

**REPORT** Financial Performance Month 6 Narrative

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## 1. Summary

- 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 6 months of the year which are likely to have an impact on our year end outturn.
- 1.2 As of 30<sup>th</sup> September 2022, the Board is showing an in year overspend of **£696k** and at year end the Board is showing a projected overspend position of **£1,630k** assuming the Board receives funding for the increased pay awards for agenda for change staff and medical and dental staff of approx. £1,465k as shown below:

	£000s
<b>Medical and Dental</b>	
Total Costs of 4.5% uplift in 2022-23	363
Funding gap (as a result of the difference between 2022-23 planning assumption and 4.5% award)	206
<b>Agenda for Change</b>	
Total Costs of 5% uplift 2022-23	2,058
Funding gap (as a result of difference between SPSP uplift assumption and 5% AfC award)	1,259

- 1.3 The Board's annual plan for 22/23 showed an amended savings target of £4.015m, of which £1.025m was to be achieved through financial flexibility and £1.221m was unidentified. At Month 6 £0.334m remain unidentified but financial flexibility has been identified and by Month 7 all unidentified savings will be achieved. The overspend of £1,630k is due to in year pressures (detailed further into the narrative) not able to be contained within further flexibilities and reserves rather than unachievable saving (albeit saving identified to close original gap are non-recurring in nature). To note vacancy savings are on the whole fortuitous savings due to the inability to recruit in a timely manner (due to shortage of available workforce) not because a decision has been taken to hold posts.

- 1.4 Other Boards will receive funding for the increased pay awards for agenda for change staff and medical and dental staff that will feed through to SLA commissioner i.e. NHS Western Isles and for any energy recovery – in previous years any increases due to funded pay awards or pension changes were added onto to NHS Western Isles funding. Otherwise, the provider board would get funding from SG for their pay award and get funding from the Commission Board who would lose funds. It has been assumed that NHS Western Isles will receive diverted funding for pay awards within SLA contracts. Within the financial position shown at Month 6 I am assuming that NHS Western Isles will receive funding to pay for the increased pay award of SLA. The Board is now starting to receive amended SLAs with the above agreed original uplift. Without this increase the Board could face overspends in SLA of between **£400k - £600k** – depending on increased by individual providers.
- 1.5 Work is underway with senior managers to firm up projections and where possible decrease overspends by taking remedial action and ascertain whether there are further financial flexibilities available. However, until we receive a number of key allocations any financial flexibilities or use of reserves cannot be confirmed. The IJB reserves may have to also be used to cover the difference between the budgeted pay award and the actual 5% offered pay award recently agreed for Local Authority.
- 1.6 A plan was submitted at the end of September to try and bring the Board back to a break-even position. This will be reported on at Month 7 and thereafter once the Board has received outstanding allocations and Local Authority pay award grant has been settled which will inform the level of reserves that maybe available.
- 1.7 The Executive Team have written to all staff explaining what “grip and control” will be in place and this will be explained in the efficiency plan due. All plans and “grip and control” measures will be monitored rigorously as part of the £1.6m extra saving plan.
- 1.8 Possible remedial actions would be negotiating hard with agencies, specifically where if we do not have locums, patient guaranteed treatment and safety is not affected. We have an agreement with Templars Agency whereby we pay a set rate of just over £4k a week but provide a car and a home with staff on IR35 contracts. This has saved us £20-30k per month on individual locums.
- 1.9 Our Chief Officer is working with the Mental Health Commission to ascertain if we need to provide 24/7 on call psychiatrist cover, as we can set a 72hr CTO which would cover the Board - however due to the Board having an APU we are unsure whether we can reduce the on call legally. If we do not need 24/7 this will reduce the cost of high-cost agency as we will be only paying for 40 hrs per week instead of 168 hrs per week.

- 1.10 There has been announcement that Government will partially protect public sector against rising electricity prices by reducing the cap. However, NHS Western Isles heats its main hospitals and other sites using fuel oil so it is unclear whether NHS Western Isles will see any benefit from heating fuel poverty measures.

