

NHS Ayrshire & Arran



Meeting:	Ayrshire and Arran NHS Board
Meeting date:	Monday 28 March 2022
Title:	Revenue Plan
Responsible Director:	Derek Lindsay, Director of Finance
Report Author:	Derek Lindsay, Director of Finance

1. Purpose

This is presented for:

- Decision

This paper relates to:

- Annual Operational Plan

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

- Effective

2. Report summary

2.1 Situation

NHS Ayrshire and Arran have been notified of a 2.6% general allocation funding uplift for 2022/2023 which equates to £20.3 million.

However, NHS Ayrshire and Arran has a recurring cost pressure of £40 million, as captured in the summary table below.

Summary of recurring cost pressures	£000
IJB pass through	5,780
Service changes	1,724
Pay related	14,757
Unavoidable clinical cost pressures	5,158
Non-clinical cost pressures	3,968
Medicines	8,600
Total	<u><u>39,987</u></u>

These cost pressures include new and current cost pressures to NHS Ayrshire and Arran, notable new cost pressures include medicine management and pay increases.

Thus far the Board has identified cash releasing efficiency savings (CRES) of £8.2 million (excluding IJBs) for 2022/23. Once these CRES savings are applied to the

underlying deficit, brought forward as £11.3 million, combined with acute care unachieved CRES, carried forward to 2022/23 of £3.6 million and added to the new cost pressures of £40 million (summary table), there is a projected NHS Ayrshire and Arran deficit of £26.4 million.

Whilst there are might be CRES opportunities that can be brought forward to further mitigate the projected deficit for 2022/23, NHS Ayrshire and Arran acknowledge the scale of system wide service restoration and recovery that is required throughout 2022/23 to ensure cost avoidance is maximised. As COVID investment is now withdrawn our system and services need time and support to transition to sustainable and new operating models, as captured in the ambitions for Caring for Ayrshire.

2.2 Background

The allocation letter dated 9 December 2021 from the NHS Scotland Director of Finance set out the approach that should be taken to uplift IJB baseline funding. The funding proposal sees baseline budgets for the three IJBs uplifted by 2.56% which equates to £5.78 million. It should be noted that this approach differs from that set out in the Integration Scheme.

2.3 Assessment

2.3.1 Quality/patient care

Many of the service changes cost more (eg. vascular or trauma and orthopaedics) and are investments to improve quality of services.

2.3.2 Workforce

The workforce plan will reflect investments and efficiency savings. Additional investment in medical staffing has been identified. Pay will be the biggest cost pressure, however a national agreement for NHS pay has not yet been reached for 2022/2023.

2.3.3 Financial

Cost pressures exceeding the funding uplift for 2022/2023 cannot be met by new cash releasing efficiency savings.

2.3.4 Risk assessment/management

Corporate Management Team assessed the risks and determined what the “must do” issues are. The main remaining risks are outlined in section 8 of the report.

2.3.5 Equality and diversity, including health inequalities

An impact assessment has not been completed because a diverse range of cost pressures are identified.

2.3.6 Other impacts

- Best value
- 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 through wide involvement in the groups identifying and agreeing cost pressures.

2.3.8 Route to the meeting

This has been previously considered by the following groups as part of its development. The groups have either supported the content, or their feedback has informed the development of the content presented in this report.

- Realistic Medicines Effective Prescribing group on 17 November 2021
- Pay and Supplies Group 4 October and 16 December 2021
- Strategic Corporate Management Team meeting on 21 December 2021
- Performance Governance Committee 20 January 2022
- Corporate Management Team on 8 February 2022
- Board Workshop on 17 February 2022
- Corporate Management Team on 1 March 2022
- Corporate Management Team on 8 March 2022
- Realistic Medicines Effective Prescribing group on 9 March 2022
- Corporate Management Team on 22 March 2022

2.4 Recommendation

For decision. Members are asked to approve the revenue plan for 2022/2023.

3. List of appendices

The following appendices are included with this report:

Annex 1 - Revenue plan for 2022/2023.

1. Introduction

1.1 NHS Ayrshire & Arran received baseline recurring funding of £786.4 million. The general allocation funding uplift for 2022/2023 of 2.56% amounts to £20.3 million.

