

NHS Ayrshire & Arran



Meeting:	Ayrshire and Arran NHS Board
Meeting date:	Monday 5 February 2024
Title:	Financial Management Report for nine months to 31 December 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 deficit budget of £56.4 million approved by the Board in March 2023 assumed that the New Medicines Fund expenditure would be covered by an earmarked allocation from Scottish Government. Had the assumption been that expenditure would exceed the allocation by £7.3 million then the deficit in the revenue plan would have increased to £63.7 million. During the year, Scottish Government provided NHS Ayrshire & Arran some £5.6 million of sustainability funding (as well as £18.2 million of New Medicine Fund) and therefore expected the Board outturn to improve to £50.8 million. The Corporate Management Team are committed to trying to achieve an outturn as close to this as possible. Current projected deficit is £51.5 million.

The overspend for the nine months to 31 December is £39.6 million of which £22 million is Acute Services. Bed closures and reduced nurse agency use during the year are showing signs of improvement, however during winter further progress on these will be challenging.

The Scottish Government Budget 2024/25 announced on 19 December 2023 indicates that Health Boards will receive funding to cover the 2023/24 and 2024/25 pay deals, however that is the only additional funding available therefore Health Boards will need to fund non-pay cost pressures (including prescribing, energy etc.) from cash releasing efficiency savings which are required to be at least 3%. Boards

have also been told to assume £170 million less income for New Medicines than was received in 2023/24. Capital budgets remain at 2023/24 level and no new capital projects will be funded by Scottish Government over the next two years at least. This means that the National Treatment Centre planned for Carrick Glen will not progress over the next two years.

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. The annual plan totals £9.6 million, however there is some slippage in Acute and I&SS (Infrastructure and Support Services).

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 matter.

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

Appendix No 4, Capital

1. Background

1.1 This report shows the revenue position at 31 December 2023. This is a £39.6 million deficit.

2. Revenue Resource Limit and Overall Financial Position

2.1 The total allocations for the year are anticipated to be £1.117 billion, as detailed on Appendix 2. Funding received in the December allocation includes £2 million for the Public Dental Service and £0.3 million for Cancer Pathways.

2.2 Of the remaining £80.3 million anticipated allocations, Family Health Services accounts for £56.8 million, Action 15 Mental Health Strategy £4.2 million, Mental Health CAMHS (Child and Adolescent Mental Health Service) fund £2.4 million and the £1.3 million for CAMHS Improvement.

2.3 The Board set a deficit budget of £56.4 million for 2023/2024. Additional sustainability funding of £5.6 million received from Scottish Government amended the expectation to a £50.8 million deficit which has been challenged by overspends. Current projected outturn is £51.5 million. The Board is £39.6 million overspent after nine months.

3. Acute Services

3.1.1 The annual budget for Acute Services is £424.7 million. The directorate has overspent by £22 million in the year to date. £7.6 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
<i>All Acute</i>	£000	£000	£000	£000	£000	£000
Pay	308,761	231,102	247,190	(16,089)	25,467	27,442
Supplies	67,970	49,023	54,240	(5,217)	5,146	5,444
Purchase of Healthcare	85,496	63,966	63,334	632	6,883	7,128
Provision of Healthcare	(33,119)	(24,639)	(24,584)	(55)	(2,807)	(2,750)
Operating Income	(2,016)	(1,710)	(2,157)	447	(75)	(368)
Unallocated Savings	(2,356)	(1,767)	0	(1,767)	(196)	0
Total	424,737	315,976	338,024	(22,049)	34,418	36,896

3.1.2 Pay is £16.1 million overspent. Nursing pay was £9.2 million overspent (with over 70% of this related to unfunded beds) whilst medical pay was £6.1 million over. Cumulative nursing agency spend within acute was £6.03 million (with £1.85 million being in accident and emergency and combined assessment units) and medical agency spend was £4.17 million.

3.1.3 Supplies are £5.2 million overspent with £1.0 million over on taxis and private ambulances, £1.0 million on prescribing, £1.0 million on equipment (such as insulin pumps and continuous glucose monitors), £1.0 million on laboratory supplies and £0.3 million on radiology reporting which is in part off-set by a underspend on salaries.

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 180 delayed discharges in our hospitals on the 29th December 2023. The table below shows the distribution of these delays across HSCP (Health and Social Care Partnerships) and hospital location. These do not include patients waiting in acute beds for a bed in a community hospital.

