

# **NHS Western Isles**

## **Financial Monitoring Report for the 3 months to 30<sup>th</sup> June 2021**

### **Introduction**

The financial monitoring report provides an overview of the Board's financial position at the end of June 2021. It contains the following sections:

1. Key Figures and Comments
2. Income and Expenditure
3. Chief Executive's budgets
4. Director of Finance's budgets
5. Director of Public Health's budgets
6. Director of Human Resources' budgets
7. Medical Director's budgets
8. Nurse Director – SOD Management budgets
9. Nurse Director – Facilities budgets
10. Nurse Director – Secondary Care budgets
11. Chief Officer – Primary Care
12. Chief Officer – Adult Mental Health budgets
13. Chief Officer – Dental Services budgets
14. Chief Officer – Associate Medical Director budgets
15. Chief Officer – Alcohol and Drugs Partnership
16. Chief Officer – Acute Set Aside budgets
17. Financial Efficiency Plan
18. Capital
19. Risks

Glossary of Terms

## **1. Key Figures and Comments**

- 1.1 This report reflects the spend to date (as recorded in the Board's financial systems) and explains any recurring cost pressures and non recurring cost pressures variances which have arisen in the first 3 months of the year which are likely to have an impact on our year end outturn.
- 1.2 At 30<sup>th</sup> June 2021 the Board is showing an in year underspend of £410k and at year end the Board is showing a break-even position assuming the Board receives funding for all projected Covid-19 spend. The Board however will only claim costs incurred and there may be slippages in some of the expenditure lines. Covid-19 actual costs will be reviewed monthly, as there will be Covid-19 costs sitting in other services.

### Covid-19 Funding

- 1.3 The Board has received the following Covid-19 Funding to date:

- Test and Protect £266k
- Covid-19 and Extended Flu Vaccination £232k
- Q1 Covid-19 Funds £436k

The Board has also received a letter allowing the Board to draw down funds of £626k from the Scottish Community Testing Programme. The Covid-19 spend to date is £388k and we are projecting a spend of £4,402k.

- 1.4 Within the Board's projection of break-even is the assumption NHS Western Isles will get full funding to compensate for increased actual costs however it is very difficult at quarter 1 to predict likely expenditure. The outturn costs for Covid-19 are very dependent on guidance from Scottish Government and Public Health Scotland, local outbreaks, vaccination programme, track and trace requirements and extended local testing programme. The Board will monitor costs carefully on a month by month basis.

### Remobilisation

- 1.5 The Board anticipates using the budgeted Waiting Time allocation and the extra funding supplied to ensure that we can start reducing the waiting times lists, Urology, Scopes, MRI Scans for example. The Board may need further private care urgent MRI scans towards the end of the year not included in initial funding provided.
- 1.6 The Board is dependent on the ability of other Boards to continue providing services for NHS Western Isles' patients. This may affect the Board's ability to provide treatment for its residents as we are dependent on other Board's remobilisation.
- 1.7 Work will need to be undertaken once the NHS has remobilised to look at the base of the Board's two major 3 year SLA as previous supply and demand will be out of date and from March 2020 to possibly March 2023 or more referral data will not be able to be used. This however may be a good opportunity to review patient pathways and update SLA written 20 years ago to ensure smoother referrals for our patients.

- 1.8 NHS Western Isles has made a decision to purchase and provide a MRI service if capital funding is available to relieve pressure on mainland Board capacity and provide a more efficient and timely diagnostic service for its patients and avoid travelling to mainland.

#### Main Cost Pressures

- 1.9 *OOH* – There is an identified pressure of £200k in the Boards OOH service for both managing St Brendans hospital and for the normal GP OOH service. An option paper has been drawn up and we are hoping to put in place a cost neutral solution if recruitment is possible. The projected overspend has assumed the solution will be in place by October 2021. If there are delays this overspend may increase.
- 1.10 *Acute Nursing* – There are emerging pressures on the Acute Nursing budget due to known pressures in our Renal service as the aging population has grown requiring more staff to manage the increased number of patients. A review is taking place on projected bank costs in other ward areas as there is some Covid-19 costs that need to be transferred out of Acute Nursing and we are expecting the pressures to ease but not necessary bring back to budget as there is high levels of sickness in some wards.
- 1.11 *Laboratory* – The laboratory is under pressure both financial and workforce related. We have some vacancies being covered by agency staff, which are at a premium due to Covid-19 testing requirements UK wide.
- 1.12 *Community Hospitals* - There is a projected overspend of £194k due to the use of agency staff and bank to cover vacancies and sickness. The staffing costs will be reviewed to ensure there are no vaccination costs that need to be transferred to Covid-19 funds.

