

NHS Ayrshire & Arran



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| Meeting: | Ayrshire & Arran NHS Board |
| Meeting date: | Monday 9 October 2023 |
| Title: | Financial Management Report for five months to 31 August 2023 |
| 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 Health Board set a deficit budget of £56.4 million for the 2023/2024 financial year on 28 March 2023. The overspend for the five months to 31 August is £23.7 million which is on this trajectory, however Scottish Government expect an improvement on this position. Bed closures and reduced nurse agency use in recent months are signs of improvement.

2.2 Background

The budget for 2023/2024 was approved at the Board meeting on 28 March 2023 and set out £53.2 million of recurring cost pressures, compared to about £19.7 million of additional funding. Cash releasing efficiency savings of £9.6 million are targeted for the year.

2.3 Assessment

An excess of cost pressures over the funding uplift and achievable cash efficiency savings has caused a deterioration in the planned annual deficit from last year. The acute overspend against budget is partly driven by excess unfunded beds being open and high use of agency nurses and doctors.

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 3. This totals £9.6 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

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

2.4 Recommendation

For discussion. Members are asked to examine and consider the implications of the financial position at Month 5.

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, Confirmed and anticipated allocations

Appendix No 3, Cash releasing efficiency savings

1. Background

1.1 This report shows the revenue position at 31 August 2023. This is a £23.7 million deficit. This is in line with the approved revenue plan by the Board, but improvement on this is required by the Scottish Government.

2. Revenue Resource Limit and Overall Financial Position

2.1 The total allocations for the year are anticipated to be £1.103 billion, as detailed on Appendix 2. £8.995 million has been received in the August allocation which includes £4.4 million for Unitary Charges, Mental Health Outcomes Framework of £3.29 million, Multi-disciplinary Teams of £2.6 million and £1.29 million for the Digital Health and Care Strategic Fund. An allocation reduction of £4.3 million is made for NHS Ayrshire & Arran contribution to national risk shares for recombinant blood products, orphan drugs, CAR-T etc.

2.2 Of the remaining £157.6 million anticipated allocations, Family Health Services accounts for £58.8 million, Primary Medical Services £65.8 million, Outcomes Framework £4.7 million and Action 15 Mental Health Strategy £4.2 million.

2.3 The Board set a deficit budget of £56.4 million for 2023/2024. The Board is £23.70 million overspent after five months which is in line with the original financial plan.

3. Acute Services

3.1.1 The annual budget for Acute Services is £412.6 million. The directorate has overspent by £12.5 million in the year to date. £4.67 million was spent on unfunded beds, (please see section 3.1.6 below), however other pay and supplies overspends as well as unachieved savings also contribute.

| Table 1a | Annual Budget | YTD Budget | YTD Actual | YTD Var | Month Budget | Month Actual | Month Var |
|-------------------------|----------------|----------------|----------------|-----------------|---------------|---------------|----------------|
| <i>All Acute</i> | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Pay | 297,882 | 125,375 | 135,034 | (9,659) | 24,884 | 27,145 | (2,261) |
| Supplies | 66,819 | 27,040 | 29,659 | (2,620) | 5,256 | 6,351 | (1,095) |
| Purchase of Healthcare | 82,271 | 35,003 | 34,455 | 548 | 6,889 | 6,441 | 448 |
| Provision of Healthcare | (30,753) | (12,309) | (12,399) | 91 | (2,362) | (2,474) | 112 |
| Operating Income | (1,211) | (427) | (575) | 147 | (38) | (68) | 30 |
| Unallocated Savings | (2,356) | (982) | 0 | (982) | (196) | 0 | (196) |
| Total | 412,652 | 173,700 | 186,174 | (12,474) | 34,432 | 37,395 | (2,964) |

3.1.2 Pay is £9.7 million overspent. Nursing pay was £5.8 million overspent whilst medical pay was £3.3 million over. Nursing agency spend within acute was £3.85 million (with £1.2 million being in accident & emergency and combined assessment units) and medical agency spend was £2.42 million.

3.1.3 Supplies were £2.6 million overspent with £0.5 million over on taxis, private ambulances etc., and £0.9 million on prescribing, £0.7 million on equipment (such as insulin pumps and continuous glucose monitors) and £0.2 million on professional fees.