Delayed Discharges at 29th December 2023				
HSCP	Acute	Community	Mental Health	Total
East	19	4	5	28
North	40	14	14	68
South	56	25	3	84
Total	115	43	22	180

3.1.6 Station 10 at UHA (University Hospital Ayr) closed on the 26 April 2023, Ward 5B at UHC (University Hospital Crosshouse) closed on the 10 of June 2023 and Station 2 closed in early September. Station 1 at UHA along with 5A, 4E and 3F at UHC remain open without funding and amount to around 108 beds. Agency nurse spend on these wards in the first nine months of the year was £453,799 for ward 4E, £419,784 for ward 3F and £343,600 for Ward 5A (which is for orthopaedics with £633,737 agency nursing spend in other orthopaedic wards at Crosshouse).

M9 Spend on unfunded wards		M1	M2	M3	M4	M5	M6	M7	M8	M9	Total
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
UHA	Station 1	261	79	163	182	192	174	178	184	169	1,582
UHA	Station 2	138	177	109	144	51					619
UHA	Station 10	97	6	-	-	-		-			103
UHC	5a	227	223	180	193	226	229	229	220	193	1,920
UHC	5b	160	184	97	25	14	10	13	4	3	510
UHC	4e	167	258	216	189	206	211	227	204	182	1,860
UHC	3F	110	78	121	93	100	78	224	110	96	1,010
Total		1,160	1,005	886	826	789	702	871	722	643	7,604

3.2 New Medicines Fund

3.2.1 The New Medicines Fund Budget is £16.3 million. It is expected to spend £21 million full year, with a year to date overspend of £3.8 million.

3.3 Health and Social Care Partnerships (HSCPs)

3.3.1 The total health budgets for the three HSCPs are now £517.3 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 £111.8 million. Operational I&SS services are in balance after nine months whilst Corporate I&SS services were over by £0.64 million due to energy costs being higher than budgeted.

3.5 Corporate Services

3.5.1 Other corporate services have budgets of £39.7 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 £2.55 million.

3.6 Corporate Resource and Reserves

3.6.1 Reserves (budgets and deficits not issued to directorates) are £17.1 million overcommitted after nine months with a year-end projection of £21.7 million deficit.

4. Efficiency and Transformation Programme

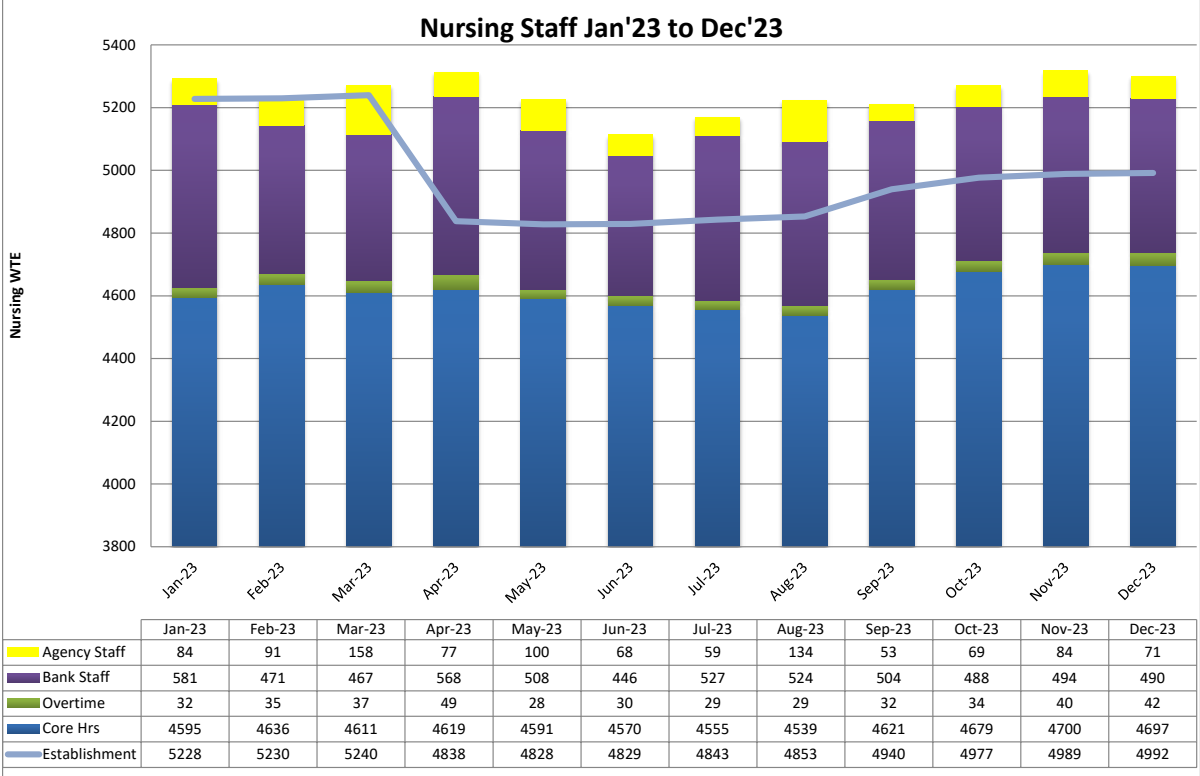
4.1 The Cash Releasing Efficiency Savings (CRES) programme for 2023/2024 totals £9.65 million. There is considerable delivery risk in acute and Infrastructure and Support Services however this is monitored monthly. See Appendix 3 for the programmes included and the projected delivery of £8.9 million.

