

NHS Ayrshire & Arran

Meeting:	Ayrshire and Arran NHS Board
Meeting date:	Monday 30 January 2023
Title:	Financial Management Report for the nine months to 31 December 2022
Responsible Director:	Derek Lindsay, Director of Finance
Report Author:	Fiona McGinnis, Assistant Director of Finance – Governance and Shared Services

1. Purpose

This is presented for:

- Discussion

This paper relates to:

- Annual Operational Plan

This aligns to the following NHS Scotland quality ambition(s):

- Effective

2. Report summary

2.1 Situation

The Revenue Plan for the 2022/2023 financial year is a deficit of £26.4 million.

2.2 Background

The budget for 2022/2023 was approved at the Board meeting on 28 March 2022.

2.3 Assessment

Planning assumptions included all spend on COVID-19 being funded during 2022/2023. However the Scottish Government “envelope” of covid funding is over £2 million less than our projected spend.

2.3.1 Quality/patient care

Financial resources contribute directly to quality of patient care.

2.3.2 Workforce

Section five of the attached report comments on workforce numbers and agency spend.

2.3.3 Financial

The cash releasing efficiency savings plan (CRES) is shown in Appendix 4. This totals £8.2 million, however projected achievement against this is £6.5 million.

2.3.4 Risk assessment/management

Section six in the paper attached sets out risk assessment and mitigations.

2.3.5 Equality and diversity, including health inequalities

An impact assessment has not been completed because this report is a monitoring report therefore does not require an equality and diversity impact assessment.

2.3.6 Other impacts

This report reflects the best value principles of governance and accountability in respect of use of resources.

2.3.7 Communication, involvement, engagement and consultation

There is no requirement for the Board to involve and engage external stakeholders for this paper.

2.4 Recommendation

For discussion. Members are asked to discuss the attached report.

3. List of appendices

The following appendices are included with this report:

Appendix No 1, Income and expenditure summary for health services
Appendix No 2, Covid expenditure
Appendix No 3, Confirmed and Anticipated allocations
Appendix No 4, Cash releasing efficiency savings
Appendix No 5, Capital

1. Background

- 1.1 This report shows the revenue position for the nine months ended 31 December 2022. This is a £21.9 million overspend.

2. Revenue resource limit and overall financial position

- 2.1 The total allocations for the year are expected to be £1.04 billion, as shown on Appendix 3. £925 million has been received so far. Of the remaining £115 million Family Health Services accounts for £59.3 million, £27.4 million for Medical and Agenda for Change Pay Uplift and New Medicines Fund £7.2 million.
- 2.2 Appendix 3 shows the allocations received in month nine along with the further allocations we anticipate during 2022/2023. The main allocations received in December were £65.8 million for Primary Medical Services, £1.4 million for Combat Stress and £0.4 million for Type 2 Diabetes and Adult Weight Management.
- 2.3 The Board has set a deficit budget of £26.4 million for 2022/2023. This assumed full funding of covid costs by Scottish Government, however this is likely to be over £2 million short.
- 2.4 The Board is £21.9 million overspent after nine months.
- 2.5 Detail of COVID-19 spend of £19.1 million in the first nine months of the year is shown on Appendix 2. Around £9.4 million has been spent on staffing additional bed capacity and £4.6 million on the COVID-19 vaccination programme.
- 2.6 £1.2 million of COVID-19 expenditure has been incurred on staff charged to COVID-19 Test and Protect. This service has now ceased and staff are now redeployed or at the end of their fixed term contract and no further charges are expected.
- 2.7 Scottish Government are making arrangements to reclaim reserves in Integration Joint Boards in order to redistribute them to meet some of these current COVID-19 priorities.

3. Acute Services

- 3.1.1 The annual budget for Acute Services is £386.1 million. The directorate is overspent by £11.7 million in the year to date. The position deteriorated by £2.1 million in Month nine.

Table 1a	Annual Budget	YTD Budget	YTD Actual	YTD Var	Month Budget	Month Actual	Month Var
All Acute	£000	£000	£000	£000	£000	£000	£000
Pay	279,965	212,600	219,095	(6,494)	22,871	24,337	(1,466)
Supplies	65,568	44,060	48,692	(4,632)	5,333	6,123	(790)
Purchase of Healthcare	74,263	57,193	55,541	1,653	6,040	5,666	373
Provision of Healthcare	(29,205)	(22,261)	(22,462)	201	(2,397)	(2,400)	3
Operating Income	(1,096)	(946)	(1,064)	118	(45)	(68)	23
Unallocated Savings	(3,355)	(2,516)	0	(2,516)	(217)	0	(217)
Total	386,141	288,131	299,801	(11,670)	31,584	33,658	(2,075)

- 3.1.2 Nursing pay budgets are £3.7 million overspent, largely driven by £6.6 million of nursing agency spend in the acute division in the first nine months of the year (£866,000 in December). The use of agency nurses is largely driven by the

additional beds open in our hospitals and has already exceeded the full year spend in 2021/2022.

- 3.1.3 There were 264 delayed discharges in our hospitals in the week commencing 26 December. 145 were on the two main acute hospital sites. 70 were in Community Hospitals with a further 49 in Mental Health facilities.
- 3.1.4 The year to date overspend on medical pay is now £3.1 million, an increase from the previous month of £0.9 million. The majority of this overspend is against junior doctor budgets. More information on medical staffing is provided in paragraph 5.5.
- 3.1.5 Medicines overspent by £0.24 million in the month and are now £2.4 million over in the year to date. There has been a sharp increase in medicines spend compared to last year, with haematology/oncology being the largest specialty.
- 3.1.6 Unallocated Acute savings amount to £3.4 million. It will contribute an unfavourable variance of £0.3 million per month until robust plans are found to address the savings requirement.