1.2 In addition, earmarked funding for specific purposes is outlined in the table below:

Earmarked Allocations	2020/2021	2021/2022	2022/2023
	£million	£million	£million
Primary care	7.5	11.0	12.0
Mental health action 15	1.5	2.0	2.0
Mental health bundle	1.5	1.5	1.5
Outcomes framework	4.4	4.4	4.4
Waiting times (including winter)	5.5	8.3	10.0
e-Health	1.9	1.9	1.9
Family nurse partnership	1.0	1.0	1.0
Public dental service	2.0	1.8	1.8
GPST 100	0.3	0.0	0.0
Alcohol and Drug Partnerships	1.3	5.0	5.0
Weight management (diabetes)	0.3	0.3	0.3
Primary Medical Services	61.6	63.0	65.0
New Medicines Fund	5.8	3.7	3.6
Non-core DEL	5.9	1.0	0.0
District nursing	0.3	0.5	0.6
COVID-19	70.9	60.3	15.0
Total	171.7	165.7	124.1

1.3 The allocation letter dated 9 December 2021 notified a 2.56% general allocation uplift (including to cover public sector pay policy increase and employer national insurance increase). 0.56% was to cover the 1.25% increase in employer national insurance and the other 2% for other cost pressures. The IJBs will get a pass through of 2.56% on their baseline and this equates to £5.78 million.

2. Prior commitments

2.1 Service changes implemented in 2021/2022 with additional costs include vascular service redesign and trauma and orthopaedic changes, both of which had part year funding in 2021/2022 and the additional cost below is to reflect full year costs.

2.2 During the year, Corporate Management Team supported enhancement of the chronic pain management services, the development of robot assisted surgery and enhancements to multi-agency protection arrangements, all at additional cost.

2.3 New testing regimes as a result of covid include point of care testing which require about 12 extra staff and increased microbiology capacity within the laboratories for PCR test analysis. A new modular unit was created for pre-operative assessment and staff wellbeing hubs created and staffed at additional cost.

Service Changes	£000
Vascular service	200
Trauma and orthopaedics	337
Kidney nurse	47
Robot assisted surgery	304
Multi Agency Risk Conference	31
Staff wellbeing	516
MacMillan Cancer Nurses	57
General surgery specialty doctor Crosshouse	114
Pre-op assessment Crosshouse	73
Clinical physiology	45
Total	1,724

3. Pay

3.1 The three year Agenda for Change (AfC) pay deal ended in 2019/2020, however AfC Bands 5, 6 and 7 had a fourth year impact which for non-IJB budgets costs £2.145 million. The 1.25% national insurance cost increase from 1 April 2022 costs around £3 million and whilst the pay negotiations are not yet concluded, the general allocation uplift is to cover the costs of the public sector pay policy which is:

- setting a guaranteed wage floor of £10.50 per hour, going beyond the current real Living Wage rate of £9.90;
- providing a guaranteed cash underpin of £775 for public sector workers who earn £25,000 or less;
- providing a basic pay increase of up to £700 for those public sector workers earning between £25,000 to £40,000;
- provide a cash uplift of £500 for public sector workers earning above £40,000

3.2 While Scottish Government have indicated that they will fund any additional costs of an Agenda for Change (AfC) pay settlement above the public sector pay policy as outlined above (which is funded in section 3.3) they have said that they will not fund any additional cost associated with the medical and dental pay settlement being above the public sector pay settlement (which is about 0.5% for staff earning about £100,000). Assuming a 2% pay settlement for medical and dental this is a £1.9 million cost pressure.

3.3 Pay related	£000
AfC Pay budget increase, assuming public sector pay policy for all staff (excluding IJBs)	5,300
Medical and dental	1,930
1.25% National Insurance	3,045
Paid as if at Work	180
Discretionary points	200
AfC Band 5,6 and 7 posts	2,145
Additional duty hours for junior doctors	500
Consultant maternity cover	200
2 WTE acute physicians	260
ITU specialty doctor	102

Obstetric associate specialist to consultant	30
National regrading of Advanced Paediatric Nurse Practitioners	61
Return to practice student nurses	50
Child protection nurse manager	74
Health and safety manager band 7	60
Rebanding of some band 2 staff to band 3	500
Health records capacity re disability records	54
Radiologist on call supplements	28
Nurse bank weekend staff	38
Total	14,757

3.4 The above posts and pay related cost pressures are considered unavoidable and in most cases are already being incurred. The re-banding of some band 2 clinical staff to band 3 is an exercise which will progress over future months and will have additional costs in the future as staff progress up the band 3 pay scale.

