding Via Vacancies	Funding via Covid-19	Net Cost
	£000's	£000's	£000's	£000's
Consultant Locums	910	389	7	514
Consultant Agency	293	0	80	213
Agency Nursing	838	73	508	257
Agency General Practitioners	607	164	0	443
Other Staff Groups	207	38	45	124
Grand Total	2,855	664	640	1,551

However 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. 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. 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.

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.

In non-pay there is an offset under spend of £0.1m 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. However each year Loganair increase their tariff from 1 December and use the July RPI value as the basis for the uplift. In July 2022 the RPI was 12.3%.

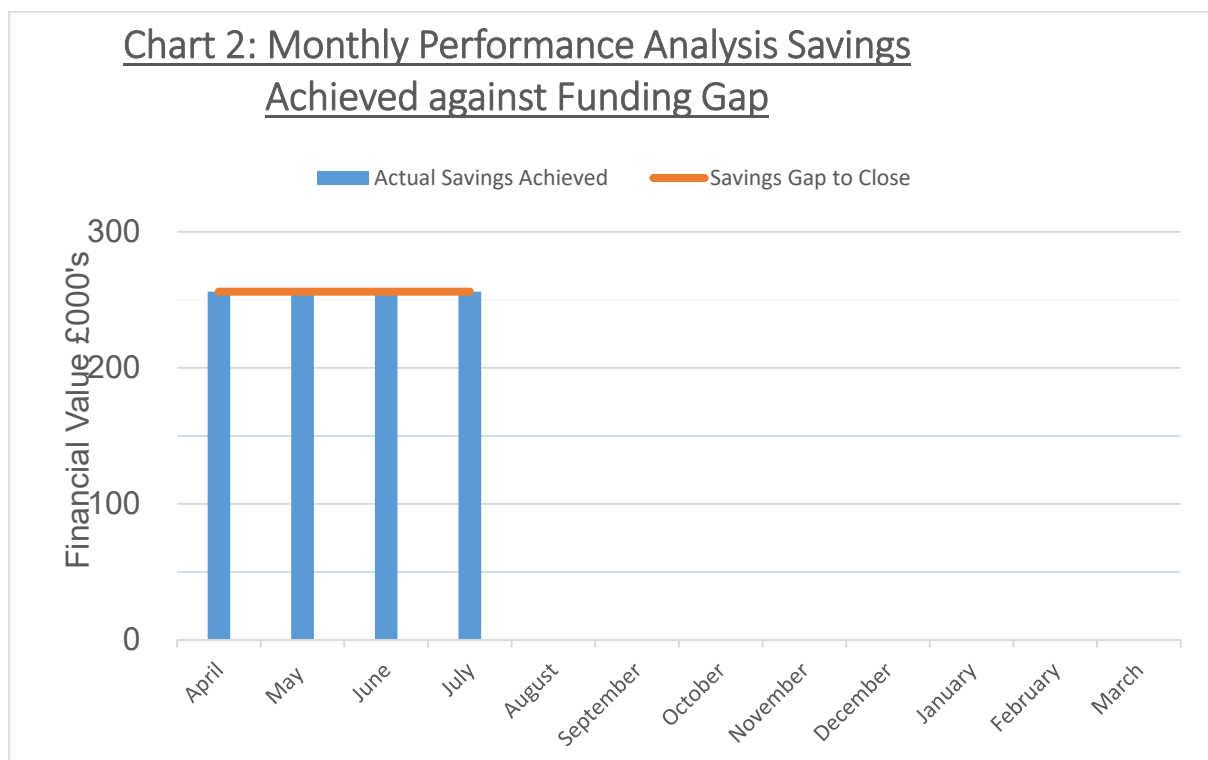
The other main over spend as at month 4 is £200k cost pressure arising from the travel and accommodation expenses associated with temporary visiting staff.

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 2022-23 annual target of just over £3.1m we require to be achieving £256k each month. At month 4 the year to date target has been met. Mainly due to the phasing of non-recurrent financial technical issues gains whilst work to address the outstanding balance due in the current year occurs.

Recurrent schemes currently in place have an annual value that total £418.8k. This is only 13.6% of the annual target. Therefore at present there will a balance of unachieved savings being carried in to 2023-24.



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 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 collective forward actions to ensure sustainable local healthcare provision for our community here in Shetland.

There are two action that EMT and Board 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 , 2022–23 Financial Statement Year to date Out-turn at Month 4
- Appendix No B, NHS Shetland 2022–23 Scottish Government Allocation Received