3.2 New Medicines Fund

- 3.2.1 The budget has been adjusted to be equivalent to funding expected to be received from Scottish Government (£7.2 million for the year). Spend of £13.4 million against the New Medicines Fund (NMF) to date results in a £8.1 million overspend after nine months.

3.3 Other Clinical Services

- 3.3.1 Other Clinical Services includes budgets for Pharmacy teams and out of area activity such as brain injuries and transcatheter aortic valve implantation (TAVI) replacements. The annual budget is £12.2 million. It is underspent by £0.90 million after nine months.

3.4 Health and Social Care Partnerships (HSCPs)

- 3.4.1 The total health budgets for the three HSCPs are now £470.6 million. The budget has been increased by £5 million to reflect the projected overspend on prescribing which is under-written by the Board.
- 3.4.2 Appendix 1 shows no net under or overspend outturn against the three HSCPs as these belong to Integration Joint Boards rather than the Health Board.

3.5 Infrastructure Support Services

- 3.5.1 Infrastructure and Support Services budgets have been separated between those which are operational service provision and those which are corporate in nature.
- 3.5.2 Operational Infrastructure and Support Services includes estates, hotel services and digital services. They have an annual budget of £55.4 million and are close to breakeven after nine months.
- 3.5.3 Corporate Infrastructure and Support Services includes depreciation, energy, rates, and Private Finance Initiative/Non Profit Distributing costs. Infrastructure and

Support Services COVID-19 costs are also included here. They have a budget of £45.6 million and are also close to breakeven after nine months.

3.6 Corporate Services

- 3.6.1 Corporate Services have budgets of £35.4 million and comprise Public Health, the Nursing Directorate, the Medical Directorate, Human Resources and Organisational Development, Finance, Transformation and Sustainability and the Chief Executive's office. With the exception of ORG and HR Development which has a small overspend, these areas have underspends, which in aggregate total £1.3 million.

3.7 Corporate Resource and Reserves

- 3.7.1 Reserves (budgets not issued to directorates) total £29.2 million of which £31.3 million is for pay awards. These will be allocated to budgets in month 10 now that the pay award settlement has been announced by the Scottish Government. £3.9 million is the reserves overcommitment for the year to date. This is mostly a result of the underlying deficit which is offset by some one-off benefits.

4. Efficiency and Transformation Programme

- 4.1 The Cash Releasing Efficiency Savings (CRES) programme for 2022/2023 totals £8.2 million. £4.7 million has been achieved against the £6.1 million year to date target. The underachievement is mainly due to schemes within acute from 2021/2022 which were planned to deliver in 2022/2023 but which have not done so to date.