4. **Clinical cost pressures**

4.1 Inflation uplift on service level agreements (SLA) is likely to be in line with general allocation uplift of 2.6% cash increase after 3% efficiency saving therefore 5.6% cost pressure on about £70 million is £3.95 million.

4.2 Some inflationary or activity increase supplies pressures are shown in the table below. There are increased numbers of patients needing breast biopsy. Also more staff supported who are lone workers.

Supplies demand increase pressures	£000
Breast biopsy	31
Lone worker monitoring	31
Total	62

4.3 Some purchased services from outwith Ayrshire are seeing activity and cost increases. The budget for NHS Lothian is around £1.074 million, however costs in 2020/2021 were £1.267 million therefore £193,000 uplift is required. Cardiac services purchased from Golden Jubilee National Hospital include TAVI and volume is increasing and the target number per million population will increase. The cost of expanded catheterisation laboratory capacity at Golden Jubilee National Hospital is also significant.

4.4 Services purchased outwith Ayrshire	£000
NHS Lothian	193
TAVI	260
Golden Jubilee Cath lab	300
Total	753

- 4.5 Income from Carrick Glen private hospital included £37,000 for Ayr radiology and about £50,000 for laboratories and this has ceased. In addition, private patient income within our hospitals for surgical services has reduced by £32,000 and is not expected to recover.
- 4.6 National services cost pressures include expansion of Chimeric Antigen Receptors Cell Therapy (CAR-T) at a national cost of around £1 million and £1.3 million cost for muscular dystrophy drugs under the ultra-orphan pathway, as well as a further £0.64 million development to paediatric intensive care in Glasgow. NHS Ayrshire & Arran share of these is around £200,000.
- 4.7 The Programme for Government committed an increase in funding to Children's Hospice for Scotland from £6 million to £7 million. This is paid for by Health Boards therefore a £74,000 cost pressure.

4.8	Unavoidable clinical cost pressures	£000
	External service level agreement	3,950
	Supplies pressures	62
	Services outwith Ayrshire	753
	Loss of income	119
	National services	200
	CHAS	74
	Total	5,158

5. Non-clinical Cost Pressures

- 5.1 Over 90% of gas and electricity has been advance purchased for 2022/2023 through national pan public sector arrangements, however compared to 2021/2022 prices, electricity has increased by 58% and gas by 137%. The expected new cost pressure in 2022/2023 is £1.287 million for electricity and £1.384 million for gas making a total of £2.671 million. The cost of liquid oxygen is influenced by energy prices and results in a 38.75% increase from January 2022 at a cost of £35,000.
- 5.2 Water charges and council tax bills are expected to rise by around 2.5% in 2022/2023, trade effluent costs will also rise by a similar amount – a total cost pressure of £42,000.
- 5.3 Due to reduction of long stay patients at Ailsa and Arrol Park Hospitals, disabled person relief has been lost, resulting in an increase in rates costs of £286,000. In addition, a 2.5% inflationary increase on rates of £92,000 is expected therefore a total rates cost pressure of £378,000.
- 5.4 The contract for non-clinical waste disposal includes an annual increase in cost per tonne. The 2022/2023 increase will cost £20,000 extra and in addition there is a £41,000 increase in clinical waste costs giving a total cost pressure of £61,000.
- 5.5 National procurement contract costs for food/provisions will be £89,000 higher in 2022/2023 and increased costs for plumbing and joinery supplies are £67,000 giving a total increase of £156,000.

5.6 Most maintenance agreements and service contracts have a built in inflationary increase. The increased cost pressure for 2022/2023 are:

Maintenance agreements and services contracts	£000
IT service contracts	103
Estates	40
Total	143

5.7 Laundry services are delivered by NHS Lanarkshire on behalf of three Boards. An increase of £67,000 represents a 3.36% increase in 2022/2023 to reflect pay increases. Inflationary increases (estimated at 7%) built into three Private Finance Initiative contracts will cost an extra £375,000 in 2022/2023.

