

NHS Ayrshire & Arran



Meeting:	Ayrshire and Arran NHS Board
Meeting date:	Monday 23 May 2022
Title:	Financial Management Report for 12 months to 31 March 2022
Responsible Director:	Derek Lindsay, Director of Finance
Report Author:	Rob Whiteford, Assistant Director of Finance - Operational 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 was a deficit of £12.1 million. The Board made a surplus of £0.5 million. Scottish Government funded all Boards to breakeven or marginal surpluses non-recurrently in 2021/2022.

2.2 Background

The budget for 2021/2022 was approved at the Board meeting on 24 May 2021. It was recognised COVID-19 would continue to have a significant impact during 2021/2022.

2.3 Assessment

Additional costs of £84.8 million have been incurred in 2021/2022 related to COVID-19. They are detailed in Appendix 2. They do not include £3.4 million of Personal Protective Equipment issued free of charge by National Services Scotland. Over £1.0 million per month is spent on additional hospital bed capacity including ITU beds, with another £0.8 million per month on Covid-19 vaccinations which use 138 Whole Time Equivalent staff.

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, agency spend, consultant vacancies and staff absence rate.

2.3.3 Financial

The cash releasing efficiency savings plan (CRES) is shown in Appendix 4. There was a £4.0 million shortfall against planned efficiency savings for the year.

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

Members are asked to discuss the attached report.

3. List of appendices

The following appendices are included with this report:

Appendix 1, Income and expenditure summary for health services

Appendix 2, Covid expenditure

Appendix 3, Confirmed and Anticipated allocations

Appendix 4, Cash releasing efficiency savings

Appendix 5, Capital Allocations

1. Background

1.1 This report shows the revenue position for the year ended 31 March 2022.

2. Revenue resource limit and overall financial position

2.1 The revenue budget for the year is £1.09 billion. Allocations received are £1.01 billion and anticipated allocations amount to £74.7 million. Of this £55.8 million is for Family Health Services such as payments to dentists, opticians and pharmacists.

2.2 The March allocation letter is not final and a further version will be issued. The main allocations in March were £3.25 million for buy back of annual leave, £2.8 million for deficit support, £2.1 million for untaken annual leave, £3.4 million for pandemic personal protective equipment, £0.8 million for utilities costs and £1.1m for Mental Health Facilities. The latter has been passed to North HSCP in their role as lead for Mental Health.

2.3 Further anticipated allocations include £55.8 million for Non Cash Limited expenditure and £0.3 million for Mental Health Facilities.

2.4 In addition to paragraph 2.3 Scottish Government fund at year end any movements in provisions and write down of assets through Annually Managed Expenditure (AME). The biggest element required is to write down of around £5 million for former wards on the Ailsa Hospital site which were demolished during the year. In addition a further £1.5 million and £0.8 million of AME funding will be provided by Scottish Government to cover movements in provisions (mainly in CNORIS).

2.5 The Board set a deficit budget of £12.1 million for 2021/2022. The Board made a small surplus of £0.5 million in the year with the help of non-recurring funding from Scottish Government.

2.6 The figures below include £84.8 million spent on COVID-19.

3. Acute Services

3.1.1 The annual budget for Acute Services is £383.9 million. The directorate is overspent by £3.4 million for the year.

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	278,510	278,510	280,063	(1,553)	24,327	26,365	(2,037)
Supplies	65,553	65,553	65,177	376	10,676	10,278	398
Purchase of Healthcare	70,829	70,829	69,698	1,131	6,096	6,368	(272)
Provision of Healthcare	(25,891)	(25,891)	(26,015)	125	(880)	(1,056)	176
Operating Income	(1,510)	(1,510)	(1,615)	106	(124)	(156)	32
Unallocated Savings	(3,568)	(3,568)	0	(3,568)	(297)	0	(297)
Total	383,924	383,924	387,307	(3,383)	39,798	41,798	(2,001)

3.1.2 Overspends for the year on medical pay of £3.0 million in the year to date are partly offset by a £1.1 million underspend on Healthcare Sciences and a £0.6 million underspend on radiographers. Increasing medical agency expenditure (as

shown graphically in section 5.5) is a major contributory factor to the overspend against the medical pay budget.

- 3.1.3 Supplies budget overspends for the year on drugs (£0.7 million), equipment and service contracts (£2.3 million) and taxis for patient care (£0.5 million) were offset by a £4.3 million underspend on surgical supplies caused by the reduction in surgical activity necessitated by COVID-19.
- 3.1.4 Unallocated Acute CRES is £3.6 million at the year-end will continue to contribute to the acute overspend in the absence of further savings plans.
- 3.1.5 Crosshouse medical wards are £5.2 million overspent in the year to date, whilst Ayr's medical wards are £3.7 million overspent due to service pressures and unachieved CRES. Surgical wards are £1.6 million underspent, £1.3 million at Ayr and £0.3 million at Crosshouse, due to reduced elective activity. External Service Level agreements were £1.2 million under due to lower cost per case activity.

3.2 Other Clinical Services

- 3.2.1 Other Clinical Services includes budgets for Pharmacy teams, the New Medicines Fund (NMF) and out of area activity such as brain injuries and transcatheter aortic valve implantation (TAVI) replacements. The annual budget is £27.0 million. It overspent by £2.4 million in the year. The adverse variance was caused by the NMF which was £3.6 million overspent. This was partially offset by underspends of £1.2 million in out of area treatments and central pharmacy teams.
- 3.2.2 The Board are not able to influence spend on the NMF, and it is by nature high cost and low volume. It has a budget of £15.4 million, of which £3.6 million is from Scottish Government. £2.2 million was funded non-recurrently by the Board in 2021/2022. Scottish Government have announced an additional £3.6 million of funding in 2022/2023.