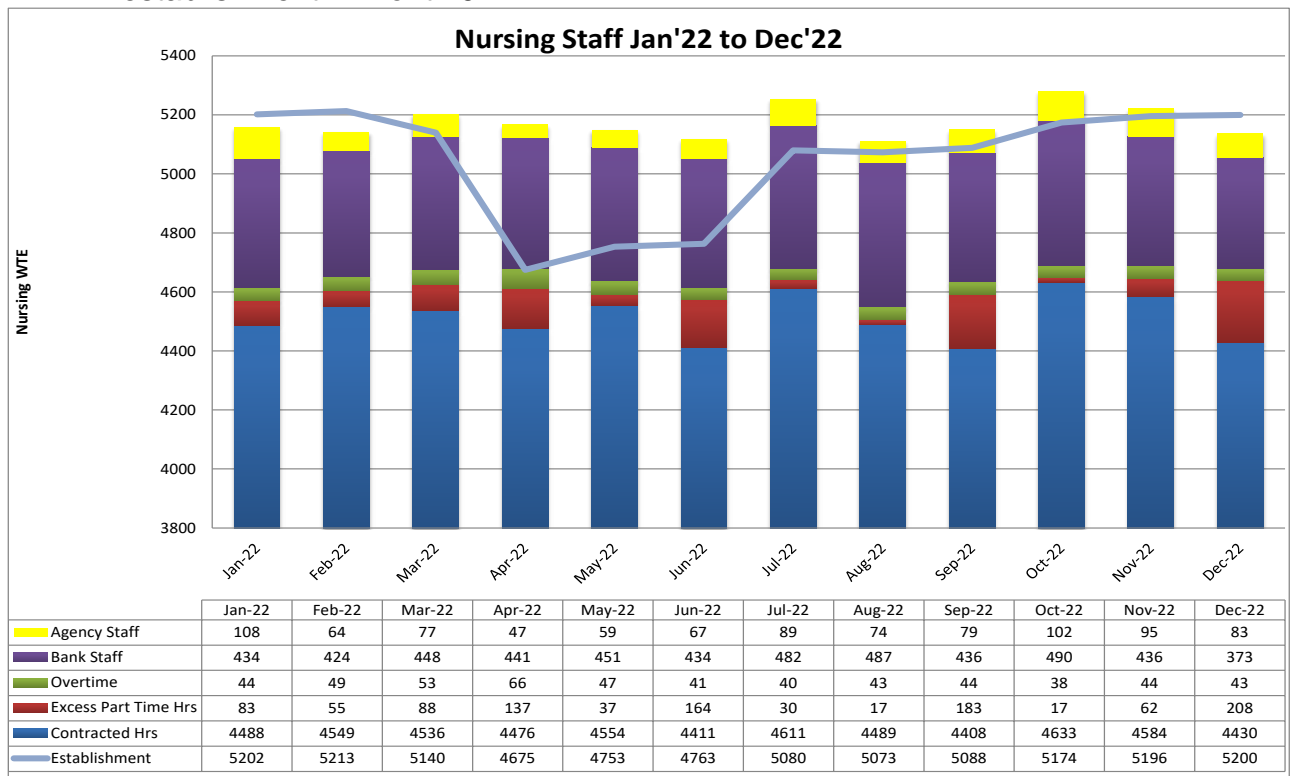
5. Workforce

- 5.1 The table below shows the whole time equivalent (WTE) staff used from April to December 2022. It then compares this with the average in preceding years. There has been a marked and sustained increase in WTE during the COVID-19 pandemic. 133 of these are for the COVID-19 vaccination programme who will be required recurrently (and will increase over the coming months). There was an overall decrease of 99 WTE during December with contracted staffing decreasing by 194 WTE.

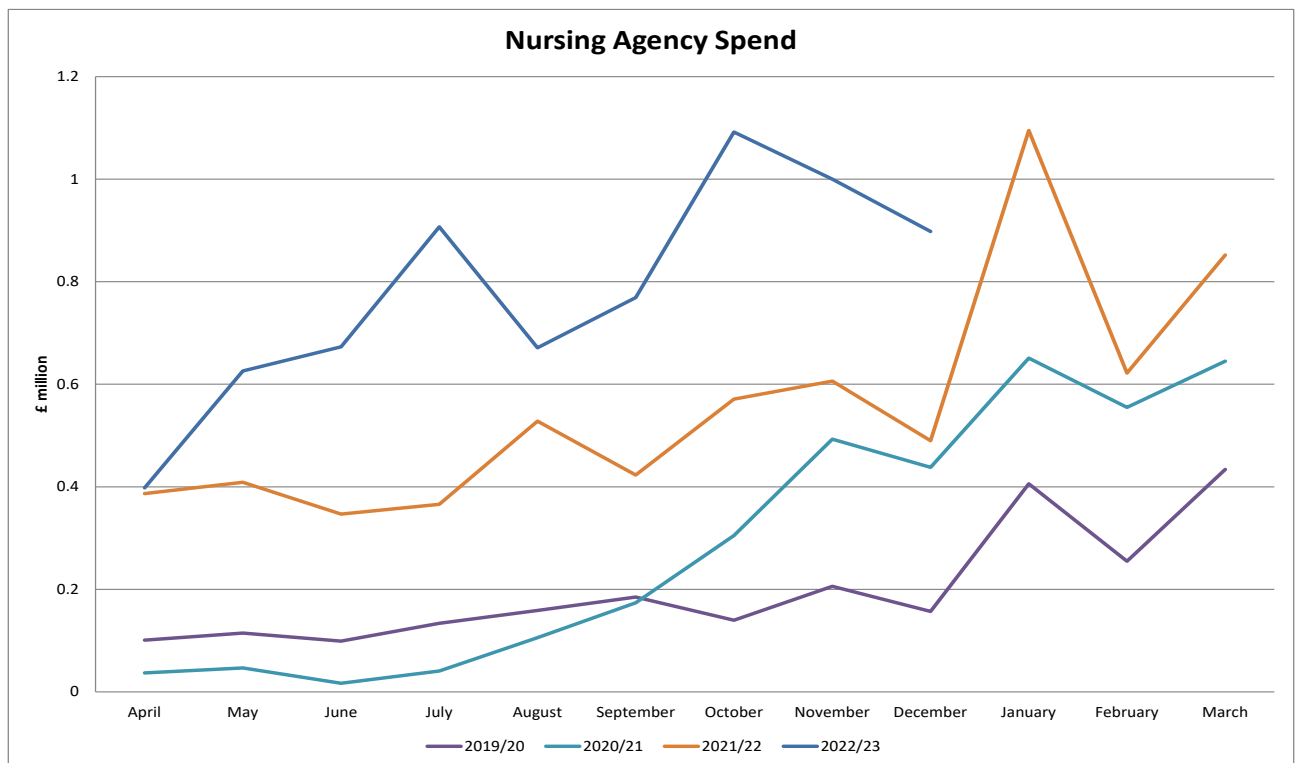
	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	2022-23	2021-22	2020-21	2019-20
	WTE	WTE	WTE	WTE	WTE	WTE	WTE	WTE	WTE	Apr-Dec Average WTE	Apr-Mar Average WTE	Apr-Mar Average WTE	Apr-Mar Average WTE
Contracted Hrs	9,373	9,466	9,333	9,458	9,435	9,387	9,625	9,559	9,365	9,445	9,291	9,034	8,809
Excess Part Time Hrs	417	249	403	244	243	427	245	290	459	331	344	317	285
Overtime	125	91	83	83	88	93	82	92	88	92	106	116	93
Bank Staff	441	451	434	482	487	436	490	436	373	448	406	321	253
Agency Staff	74	81	102	186	102	113	123	116	109	112	82	55	60
Total WTE	10,430	10,338	10,355	10,453	10,355	10,456	10,565	10,493	10,394	10,427	10,230	9,843	9,500

- 5.2 The trend of increasing staff over the pandemic years requires to be reversed in 2023 as there is not recurring funding to support this level of staffing. This will require beds in acute hospitals to close.