- 3.1.4 Unallocated savings are £2.4 million and will contribute £0.2 million adverse variance each month until the savings are found.
- 3.1.5 There were 201 delayed discharges in our hospitals on the 31 August 2023. The table below shows the distribution of these delays across HSCP and hospital location.

| Delayed Discharges at 31st August 2023 | | | | |
|---|--------------|------------------|----------------------|--------------|
| HSCP | Acute | Community | Mental Health | Total |
| East | 18 | 5 | 5 | 28 |
| North | 41 | 2 | 31 | 74 |
| South | 50 | 46 | 5 | 101 |
| Total | 109 | 53 | 41 | 203 |

- 3.1.6 Ward 5B at UHC (University Hospital Crosshouse) closed on the 10 of June 2023 and Station 10 at UHA (University Hospital Ayr) closed on the 26 April 2023. Station 1 and Station 2 at UHA along with 5A, 4E and 3F at UHC remain open without funding, however station 2 closed in early September. Agency nurse spend on these wards in the first five months of the year was £276,682 for ward 4E, £168,239 for ward 3F and £175,963 for Ward 5A (which is for orthopaedics with £300,000 agency nursing spend in other orthopaedic wards at Crosshouse).

| M5 Spend on unfunded wards | | M1 | M2 | M3 | M4 | M5 | Total |
|-----------------------------------|------------|--------------|--------------|-------------|-------------|-------------|--------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 |
| UHA | Station 1 | 261 | 79 | 163 | 182 | 192 | 877 |
| UHA | Station 2 | 138 | 177 | 109 | 144 | 51 | 619 |
| UHA | Station 10 | 97 | 6 | - | - | - | 103 |
| UHC | 5a | 227 | 223 | 180 | 193 | 226 | 1,049 |
| UHC | 5b | 160 | 184 | 97 | 25 | 14 | 480 |
| UHC | 4e | 167 | 258 | 216 | 189 | 206 | 1,036 |
| UHC | 3F | 110 | 78 | 121 | 93 | 100 | 502 |
| Total | | 1,160 | 1,005 | 886 | 826 | 789 | 4,666 |

3.2 New Medicines Fund

- 3.2.1 The New Medicines Fund Budget is £18.2 million representing the confirmed funding for 2023/2024. It is expected to spend £21 million full year, with a year to date overspend of £0.4 million.

3.3 Health and Social Care Partnerships (HSCPs)

- 3.3.1 The total health budgets for the three HSCPs are now £507.6 million.
- 3.3.2 Appendix 1 shows no net under or overspend against the three HSCPs (now bottom of section of Appendix 1) as these belong to Integration Joint Boards rather than the Health Board.

3.4 Infrastructure and Support Services (I&SS)

3.4.1 Operational Infrastructure and Support Services includes estates, hotel services and digital services. Infrastructure and Support Services budgets are separated between those which are operational service provision and those which are corporate in nature such as capital charges, energy and private finance initiative (PFI) costs. They have an aggregate annual budget of £112 million. Operational I&SS services are overspent by £0.28 million after five months due to underachievement of CRES plan whilst Corporate I&SS services were over by £0.33 million due to higher energy costs than budgeted for.

3.5 Corporate Services

3.5.1 Other corporate services have budgets of £39.2 million and comprise Public Health (which includes £5.8 million for the vaccination programme), the Nursing Directorate, the Medical Directorate, Human Resources and Organisational Development, Finance, Transformation and Sustainability and the Chief Executive's office. These areas generally have underspends, which in aggregate total £1.12 million.

3.6 Corporate Resource and Reserves

3.6.1 Reserves (budgets and deficits not issued to directorates) are £11.8 million overcommitted after five months. This is due to the underlying deficit which increased by £23.9 million after the 2023/2024 budget setting process but is offset by funding held in reserves yet to be issued to directorates.

4. Efficiency and Transformation Programme

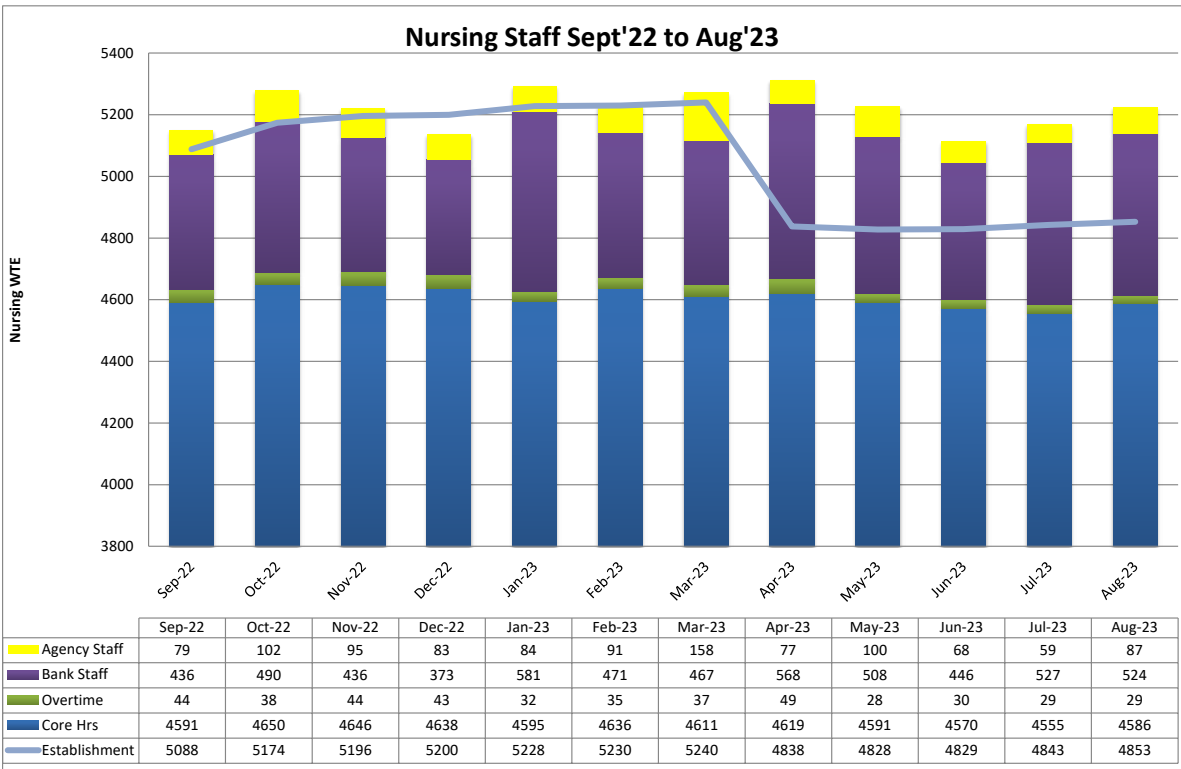
4.1 The Cash Releasing Efficiency Savings (CRES) programme for 2023/2024 totals £9.6 million. There is considerable delivery risk in some areas however this is monitored monthly. See Appendix 3 for the programmes included and the projected delivery of £9.4 million.