3.3 Health and Social Care Partnerships (HSCPs)

- 3.3. The total health budgets for the three HSCPs are now £519.1 million.
1
- 3.3. Appendix 1 shows no net under or overspend outturn against the three HSCPs as
2 these belong to Integration Joint Boards rather than the Health Board.

3.4 Infrastructure and Support Services

- 3.4. Infrastructure and Support Services includes estates, hotel services and information
1 technology. They have an annual budget of £93.7 million. They broke even in the year, and the level of CRES delivery should be recognised.

3.5 Corporate Services

- 3.5. Corporate Services have budgets of £44.0 million, with £10.4 million of this being the
1 COVID-19 vaccination programme within Public Health. Corporate Services comprises Public Health, the Nursing Directorate, the Medical Directorate, Human Resources and Organisational Development, Finance, Transformation and Sustainability and the Chief Executive's office. These areas were £2.75 million underspent with £1.5 million of this being in the Public Health directorate.

3.6 Corporate Resource and Reserves

3.6. Reserves (budgets not issued to directorates) are £3.6 million under committed for
 1 the year. This is mostly a result of the underlying £11.3 million deficit being held centrally, offset by one-off benefits. These benefits include COVID-19 funding covering unachieved CRES in year as well as £5.2 million of COVID-19 staff absence funding and the receipt of £5.8 million deficit support funding as described in section 2.3. In year slippage on developments has also contributed non-recurring to the reserve balance.

4. Efficiency and Transformation Programme

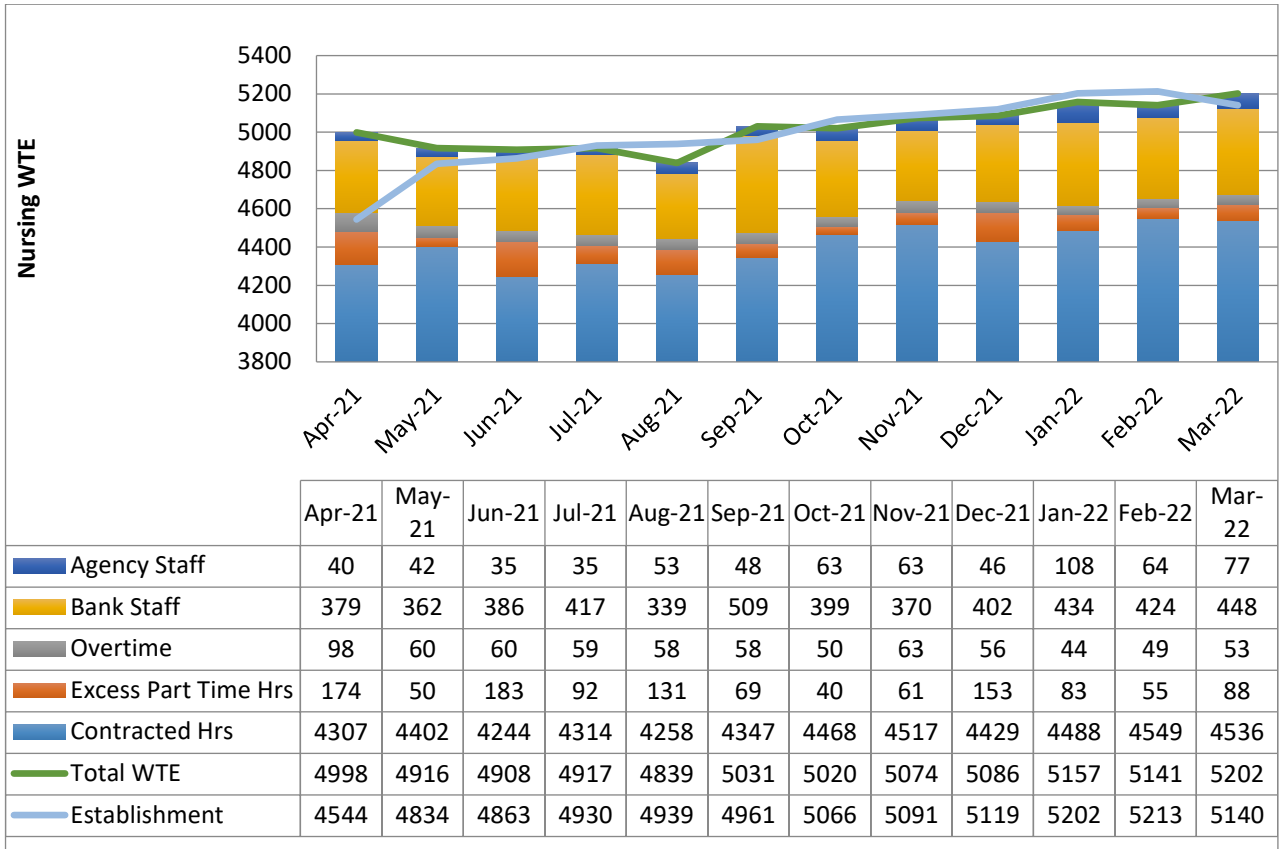
4.1 The programme delivered £9.7 million of operational cash releasing efficiency savings (CRES) against a target of £13.7 million as shown in Appendix 4. The increased use of medical locums and operational bed pressures were the major contributing factors.