## **2. Covid Funding**

- 2.1 The Health and Social Care Partnership has carry forward covid funds of £2.599m which have been shared equally and fairly taking into consideration Scottish Government letters and advice and an announced £1.3m Covid envelope for non-delegated services. NHS Western Isles and the Health and Social Partnership have forecast a break-even position for Covid expenditure this financial year. Work is underway with the Vaccination Manager to ensure this service stays within the funding envelope set and therefore stay within the £2.599m the partnership has to spend.
- 2.2 Funding (80%) from Scottish Government for Test and Protect has been received and this is in line with 80% of our projected Test and Protect costs. All costs within the vaccination plan were assumed at NHS substantive hourly rates, i.e. the Board will only use substantive post holders or bank staff.
- 2.3 Within all hospitals there are increasing delayed discharges due to lack of capacity in Social Care resulting in increased use of contingency beds, these have not been charged to Covid as advised by the Scottish Government Finance Team but are shown as a cost pressure against base. Costs shown in Covid will be to cover any increased Covid red route costs above base.
- 2.4 Any reallocation of Covid reserves have yet to take place but an assumption is that the £2.599m will be fully spent and funded. If this figure is reduced it will result in a overspend.

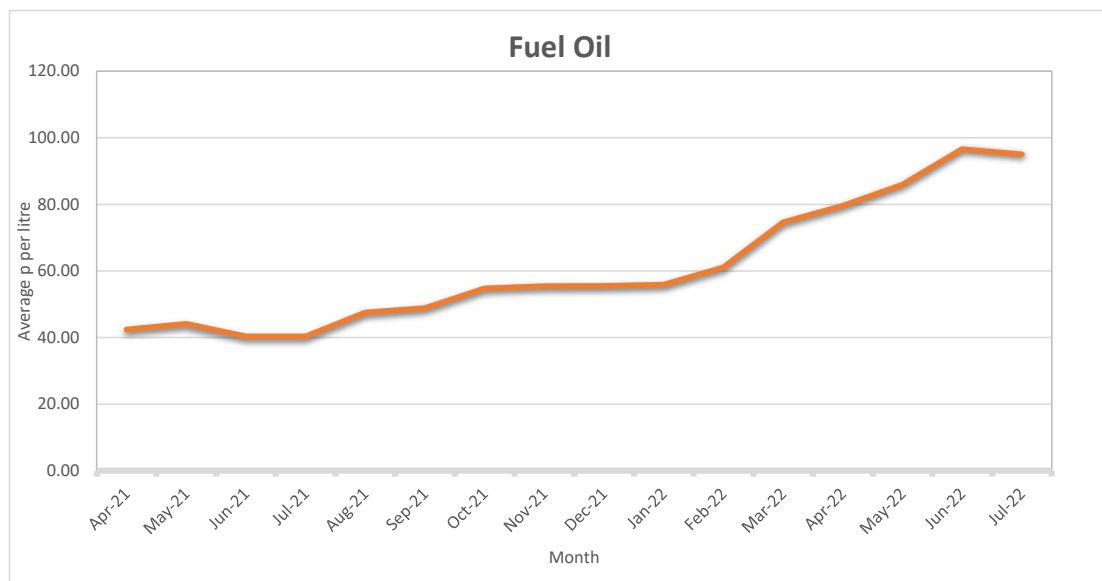
## **3. Remobilisation Plans**

- 3.1 The Board anticipates using the assumed Waiting Time allocation and any extra funding supplied to ensure that we can start reducing the waiting times lists, Urology, Scopes, MRI Scans for example. However, an announcement has just been made which will result in a much lower Waiting Time allocation than what was expected for or budgeted for. The Nurse Director/Chief Operating Officer will be submitting a revised plan to make best use of the allocation we should receive by 28 October. There is still a gap of £167k between our reduced allocation and our plan and the Board is working on reducing the gap.

- 3.2 As mentioned in paragraph 1.4 The Board is dependent on the ability of other Boards to continue providing services for NHS Western Isles' patients. A recent paper has come out describing what will be in the 3-year average base for commissioning Boards. There may be increased costs due to higher-than-expected inflation as utility costs have been passed on. Previously we have had issues with pay increases above inflation being passed on to commissioning Boards without corresponding funding being received.
- 3.3 Many of the Boards where we commission visiting services from are having extreme difficulty recruiting into their services which is resulting NHS Western Isles purchasing clinical time out with these agreements. NHS Western Isles will be reviewing the spend within our visiting services and entering negotiations with the Boards where we are having to pay twice for clinical services.