5.8 Non-clinical supplies cost pressures	£000
Energy related	2,671
Liquid oxygen	35
Water, council tax, trade effluent etc	42
Rates	378
Non-clinical and clinical waste	61
Food and estates provisions	156
Maintenance agreements inflation	143
Laundry	67
Private Finance Initiative inflation	375
Postages	40
Total	3,968

6. Prescribing Cost pressures

6.1 Primary care prescribing budget of around £80 million is overspent in 2021/2022 and some of the budget was funded non-recurringly in 2021/2022. These need to be recurringly funded and provision made for expected 2% increases in volume and 2021/2022 overspend giving a cost pressure of £4.5 million.

6.2 Acute prescribing is also overspent in 2021/2022 by £1.1 million and with projected cost pressures for Immunoglobulin and monoclonal antibody drugs, a total acute medicines cost pressure of £1.6 million projected.

6.3 The biggest medicines cost pressure relates to new medicines authorised through the Scottish Medicines Consortium. These include high cost cancer drugs and cystic fibrosis medicines with a £6.5 million increase being estimated. Scottish Government funding for New Medicines has varied, reducing from £5.8 million in 2020/2021 to £3.6 million in 2021/2022 and for 2022/2023 we have been told to assume £7.2 million so the extra £3.6 million can offset the £6.1 million leaving a £2.5 million cost pressure to be funded.

Prescribing cost pressures	£000
Primary care prescribing	4,500
Acute prescribing	1,600
New Medicines Fund	2,500
Total	8,600

7. Resource implications and identified source of funding

7.1	Summary of recurring cost pressures	£000
	IJB pass through	5,780
	Service changes	1,724
	Pay related	14,757
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	Total	<u>39,987</u>

7.2 The funding uplift notified for 2022/2023 is £20.3 million therefore in order to not worsen the underlying deficit of £11.3 million we would require to find £19.7 million of CRES in 2022/2023 on top of delivery of the £3.6 million acute unachieved CRES from previous years. The CRES we have been able to achieve in 2021/2022 is around £10 million and in 2020/2021 about £11 million.

Below is a table showing planned CRES for 2022/2023:

CRES area	£000
Service Level Agreements	2,000
Acute prescribing	1,561
Primary Care prescribing	2,000
National services	350
Energy efficiency	69
Acute	1,600
Corporate	600
Total identified CRES	<u>8,180</u>

7.3 Corporate schemes for estate rationalisation, reducing energy consumption and clinical waste are being scoped therefore there is a higher degree of risk regarding delivery of these.

7.4 Excluding IJBs and New Medicines Fund, 68% of budgets for acute and corporate services are pay for workforce. During 2021/2022, securing enough workforce has been a challenge therefore very little CRES in 2022/2023 is targeted against workforce. This restricts the scope for savings to about 32%, or £254 million of budget, therefore the savings of £8.2 million shown below represent about 3.2% of this restricted scope.

8. Risks

8.1 Acute services bring into 2022/2023 some £3.6 million of unachieved CRES from previous years. The ability to deliver on £1.6 million of this in 2022/2023 is dependent upon being able to close all the additional non-recurring funded beds opened in 2021/2022, finding suitable recovery space for day surgery patients (as the additional ITU at Crosshouse currently occupies this space), and being able to do capital works to facilitate consolidation of wards.

- 8.2 Scottish Government provided non-recurring funding in 2018/2019 and 2019/2020 for investment in Office 365. In 2020/2021 the Board funded Office 365 non-recurringly, however in 2021/2022, £830,000 was funded recurringly and around £1.58 million non-recurringly. This is proposed to continue in 2022/2023 to identify savings from the use of MS Teams and other applications within Office 365 which can recurringly fund the licence cost.
- 8.3 The national contract for Office 365 is based on 200,000 users, however there are currently 250,000 users and while there are plans to remove 20,000 unused accounts, there may be an additional cost for excess users. This requires to be mitigated by Ayrshire and Arran minimising the number of users we have.
- 8.4 Scottish Government guidance is to assume for financial planning purposes that additional covid costs would be covered in 2022/2023 and for this reason Point of Care Testing of £500,000 and additional microbiology laboratory staffing costs of £300,000 are not included in cost pressures above. Costs of additional staffing for acute wards are also not included in cost pressures above and neither is the loss of income from visitors and staff at our dining rooms due to lower footfall as a result of the pandemic.