5. Workforce

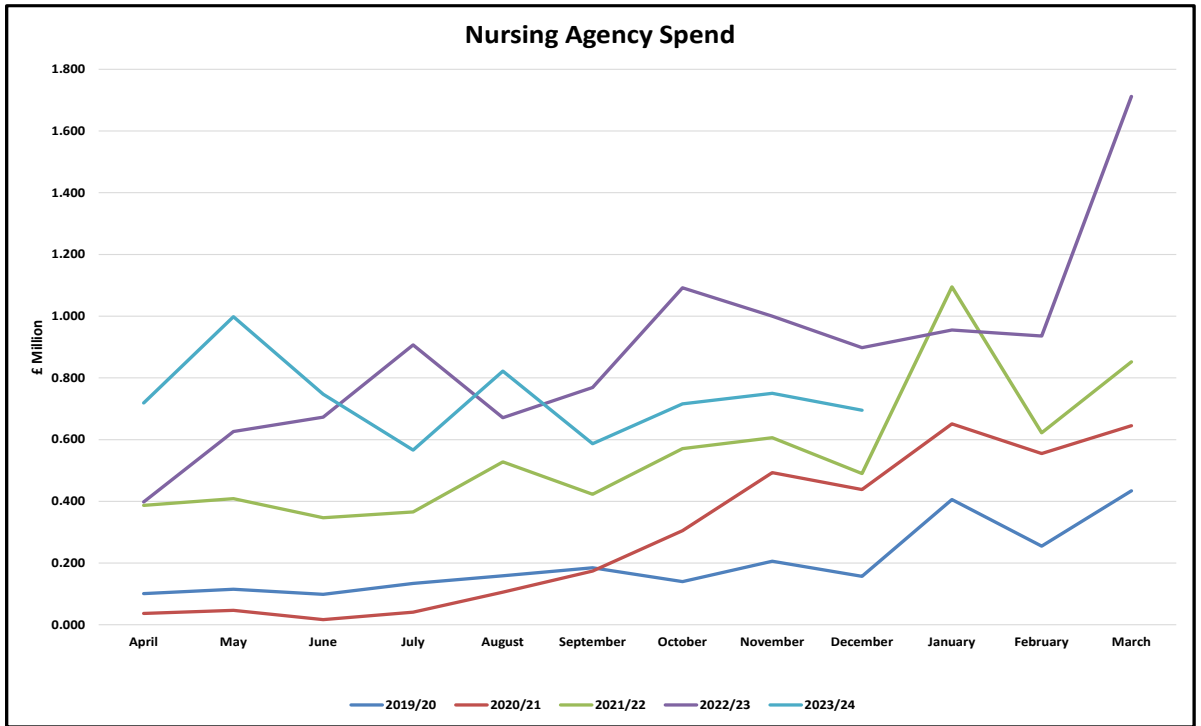
5.1 The table below shows the whole time equivalent (WTE) staff used from April to December 2023. It then compares this with the average in preceding years. There has been a marked and sustained increase in WTE since the COVID-19 pandemic.

	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23	Nov-23	Dec-23	2022-23	2021-22	2020-21	2019-20
	WTE	WTE	WTE	WTE	WTE	WTE	WTE	WTE	WTE	Apr-Mar Average WTE	Apr-Mar Average WTE	Apr-Mar Average WTE	Apr-Mar Average WTE
Contracted Hrs	9,603	9,622	9,380	9,561	9,524	9,485	9,698	9,742	9,599	9,478	9,291	9,034	8,809
Excess Part Time Hrs	260	155	386	219	241	394	274	259	397	306	344	317	285
Overtime	92	59	60	62	63	64	70	78	80	86	106	116	93
Nurse Bank Staff	568	508	446	527	524	504	488	494	490	462	406	321	253
Medical Bank Staff	8	11	9	11	16	15	20	15	11				
Agency Staff	95	122	90	83	153	74	96	111	104	117	82	55	60
Total WTE	10,626	10,477	10,371	10,463	10,521	10,536	10,646	10,699	10,681	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 308 WTE over our nursing establishment in Month 9. 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.