- 5.3 The graph below shows the trend for nursing staff. This will include bank staff, overtime, excess part time hours and agency. We were 25 WTE over our nursing establishment in Month 9.

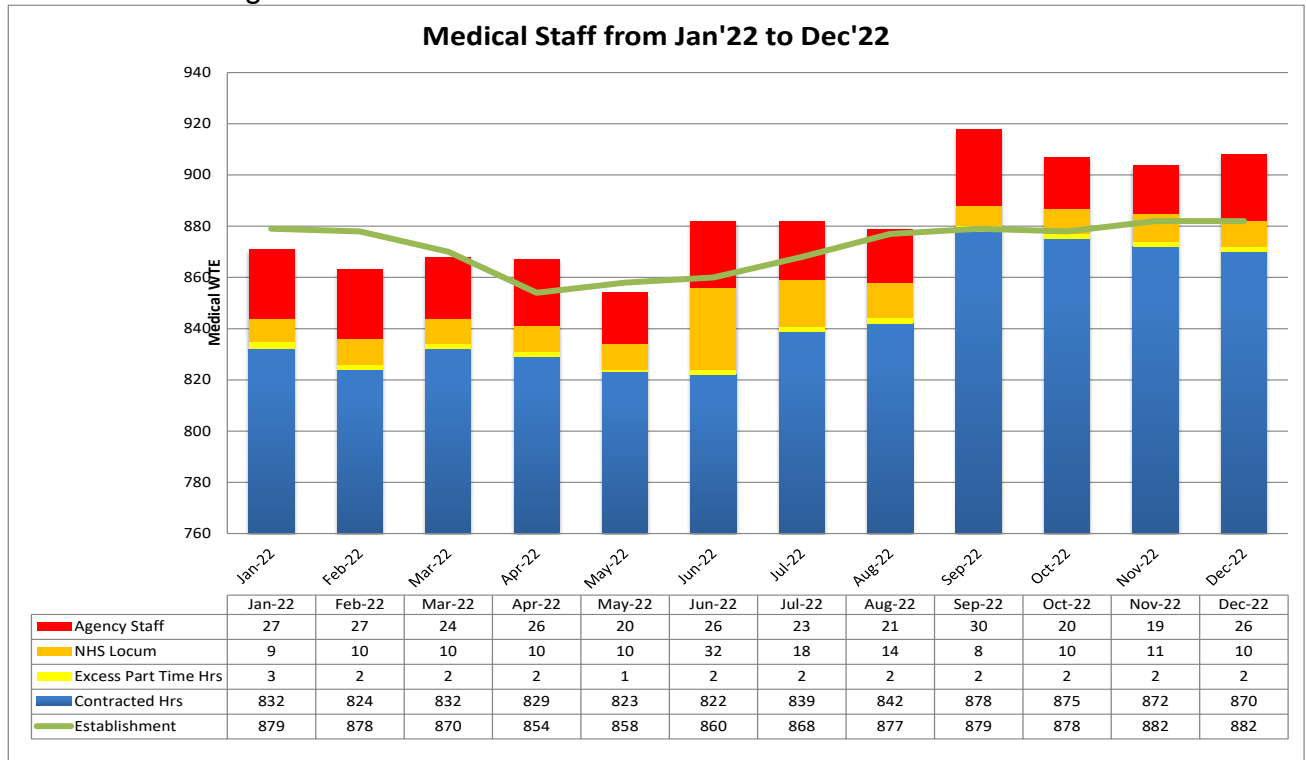


- 5.4 We spent £0.9 million on agency nursing staff in December, a slight decrease from the £1.0 million spent in November. Spend to date totals £7.0 million which is well in excess of previous years spend at this point in the year.