#### Savings

- 1.13 The Board had £4.410m of savings of which £0.990m was unidentified. Work is underway and the Board is confident by month 4 they will reduce the unidentified savings considerably albeit in a non-recurring manner. Some of the high value savings are on target to be achieved and at present we are assuming all savings will be achieved. Savings will be monitored in detail on a month by month basis.

#### Emerging Issues

- 1.14 As per remobilisation plans social distancing will continue to have an effect on the number of operations and treatments we provide and what can be provided through our SLA partners.
- 1.15 The continuing increase in PACS drugs costs are being reviewed and if price rises continue this will affect the budget going forwards into future years.
- 1.16 The biggest issue the Board faces is that we have an ageing workforce (with comparable health at work challenges), general depopulation across the islands, and a shrinking working age population, it is crucial that we take proactive steps to address our workforce challenges across both Social Care and Health.

In the absence of this, we will find services increasingly unable to function at optimal levels. Reducing the trend and improving the population demographics cannot be undertaken by NHS Western Isles alone and would need intervention and aid from all partners and the Scottish Government. Where work force challenges result from a national shortage of clinical specialists the Executive team work in partnership with other Scottish Boards looking to provide services differently and where we have been successful is up-skilling our own staff.

#### Capital

- 1.17 The Board's baseline Capital Resource Limit (CRL) for 2021/2022 is £1.233million. In July 2021, £400,000 of additional capital resource was allocated to the Board for replacing the scope service in OUAB. At the beginning of the financial year, the Board's capital programme was overcommitted by £400k; although still a significant amount, due to additional funding received in 2020/2021, the Board were able to address some key capital risk areas and reduce the ongoing pressures present around capital requirement and resource.
- 1.18 Projects have been prioritised and we have brought forecast spend back within the CRL. In order to get to that balanced financial position in 2020/2021, £410k of projects were placed on a 'deferred list', should funding become available in the year (either through local slippage on prioritised projects or further central funding allocated) these projects will go ahead. The nature of these projects is urgent but not yet at a critical level of risk in terms of patient safety and continuation of service. Further details are in section 18 of this report.

**2. Income and Expenditure Summary**

Sections 2-16 of this report provide further detail on the operational position.

Income & Expenditure at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
<b>RRL Allocations</b>	21,303	21,205	98	102,111	102,111	0
<b>Expenditure</b>						
Chief Executive	359	367	(8)	2,582	2,583	(1)
Director of Finance	795	762	33	4,894	4,900	(6)
Director Public Health	486	478	8	2,412	2,426	(14)
Director of Human Resources	191	184	7	800	838	(38)
Medical Director	1,872	1,701	171	7,640	7,633	7
Nurse Director						
SOD Management	357	367	(10)	1,422	1,436	(14)
Facilities	1,638	1,506	132	6,552	6,704	(152)
Secondary Care	6,489	6,615	(126)	25,955	26,545	(590)
Chief Officer IJB						
Primary Care	2,617	2,493	124	13,923	14,047	(124)
Dental Services	815	828	(13)	2,793	2,857	(64)
Mental Health Services	794	675	119	3,172	3,266	(94)
Medical inc GMS/FHS	2,872	2,943	(71)	15,944	16,146	(202)
Alcohol & Drugs Partnership	169	152	17	576	576	0
Acute Set Aside	1,774	1,746	28	7,096	7,378	(282)
Budgets held centrally	75	-	75	1,948	374	1,574
Covid Funding	-	388	(388)	4,402	4,402	0
	<b>21,303</b>	<b>21,205</b>	<b>98</b>	<b>102,111</b>	<b>102,111</b>	<b>-</b>

- 2.1 The above table shows the Board's overall spending position at the end of month 3 and the year end projection, analysed by Executive Lead. Subsequent sections give more detail on each of the lines shown above. Please note the Board has now received funding for the pay award but at the time of completing this report it had not been allocated to services but was held centrally. By month 4 the pay awards will be funded and will smooth out some of the variances shown.