5. Workforce

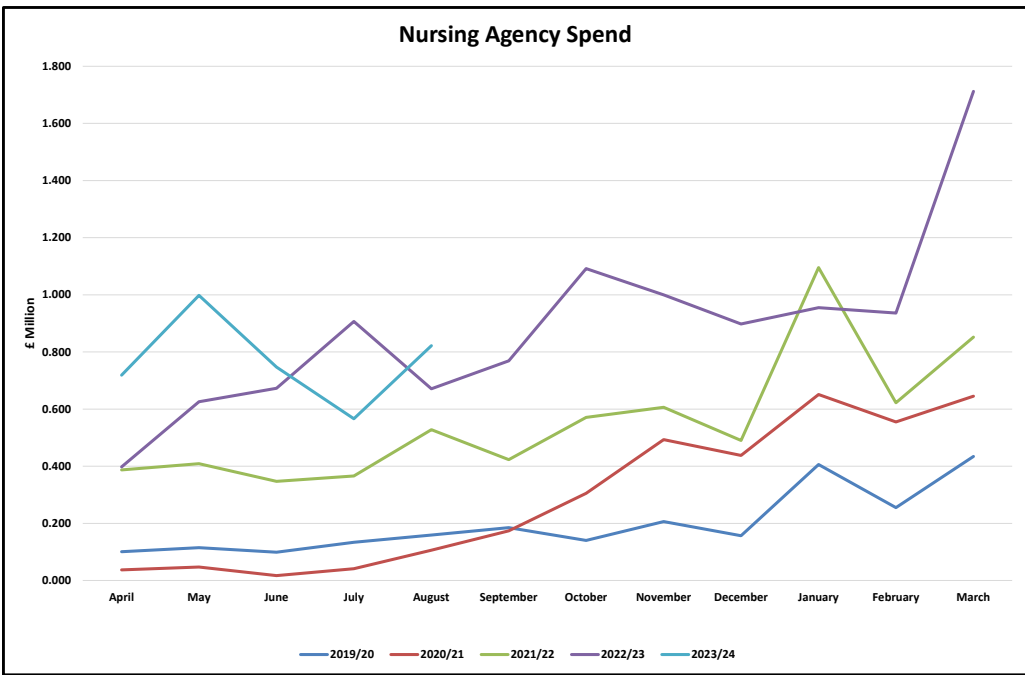
5.1 The table below shows the whole time equivalent (WTE) staff used from April to August 2023. It then compares this with the average in preceding years. There was been a marked and sustained increase in WTE during the COVID-19 pandemic. Staffing peaked in April 2023 and then started to reduce in May and June but has increased again in July and August.

| | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | 2022-23 | 2021-22 | 2020-21 | 2019-20 |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | WTE | WTE | WTE | WTE | WTE | Apr-Mar Average WTE | Apr-Mar Average WTE | Apr-Mar Average WTE | Apr-Mar Average WTE |
| Contracted Hrs | 9,611 | 9,633 | 9,389 | 9,572 | 9,540 | 9,478 | 9,291 | 9,034 | 8,809 |
| Excess Part Time Hrs | 260 | 155 | 386 | 219 | 241 | 306 | 344 | 317 | 285 |
| Overtime | 92 | 59 | 60 | 62 | 63 | 86 | 106 | 116 | 93 |
| Bank Staff | 568 | 508 | 446 | 527 | 524 | 462 | 406 | 321 | 253 |
| Agency Staff | 95 | 122 | 90 | 83 | 153 | 117 | 82 | 55 | 60 |
| Total WTE | 10,626 | 10,477 | 10,371 | 10,463 | 10,521 | 10,449 | 10,230 | 9,843 | 9,500 |