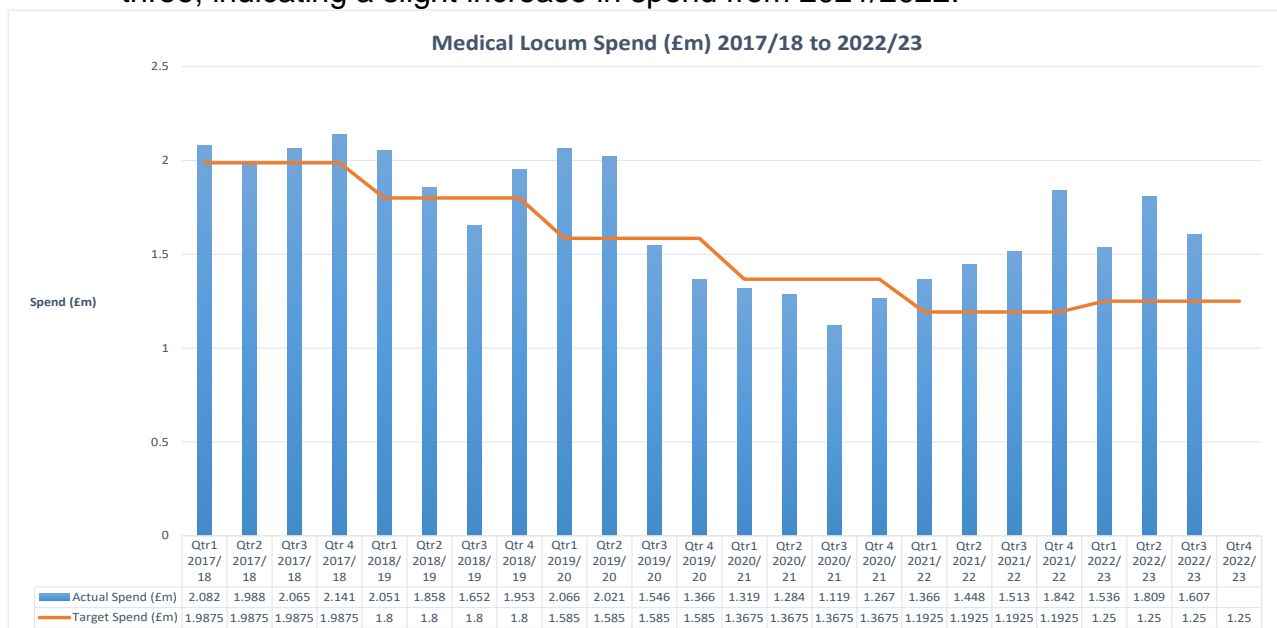


5.5 We used 908 WTE medical staff in December, including locums and agency. This was 26 above establishment and is the main reason for the £3.4 million overspend. Agency WTE increased from 19 to 26, whilst contracted hours decreased by two to 870 WTE following an increase of 36 WTE in September.

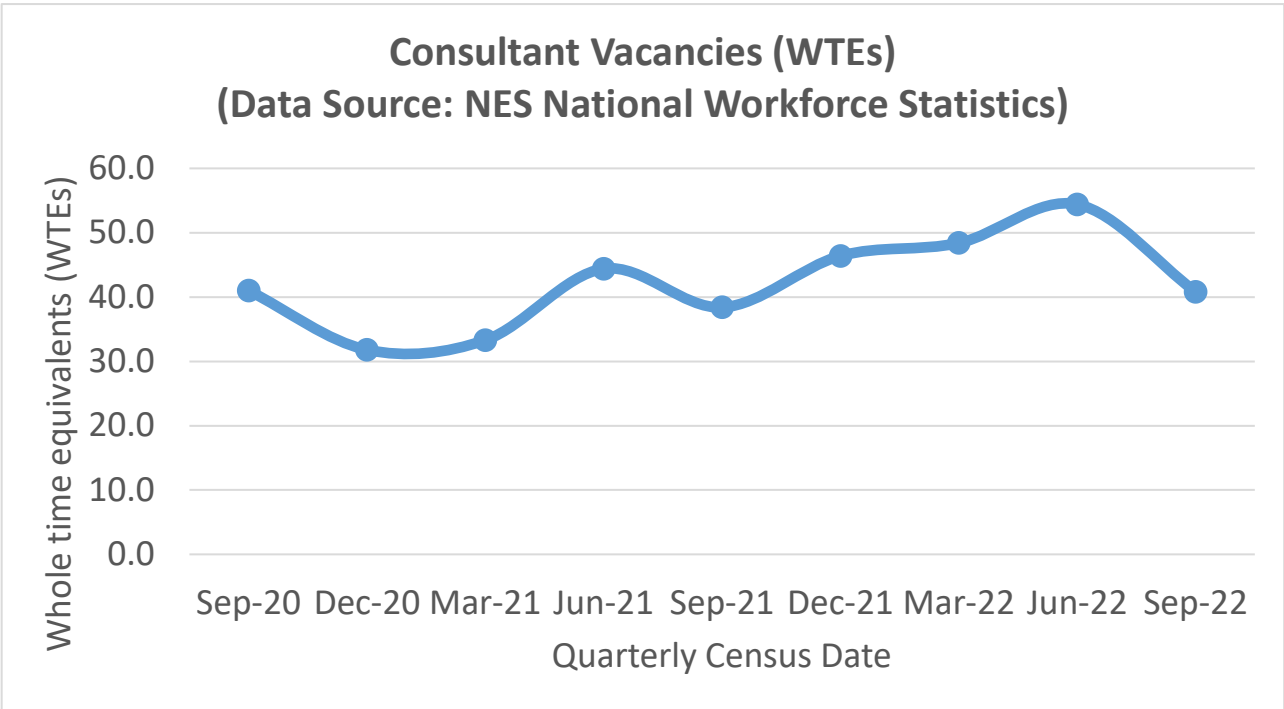
The graph below shows the trend from January 2022 to December 2022. The high cost of some medical agency staff is a driver for an overspend against the medical staff budget.



5.6 The graph below shows the trend in medical agency spend from quarter one of 2017/2018 to quarter three of 2022/2023. There is an increasing trend since quarter three of 2020/2021 following three years of reductions. In the last financial year we spent £6.2 million on agency doctors, however £1.5 million was spent in quarter one of 2022/2023, £1.8 million in quarter two and £1.6 million in quarter three, indicating a slight increase in spend from 2021/2022.