**3. Chief Executive**

Chief Executive at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Chief Executive Office	331	342	(11)	2,470	2,471	(1)
Non- Executive Directors	28	25	3	112	112	0
<b>Surplus/ (Deficit)</b>	<b>359</b>	<b>367</b>	<b>(8)</b>	<b>2,582</b>	<b>2,583</b>	<b>(1)</b>

3.1 The above table shows the spending position on the Chief Executive's budget, there are no major variances at year end.

#### 4. Director of Finance

Director of Finance at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Finance Department	233	219	14	422	427	(5)
Finance Charges	(11)	(12)	1	2,181	2,181	0
Capital Grants	0	0	0	0	0	0
Patient Travel	573	555	18	2,291	2,292	(1)
<b>Surplus/ (Deficit)</b>	<b>795</b>	<b>762</b>	<b>33</b>	<b>4,894</b>	<b>4,900</b>	<b>(6)</b>

4.1 The above table shows the spending position on the Director of Finance's budgets. There are no major projected variations by year end.

#### 5. Director of Public Health

Director of Public Health at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Public Health	314	322	(8)	1,709	1,709	0
Health Promotion	172	156	16	703	717	(14)
<b>Surplus/ (Deficit)</b>	<b>486</b>	<b>478</b>	<b>8</b>	<b>2,412</b>	<b>2,426</b>	<b>(14)</b>

5.1 The above table shows the spending position on the Director of Public Health's budgets. There are no major projected variations by year end.

#### 6. Director of Human Resources

Head of Human Resources at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Human Resources	191	184	7	800	838	(38)
<b>Surplus/ (Deficit)</b>	<b>191</b>	<b>184</b>	<b>7</b>	<b>800</b>	<b>838</b>	<b>(38)</b>

6.1 The above table shows the spending position on the Head of Human Resources budgets. There are no major projected variations by year end.

## 7. Medical Director

Medical Director at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Medical Management	7	3	4	29	31	(2)
Medical Consultants exc IJB	970	807	163	3,879	3,871	8
Extra Contractual Activity	180	180	0	720	720	0
Off Island Therapeutics General	332	332	0	1,329	1,329	0
Unplanned Activity	(8)	(8)	0	(32)	(32)	0
Information Technology	391	387	4	1,715	1,714	1
<b>Surplus/ (Deficit)</b>	<b>1,872</b>	<b>1,701</b>	<b>171</b>	<b>7,640</b>	<b>7,633</b>	<b>7</b>

- 7.1 The medical directors budget is showing an in year underspend of **£171k** at month 7 and a forecast underspend of **£7k**
- 7.2 It is too early in the year to ascertain the likely outturn position for the budgets where we are dependent on other Health Boards, due to lack of data. By month 4 we may have more data available to make an informed out-turn projection.

## 8. Nurse Director – SOD Management

SOD Management at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
SOD Management	357	367	(10)	1,422	1,436	(14)
<b>Surplus/ (Deficit)</b>	<b>357</b>	<b>367</b>	<b>(10)</b>	<b>1,422</b>	<b>1,436</b>	<b>(14)</b>

- 8.1 The above table shows the spending position on the SOD Management budgets. There is no major variances to-date.

## 9. Nurse Director – Facilities

Facilities at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Hotel Services	623	596	27	2,493	2,502	(9)
Building and Engineering	515	453	62	2,062	2,143	(81)
Utilities	403	359	44	1,612	1,618	(6)
Support Services	97	98	(1)	385	441	(56)
<b>Surplus/ (Deficit)</b>	<b>1,638</b>	<b>1,506</b>	<b>132</b>	<b>6,552</b>	<b>6,704</b>	<b>(152)</b>

9.1 The above table shows the spending position on facility budgets. These budgets are showing an in year underspend of **£132k** and a yearend overspend of **£152k**.