5.2 The graph below shows the trend for nursing staff. This includes bank staff, overtime, excess part time hours and agency. We were 373 WTE over our nursing establishment in Month 5. The establishment in 2022/2023 included 366 WTE for unfunded wards. There is no budget and therefore no funded establishment for these wards in 2023/2024.

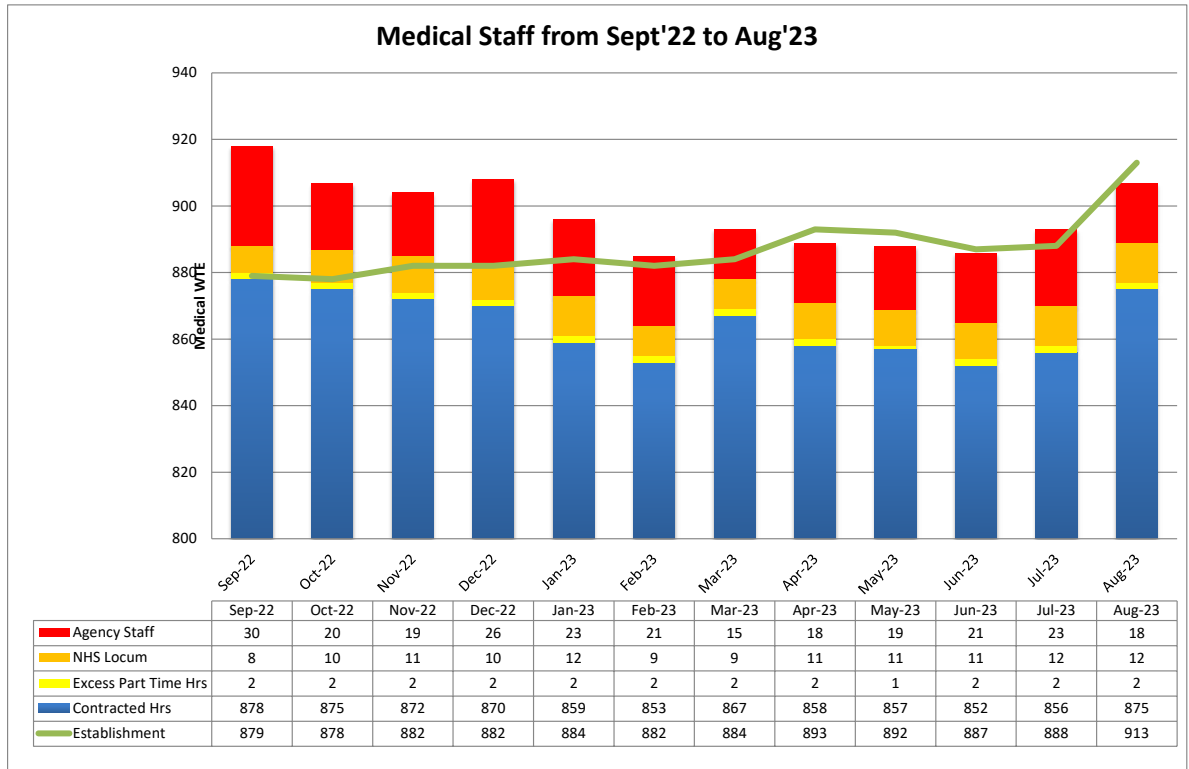


5.3 Nursing agency spend had reduced in July to £0.6 million as non-framework providers (who charge higher commission) were not used in favour of framework providers. It is of concern that spend increased in August to £0.8 million. Further reduction in volume of nursing agency shifts is being addressed through the closure of unfunded wards and filling of vacant registered nurse posts on a substantive basis. Newly qualified nurses recently employed should help reduce agency nurse spend further.