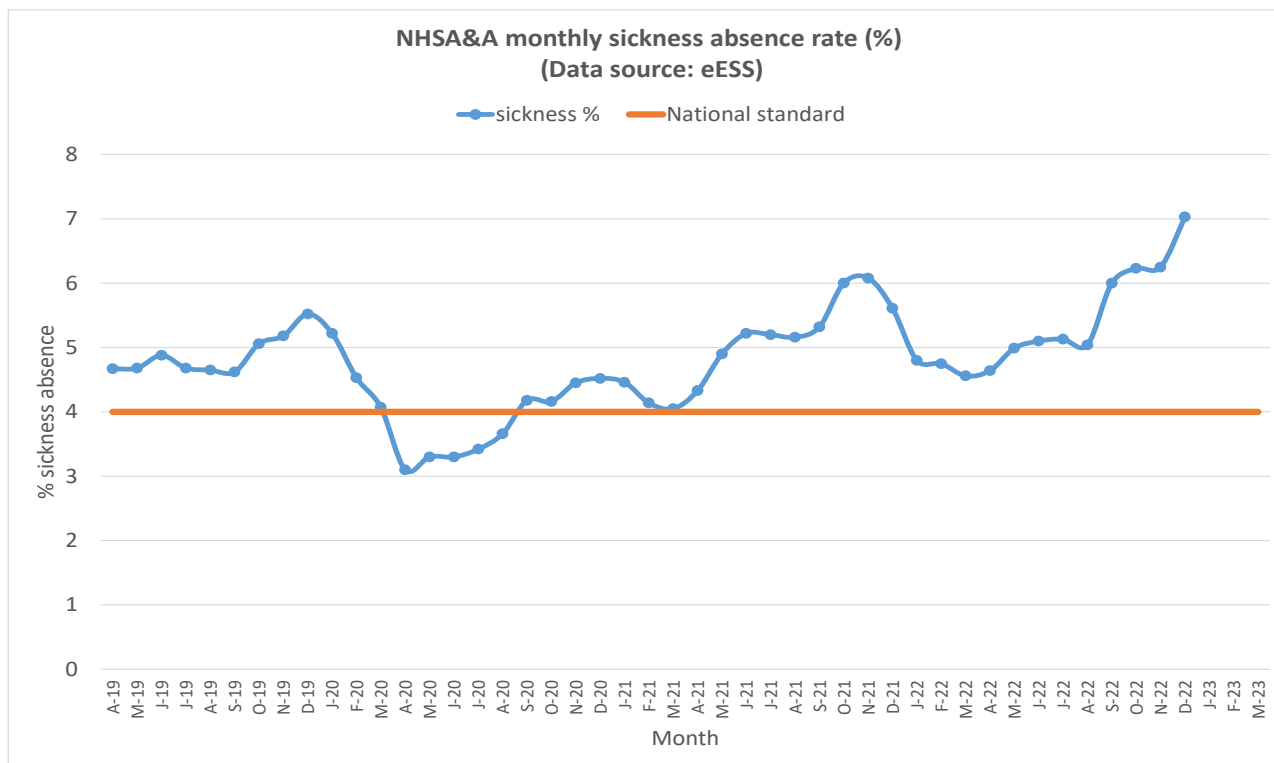


5.7 The level of consultant vacancies impacts directly on medical agency spend. The graph below shows the number of vacancies over time from September 2020 to September 2022. There has been a reduction in the number of vacancies over the last quarter with numbers now comparable to the position a year ago.



5.8 Staff sickness absence from work has organisational impact beyond the individual staff member, affecting other staff, service delivery, productivity and cost, where backfill arrangements have to be put in place.

5.9 Driven by the Board’s People Strategy, the Health, Safety & Wellbeing Improvement Plan identifies the programme of work being undertaken to improve staff health and wellbeing and, through the Promoting Attendance Policy, to have a clear process for appropriately managing staff sickness absence. The graph below shows sickness absence trends (excluding COVID-19 related absence) from 2019/2020 to December 2022. There has been a sharp increase in absence in September and October due to covid related absence no longer being excluded and a further sharp increase in December to around 7% (against the 4% national standard).



6. Risk assessment and mitigation

- 6.1 The Board set a deficit plan of £26.4 million. The major risks are set out below.
- 6.2 COVID-19 and high unscheduled care demand continues to drive expenditure, and commitments entered into around additional wards and test and protect will require to reduce spend. Operational pressure, including 264 delayed discharges in the week commencing the 26 December 2022, will make the bed reductions required to hit our financial target extremely challenging to deliver.
- 6.3 There are particularly high levels of delayed discharge within South Ayrshire. The South IJB has been asked to contribute to the additional costs being incurred in acute services as a result of the above average levels of delays, but it is uncertain if any funding will be forthcoming.
- 6.4 The £7.9 million now received for access will not enable us to reduce waiting lists beyond the existing trajectory. Some specialties will deteriorate further. A decision to use £1.1 million of board funds to supplement this has been taken by Corporate Management Team. This is reflected in the reserves position.
- 6.5 GP Prescribing is known to be volatile in volume and price. Based on seven months data this risks being £5.0 million over by March 2023. This is mostly as a result of price increases which are continuing as the year progresses. An additional £5 million has been provided from Board reserves to fund this anticipated increase in spend.
- 6.6 In previous years a number of unspent allocations have been carried forward to the following year. With the current financial position this is no longer an option.

- 6.7 The Board holds a budget of £3.5 million for our share of national clinical negligence settlements in Scotland, the value for which is unknown in the current year therefore our budget may be insufficient.

7.0 Capital

- 7.1 Capital spend in the first nine months was £8.7 million. The capital plan was £34.4 million with allocations now expected of £29.9 million. While a lot capital expenditure is expected in the last quarter of the year, a capital underspend is expected at year-end. Further detail is provided in Appendix 5.