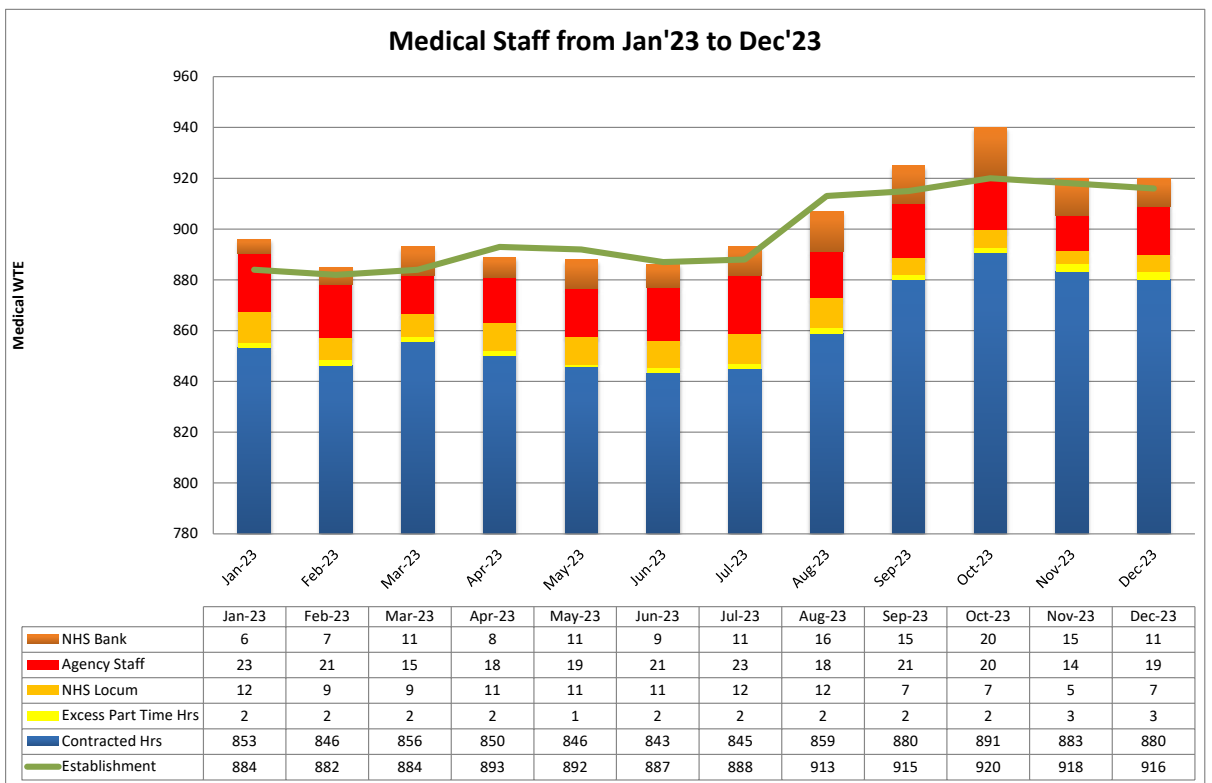


5.3 Nursing agency spend had reduced in July to £0.6 million as non-framework providers (who charge higher commission) were not used in favour of framework providers. The spend has since fluctuated between months and is on average £0.7 million over the last three months. Further reduction in volume of 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, but so far this is not evident.