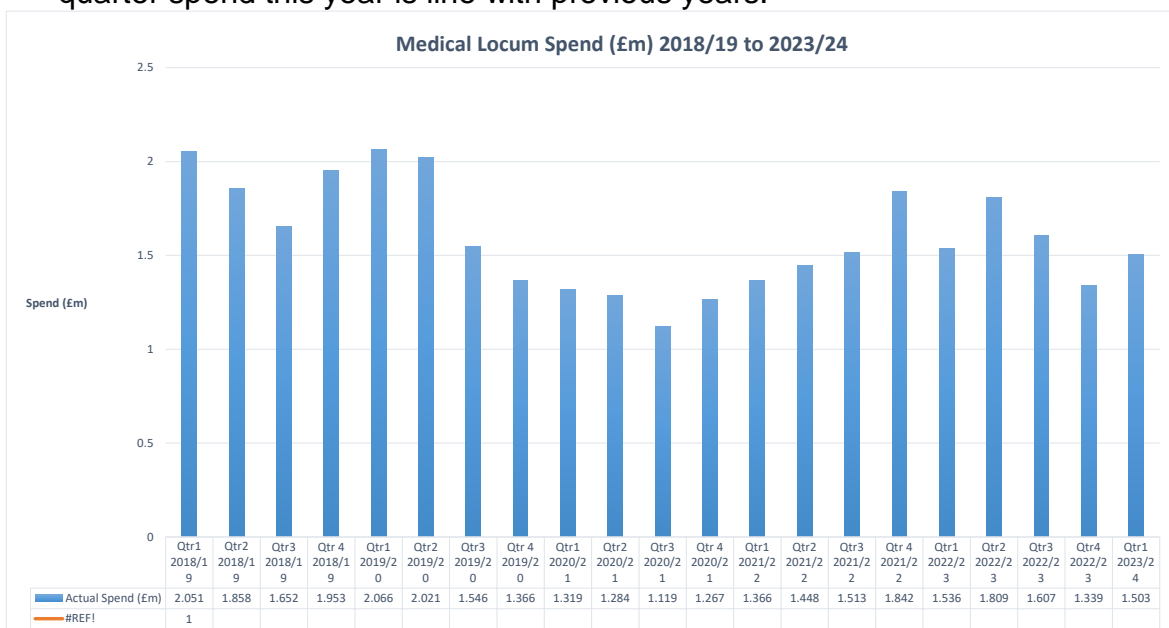


5.4 We used 907 WTE medical staff in August, including locums and agency. This was six below establishment. In August the funding from NHS Education Scotland for junior doctors increased by £1.36 million to reflect a 25 WTE increase in establishment.

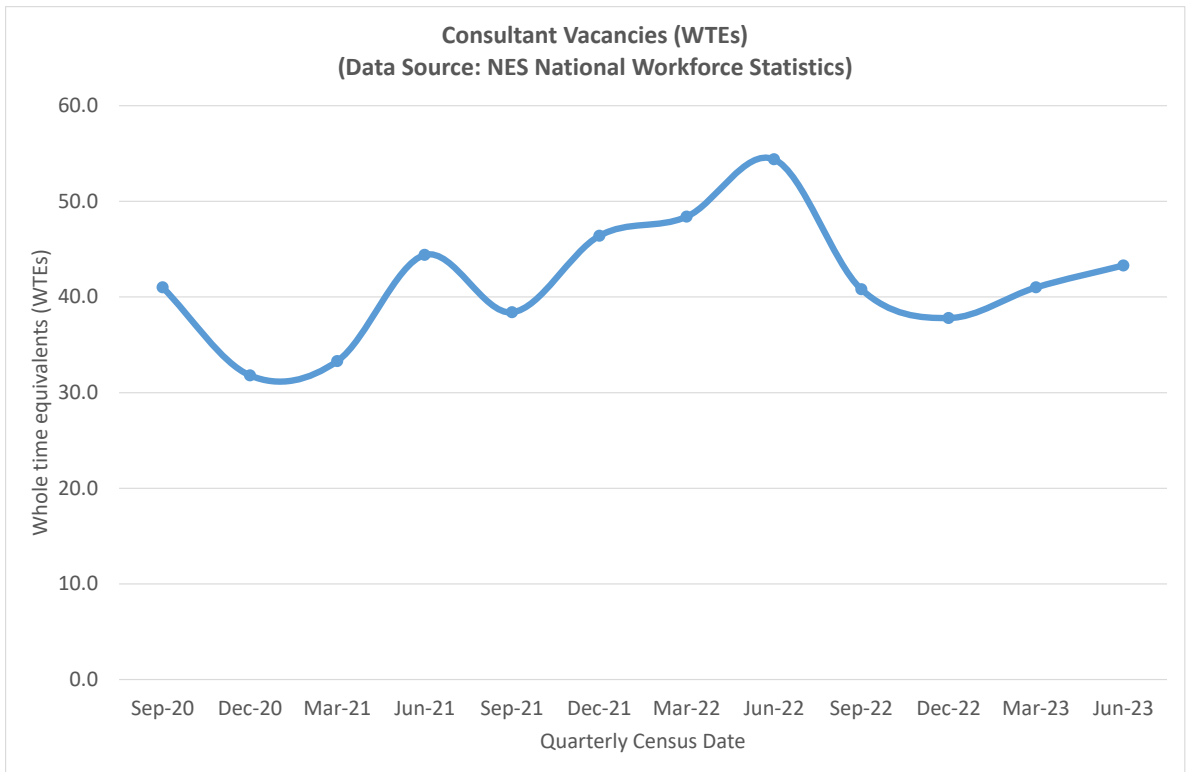
5.5 The graph below shows the trend from September 2022 to August 2023. The high cost of some medical agency staff is a driver for an overspend against the medical staff budget. Medical agency spend was £0.5 million in August.