9.2 It is likely some of the overspend will reduce once the pay rise is taken into consideration. Although building works is shown in budget at month 3 historical more works is undertaken during the winter and autumn months if there is building damage.

## 10. Nurse Director – Secondary Care

Secondary Care at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
SLAs	2,258	2,265	(7)	9,028	9,029	(1)
Waiting Times - Treatment Costs	125	166	(41)	498	498	0
Acute Nursing	1,641	1,640	1	6,562	6,964	(402)
Theatre Nursing	485	571	(86)	1,941	1,983	(42)
Laboratory	392	439	(47)	1,569	1,681	(112)
Audiology	44	24	20	178	178	0
Pharmacy exc IJB	722	742	(20)	2,887	2,927	(40)
Radiology	223	226	(3)	895	910	(15)
Hospital Admin	403	366	37	1,614	1,562	52
CAMHS	71	71	0	284	312	(28)
Speech and Language Therapy	125	105	20	499	501	(2)
<b>Surplus/ (Deficit)</b>	<b>6,489</b>	<b>6,615</b>	<b>(126)</b>	<b>25,955</b>	<b>26,545</b>	<b>(590)</b>

10.1 The above table shows the spending position for the Secondary Care budgets. These budgets are showing an in year overspend of **£126k** and an outturn forecast overspend of **£590k**.

10.2 The Lab budget is projected to overspend **£112k** but a review will be undertaken to ensure all Covid costs have been transferred from this budget. The Lab service still has a high level of vacancies which results in bring high cost agency in to ensure compliance.



- 10.3 Acute Nursing – There are emerging pressures on the Acute Nursing budget due to known pressures in our Renal service as the aging population has grown requiring more staff to manage the increased number of patients. A review is taking place on projected bank costs in other ward areas as there maybe some Covid costs that need to be transferred out of Acute Nursing. By Month 4 the pay award will be transferred into services.

## 11. Chief Officer – Primary Care

Primary Care at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Community Management	230	253	(23)	711	730	(19)
Community Administration	27	20	7	84	84	0
Podiatry	131	113	18	525	525	0
Dietetics	84	71	13	337	337	0
Occupational Therapy	183	183	0	734	740	(6)
Physiotherapy	253	240	13	1,009	1,010	(1)
Community Nursing	1,086	920	166	4,345	4,249	96
Community Hospital	592	662	(70)	2,368	2,562	(194)
Community Care	31	31	0	1,919	1,919	0
Integration Funds	0	0	0	1,891	1,891	0
<b>Surplus/ (Deficit)</b>	<b>2,617</b>	<b>2,493</b>	<b>124</b>	<b>13,923</b>	<b>14,047</b>	<b>(124)</b>

- 11.1 The above table shows the spending position for the Primary Care budget at Month 3. There is an in year underspend of **£124k** and a yearend overspend of **£124k**.
- 11.2 *Community Hospitals* - There is a projected overspend of £194k due to the use of agency staff and bank to cover vacancies and sickness. The staffing costs will be reviewed to ensure there are no vaccination costs that need to be transferred to COVID funds.

## 12. Chief Officer - Adult Mental Health

Adult Mental Health at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Mental Health Management	164	128	36	656	601	55
Mental Health Consultants	131	96	35	521	637	(116)
Mental Health Nursing	499	451	48	1,995	2,028	(33)
<b>Surplus/ (Deficit)</b>	<b>794</b>	<b>675</b>	<b>119</b>	<b>3,172</b>	<b>3,266</b>	<b>(94)</b>

12.1 The above table shows the spending position on the Head of Mental Health budgets.

12.2 There is an overspend relating to the employment of a high cost psychiatrist working a one in two rota.

### 13. Chief Officer – Dental Services

Head of Dental Services at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Community Dental inc. Oral Health	139	106	33	229	216	13
General Dental Services	676	722	(46)	2,564	2,641	(77)
<b>Surplus/ (Deficit)</b>	<b>815</b>	<b>828</b>	<b>(13)</b>	<b>2,793</b>	<b>2,857</b>	<b>(64)</b>

13.1 The Dental Service is projecting to overspend at year end by **£64k** due in part to reduced levels of service resulting in less income being received. This projection will be reviewed closely each month to ensure projection are updated to match any increase in services offered.