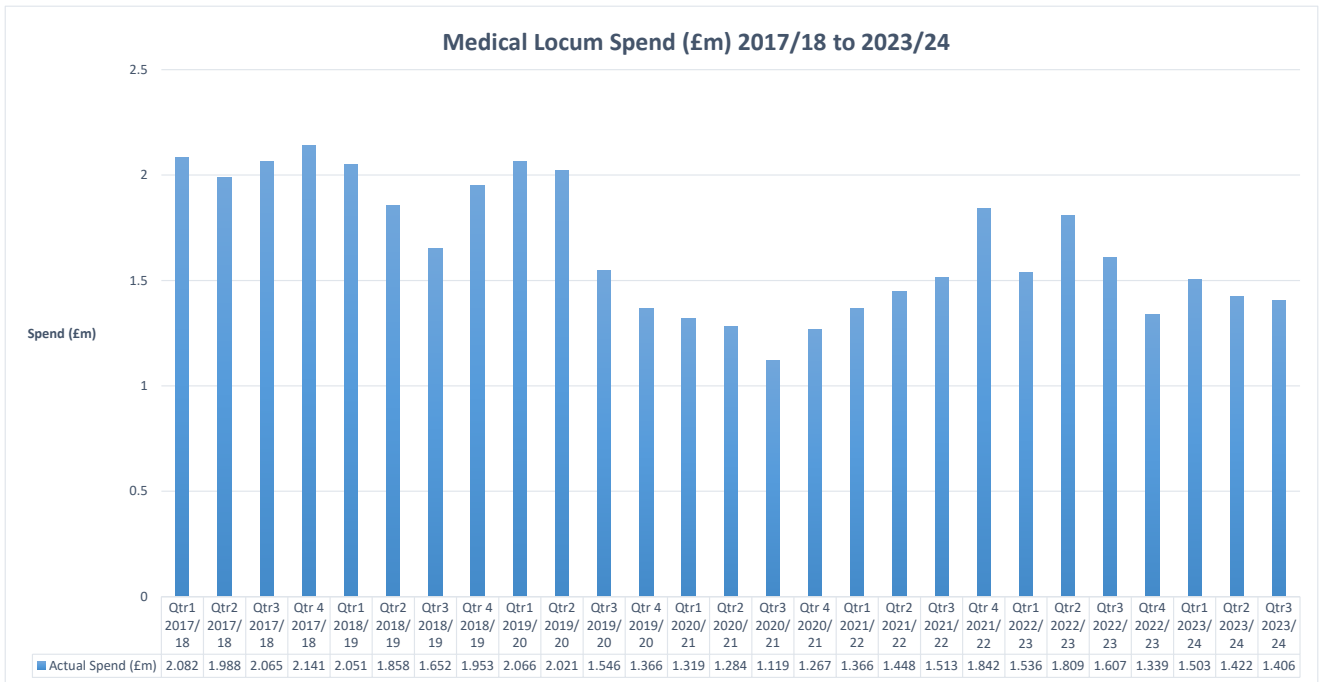
5.4 We used 920 WTE medical staff in November, including locums and agency. This was 2 below establishment.

5.5 The graph below shows the trend from January 2023 to December 2023. The high cost of some medical agency staff is a driver for an overspend against the medical staff budget. Medical agency spend was £0.46 million in December. An increased number of junior doctors is the main driver for the increase in contracted hours.

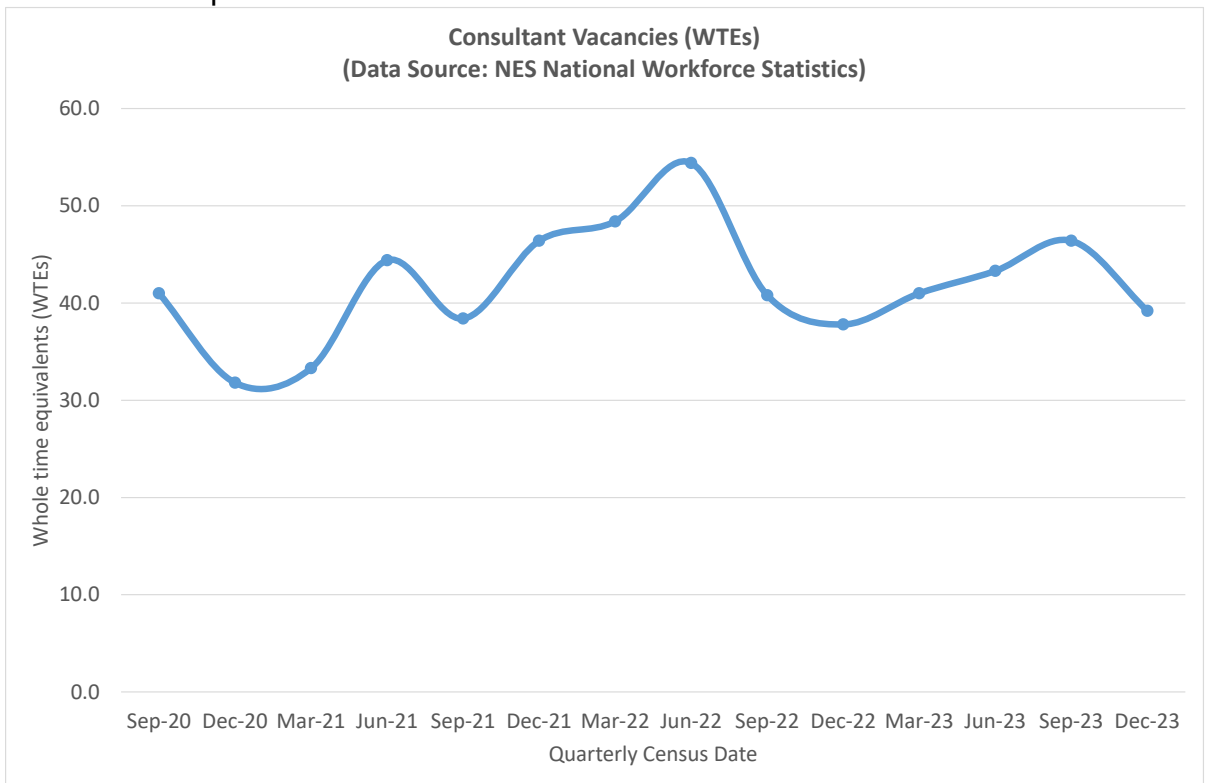


5.6 The graph below shows the trend in medical agency spend from quarter one of 2018/2019 to quarter two of 2023/2024. Spend over the last three years has been

quite consistent, with an average spend of £1.55 million per quarter and the first half of this year is line with previous years.