5.6 The graph below shows the trend in medical agency spend from quarter one of 2018/2019 to quarter one of 2023/2024. Spend over the last three years has been quite consistent, with an average spend of £1.55 million per quarter and the first quarter spend this year is line with previous years.

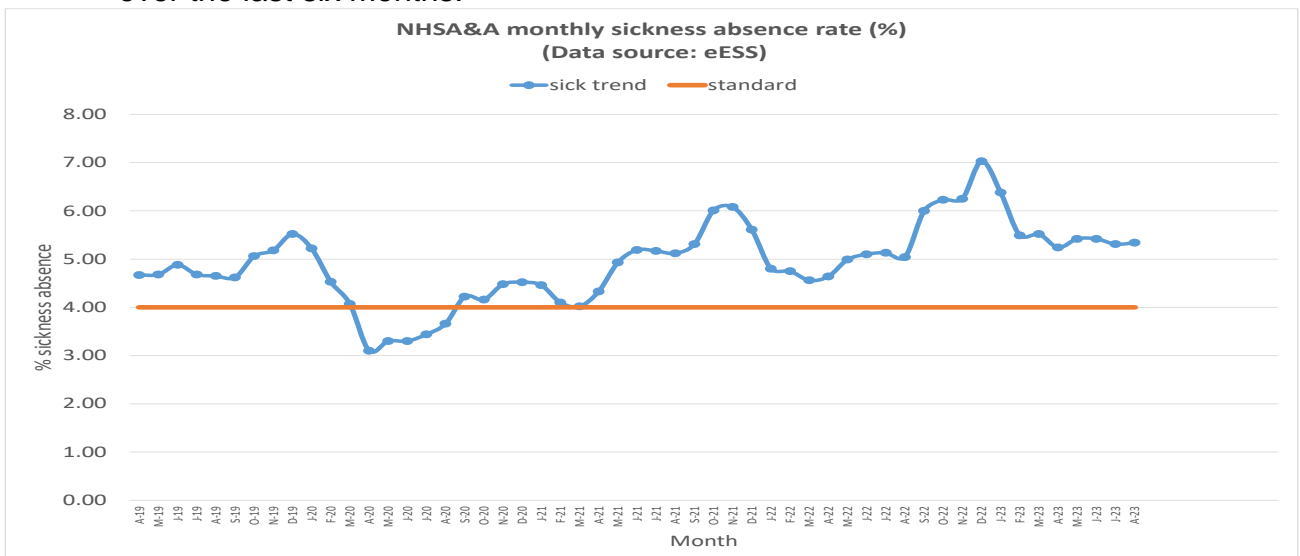


5.7 The level of consultant vacancies impacts directly on medical agency spend. The graph below shows the number of vacancies over time from September 2020 to June 2023. There has been a slight increase in the number of vacancies over the last two quarters.



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 and 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 August 2023. Sickness absences rate have remained relatively static over the last six months.



6.0 Risk assessment and mitigation

- 6.1 The Board set a deficit plan of £56.4 million, however Scottish Government require an improvement on this.
- 6.2 Operational overspends within acute are £12.5 million after five months. This run rate requires to reduce through the closure of unfunded beds and reduced use of agency nurse staff. High delayed discharges in South Ayrshire makes bed closures difficult.
- 6.3 The provision of GP Prescribing expenditure information for 2023/2024 has been delayed due to the implementation of a new national system therefore there potentially could be a cost pressure that is not currently reported. Price increases are not within Board control and could result in an overspend.
- 6.4 No COVID-19 funding is available to pay for additional beds in 2023/2024. Cost avoidance by closing these is essential to achieve the financial plan.
- 6.5 3% operational CRES is likely to prove challenging for many areas.