#### 4. Main Cost Pressures

- 4.1 *Psychiatric Consultants* – NHS Western Isles has a vacant post plus problems filling an on-call rota without calling on agency staff. The cost of using agency staff not only for the 40 hours day rota but for the 24/7 rota have been crippling with rates of pay upwards of £140 per hour plus VAT. This is unsustainable and the Board is looking at completing the previous Mental Health Transformation and whether we need consultants to provide 24/7 cover. The projected overspend is **£431k**, this has slightly reduced from last month, however we are having extreme difficulty recruiting into post.
- 4.2 *GP OOH* – There is an identified pressure of **£509k** in the Boards OOH service for both managing the community hospital in Barra and for the GP OOH service in Barra and the Uist. An option paper has been drawn up and we are hoping to put in place a cost neutral solution if recruitment is possible. Recruitment has been difficult, and the Board has had to use locum GP at a sizable cost. Compounding the increased cost of GP locums in the Uists is the use of high-cost B&B/Air B&B as NHS Western Isles have not been able yet to secure long term leases as in the other Islands'. The cost of accommodation is equating to  $\frac{3}{4}$  of the cost of a substantive post and is unsustainable.
- 4.3 *Utilities* - NHS Western Isles uses heating oil in all major hospitals and buildings and the price of this oil has increased from 1 April 2021 to July 2022 by 160%. Although the price has dropped slightly there still is an overspend projection of **£434k** pressure in utilities together with increases in electricity bills.



- 4.4 *Radiology* - There is a projected **£441k** (an increase of £65k over Month 5) overspend due to high-cost agency staff covering a number of key vacancies. Challenges associated with the recruitment and retention of skilled and experienced Radiology staff is compounded by having no MRI provision in the Western Isles. MRI is very much the future of radiology and diagnostics. Work is underway to review all vacancies and the associated agency costs to allow for a more precise projection and see if any costs can be reduced.
- 4.6 *Paediatric Service* – It has been difficult to recruit to one of the Board's paediatric consultant posts and as such we are having to employ a high-cost locums on a 1 in 2 rota which cannot be sustained at a projected cost pressure of **£202k** (previous pressure £246k) for one member of staff. Alternative arrangements are being sort through a cohort arrangement with Templars which is starting to bring the cost pressure down.
- 4.7 *General Staffing Pressures* – The Board has vacancies within the Laboratory service, pharmacy service and some of the specialist consultant services. Where agency staff are used this has result in an overspend. To-date the overspends have been smaller but in total is adding up to @ £500k projected overspend.
- 4.8 *GP Practice* – The Board's Barra practice become Board run by 1 September 2022. The short notice period will result in employment of locums to run this practice. At present we cannot estimate the effect of this financially until as work is still underway to TUPE staff across to the Board and arrange cover.

## 5. Key Financial Assumptions and Risks

5.1 There are a number of financial risks associated with the Board achieving financial stability over and above the pressures recognised at quarter 1 and these are as follows;

- The Laboratory service continues to be at high risk of overspending, with some instability around the workforce. The potential increased impact in 2022/23 is **£200k** and the risk is currently rated as **medium**. Recruitment is ongoing to actively mitigate this risk, but Laboratory staff are at a premium.
- 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 increase in the use of 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**.
- The Board is dependent on the ability of other Boards to provide services for NHS Western Isles. Potential above standard inflation may cause an overspend within this service. The risk is estimated at **£500k** and is rated as **high**.
- The Board's Barra practice became Board run by 1 September 2022. The short notice period will result in employment of locums to run this practice. At present we cannot estimate the effect of this until as work is still underway to TUPE staff across to the Board and arrange cover but it is likely to be in the region of **£100k** and rated as **high**.
- There are continuing pressures on the Acute Nursing budget due to delayed discharges resulting in unbudgeted contingency beds being open. A High number of vacancies within the Homecare services is resulting in high hours of unmet need both in the Hospital and Community together with a waiting list for assessment. The out-turn pressures for the unbudgeted contingency is likely to rise during the winter months. NHS Western Isles do not use agency staff for the Western Isles Hospital; therefore, the cost pressure is at standard NHS rates. The Chief Officer is aiming to recruit several hybrid posts to bolster the Home Care service through NHS terms and conditions (funded from winter pressure monies). However, the Western Isles has an ever-decreasing local workforce available to work in NHS and Social Care and the Board may not be successful with this recruitment or employing through Agenda for Change conditions may reduce the Home Care workforce further. The financial impact is estimated at **£300k** and is rated as **medium**.