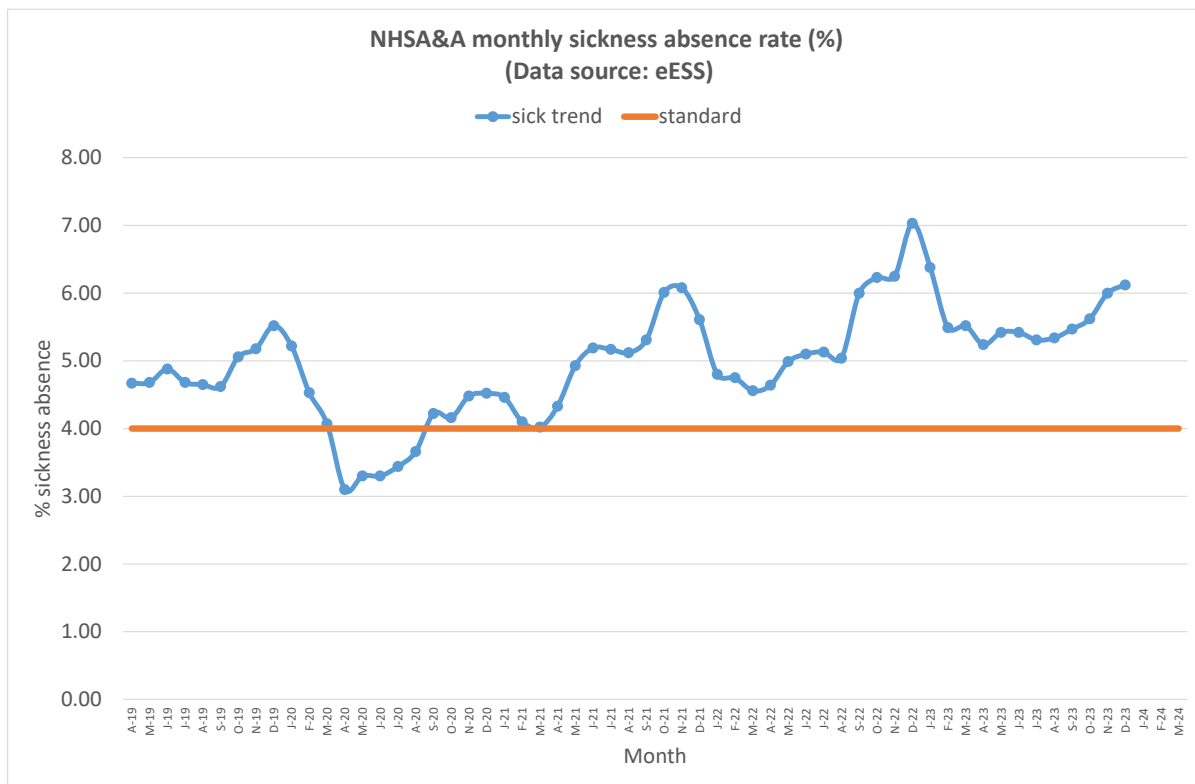


5.7 The level of consultant vacancies impacts directly on medical agency spend. The graph below shows the number of vacancies over time from September 2020 to December 2023. There has been a slight increase in the number of vacancies over the last three quarters.



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 December 2023. Sickness absences rates have increased slightly over the last three months, primarily due to respiratory illnesses.



6.0 Risk assessment and mitigation

- 6.1 The Board set a deficit plan of £56.4 million, however additional Scottish Government funding for sustainability reduces the expected deficit to £50.8 million.
- 6.2 Operational overspends within acute are £22.0 million after nine months. High delayed discharges in acute hospitals and winter pressures makes bed closures difficult.
- 6.3 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.
- 6.4 3% operational CRES target is unlikely to be achieved in Infrastructure and Support Services.
- 6.5 Primary Care Prescribing is a delegated budget to IJBs (Integration Joint Board). However, the Health Board is responsible for under and overspends. Data is now being received again following delays attributable to the implementation of a new national system. Based on information to the end of September prescribing is in a broadly breakeven position.