Financial Position for August 2023

| | 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 |
| Acute | 297,882 | 125,375 | 135,034 | (9,659) | 114,769 | 48,325 | 51,140 | (2,815) | 412,652 | 173,700 | 186,174 | (12,474) |
| New Medicines Fund | | | | 0 | 18,204 | 7,585 | 8,032 | (447) | 18,204 | 7,585 | 8,032 | (447) |
| Pharmacy | 11,722 | 4,962 | 4,979 | (17) | (336) | (149) | 104 | (254) | 11,386 | 4,813 | 5,084 | (271) |
| UNPACs | 32 | 13 | 0 | 13 | 1,831 | 763 | 220 | 543 | 1,863 | 776 | 220 | 557 |
| Acute and Clinical Services | 309,637 | 130,351 | 140,013 | (9,663) | 134,468 | 56,524 | 59,496 | (2,972) | 444,104 | 186,874 | 199,509 | (12,635) |
| ISS (Operational) | 48,355 | 20,447 | 20,173 | 274 | 11,569 | 3,846 | 4,405 | (559) | 59,925 | 24,293 | 24,578 | (285) |
| ISS (Corporate) | 73 | 31 | 31 | 0 | 51,977 | 18,763 | 19,089 | (326) | 52,050 | 18,794 | 19,119 | (326) |
| Chief Executive | 974 | 442 | 428 | 14 | (7) | (3) | 3 | (6) | 967 | 440 | 431 | 8 |
| Director Public Health | 12,695 | 5,102 | 4,275 | 828 | 2,736 | 418 | 295 | 122 | 15,431 | 5,520 | 4,570 | 950 |
| Medical Director | 4,443 | 1,889 | 2,116 | (227) | (2,914) | (1,116) | (1,341) | 224 | 1,528 | 772 | 775 | (3) |
| Nursing Director | 8,954 | 3,708 | 3,292 | 416 | (479) | 69 | 160 | (92) | 8,475 | 3,777 | 3,453 | 324 |
| Finance | 4,937 | 2,081 | 2,157 | (76) | (618) | (195) | (281) | 85 | 4,319 | 1,886 | 1,876 | 10 |
| ORG and HR Development | 5,791 | 2,453 | 2,446 | 7 | 322 | (359) | (211) | (148) | 6,113 | 2,093 | 2,235 | (142) |
| West Of Scotland Region Ce | 30 | 25 | 22 | 2 | (30) | (30) | (28) | (2) | 0 | (5) | (5) | 0 |
| Transformation+sustainability | 2,316 | 986 | 958 | 29 | 57 | 14 | 12 | 2 | 2,373 | 1,001 | 970 | 31 |
| Non Clinical Support Services | 88,568 | 37,164 | 35,898 | 1,266 | 62,613 | 21,406 | 22,104 | (698) | 151,181 | 58,570 | 58,002 | 567 |
| Corporate Resource | 430 | 430 | 430 | 0 | 6,790 | 972 | 790 | 182 | 7,220 | 1,402 | 1,220 | 182 |
| Corporate Reserves | 5,595 | 0 | 0 | 0 | (12,831) | (11,819) | 0 | (11,819) | (7,236) | (11,819) | 0 | (11,819) |
| Corporate Resource and Reserves | 6,025 | 430 | 430 | 0 | (6,042) | (10,847) | 790 | (11,638) | (17) | (10,417) | 1,220 | (11,638) |
| NHS A&A Health Board Total | 404,230 | 167,944 | 176,341 | (8,397) | 191,039 | 67,082 | 82,390 | (15,308) | 595,269 | 235,026 | 258,732 | (23,705) |
| East Hscp | 67,216 | 28,585 | 27,926 | 659 | 152,174 | 61,854 | 61,910 | (56) | 219,390 | 90,438 | 89,836 | 603 |
| North Hscp | 94,482 | 41,078 | 41,738 | (661) | 86,215 | 34,920 | 35,218 | (298) | 180,697 | 75,997 | 76,956 | (959) |
| South Hscp | 38,822 | 16,353 | 15,597 | 756 | 68,718 | 27,414 | 28,022 | (608) | 107,540 | 43,767 | 43,619 | 148 |
| HSCP underspends owed to IJBs | 0 | 0 | 754 | (754) | 0 | 0 | (963) | 963 | 0 | 0 | (209) | 209 |
| NHS A&A Total inc HSCPs | 604,749.468 | 253,960 | 262,357 | (8,397) | 498,146 | 191,269 | 206,577 | (15,308) | 1,102,895 | 445,229 | 468,934 | (23,705) |