## 6. Savings Update

The Board has achieved £2,053k savings to-date against a full year target of £4,015k. Many of the savings are not expected to be achieved until year end resulting from year-end transfers from reserves.

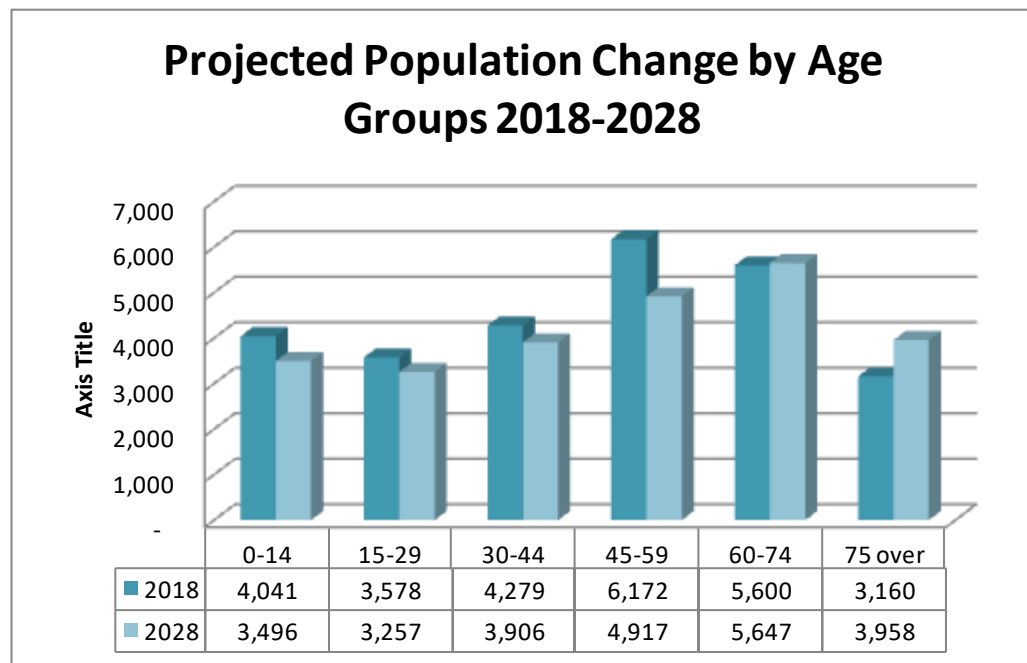
Category	Budget £'000	YTD Bud £'000	Actual £'000	Projection £'000	Variance £'000	Risk
Vacancies	924	666	708	924	-	L
Partnership Funding	88	44	44	88	-	L
Patient Travel	600	300	465	600	-	L
Printing	5	3	3	5	-	L
Staff Travel	132	66	66	132	-	M
Public Health Efficiencies	20	10	10	20	-	L
Theatre Contracts	73	37	-	73	-	H
SLA redesign	150	75	-	150	-	H
Procurement Efficiencies	5	3	3	5	-	L
IJB Vacancies	476	369	374	476	-	L
IJB Staff Travel	26	13	13	26	-	M
Dental Efficiencies	70	35	35	70	-	L
Financial Flexibilities	1,112	-	-	1,112	-	L
Unidentified	334	-	334	334	-	H
<b>Total</b>	<b>4,015</b>	<b>1,620</b>	<b>2,053</b>	<b>4,015</b>		

Financial Flexibility and unidentified savings make up £2,246k of the total. As of Month 6 all of these savings have been identified and are low to medium risk. Unfortunately, approx. half the savings are non-recurring in nature and are not supporting the underlying deficit of the Board.

## 7. Emerging Issues and impact on future years

- 7.1 The highest increasing risk the Island face is population decline and decreasing available workforce as the following paragraphs describe. Further information (paragraphs 7.1 to 7.8 summarised) will be available at part of the Q1 IJB Demographic and workforce report which can be found on the IJB Website. A Q2 report will be available by November 2022
- 7.2 Using updated population prediction ([Population Projections \(cne-siar.gov.uk\)](https://cne-siar.gov.uk)) the islands are expecting to see a 6% drop in population by 2028, one of the biggest population decreases in Scotland. Working age population is set to decrease by 6% by 2028 and in contrast the over 75s with the greatest levels of co-morbidity is set to rise by 25%. The population changes will result in a year-on-year reduction in the available workforce to nurse, care and attend to the most vulnerable of people whose numbers are increasing year on year. The Health and Social Care Partnership is already feeling the effect of the changes in demography with high levels of vacancies in social care workforce and nursing workforce.