5. Workforce

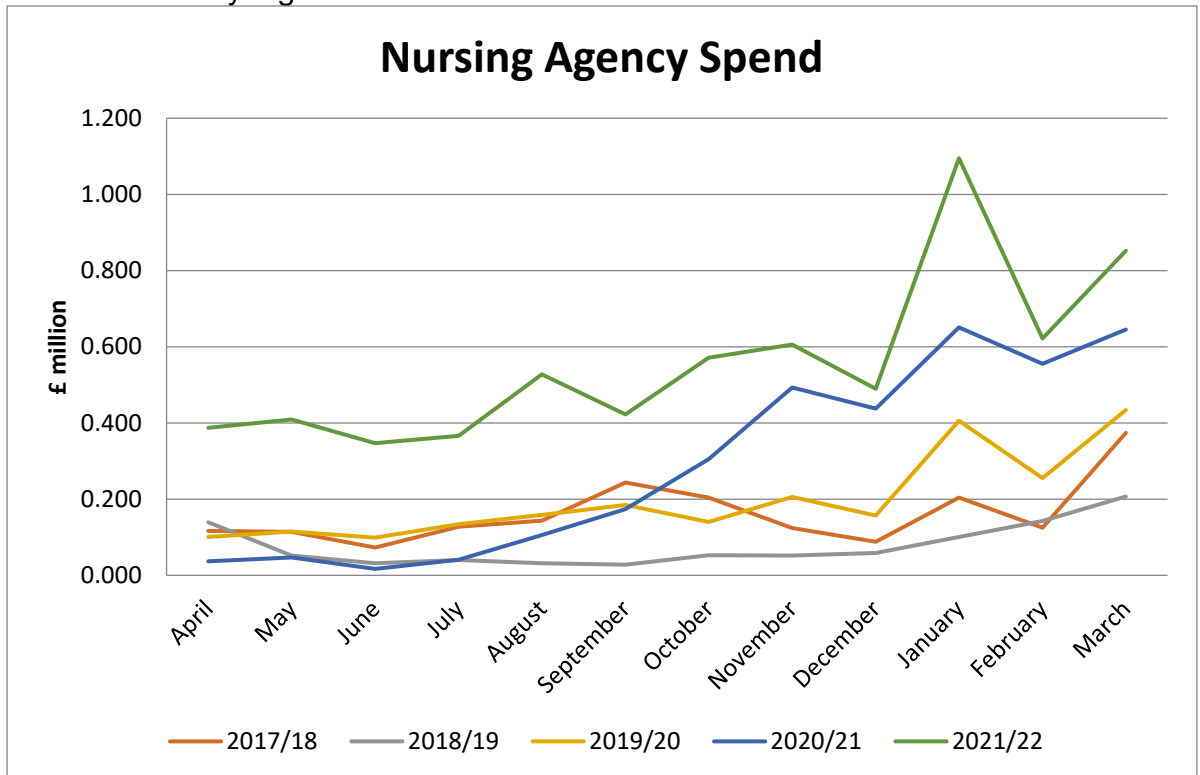
5.1 The table below shows the WTE staff used 2021/2022. It then compares this with the average in 2020/2021 and 2019/2020. There has been a marked and sustained increase in WTE during the COVID-19 pandemic. 135 of these are for the COVID-19 vaccination programme and another 113 are for Test and Protect. The additional wards opened in acute hospitals have also required to be staffed.

	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21	Dec-21	Jan-22	Feb-22	Mar-22	2021-22	2020-21	2019-20
	WTE	WTE	WTE	WTE	WTE	WTE	WTE	WTE	WTE	WTE	WTE	WTE	Apr-Mar Average WTE	Apr-Mar Average WTE	Apr-Mar Average WTE
Contracted Hrs	9,181	9,278	9,086	9,148	9,154	9,210	9,360	9,411	9,321	9,399	9,466	9,481	9,291	9,034	8,809
Excess Part Time Hrs	499	270	433	342	365	301	274	309	405	312	289	334	344	317	285
Overtime	161	101	102	108	101	103	98	111	104	86	97	103	106	116	93
Bank Staff	379	362	386	417	339	509	399	370	402	434	424	448	406	321	253
Agency Staff	70	73	66	60	73	76	87	84	71	135	91	102	82	55	60
Total WTE	10,290	10,084	10,073	10,075	10,032	10,199	10,218	10,285	10,303	10,366	10,367	10,468	10,230	9,843	9,500