### 14. Chief Officer – Associate Medical Director

Associate Medical Director at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Community Medical	63	52	11	253	253	0
GMS	1,738	1,738	0	6,964	6,963	1
GPS - Prescribing	399	399	0	5,685	5,686	(1)
FHS	438	437	1	2,104	2,104	0
Out of Hours	234	317	(83)	938	1,140	(202)
<b>Surplus/ (Deficit)</b>	<b>2,872</b>	<b>2,943</b>	<b>(71)</b>	<b>15,944</b>	<b>16,146</b>	<b>(202)</b>

14.1 The above table shows the spending position on the Associate Medical Director budget.

14.2 There is an identified pressure of **£200k** in the Boards OOH service for both managing St Brendans community hospital and for the normal GP OOH service. An option paper has been drawn up and we are hoping to put in place a cost neutral solution if recruitment is possible. The projected overspend has assumed the solution will be in place by October 2021. If there are delays this overspend may increase.

## 15. Alcohol and Drugs Partnership

Alcohol & Drugs Partnership at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Alcohol & Drugs Partnership	169	152	17	576	576	0
<b>Surplus/ (Deficit)</b>	<b>169</b>	<b>152</b>	<b>17</b>	<b>576</b>	<b>576</b>	<b>0</b>

15.1 The above table shows the spending position on the Alcohol and Drugs Partnership budget. There are no major variances projected for the year end.

## 16. Chief Officer – Acute Set Aside

Set Aside at Month 3	Year to Date			Full Year Projection		
	Budget	Actual	Variance under/ (over)	Budget	Actual	Variance under/ (over)
	£'000	£'000	£'000	£'000	£'000	£'000
Acute Nursing	1,054	1,083	(29)	4,214	4,488	(274)
SLA - General Medicine	154	154	0	617	617	0
General Medical Consultants	301	261	40	1,204	1,212	(8)
Pharmacy	99	82	17	398	398	0
ECR - Adult Mental Health	166	166	0	663	663	0
<b>Surplus/ (Deficit)</b>	<b>1,774</b>	<b>1,746</b>	<b>28</b>	<b>7,096</b>	<b>7,378</b>	<b>(282)</b>

- 16.1 The above table shows the spending position on the NHS Set Aside budget. The set aside budget is showing an in year underspend of **£28k** and a projected overspend of **£282k**.
- 16.2 There are emerging pressures on the Acute Nursing budget with high bank covering sickness in the medical wards. A review is taking place on projected bank costs and by month 4 the pay award finding will be allocated and a better idea of the likely year end position will be available.

**17. Financial Efficiency Plan – action plans to achieve break-even**

17.1 The table above shows that at month 3 the Board has achieved **£523k** savings against a target of **£553k**. The Board is projected to achieve **£4,410k** of the cash savings.

Ref.	Proposal	Annual Saving £'000	Month 3 Target £'000	Month 3 Actual £'000	Projection £'000	Variance £'000	Risk £'000
HOSP	Exercise on all SLA to reduce cost by ensuring accuracy of recharge, decreasing off island referrals if service can be produced in house and looking at pre-op procedures	200	-	-	150	-50	H
BRD	Reduction in Patient Travel due to Covid	750	188	188	750	-	M
BRD	Limit Staff Travel to clinical need and statutory training	250	63	63	250	-	M
HSCP	Limit Staff Travel to clinical need and statutory training	50	13	13	50	-	M
HSCP	DENTAL EFFICIENCIES	200	50	20	150	-50	M
BRD	Financial Flexibility	694	-	-	694	-	M
NHS	UNIDENTIFIED SAVINGS	990	-	-	990	-	M
HSCP	ORAL HEALTH EFFICIENCIES	70	18	18	70	-	L
BRD	Balance Sheet Flexibility	23	-	-	23	-	L
HSCP	Financial Flexibility	727	-	-	827	100	L
HSCP	HV - 1.75 WTE for 3 months	25	25	25	25	-	L
HSCP	Dementia Nurse Consultant - 3 Months	22	22	22	22	-	L
HSCP	AHP Lead - 1 year	32	8	8	32	-	L
HSCP	Dental Receptionist - 6 months	20	10	10	20	-	L
BRD	CHAPLAIN (U&B COMMUNITY) - 1 year	6	2	2	6	-	L
BRD	TRAINEE IPC NURSE - 3 months	9	9	9	9	0.44	L
BRD	HEAD OF FINANCE - 12 months	119	30	30	119	-	L
BRD	ACCOUNTS OFFICER - 6 months	15	7	7	15	-	L
BRD	PROCUREMENT OFFICER - 6 months	7	4	4	7	-	L
BRD	PLANNING/DEVELOPMENT/CHILD HEALTH - 6 months	20	10	10	20	-	L