6.6 CAR-T costs are top-sliced from Boards and held by National Services Division of NSS. For 2023/24 the top-slice was £7.5 million, however this is projecting a £4.5 million overspend in year which will result in a further top-slice from Boards.

7.0 Capital

7.1 Capital expenditure in the first nine months of the year was £12.2 million against the annual budget of £21 million. £7.5 million of spend year to date is on the national secure adolescent inpatient unit (Foxgrove). Spend in the first nine months on electromedical equipment and digital reform are about half of the annual budget, but the balance is expected in the last quarter. Other significant capital spend expected in the last quarter is £1.3 million on ward 4A refurbishment, £1.2 million on fleet decarbonisation, £0.6 million on Crosshouse pharmacy robot, £0.4 million on distributed working and £0.4 million on sterilisers for central decontamination unit. A breakdown is provided in Appendix 4.

Financial Position for December 2023

	Salaries				Supplies				Total				Forecast Outturn £000
	Annual Budget £000	Year to Date			Annual Budget £000	Year to Date			Annual Budget £000	Year to Date			
		Budget £000	Expenditure £000	Variance £000		Budget £000	Expenditure £000	Variance £000		Budget £000	Expenditure £000	Variance £000	
Acute	308,761	231,102	247,190	(16,089)	115,975	84,874	90,834	(5,960)	424,737	315,976	338,024	(22,049)	(28,720)
New Medicines Fund	0	0	0	0	16,325	11,994	15,749	(3,756)	16,325	11,994	15,749	(3,756)	(4,675)
Pharmacy	12,186	9,171	8,756	415	(314)	(164)	173	(337)	11,873	9,007	8,929	78	100
UNPACs	32	24	0	24	1,892	1,419	461	958	1,924	1,443	461	982	1,231
Acute and Clinical Services	320,980	240,296	255,946	(15,650)	133,878	98,122	107,217	(9,095)	454,858	338,419	363,163	(24,744)	(32,064)
ISS (Operational)	48,700	36,561	35,858	704	12,205	8,397	9,087	(690)	60,905	44,959	44,945	14	0
ISS (Corporate)	73	55	55	0	50,868	36,112	36,756	(643)	50,940	36,167	36,810	(643)	(857)
Chief Executive	983	753	711	42	(7)	(5)	18	(23)	976	748	729	19	25
Director Public Health	13,013	9,931	7,999	1,932	1,433	686	647	39	14,446	10,616	8,646	1,970	1,620
Medical Director	4,519	3,431	3,884	(453)	(2,800)	(2,481)	(2,873)	392	1,719	950	1,011	(61)	250
Nursing Director	9,285	7,052	6,277	775	(480)	(199)	10	(209)	8,805	6,853	6,288	566	754
Finance	5,375	4,041	3,907	135	(420)	(239)	(190)	(49)	4,955	3,802	3,717	85	114
ORG and HR Development	5,865	4,413	4,345	68	427	(269)	(27)	(242)	6,291	4,144	4,317	(173)	(216)
West Of Scotland Region Ce	30	16	14	2	(30)	(30)	(28)	(2)	0	(14)	(14)	0	0
Transformation+sustainability	2,406	1,808	1,677	132	57	33	26	7	2,463	1,841	1,702	139	185
Non Clinical Support Services	90,249	68,061	64,724	3,337	61,252	42,005	43,426	(1,421)	151,501	110,066	108,150	1,916	1,875
Corporate Resource	1,030	1,036	1,029	8	2,910	(2,140)	(2,529)	389	3,940	(1,104)	(1,501)	397	400
Corporate Reserves	5,828	0	0	0	(16,747)	(17,143)	0	(17,143)	(10,918)	(17,143)	0	(17,143)	(21,695)
Corporate Resource and Reserves	6,859	1,036	1,029	8	(13,837)	(19,283)	(2,529)	(16,754)	(6,978)	(18,247)	(1,501)	(16,746)	(21,295)
NHS A&A Health Board Total	418,087	309,394	321,699	(12,305)	181,293	120,844	148,114	(27,270)	599,380	430,238	469,813	(39,574)	(51,484)
East Hscp	68,853	51,593	49,910	1,684	154,273	122,318	123,145	(828)	223,125	173,911	173,055	856	0
North Hscp	100,408	76,298	75,283	1,015	86,300	65,014	65,552	(539)	186,708	141,311	140,835	477	0
South Hscp	39,568	29,586	28,010	1,577	67,861	50,526	51,584	(1,058)	107,428	80,113	79,594	518	0
HSCP underspends owed to IJBs	0	0	4,276	(4,276)	0	0	(2,425)	2,425	0	0	1,851	(1,851)	0
NHS A&A Total inc HSCPs	626,916	466,872	479,177	(12,305)	489,726	358,702	385,971	(27,270)	1,116,642	825,573	865,148	(39,574)	(51,484)