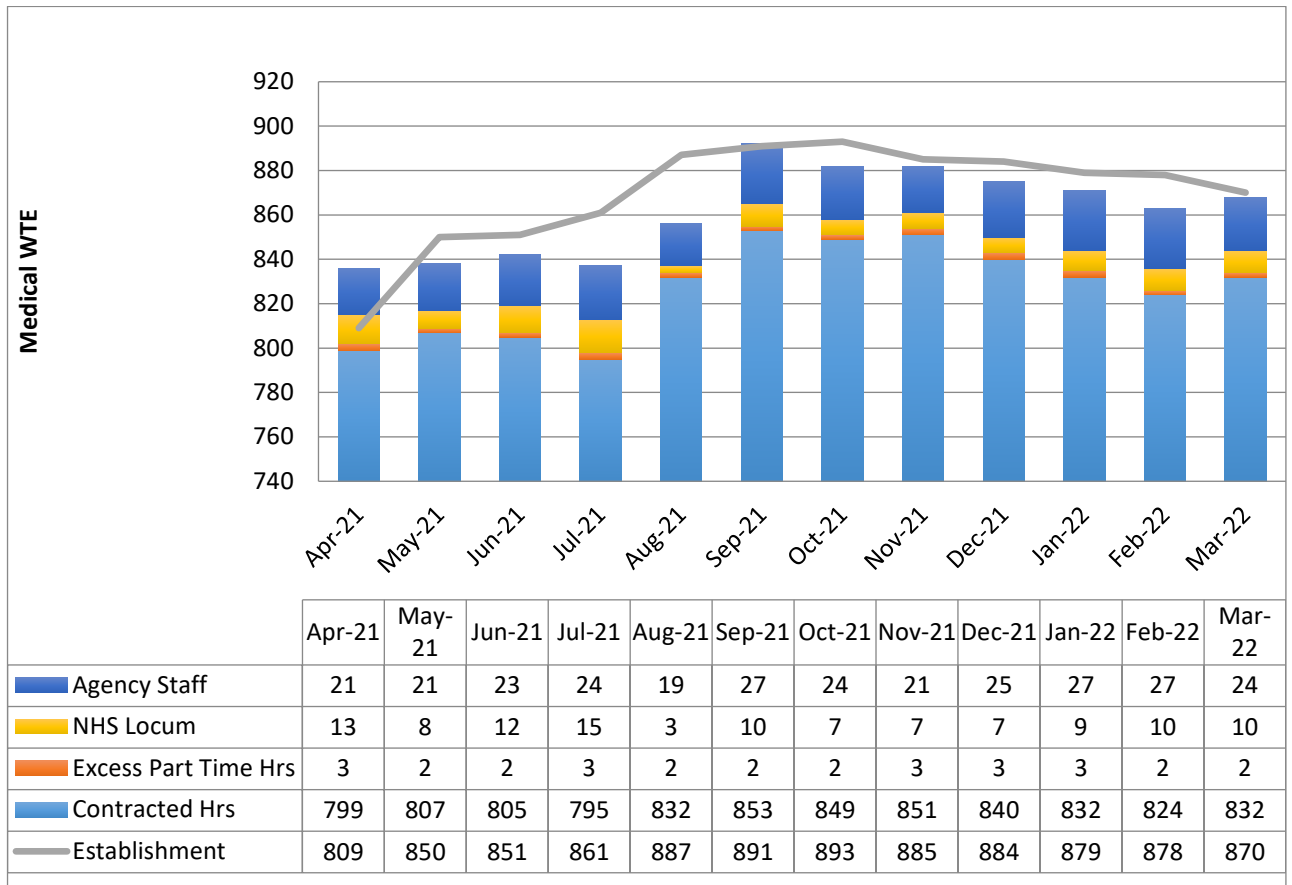
5.2 The graph below shows the trend for nursing staff. We were 62 WTE over the 2021/2022 nursing establishment, which includes non-recurring and COVID-19 funding, at Month 12. This will include bank staff overtime, excess part time hours and agency.



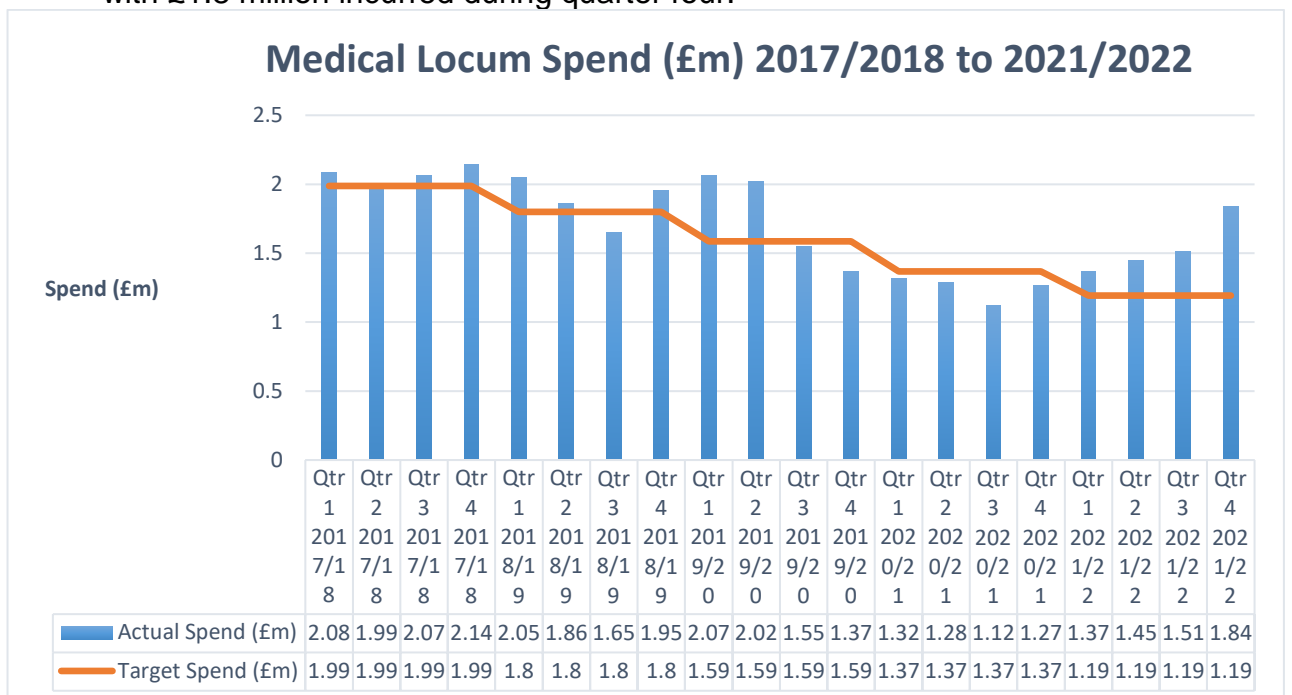
5.3 The nursing agency spend in the year was £6.7 million. March 2022 agency spend was £0.85 million, the second highest in the year. The reliance on agency is driven by COVID-19 and the requirement to temporarily staff additional unscheduled care beds in the acute hospitals. The graph below shows the trend in 2021/2022 and compares this with previous years. The spike which occurred in January 2022 is clearly indicated, although March also had high agency spend. Both of these months had very high COVID-19 related absence.