| Confirmed and Anticipated Allocations Month 5 | | | | |
|--|----------------------------|--|------------------------------------|------------------------|
| Category | Recurring £'000 | Earmarked Recurring £'000 | Non Recurring £'000 | Total £'000 |
| Allocations Received @ M4 | 887,566 | 19,204 | 29,488 | 936,259 |
| NDP Unitary Charges | 4,409 | | | 4,409 |
| NSD Histopathology Handback | 3 | | | 3 |
| NSD Recurrent Topslice | (239) | | | (239) |
| Pfg School Nursing | | 843 | | 843 |
| Sact And Acute Oncology | | 219 | | 219 |
| Pass Contract | | (42) | | (42) |
| Mental Health Outcomes Framework | | | 3,287 | 3,287 |
| Multidisciplinary Teams | | | 2,603 | 2,603 |
| Digital Health & Care Strategic Fund | | | 1,289 | 1,289 |
| Test And Protect | | | 495 | 495 |
| Oral Health Measures Bundle | | | 234 | 234 |
| Best Start Implementation | | | 110 | 110 |
| Vitamins Women Child | | | 45 | 45 |
| Post Covid Mental Health | | | 39 | 39 |
| Young Patients Family Fund | | | 35 | 35 |
| Bliss Baby Charter | | | 5 | 5 |
| NSD Non-recurring Topslice | | | (612) | (612) |
| NSD Risk Share | | | (3,729) | (3,729) |
| Allocation Received Month 5 | 4,174 | 1,019 | 3,802 | 8,995 |
| Anticipated Allocations | | | | |
| FHS Non Cash Limited | 58,843 | | | 58,843 |
| SLA Shortfall | 2,200 | | | 2,200 |
| Specialty Doctors | 440 | | | 440 |
| Primary Medical Services | | 65,820 | | 65,820 |
| Outcomes Framework | | 4,748 | | 4,748 |
| Action 15 Mental Health Strategy | | 4,203 | | 4,203 |
| Mental Health R&R Fund CAMHS | | 2,393 | | 2,393 |
| GDS Public Dental Service | | 2,038 | | 2,038 |
| Family Nurse Partnership | | 1,682 | | 1,682 |
| CAMHS Improvement | | 1,309 | | 1,309 |
| Primary Care Improvement Fund | | 1,254 | | 1,254 |
| CSO Nursing Infrastructure | | 643 | | 643 |
| Psychological Therapies | | 571 | | 571 |
| Perinatal and Infant Mental Health Services | | 431 | | 431 |
| Emergency Covid Funding for Eating Disorders | | 328 | | 328 |
| District Nurse Er | | 238 | | 238 |
| Maternity and Neonatal Psychological Intervention | | 162 | | 162 |
| Community Perinatal Mental Health | | 157 | | 157 |
| Learning Disability Health Checks | | 146 | | 146 |
| Mental Health Pharmacy Recruitment | | 117 | | 117 |
| Single Point of Contact | | 34 | | 34 |

| Category | Recurring £'000 | Earmarked Recurring £'000 | Non Recurring £'000 | Total £'000 |
|--|--------------------|---------------------------------|---------------------------|------------------|
| Discovery | | (40) | | (40) |
| Foundation Training Year One | | (246) | | (246) |
| HPV Topslice | | (281) | | (281) |
| Global Sum | | (342) | | (342) |
| Child Hospice | | (515) | | (515) |
| PET Scan | | (686) | | (686) |
| NDC Logistic Service Charges | | (971) | | (971) |
| Non-core Depreciation | | | 16,532 | 16,532 |
| Unscheduled Care Monies | | | 2,155 | 2,155 |
| 23/24 Anticipated AME | | | 2,000 | 2,000 |
| Quarriers | | | 1,715 | 1,715 |
| ROU Asset Depreciation | | | 1,704 | 1,704 |
| Hollybush Combat Stress 23/24 | | | 1,424 | 1,424 |
| Additional DEL Funding | | | 1,680 | 1,680 |
| Capital Sacrifice | | | 1,241 | 1,241 |
| Care Home | | | 1,023 | 1,023 |
| Woodland View Depreciation | | | 921 | 921 |
| Ayrshire Maternity Unit Depreciation | | | 621 | 621 |
| Digital Infection Prevention and Control | | | 591 | 591 |
| Provisions AME | | | 354 | 354 |
| Dementia Post Diagnostic Support | | | 258 | 258 |
| International Recruitment | | | 216 | 216 |
| Clinical Frailty Assistant (cfa) | | | 200 | 200 |
| IFRS16 Peppercorn Depreciation | | | 163 | 163 |
| Primary Care Out Of Hours 23-24 | | | 110 | 110 |
| Mental Health After Covid | | | 102 | 102 |
| Lease Interest IFRS 16 | | | 98 | 98 |
| EIC | | | 94 | 94 |
| Cervical Audit | | | 93 | 93 |
| Health Staffing Act | | | 74 | 74 |
| CQI | | | 65 | 65 |
| Screening Inequalities | | | 48 | 48 |
| Lease Payments IFRS16 | | | (1,802) | (1,802) |
| Drug Tariff Reduction (hd200) | | | (5,974) | (5,974) |
| Depreciation Deduction | | | (12,745) | (12,745) |
| | | | | |
| Total Received and Antcipated Allocations | 953,223 | 103,418 | 46,254 | 1,102,895 |

Cash Releasing Efficiency Savings

| Plan v Forecast | £000 | £000 |
|---|--------------------|-----------------|
| | | M12 |
| Plan Area (operational) | Annual Plan | Forecast |
| Ward 5a/SAU 4c | 630 | 907 |
| Renal 2D/2F | 600 | 0 |
| lab services managed contract consumabl | 70 | 70 |
| 3% Corporate CRES | 2,700 | 2,532 |
| Acute Prescribing | 1,700 | 1,868 |
| Primary Care Prescribing | 1,750 | 1,787 |
| LED lighting | 100 | 100 |
| SLA efficiency | 2,100 | 2,100 |
| CRES Total | 9,651 | 9,364 |