Board Meeting 25.08.21

Agenda Item: 6.1

Purpose: For Assurance & Discussion

Ref.	Proposal	Annual Saving £'000	3 Target £'000	3 Actual £'000	Projection £'000	Variance £'000	Risk £'000
BRD	HEALTH INTELLIGENCE ANALYST - 6 months	21	11	11	21	-	L
BRD	HEAD OF PERSONNEL - 3 months	19	19	19	19	-	L
BRD	WORKFORCE MODERNISATION MANAGER - 2 months	7	7	7	7	-	L
BRD	RECRUITMENT OFFICER - 3 months	11	11	11	11	-	L
BRD	HR SYSTEMS OFFICER - 2 months	3	3	3	3	-	L
BRD	TRAINING OFFICER - 3 months	2	2	2	2	-	L
BRD	ADMINISTRATIVE ASSISTANT - 4 months	5	3	3	5	-	L
BRD	ADMINISTRATIVE ASSISTANT - 4 months	4	3	3	4	-	L
BRD	H&S OFFICER - 3 months	15	15	15	15	-	L
HOSP	CATERING ASSISTANT - 1 year	15	4	4	15	-	L
HOSP	CATERING ASSISTANT - 1 year	15	4	4	15	-	L
HOSP	CATERING ASSISTANT - 1 year	14	4	4	14	-	L
HOSP	UTILITIES - Oil budget based on - price variances and usage.	50	13	13	50	-	L
	<b>Total</b>	<b>4,410</b>	<b>553</b>	<b>523</b>	<b>4,410</b>	<b>0</b>	

## **18. Capital**

### Current Year 2021/2022

- 18.1 The Board's baseline Capital Resource Limit (CRL) for 2021/2022 is £1.233million. In July 2021, £400,000 of additional capital resource was allocated to the Board for replacing the scope service in OUAB.
- 18.2 At the beginning of the financial year, the Board's capital programme was overcommitted by £400k; although still a significant amount, due to additional funding received in 2020/2021, the Board were able to address some key capital risk areas and reduce the ongoing pressures present around capital requirement and resource.
- 18.3 Projects have been prioritised and we have brought forecast spend back within the CRL. In order to get to that balanced financial position in 2020/2021, £410k of projects were placed on a 'deferred list', should funding become available in the year (either through local slippage on prioritised projects or further central funding allocated) these projects will go ahead. The nature of these projects is urgent but not yet at a critical level of risk in terms of patient safety and continuation of service.
- 18.4 In addition to the standard capital planning, the Board have experienced two unexpected and significant cost pressures arising in the first quarter of 2021/2022:

#### Boilers at the main hospital site, Western Isles Hospital,

The Western Isles hospital boilers are over 30years old and in recent years engineers have had to repair multiple cracks to each of the three boilers, prompting us to consider replacement in the short –medium term. We have been profiling this within our capital planning / AOP as a gradual replacement over the next three years. Current costs are estimated to be around £250k+ vat per boiler. The cracks have become more frequent and more prominent of late. Our Estates department arranged for an annual service to take place recently and part of that a full survey of the condition of the boilers was undertaken. We have just been informed of the outcome of that survey. It confirms that all three of the boilers need replacing immediately, this was obviously worse than we had been expecting and planning for. This is a critical project for us, and cannot be accommodated within the existing CRL.