Confirmed and Anticipated Allocations Month 9				
Category	Recurring £'000	Earmarked Recurring £'000	Non Recurring £'000	Total £'000
Allocations Received @ M8	904,337	88,205	41,381	1,033,923
GDS Public Dental Service	2,038			2,038
Cancer Pathways Recovery			301	301
Cancer Pathway Head Neck			24	24
Allocation Received Month 9	2,038	0	325	2,363
Anticipated Allocations				
FHS Non Cash Limited	56,779			56,779
Action 15 Mental Health Strategy		4,203		4,203
Mental Health R&R Fund CAMHS		2,393		2,393
CAMHS Improvement		1,309		1,309
Primary Care Improvement Fund		1,254		1,254
Psychological Therapies		571		571
Vaccinations		562		562
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
Mental Health Pharmacy Recruitment		117		117
Single Point of Contact		34		34
HPV Topslice		(281)		(281)
Global Sum		(342)		(342)
PET Scan		(686)		(686)
NDC Logistic Service Charges		(971)		(971)
Non-core Depreciation			16,532	16,532
23/24 Anticipated AME			2,000	2,000
ROU Asset Depreciation			1,717	1,717
Capital Sacrifice			1,586	1,586
Additional DEL Funding			1,680	1,680
National Treatment Centre			1,035	1,035
Woodland View Depreciation			921	921
Hospitals at Home (2)			846	846
Ayrshire Maternity Unit Depreciation			621	621
2023 Balance Carried Forward			432	432
Pre-reg Pharmacy Tech Scheme			259	259
Dementia Post Diagnostic Support			258	258
Community Mental Health			215	215
Clinical Frailty Assistant (cfa)			200	200
IFRS16 Peppercorn Depreciation			163	163
Quarriers Capital Grant			100	100
Lease Interest IFRS 16			98	98
EIC			94	94
Health Staffing Act			74	74
CQI			65	65
Cevical Audit			65	65
Screening Inequalities			48	48
Quarriers			41	41
Projected Learning Times GPS			36	36
Revenue Sacrifice			(78)	(78)
Provisions AME			(350)	(350)
Lease Payments IFRS16			(1,815)	(1,815)
Depreciation Deduction			(12,745)	(12,745)
Total Received and Antcipated Allocations	963,153	97,686	55,803	1,116,642

Cash Releasing Efficiency Savings

Plan v Forecast	£000	£000
Plan Area (operational)	Annual Plan	Forecast Variance @ M12
Ward 5a/SAU 4c	630	277
Renal 2D/2F	600	(600)
lab services managed contract consumables	70	0
SLA efficiency	2,100	0
Acute Prescribing	1,700	168
Primary Care Prescribing	1,750	37
LED lighting	100	0
Chief Executive	30	0
Public health	210	0
Medical Director	60	0
Nurse Director	165	0
I&SS Operational	1,588	(492)
Finance	120	0
OHRD	165	0
T&S	60	0
Pharmacy	302	(168)
CRES Total	9,650	(778)

Capital

	Original	Revised
	Capital	Capital
	Plan	Plan
	£000's	£000's
Capital allocation		
Core Capital Allocation	8,720.0	8,720
Foxgrove: National Secure Adolescent Unit	6,900.0	7,054
Foxgrove : Gym Equipment		13
Whole System Estate Plan	1,600.0	0
Caring for Ayrshire	2,400.0	1,977
National Treatment Centre	16,000.0	544
Crosshouse Ward 4A Refurbishment	935.0	1,375
Additonal Funding re CDU Audit		608
Additional Infrastructure Equipment monies		498
Fleet Decarbonisation 22/23 Balance		851
Fleet Decarbonisation 23/24		599
Capital Grant re Quarriers from SG		100
Transfer of Capital Grant to Revenue		(100)
Revenue to Capital Transfer		392
Capital to Revenue Transfer		(1,586)
Total Approved Capital Allocation	36,555	21,045
		Spend
Capital Spend for the 9 months to 31st December 2023		to Date
		£000's
National Secure Adolescent Unit		7,472
CDU Washer Disinfectors		608
National Treatment Time Centre		265
Crosshouse Ward 4A Refurbishment		16
Distributed Working		15
Digital Reform		2,425
Digital Services Infrastructure		30
Caring for Ayrshire		155
Theatre Instrumentation		0
Urgent Replacements		13
Electro Medical Equipment		928
Fleet Decarbonisation		365
Food Vaccuum Waste System		125
GP Premises Stewarton		20
UHC Pharmacy Robot		6
ITU Review		3
NBV from Asset Sales		(263)
Aggregate schemes under £50k		44
Total		12,226