

NHS Ayrshire & Arran



Meeting: NHS Board meeting
Meeting date: Monday 30 March 2020
Title: 2020/2021 Revenue Plan
Responsible Director: John Burns, Chief Executive
Report Author: Derek Lindsay, Director of Finance

1. Purpose

This is presented to the Board for:

- Discussion

This paper relates to:

- Annual Operational Plan

This aligns to the following NHSScotland quality ambition(s):

- Effective

2. Report summary

2.1 Situation

The Annual Operating Plan (AOP) process has been frozen and special funding arrangements are being put in place for additional COVID-19 costs, however the NHS Board is asked to consider the 2020/2021 budget (which is a deficit budget of £13.5 million at the point that the AOP was frozen) and the proposed budget increase for 2020/2021 to delegate to Integration Joint Boards (IJB).

2.2 Background

The allocation letter from the NHS Scotland Director of Finance set out the approach that should be taken to uplift IJB baseline funding. The funding proposal which sees baseline budgets for the three IJBs uplifted by 3% which equates to £6.3 million is in line with the direction in the allocation letter. It should be noted that this approach differs from that set out in the Integration Scheme.

2.3 Assessment

Cost pressures of £34 million have been identified for 2019/2020. The funding uplift available is £22.2 million and other income increases of £0.2 million. Efficiency savings (excluding partnerships operational savings) of around £17.2 million are targeted for 2020/2021. This allows a reduction in the legacy deficit of £19.1 million, to £13.5 million.

2.3.1 Quality/patient care

Section 5 lists medicines cost pressures and section 8 clinical supplies.

2.3.2 Workforce

Section 4 lists the pay cost pressures.

2.3.3 Financial

Section 11 sets out planned deficit budget for 2020/2021.

2.3.4 Risk assessment/management

Section 12 lists the main risks.

2.3.5 Equality and diversity, including health inequalities

An impact assessment has not been completed because individual cost pressures and savings schemes will consider and this paper is an overview.

2.3.6 Other impacts

Best value

- Governance and accountability
- Use of resources
- Performance management

2.3.7 Communication, involvement, engagement and consultation

The Board has carried out its duties to involve and engage external stakeholders where appropriate:

- The pay and supplies group includes IJB chief finance officers.
- The effective prescribing group includes clinicians.

2.3.8 Route to the meeting

The Performance Governance Committee received detailed papers at their 17 January 2020 meeting on pay and supplies cost pressures and medicines cost pressures for 2020/2021.

2.4 Recommendation

The Board is asked to approve the 3% pass through of funding to IJBs and the revenue plan for 2020/21 while noting the separate funding expected for COVID-19 costs which should include the impact on delivery of the CRES plan for 2020/21.

3. List of appendices

The following appendices are included with this report:

- Appendix 1, revenue plan

Glossary of Terms	
AOP	Annual Operating Plan
CRES	Cash Releasing Efficiency Savings
SLA	Service Level Agreement
IJB	Integration Joint Board
HPV	Human Papilloma Virus
UHA	University Hospital Ayr
UHC	University Hospital Crosshouse
TAVI	Transcatheter aortic valve implantation procedures

Revenue Plan

1. Allocation and Funding Available

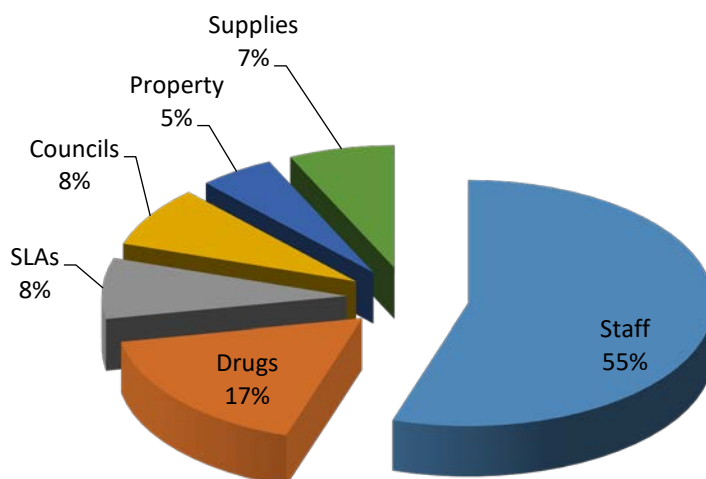
- 1.1 In February 2020, the Cabinet Secretary for Finance and the Constitution announced the draft Health Budget for 2020/2021. As a result, NHS Ayrshire & Arran's allocation will increase by £22.2 million, taking the 2020/2021 baseline allocation to £762.4 million.
- 1.2 Anticipated earmarked funding of over £100 million per annum is shown in the table below, with increasing amounts over the next two years for primary care and mental health.