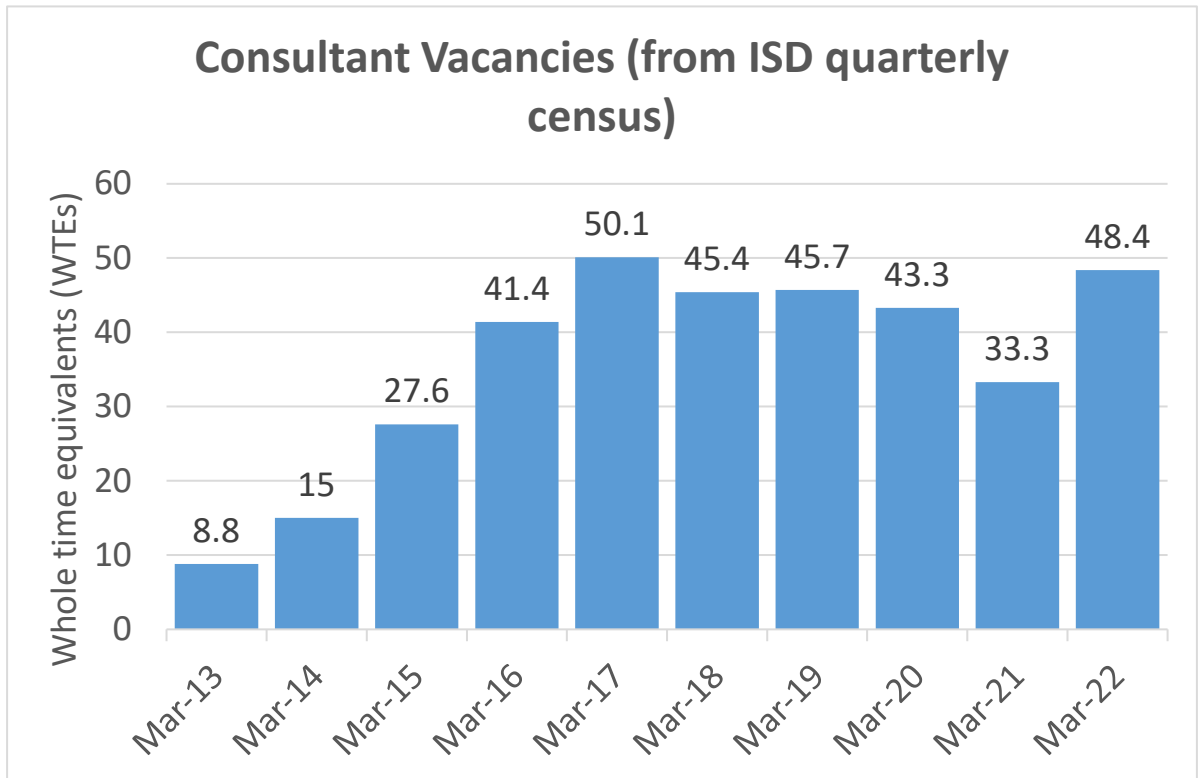
5.4 We used 868 WTE medical staff in March, including locums and agency, which was 2 under establishment. The high cost of some medical agency staff is a driver for an overspend against the medical staff budget.



5.5 The graph below shows the trend in medical agency spend from quarter one of 2017/2018 to quarter four of this financial year. There is an increasing trend since quarter three of 2020/2021. In this financial year to date we have spent £6.2 million, with £1.8 million incurred during quarter four.

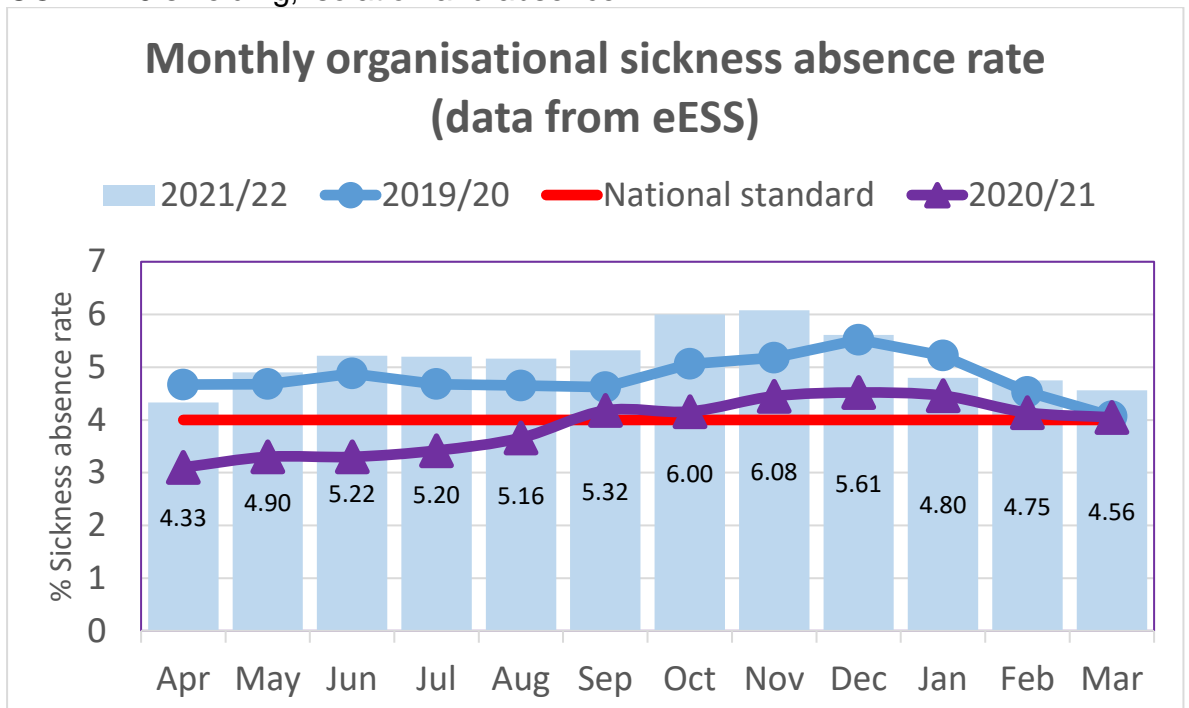


5.6 The level of consultant vacancies is a main driver for expenditure on temporary medical staff. The graph below shows the trend over the last few years, with Board now making good progress in recruiting to positions, despite a rise in the absolute number of vacancies.