- 7.3 Looking at the latest mid population statistics available there was a drop in population of 220 from 2019 to 2020. Although 40 was due to net outward migration the biggest change is negative natural change i.e. there were 375 deaths compared to 203 births. Looking at the table above this trend will continue.
- 7.4 Current ratio between death and births is very disturbing with the first 9 calendar months ratio of 1: 0.47 (151 births to 318 deaths), which means for every **2 deaths there is just under 1 birth**, compared to a Scottish average for the same period of 1:0.75. The birth rate is starting to increase back to the pre pandemic levels however deaths are increasing exponentially.
- 7.5 The table below assumes the level of natural change remains at 2022 estimate levels i.e., ratio of 1: 0.48 and excludes net migration as numbers often negate each other. It is important to note though if we lose female population of childbearing age from island and the inward migration is of people aged 45 and over then births could drop further. The population graph from 2012 to 2030 shows the following, to note as a stark comparison, in 1901 the population of the Western Isles was 46,172.





- 7.6 An Outer Hebrides Migration Study was commissioned, published in 2007 using 2005 data and projecting what would happen if we could not stop the outward migration and encourage inward migration of young families to the Outer Hebrides. I have plotted the population across to 2020 and what the study said would happen if we could not achieve the aims of inward and outward migration, has happened as shown in the table below:

Time of Hall Report Using 2005 data	Original Data 2005	Current Available 2020/21	% Reduction 2005-2020	Number Reduction
<b>Population</b>	<b>26,930</b>	<b>26,500</b>	<b>-2%</b>	<b>-430</b>
Infant 0-4	1,279	1,106	-14%	-173
Primary Age 5-11	2,178	1,856	-15%	-322
Senior Age 12-18	2,398	1,982	-17%	-416
Workforce Age 19-64	15,656	14,583	-7%	-1,073
Aging Population 65+	5,419	6,973	29%	1,554
Average Age Population	42.40	49.90	18%	
Birth Rate (3 year average )	243	188	-23%	-55
Child bearing Woman 18-45	4,224	3,590	-15%	-634

- 7.7 The population itself from 2005, to about 2020 has been only a gradual decline and in some years a small increase, due to an increase in 55–59-year-olds not the young. However, what has occurred within that period, which the Islands are now starting to feel the impact of, is that the young have migrated, and we are now seeing a sizable decline in births due to the loss of childbearing women, together with the increasing deaths due to the now aging population. The islands are not replenishing their loss of population through an increase in births, and the Islands are in that position where de-population will now start increasing faster year on year.

7.8 A situation rag status for Health and Social Care is shown in the table below:

Short Term Risk 1-2 years	Vacancies	Age	Retiral	Sickness
Allied Health Professionals	M	M	L	L
Dental	M	M	L	M
Hospital (Acute) Nursing	H	H	H	M
Community Hospital Nursing	M	H	M	M
Community Nursing	VH	H	L	L
Mental Health	M	H	L	H
Management and PCIP	M	VH	L	L
Adult Services	H	M	M	VH
Residential Services	VH	VH	VH	H
Home Care & Reablement	VH	H	H	H
Management inc Assessment	H	M	L	L

## 8. Capital

- 8.1 NHS Western Isles has had difficulties with contracts let for major projects with the cost of steel and labour going up considerably. The replacement boiler project has increased which would have meant using all of the Boards CRL to cover this cost. The Scottish Government has agreed to fund the boilers separately which is allowing the Board to priorities our other critical capital spend.
- 8.2 The Board is anticipating a CRL of £3.466m as shown below with the Boilers being £1.392m of that spend. The Board has also received funding for planned maintenance. The Board is still prioritising projects but expects to fully commit the CRL in 22/23.

Capital Resource Limit Breakdown	2022/23 £
Resource Level- Core	1,291,500
WIH Boilers	1,392,000
BVCC	36,379
Additional Funding to cover slippage	139,366
Backlog Maintenance Funding	607,000
<b>Capital Resource Limit Total</b>	<b>3,466,245</b>

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