Earmarked Allocations	2019/2020 £ million	2020/2021 £ million	2021/2022 £ million
Primary care	4.9	8.1	11.5
Mental health action 15	1.5	1.8	2.4
Mental health bundle	1.5	1.5	1.5
Outcomes framework	4.1	4.1	4.1
Waiting times	8.5	9.0	8.3
e-Health	2.1	2.1	2.1
Family nurse partnership	0.8	0.8	0.8
Public dental service	2.0	1.9	1.8
GPST100	0.5	0.3	0.0
Alcohol and Drug Partnerships	1.3	1.3	1.3
Flu vaccine	0.9	0.9	0.9
Primary Medical Services	60.0	61.0	62.0
New Medicines fund	5.6	5.6	5.6
Non-core DEL	8.2	6.5	6.5
	<u>101.9</u>	<u>104.9</u>	<u>108.8</u>

- 1.3 In 2019/2020 a budget increase of over £4 million from the general allocation uplift was identified to supplement the earmarked allocation for the New Medicines Fund. A further increase of £4.2 million is needed in 2020/2021.
- 1.4 Scottish Government have requested a mobilisation plan for COVID-19 which increases acute hospital capacity including Intensive Care. The plan also includes additional investment in community capacity so as to leave no delayed discharges from hospital. This increase in capacity requires additional workforce and the extra costs associated with COVID-19 are expected to be separately funded by Scottish Government, so are not included in this revenue plan.

2. Spend profile

- 2.1 The Board baseline recurring budget for 2020/2021 (excluding family health services and earmarked allocations) is £762.4 million. The pie chart below shows the main components:



- 55% staffing pay costs – of this about £11 million is agency staff;
- 17% drugs prescribed in primary care and hospitals;
- 8% externals (eg service level agreements, with other boards);
- 8% councils includes about £25 million of resource transfer and over £30 million for social care routed through health;
- 7% other supplies eg surgical supplies (£24 million), diagnostic and labs (£4.4 million), equipment and IT maintenance (£2 million); and,
- 5% property eg PFI, capital charges, rates, energy, backlog maintenance.

3. Payments to Integration Joint Boards (IJBs)

- 3.1 Scottish Government has directed that Integration Joint Boards should receive a 3% uplift on their baseline budget (baseline budget is about £200 million) which equates to an uplift of £6.3 million. These will be notified in a draft funding letter from the Health Board Chief Executive to the IJB Chief Officers.
- 3.2 The following cost pressures outlined below exclude those to be funded by the IJB funding uplift.

4. Pay cost pressures

- 4.1 In June 2018 a three year pay deal was agreed for Agenda for Change staff of a minimum of 3% increase per annum for staff earning less than £80,000 per annum. The cost of the final year for Health Board employed Agenda for Change staff is estimated at £14.1 million, however the share related to partnerships is excluded below as this will be funded from the IJB uplift.

4.2	Pay cost pressure	£000
	Pay increase - Agenda for change (exclude HSCPs)	8,791
	Pay increase - others	1,850
	Pension funding shortfall	400
	Consultant discretionary points	100
	GPST funding reduction	200
	Apprenticeship Levy	110
	Excess travel costs for junior doctors	147
	HR and finance staffing	190
	Medical staff	100
	Total	11,888

5. Medicines cost pressures

- 5.1 During 2019, national approval was given for new cystic fibrosis drugs at a local cost of £2 million and ultra-orphan drugs (£0.7 million). New cost pressures for CAR-T (£0.5 million) and Eculizimab (£1 million) are also in the New Medicines cost pressures. There is also a requirement in 2020/2021 to rebase the primary care prescribing budget for the overspend in 2019/2020 and predict the 2020/2021 volume increase.