Appendix A

NHS Shetland

2022–23 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
	2022–23	2022–23	2022–23	2022–23
Funding Sources				
Core RRL	£55,173,819	£18,391,273	£18,391,273	£0
Earmarked	£7,251,032	£2,417,011	£2,417,011	£0
Non Recurrent	£6,941,647	£2,520,349	£2,520,349	£0
AME Depreciation	£1,852,111	£636,517	£636,517	£0
AME Other	£56,000	£11,940	£11,940	£0
Other Operating Income	£3,097,204	£1,380,046	£1,438,023	£57,977
Gross Income	£74,371,813	£25,357,136	£25,415,113	£57,977
Resource Allocations				
Pay	£40,372,490	£14,309,670	£16,009,513	(£1,699,843)
Drugs & medical supplies	£3,789,559	£1,195,618	£1,129,075	£66,543
Depreciation	£1,852,111	£636,517	£653,438	(£16,921)
Healthcare purchases	£12,955,889	£4,227,510	£4,452,794	-£225,284
Patient Travel	£2,077,733	£644,490	£527,361	£117,129
FMS Expenditure	£1,267,361	£388,394	£317,301	£71,093
AME Other Expenses	£56,000	£11,940	£11,940	£0
Other Costs	£13,762,970	£3,942,997	£4,378,292	(£435,295)
Gross expenditure	£76,134,113	£25,357,136	£27,479,714	(£2,122,578)
Funding Gap	(£1,762,300)	£0	(£2,064,601)	

Appendix A continued

Shetland NHS Board Financial Position as at the end of July 2022	WTE		Annual Budget	2022-23 Month 4 Position		
	Budget	Year to Date		Budget	Actual	Variance (Over) / Under
Acute and Specialist Services	248.18	272.05	£17,500,177	£6,175,670	£7,637,763	(£1,462,093)
Community Health and Social Care	260.05	240.05	£24,053,035	£7,982,554	£8,684,940	(£702,386)
Commissioned Clinical Services	3.77	3.65	£13,559,268	£4,307,655	£4,065,531	£242,124
Sub-total Clinical Services	512.00	515.75	£55,112,480	£18,465,879	£20,388,234	(£1,922,355)
Dir Public Health	28.94	50.61	£1,440,807	£862,328	£825,322	£37,006
Dir Finance	17.57	16.65	£1,250,350	£414,767	£364,567	£50,200
Reserves	0.00	0.00	£2,400,012	(£663,536)	(£920,818)	£257,282
Medical Director	8.04	8.02	£504,903	£163,498	£156,933	£6,565
Dir Human Res & Support Services	38.49	39.75	£3,069,871	£1,073,820	£1,102,175	(£28,355)
Head of Estates	76.53	83.09	£4,323,036	£2,585,586	£3,020,014	(£434,428)
Office of the Chief Executive	24.34	21.07	£3,173,150	£1,074,750	£1,105,266	(£30,516)
Overall Financial Position	705.91	734.94	£71,274,609	£23,977,092	£26,041,693	£2,064,601

Appendix A continued

Table 2: Shetland Health Board: Monthly Analysis of Expenditure versus Budget for 2022–23—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	7,266	7,070	5,185	6,521								
Budget set for costs	6,658	6,122	5,091	6,106								
Surplus/ Deficit £	(608)	(948)	(94)	(415)								
Surplus / Deficit %	-9.1%	-15.5%	-1.8%	-6.8%								
Year to date variance £	(608)	(1,556)	(1,650)	(2,065)								
% Year to date variance	-9.1%	-12.2%	-9.2%	-8.6%								

Appendix A continued

Table 3: Shetland Health Board: Monthly Performance Analysis Savings Achieved versus Funding Gap for 2022–23—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	256.0	256.0	256.0	256.0								
Savings gap to close	256.0	256.0	256.0	256.0	256.0	256.0	256.0	256.0	256.0	256.0	256.0	256.0
Surplus/ Deficit £	0	0	0	0								
Surplus / Deficit %	0.0%	0.0%	0.0%	0.0%								
Year to date variance £	0	0	0	0								

Appendix A continued

Table 4: 2022–23 Efficiency Savings Delivery Performance Analysed by Management Service Areas

Shetland Health Board Savings Plan 2022–23		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	676.7	100.4	0.0	0.0	140.0	0.0
Community Services	Director of Health & Social Care	382.3	239.3	19.0	151.1	0.0	0.0
Off Island Healthcare	Director of Finance	0.0	262.1	87.4	262.1	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	41.7	0.0
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	0.0
Finance	Director of Finance	0.0	5.6	1.9	5.6	0.0	0.0
Board Wide / Reserves	Director of Finance	1,975.6	0.0	0.0	0.0	1,633.1	915.7
Overall Board Targets for 2022–23		3,071.8	607.4	108.3	418.8	1,814.8	915.7
Overall Target Achieved in 2022–23 (YTD)		1,024.0					
Overall Target Achieved in 2022–23 (FYE)		418.8					

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	585	530	1,115	216	1,300	1,254	2,554	540
Offsetting reductions	0	0	0	0	0	0	0	0
Unachieved savings	0	0	0	0	0	0	0	0
Net Covid-19 impact	585	530	1,115	216	1,300	1,254	2,554	540

Appendix B

NHS Shetland 2022–23 Scottish Government Allocation Received

Month	Narrative	Baseline	Earmarked	Non-recurring	AME	Net Running Total
June	Baseline allocation	£56,991,000	-	-	-	£56,991,000
June	2021-22 Recurring Allocation - Adjustment	£34,930	-	-	-	£57,025,930
June	Long Covid Support Fund	-	-	£9,573	-	£57,035,503
July	Naloxone for Police Scotland officers	-	-	£1,820	-	£57,037,323
July	Two quarterly payments for OU students	-	-	£40,000	-	£57,077,323