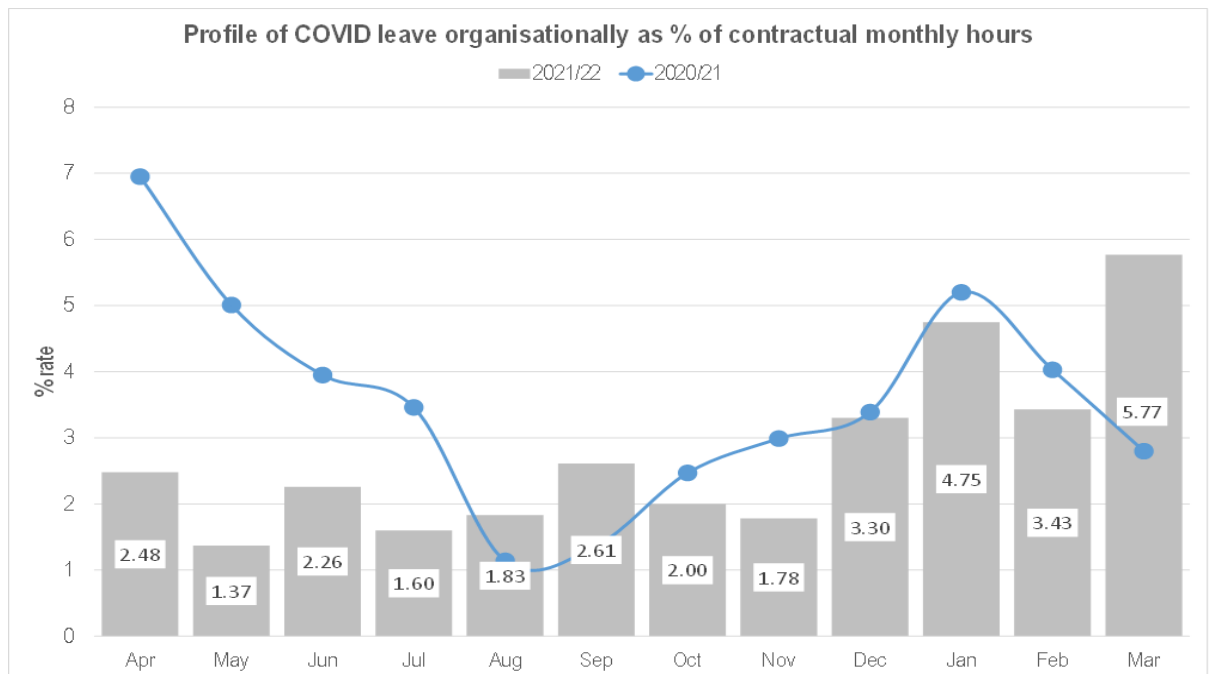
5.7 Staff sickness absence from work has organisational impact beyond the individual staff member, affecting other staff, service delivery, productivity and cost, where backfill arrangements have to be put in place.

5.8 A national standard for sickness absence of 4% exists across NHS Scotland. The graph below shows our performance against this target. This excludes absence for COVID-19 shielding, isolation and absence.



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.

5.9 COVID-19 related absence is shown in the graph below.



6. Risk assessment and mitigation

- 6.1 NHS Ayrshire & Arran posted a £0.5 million surplus in 2020/2021. This included non-recurrent funding for under delivery of CRES and being allowed to retain savings generated by reduced elective and outpatient activity. The position in 2021/22 is similarly breakeven.
- 6.2 Scottish Government have confirmed they will fund all Health Boards to a breakeven position or marginal surplus non recurrently in 2021/2022 COVID-19 funding has been received as expected for 2021/2022.
- 6.3 The GP Prescribing spend forecast is based on 10 months of actual data. Two months are forecast based on the actual volume and price to date. This is relatively low risk.
- 6.4 Unachieved CRES of £4.0 million is fully included in the breakeven position reported.
- 6.5 2021/2022 financial risks were negated by the content of section 6.2. The cessation of COVID-19 funding and the recurring challenge facing the Board are now the main financial risks.

7. COVID-19 and Remobilisation Plans.

- 7.1 The Board previously submitted Remobilisation Plan three for 2021/2022. This totalled circa £60 million including funding for council Health and Social Care Partnership expenditure.
- 7.2 Subsequently the Financial Performance Report for Quarter one included an updated request for COVID-19 funding. This totalled £67.5 million.
- 7.3 The Financial Performance Report for Quarter Two was submitted based on Remobilisation Plan four and included a revised COVID-19 forecast.
- 7.4 A revised forecast for Quarter Three was submitted by the end of January 2022. This included the requirement for £18.6 million of COVID funds in excess of those received. The £18.6 million includes £3.5 million of non-recurring deficit support.
- 7.5 Scottish Government have now confirmed all 2021/2022 COVID-19 funding following these submissions.
- 7.6 A further Quarter 4 submission was made on 22 April 2022. This is not expected to inform further COVID-19 allocations for 2021/2022.