5.2	Medicines	£000
	Primary care prescribing overspend	3,400
	2% volume increase	1,650
	Net benefit from price reduction	(1,800)
	Anticoagulant (DOAC)	700
	Freestyle Libre	300
	New Medicines Fund	4,250
	Total Medicines	8,500

6. Service level agreements (SLA)

- 6.1 Cash uplift on external service level agreements is likely to be in line with 3% general allocation uplift, however 3% efficiency saving are applied therefore a 6% cost pressure on about £73 million of SLA expenditure is a cost pressure of £4.4 million.

6.2	Services purchased outwith Ayrshire	£000
	Service level agreements	4,400
	Transcatheter aortic valve implantation	150
	Cardiac at Golden Jubilee	212
	Exclusions (eg bone marrow transplants)	360
	Archway	34
	Total	5,156

7. Non-clinical

- 7.1 Inflationary pressures on contracts such as maintenance agreements, private finance contracts and computer software licences are unavoidable, and there is a growing inflationary pressure on food, energy and other supplies.

Non-clinical supplies cost pressures	£000
Energy cost increase	210
Water, council tax rates etc	153
Maintenance agreements inflation	210
Private Finance Initiative inflation	159
Others	167
Total	899

8. Clinical supplies

- 8.1 New technologies as well as demand increases due to demographics are drivers of increased supplies costs.

Clinical supplies pressures	£000
Audiology	80
Bone anchored hearing aids	55
Laboratory supplies	315
Insulin pump replacement	100
Others	153
Total	703

9. Prior commitments

- 9.1 Corporate Management Team, or Chief Executives Group approved some developments during the year.

Prior commitments	£000
Medical day unit	163
BadgerNET maternity system	47
Allocate consultant job planning	33
HPV testing and other national services	300
Total	543

10. Legacy issues

- 10.1 The deficit budget of £13.2 million set in 2016/2017 largely remains, as does acute unachieved CRES of in excess of £8 million. Total legacy issues of £19.1 million remain and require whole system transformational change (particularly around unscheduled care) to address.

11. Summary

11.1	Summary	£000
	Pass through 3% to IJBs	6,288
	Pay	11,888
	Medicines	8,500
	Service Level Agreements	5,156
	Non-Clinical	899
	Clinical supplies	703
	Prior commitments	543
	Legacy issues	19,100
	Total summary	53,077

- 11.2 The general allocation available to meet these cost pressures amounts to £22.2 million. Increased income of £0.2 million is assumed. This leaves a gap of £30.7 million. This is too much for efficiency savings to achieve in a single year. Efficiency savings targeted (excluding those to be agreed by IJBs) for 2020/2021 of £17.2 million are shown below.

Efficiency savings target	£ million
Prescribing	4.0
External SLAs	2.2
Acute operational	8.5
Corporate departments	2.3
Estates rationalisation and energy saving	0.2
Total	17.2

- 11.3 This deficit budget for 2020/2021 would be £13.5 million. The acute operational efficiency saving target for 2020/2021 of £8.5 million is all unachieved savings from previous years and no new savings target has been added in 2020/2021. Currently there are plans in place to deliver £4.6 million of this, however no plans for the other £3.9 million therefore delivery of this target is high risk.

12. Risks

- 12.1 The table below shows the planned savings above as a percentage of the budget to allow a risk assessment.

Area	Budget (£M)	Saving	%
Acute (excl. prescribing and externals)	242.1	8.5	3.5
Acute prescribing	30.5	1.7	5.6
Acute externals	63	2.2	3.5
Primary care prescribing	80.6	2.0	2.5
New Medicines Fund	13	0.3	2.3
Corporate directorates	73	2.3	3.1
Property related	31.3	0.1	0.3
Energy	5.6	0.1	1.8

- 12.2 A risk assessment of savings plans has been undertaken, taking into account the impact of COVID-19 work taking priority and making assumptions around how long the additional pressures on services will last. This mainly impacts acute CRES plans. This revenue plan assumes that the shortfall in CRES will be met non-recurringly by Scottish Government in 2020/2021 from COVID-19 funding.
- 12.3 Unscheduled care demand has led to additional acute beds opening in past years. COVID-19 demands will place much greater pressures on health and social care services in 2020/2021 and Scottish Government have indicated that they will fund these additional costs.