The risks associated with this project have been communicated with colleagues at Scottish Government and work has commenced regarding assessing how this project will be managed / procured. Additional capital resource will be required to fund this replacement project. Indicative costs are a total project value of approximately £1m, with cash flow expected to fall: £600k in 2021/2022 and £450k in 2022/2023.

#### OUAB Dental

The creation of the Dental Hub in the Southern Isles has been in planning and discussion for a number of years. The previous dental provision in the Southern Isles, based over various different locations, was unsafe, not applying to required standards and not a sustainable model to continue. Moving forward with the dental hub plan in OUAB; this project had been significantly impacted by the pandemic which has caused further delay. I

In May 2021, the tendering process was finally complete and the bids submitted were unexpected. Cost had increased from the base tender analysis by nearly 50%, thus creating a cost pressure of around £500k. There were a number of reasons for the increase such as material cost increases due to Brexit / Covid-19, and contractors reporting reduced efficiency due to social distancing ,etc.

The tenders were rejected and the project has been reissued, in an attempt to gain more competition and a better value model. However expectation from the independent Quantity Surveyor is such that we likely have to accept material cost increases, which may be significant. Again these cost pressures are difficult to address through base CRL.

We are imminently expecting an update from the retendered project, and will update colleagues at Scottish Government as soon as this is available.

#### 18.5 Capital Programme & CRL Table

	21/22 £'000	Defered £'000	22/23 £'000	23/24 £'000
Land & Buildings		190	350	200
Non medical equipment	256	70	375	300
IT	230	-	200	200
Medical Equipment	247	150	700	650
OUAB redesign- Dental & Resuscitation	500	-	-	-
OUAB - Scope Service	400	-	-	-
Sale of property	-	-	-45	-
<b>Total Capital</b>	<b>1,633</b>	<b>410</b>	<b>1,580</b>	<b>1,350</b>
Capital Allocation	1,633	-	1,233	1,233
<b>Shortfall</b>	<b>-</b>	<b>-410</b>	<b>-347</b>	<b>-117</b>

- WIH Boilers - whilst work still ongoing to understand final cost / timelines: currently £600k in 2021/2022 and £450k in 2022/2023. This is not factored into the table above;
- OUAB Dental - cost pressure element not included- awaiting final cost and timelines;
- St Brendan's - the above numbers do not include provision for the St Brendan's replacement. The St Brendan's project changed course in November 2019, after a feasibility study considered various options and the new community hub plan was approved as the model to move forward with. This model is currently being developed and our previous Business Case is being updated to reflect the changes. We have not attached a financial budget against the St Brendan's project within the capital programme, whilst there will be investment required for this project there are various factors affecting what a suitable forecast would look like at present;
- Covid-19 - outwith the above, the Board have identified the need for additional Covid capital of approximately £100k, in relation to the IJB, within social care. This has been flagged to Alan Morrison in SG and initial approval received.
- MRI – new bid locally we have identified the need for a locally based MRI scanner and the Board have approved in principal (subject to capital funding arrangements) the project to go ahead. The business case prepared for this project will be shared with colleagues at Scottish Government and we would welcome advice on how to take this bid forward, most likely in the New Year.



## **19. Risks**

There are a number of financial risks associated with the Board achieving financial stability and these are as follows;