8. Capital Expenditure

- 8.1 The Board approved capital spend of £21.9 million on the 29 March 2021. Final capital allocations amounted to £41.8 million as shown in Appendix 5.
- 8.2 £8.6 million of the original capital allocation was for the nation forensic service for adolescents in Scotland. Due to escalating costs and a review process by NHS assure the building work at Ayrshire Central Hospital has been delayed. Only foundations and preparatory work has been completed this year at a cost of around £3.0 million. The remaining £5.6 million was given back to Scottish Government to be carried forward into next year.
- 8.3 COVID-19 demands on acute services have affected the ability to take forward the Intensive Care Unit work. Therefore a further £1.6 million is being returned to Scottish Government to be made available next year. Capital spend in the year is shown in the table below.

8.4	Capital spend at 31 March 2022	Spend to Date
		£000's
	Purchase of East Ayrshire Community Hospital	12,000
	Electromedical Equipment	10,888
	National Secure Adolescent Unit	2,998
	Endoscopy Decontamination, Ayr	2,568
	National Treatment Centre, Carrick Glen	2,163
	Digital services	1,388
	Crosshouse Pre-Op Assessment	1,177
	SG/DH Equipment Transfers (mainly CT Scanner / Pod)	1,001
	Student Accommodation	794
	Value Adding from Estates Formula Revenue	785

Endoscopy 4th Room, Ayr	709
Electric Vehicle Infrastructure	604
Trauma/Orthopaedics Ward Upgrade	528
Staff Wellbeing Suites	508
Aggregate schemes under £500k	3,661
Total	41,773

Financial Position for the year ended 31 March 2022

	Salaries				Supplies				Total			
	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	278,510	278,510	280,063	(1,553)	105,414	105,414	107,244	(1,831)	383,924	383,924	387,307	(3,383)
East Hscp	59,168	59,168	53,015	6,153	158,609	158,609	164,762	(6,153)	217,777	217,777	217,777	(0)
North Hscp	87,624	87,624	79,822	7,802	99,719	99,719	107,521	(7,802)	187,343	187,343	187,343	0
South Hscp	32,044	32,044	29,583	2,461	81,934	81,934	84,395	(2,461)	113,978	113,978	113,978	0
HSCP underspends owed to IJBs	0	0	0	0	0	0	0	0	0	0	0	0
Other Clinical Services	10,108	10,108	9,279	830	16,942	16,942	20,212	(3,270)	27,050	27,050	29,490	(2,440)
Hospital Community and Family Health Services (section 1)	467,454	467,454	451,761	15,694	462,617	462,617	484,134	(21,517)	930,072	930,072	935,895	(5,823)
Chief Executive	914	914	901	13	37	37	36	0	951	951	937	13
Director Public Health	19,389	19,389	17,215	2,173	4,245	4,245	4,895	(650)	23,634	23,634	22,110	1,523
Medical Director	3,892	3,892	4,361	(468)	(2,931)	(2,931)	(3,517)	585	961	961	844	117
Nursing Director	6,704	6,704	6,045	659	(172)	(172)	(91)	(82)	6,532	6,532	5,954	577
Infrastructure Support Services	41,841	41,841	41,014	827	51,766	51,766	52,613	(848)	93,607	93,607	93,628	(21)
Finance	4,330	4,330	4,275	55	(645)	(645)	(648)	3	3,685	3,685	3,627	58
ORG and HR Development	5,803	5,803	5,479	324	536	536	626	(90)	6,338	6,338	6,105	234
West Of Scotland Region Ce	114	114	352	(238)	(114)	(114)	(352)	238	0	0	0	0
Transformation+sustainability	1,773	1,773	1,635	139	117	117	28	89	1,890	1,890	1,662	228
Clinical and Non Clinical Support Services (Section 2)	84,759	84,759	81,276	3,483	52,838	52,838	53,591	(754)	137,597	137,597	134,868	2,729
Corporate Resource	3,985	3,985	3,983	2	11,370	11,370	11,370	0	15,356	15,356	15,354	2
Corporate Reserves	(41)	(41)	0	(41)	3,633	3,633	0	3,633	3,592	3,592	0	3,592
Corporate Resource and Reserves	3,945	3,945	3,983	(39)	15,004	15,004	11,370	3,633	18,948	18,948	15,354	3,594
NHS A&A Total	556,158	556,158	537,020	19,138	530,459	530,459	549,096	(18,638)	1,086,617	1,086,617	1,086,117	500
Antcipated COVID Funding	0	0	0	0	0	0	0	0	0	0	0	0
NHS A&A Total	556,158	556,158	537,020	19,138	530,459	530,459	549,096	(18,638)	1,086,617	1,086,617	1,086,117	500