Financial Position for the nine months to 31 December 2022

	Salaries				Supplies				Total				
	Year to Date				Year to Date				Year to Date				
	Annual Budget £000	Budget £000	Expenditure £000	Variance £000	Annual Budget £000	Budget £000	Expenditure £000	Variance £000	Annual Budget £000	Budget £000	Expenditure £000	Variance £000	Forecast - Outturn £000
Acute	279,965	212,600	219,095	(6,494)	106,176	75,531	80,707	(5,176)	386,141	288,131	299,801	(11,670)	(15,000)
East Hscp	57,381	42,664	42,209	455	148,037	107,189	106,020	1,169	205,418	149,853	148,229	1,625	0
North Hscp	84,547	63,459	63,043	416	81,473	59,226	61,223	(1,997)	166,020	122,685	124,266	(1,580)	0
South Hscp	32,225	23,595	22,557	1,038	66,927	47,692	47,541	151	99,152	71,287	70,098	1,189	0
HSCP underspends owed to IJBs	0	0	1,910	(1,910)	0	0	(676)	676	0	0	1,234	(1,234)	0
New Medicines Fund				0	7,218	5,289	13,383	(8,094)	7,218	5,289	13,383	(8,094)	(13,137)
Other Clinical Services	10,617	7,959	7,317	642	1,581	1,218	942	276	12,198	9,177	8,259	918	1,300
Hospital Community and Family Health Services (section 1)	464,735	350,278	356,130	(5,852)	411,412	296,145	309,139	(12,994)	876,148	646,423	665,269	(18,846)	(26,837)
Chief Executive	827	622	575	47	38	28	14	14	865	649	589	61	80
Director Public Health	12,427	9,775	9,409	366	1,659	717	793	(76)	14,086	10,492	10,202	290	350
Medical Director	3,975	3,019	3,318	(299)	(2,583)	(2,174)	(2,510)	336	1,392	845	807	37	64
Nursing Director	7,397	5,243	4,722	522	(335)	(446)	(426)	(20)	7,062	4,797	4,295	502	1,269
ISS (Operational)	40,959	30,752	29,727	1,025	14,428	9,350	10,369	(1,019)	55,387	40,102	40,097	6	0
ISS (Corporate)	874	675	671	4	44,710	32,782	32,816	(34)	45,584	33,457	33,487	(30)	0
Finance	4,396	3,290	3,140	150	(539)	(397)	(439)	42	3,857	2,893	2,702	191	211
ORG and HR Development	5,223	3,803	3,689	114	703	(84)	83	(167)	5,926	3,719	3,772	(53)	0
West Of Scotland Region Ce	68	51	91	(40)	(68)	(92)	(132)	40	0	(41)	(41)	0	0
Transformation+sustainability	2,097	1,580	1,399	181	117	66	23	43	2,214	1,646	1,422	224	299
Clinical and Non Clinical Support Services (Section 2)	78,244	58,809	56,741	2,068	58,129	39,750	40,590	(840)	136,373	98,560	97,331	1,229	2,273
Corporate Resource	1,894	(60)	(60)	0	(4,090)	(9,547)	(9,161)	(386)	(2,196)	(9,607)	(9,221)	(386)	(100)
Corporate Reserves	33,411	0	0	0	(4,196)	(3,897)	0	(3,897)	29,215	(3,897)	0	(3,897)	(5,188)
Corporate Resource and Reserves	35,305	(60)	(60)	0	(8,286)	(13,444)	(9,161)	(4,283)	27,019	(13,504)	(9,221)	(4,283)	(5,288)
NHS A&A Total	578,284	409,027	412,811	(3,784)	461,255	322,451	340,568	(18,117)	1,039,539	731,478	753,379	(21,900)	(29,852)
Anticipated COVID Funding	0	0	0	0	0	0	0	0	0	0	0	0	0
NHS A&A Total	578,284	409,027	412,811	(3,784)	461,255	322,451	340,568	(18,117)	1,039,539	731,478	753,379	(21,900)	(29,852)

COVID-19 Expenditure

Category	Annual Budget £000	COVID YTD Budget £000	COVID YTD Expenditure £000
Additional Hospital Bed Capacity/Costs - Maintaining Surge Capacity	11,711	8,829	8,250
Additional staff overtime and enhancements	80	80	148
Additional temporary staff spend - All Other	694	693	1,034
Medical Staffing	0	0	45
Additional temporary staff spend - Returning Staff	0	0	25
COVID-19 screening and testing for virus	400	171	270
Equipment & Sundries	0	0	3
Deep cleans	625	443	422
Staffing support, including training & staff wellbeing	0	0	6
HR Staff Hub	1	1	1
Additional Temporary Staff - CNO Care Home Additional Responsibilities	823	303	304
Public Health	0	66	66
Covid - Covid Vaccinations	6,313	4,622	4,622
Ph Covid Health Protection	0	139	139
Covid - Mass Testing	112	112	111
*Contact Tracing Costs	1,200	1,229	1,230
Subtotal Health Board	21,959	16,688	16,692
Community Hubs	0	0	2
East HSCP _ Various	0	0	25
East Hscp Long Covid	0	0	169
North HSCP - Various	0	0	651
North Hscp Long Covid	0	0	258
South HSCP - Various	0	0	67
Biggart Beds	0	0	409
South Hscp Long Covid	0	0	44
Subtotal HSCPs	0	0	1,621
COVID-19 Total	21,959	16,688	18,313
Mh Remobilisation Plan	0	0	0
Redesign of Urgent Care	0	719	719
South Mh Remob Plan	0	0	61
Subtotal Exclusions	0	719	780
YTD in COVID-19 Cost Centres	21,959	17,407	19,093