- The Board at the start of Covid were able to clear delayed discharges, these are now starting to creep back up as family members are struggling to cope with caring for elderly family members together with returning to work, full care homes and vacancies within homecare staffing. The financial risk is **£300k** and is high.
- The Laboratory service continues to be at high risk of overspending, with some instability around the workforce. The potential increased impact in 2021/22 is **£200k** and the risk is currently rated as medium. Recruitment is ongoing to actively mitigate this risk.
- Year on year mental health placements both for adults and children are increasing. This is an area where we are working very hard in partnership to reduce costs through considering new arrangements to support people with acute mental health problems within a local context, or tailor high cost packages within mainland centres where safe to do so. However the Board is aware of a number of patients that may need intervention in the future and there are a number of CAMHS patients that will shortly transition and need on-going life support. The risk of further costs is **£300k** and is rated as high.
- The Board has experienced an increase in both volume and cost of oncology and haematology drugs and it is likely the Board will continue to have high costs associated with this area of service. The Board has again increased the base budget for high cost drugs but with the risk of new high cost drugs coming on stream, i.e. Orkambi for the treatment of cystic fibrosis, a further potential impact is estimated at **£300k** and is rated as high.
- Consultant workforce has de-stabilised due to a number of issues including diminishing availability, with low substantive post holders. The consultant workforce remains vulnerable across all specialities and there is a reducing out of hours cover as the GP participation in the out of hours service is steadily diminishing. The potential impact is **£300k** and is rated high as issues have not yet been fully mitigated. Work is underway to look at the model of service and whether there needs to be any changes to ensure continuity of service within the budgeted envelope.
- The Board has yet to evaluate whether the pay up lift allocation will cover the SLA uplift as well as the unfunded year 4 of the AFC pay award. This is estimated at **£200k** and is medium.

- The IJB has an underlying £2m deficit and with the 4<sup>th</sup> year of flat cash from local authority, severe shortages of home carers and aging work force in residential services there is a high risk of the IJB overspending and NHS Western Isles could bare ½ the payment required. The risk is high and estimated at **£500k**, Re-design of services need to take place asap, we are already looking at a peripatetic work-force, and discretionary effort payment scheme for care at home. The IJB were going to use the c/f of Social Care winter pressures monies to launch the schemes but if we need to use this c/f for COVID costs then we can not afford to start the redesign of services to stay within our funding envelope.
- The Board is dependent on the ability of other Boards to provide services for NHS Western Isles. NHS Highland provides a visiting service for the Board and as a 3 year block element we would normally pay this amount regardless. We could however have double running costs if we have to pay for a service that is normally provided, but cannot be due to capacity issues, and NHS Western Isles then have to bring in independent consultants to do the work. This has been flagged up as a potential **£200k - £300k** risk and is rated as medium.

## **Glossary of Terms**

Accumulated deficit	The cumulative sum of previous year end overspends (offset by any underspends) which must eventually be recovered.
Allied Health Professionals (AHPs)	Physiotherapists, Occupational Therapists, Speech & Language Therapists, Radiographers, Dieticians, Podiatrists, etc.
Annually Managed Expenditure (AME)	Expenditure, mainly provisions and impairments, which is not part of our "core" RRL and which is subject to review twice a year by SGHSCD. Note that when provisions are realised the cost is taken to revenue.
Capital expenditure	Spending on assets which meet given criteria, generally having a life of more than one year and an individual value of £5k or more or a grouped value of £20k or more.
CHaSCP	Community Health and Social Care Partnership. A formal partnership with Comhairle nan Eilean Siar to provide integrated services to community health and social work clients.
CNORIS	Clinical Negligence and Other Risks Scheme. A risk transfer and financing scheme whereby the cost of losses is shared equitably across NHS boards.
Deferred Income	Allocations received in previous years against future expenditure.
Financial Efficiency Plan	A financial plan which identifies how required cash and non cash efficiency targets, both recurrent and non recurrent, will be achieved.
GPS	General Pharmaceutical Services, i.e. drugs prescribed in the community.
National Procurement (NP)	Part of NHS Scotland which advises and supports boards on procurement matters.
Provision	Money set aside to pay for an anticipated future liability.
Revenue expenditure	Spending on day to day operations.
Revenue Resource Limit (RRL)	Total revenue funding allocated to NHS Western Isles by SGHSCD each year.
Service Level Agreement (SLA)	Formal agreement with an external body for delivery of a specified service.
SGHSCD	Scottish Government Health and Social Care Directorates.
Single Operating Division (SOD)	The Board's operational services, including Community and Hospital services.
Underlying (recurrent) deficit	Long-term continuing spending not supported by ongoing funding.
UNPACS	Unplanned activities. Services provided by other boards where there is no SLA in place.