Appendix 2

COVID-19 Expenditure

Category	COVID Budget £000	COVID Expenditure £000	COVID Variance £000
Additional Hospital Bed Capacity/Costs - Maintaining Surge Capacity	14,262	13,833	429
Loss of Income	945	945	0
Additional staff overtime and enhancements	35	550	(515)
Additional temporary staff spend - All Other	1,635	2,256	(621)
Medical Staffing	743	139	604
Additional temporary staff spend - Returning Staff	0	71	(71)
Additional temporary staff spend - Student Nurses & AHP	0	0	0
Ayrshire Hospice	0	13	(13)
Cost to 3rd Parties to Protect Services (where services are currently stoppe	0	45	(45)
COVID-19 screening and testing for virus	654	668	(14)
Personal protective equipment	0	13	(13)
Louisa Jordan costs	0	0	0
Equipment & Sundries	65	61	4
Deep cleans	1,047	703	344
Digital, IT & Telephony Costs	180	181	(1)
Estates & Facilities cost including impact of physical distancing measures	0	86	(86)
Staffing support, including training & staff wellbeing	516	451	65
HR Staff Hub	89	214	(125)
Additional Temporary Staff - CNO Care Home Additional Responsibilities	518	518	0
IPC Team	224	226	(2)
Carehomes Peripatetic Team	341	341	0
Public Health	336	114	222
Covid - Covid Vaccinations	10,370	9,939	431
Ph Covid Health Protection	218	239	(21)
Covid - Mass Testing	1,930	1,756	174
Contact Tracing Costs	4,480	4,595	(115)
Covid £500 Bonus	0	0	0
Reserves	6,399	0	6,399
Subtotal Health Board	44,987	37,957	7,030
Community Hubs	1,327	1,396	(69)
East HSCP - Various	703	824	(121)
East Flu Vaccinations	22	21	1
East Hscp Long Covid	240	175	65
East COVID Social Care	13,112	13,112	0
North HSCP - Various	1,084	1,014	70
North Hscp Long Covid	400	343	57
North COVID Social Care	16,748	16,748	0
South HSCP - Various	181	214	(33)
Biggart Beds	545	545	0
South Hscp Long Covid	135	97	38
South Covid Social Care	12,377	12,377	0
Subtotal HSCPs	46,874	46,866	8
COVID-19 Total	91,861	84,823	7,038
Mh Remobilisation Plan	685	685	0
Redesign of Urgent Care	1,233	492	741
South Mh Remob Plan	56	68	(12)
Subtotal Exclusions	1,974	1,245	729
YTD in COVID-19 Cost Centres	93,835	86,068	7,767

Confirmed and Antcipated Allocations

Appendix 3

Category	Recurring £'000	Earmarked Recurring £'000	Non Recurring £'000	Total £'000
M11 Baseline Allocation	785,837	89,506	131,350	1,006,692
Annual Leave Buy-back			3,250	3,250
Mental Health Facilities			1,106	1,106
Nsd Handback			351	351
Clinical Waste			219	219
Decontamination			178	178
Cso Covid Research			45	45
Exclusion Incident Audit			28	28
Cardiac Physiologists			10	10
Test Kit Recharges Pob			414	414
Breakeven Support			2,832	2,832
Utilities			749	749
Untaken Annual Leave			2,060	2,060
Louisa Jordan Equipment			192	192
Pandemic Stock 21/22 Pob			3,413	3,413
21-22 Cytosponge stock			26	26
GJNH - Final top slice adjustment			(11)	(11)
Revenue to Capital			(820)	(820)
Sub Total Allocations Received @ M12	785,837	89,506	145,393	1,020,735
Fhs Ncl	55,822			55,822
Mental Health Premises			300	300
Depreciation Resource Limit			(13,197)	(13,197)
Depreciation Resource Limit			13,197	13,197
Del			900	900
Ame Donated Asset Dep			400	400
Ailsa Demolition Ame			5,000	5,000
Share of national CNORIS provision (AME)			1,523	1,523
Ame Provision			786	786
Donations Not Sg			(215)	(215)
Woodland View Depreciation			829	829
Amu Ayrshire Maternity Unit			552	552
Total Received and Antcipated Allocations	841,659	89,506	155,468	1,086,632

Cash Releasing Efficiency Savings

Appendix 4

Plan v Forecast	£000	£000	£000
Plan Area (operational)	Annual Plan	M12 Actual	Variance
Chemotherapy	203	193	(10)
Frailty Pathway	150	0	(150)
Surgical Beds	280	0	(280)
Cardiology	134	134	0
Acute Medical Agency	500	(870)	(1,370)
Acute Other	2,134	654	(1,480)
Acute Prescribing	1,585	1,327	(258)
Primary Care Prescribing	2,300	1,939	(361)
External SLAs	2,000	2,000	0
HR	96	34	(62)
Finance	72	72	0
Public health	87	87	0
Chief Executive	63	63	0
Transformation & Sustainability	(25)	(25)	0
Medical Director (Corporate) &	192	192	0
Nursing directorate	94	94	0
EACH PFI Buyout	1,000	1,000	0
Travel Savings	454	454	0
Recombinant blood products	350	350	0
Energy	332	332	0
Estate Rationalisation	175	100	(75)
Infrastructure Support Services	1,528	1,529	0
Total	13,703	9,659	(4,044)

Capital Allocations 2021/22

	Original Capital Plan £000's	Final Capital Allocations £000's
<u>Capital allocation</u>		
Core Capital Allocation	8,305	8,305
SG Cap Cont to Whole System Estate Plan	4,500	2,900
Caring for Ayrshire	500	500
SG Contribution to Forensic CAMHS	8,600	3,000
SG Equipment		1,756
Staff Wellbeing Suites - SG Allocation		1,000
Electric Vehicle Infrastructure		77
SG Capital Bids Ophthalmology		624
Purchase of Audiology Equipment		10
SG - Electromedical Equipment		5,545
Cancer funding		487
SG - Digital Pathology Storage kit IT		405
SG/DH Equipment Transfers (mainly CT Scanner / Pod)		1,002
SG - national laundry funding		33
SG - Laundry Equipment		46
Transfer to NHS Lanarkshire - Laundry		(162)
Transfer to NHS Lanarkshire - Vascular		(62)
UXH Hydronic System Feasibility		65
Net revenue to capital transfer		820
CT Pod		60
Colposcope		12
Purchase of EACH		12,000
NTC - Carrick Glen		1,800
COVID19		1,550
Total Approved Capital Allocation	21,905	41,773