Confirmed and Antcipated Allocations

Category	Recurring	Earmarked	Non	Total
	£'000	£'000	£'000	£'000
Allocations Received @ M8	806,814	24,236	25,612	856,662
Primary Medical Services		65,820		65,820
Combat Stress			1,424	1,424
Type 2 Diabetes Adult Weight			441	441
Childrens Weight Management			142	142
Veteran Mental Health Support			105	105
Learning Disability Health Checks			73	73
Nsd - Adolescent Mental Health Units			(39)	(39)
Allocations received in December	0	65,820	2,146	67,966
Total Allocations at December	806,814	90,056	27,758	924,628
Family Health Services - Non Cash Limited	59,299			59,299
AfC Pay Uplift	27,432			27,432
New Medicines Fund		7,218		7,218
Action 15 Mental Health		2,610		2,610
Support Staff NRAC £15m		2,214		2,214
Quarriers		1,612		1,612
Mental Health Framework		1,492		1,492
Primary Care Improvement Fund		1,165		1,165
Scottish Trauma Network		252		252
School Nursing		414		414
NSD Out Of Area		350		350
Infant Mental Health		303		303
Camhs Neurodevelopment		226		226
Camhs Home Intensive		148		148
Camhs Liaison Teams		129		129
Camhs Intensive Units		122		122
Wellbeing In Primary Care		109		109
Distinction Awards		88		88
Camhs Out Of Hours		86		86
Mental Health Pharmacy		69		69
Camhs Forensic		52		52
Pharmacy Champions		21		21
West of Scotland Cancer - Prostate		17		17
Discovery 2021-22		(40)		(40)
Pre-registration Pharmacists		(180)		(180)
National Distribution Centre		(967)		(967)
Capital Sacrifice			3,135	3,135
Non Core Del			2,800	2,800
MACA Military Aid Civil Authorities			2,660	2,660
Ame Impairments			2,000	2,000
Capital Grant Hospice			2,000	2,000
Depreciation			1,750	1,750
Woodlandview Pfi Depreciation			854	854
Winter Sustainability			700	700
Amu Pfi Depreciation			632	632
Ame Donated Asset Depreciation			400	400
Test And Protect			400	400
International Recruitment			326	326
AME Provision			200	200
Prereg Trainee Pharmacy Technician			178	178
Excellence In Care			94	94
Realistic Medicine			60	60
Ame Donations			(350)	(350)
NSS Risk Share (2)			(400)	(400)
Pet Scan			(671)	(671)
Revenue Sacrifice			(1,362)	(1,362)
Support Staff NRAC £15m			(2,214)	(2,214)
Golden Jubilee			(2,523)	(2,523)
Total Received and Antcipated Allocations	893,545	107,567	38,428	1,039,539

Cash Releasing Efficiency Savings

Plan v Forecast	£000	£000	£000	£000	£000
		M9 YTD	M9 YTD		Forecast Variance
Plan Area (operational)	Annual Plan	Plan	Actual	Variance	@ M12
Renal Beds	600	450	0	(450)	(600)
Frailty Pathway	150	113	0	(113)	(150)
Supplies	75	56	56	0	0
Urology	45	34	0	(34)	(45)
Surgical Beds	280	210	0	(210)	(280)
Radiology	40	30	30	(0)	0
Travel	300	225	0	(225)	(300)
Income from D&G	100	75	0	(75)	(100)
Acute Other	11	3	3	0	0
Acute Prescribing	1,561	1,171	1,233	63	144
Primary Care Prescribing	2,000	1,500	1,314	(186)	(186)
External SLAs	2,000	1,500	1,500	0	0
National Services	350	263	263	0	0
Digital Transformation	200	150	0	(150)	(200)
Energy	69	52	52	0	0
Estate Rationalisation	200	150	150	0	0
Energy Utilisation	200	150	150	0	0
Total	8,180	6,130	4,750	(1,379)	(1,717)

Capital

	Original Capital Plan £000's	Current Capital Allocations £000's
<u>Capital allocation</u>		
Core Capital Allocation	8,720	8,720
SGHSCD Capital Contribution to Whole System Estate Plan	1,600	0
Caring for Ayrshire	2,411	2,963
SG Contribution to FCAMHS Fees	9,700	9,700
National Treatment Centre	12,000	3,000
Student Aecom from 21/22	0	250
Endowment Funding Staff Wellbeing	0	515
SG MRI Funding	0	1,500
EV Infrastructure 21/22	0	441
TS EV Funding	0	1,300
SG Backlog Maintenance Funding	0	1,442
SG National Infrastructure Equipment	0	931
SG Green Public Sector Estate Decarbonisation Scheme	0	873
NSS Cochlear Monies	0	28
Rev to Cap Transfer	0	1,355
Cap to Rev Transfer	0	(3,135)
Total Approved Capital Allocation	34,431	29,882

	Spend to Date £000's
Capital Spend for the 9 months to 31st December 2022	
National Secure Adolescent Unit	4,307
National Treatment Time Centre	1,283
Endoscopy Decontamination, Ayr	1,283
Capital Prioritisation Projects	
Aggregate schemes under £50k	1,516
Total	8,729