

NHS Ayrshire & Arran

Meeting:	Ayrshire and Arran NHS Board
Meeting date:	Tuesday 28 March 2023
Title:	Revenue Plan 2023/2024
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 & Arran have been notified of a 2% general allocation funding uplift for 2023/2024 which equates to £16.7 million. We are also able to retain about £3 million of funding for the National Insurance increase.

However, NHS Ayrshire & Arran has a recurring cost pressure of £53.2 million as captured in the summary table below.

Summary of recurring cost pressures	£000
IJB pass through	4,800
Prior commitments	4,552
Pay related	11,890
Unavoidable clinical cost pressures	6,203
Non-clinical cost pressures	5,715
Covid related costs	1,822
CNORIS	860
Primary care prescribing	12,495
Acute prescribing	4,845
Total	53,182

2.2 Background

Pay will be the biggest cost pressure. An Agenda for Change national agreement of 6.5% average has been offered for 2023/2024. The general allocation funding uplift of 2% is expected to cover a 2% pay increase therefore a further allocation to cover the remaining 4.5% is anticipated in 2023/2024. Inflation is a major factor in supplies cost pressure including energy and medicines.

2.3 Assessment

2.3.1 Quality/patient care

Many of the service change costs are to improve quality of services. In particular there is significant investment in e-health.

2.3.2 Workforce

Additional investment in medical staffing and e-health staffing is shown in section 3 of the report.

2.3.3 Financial

Cost pressures exceeding the funding uplift for 2023/2024 will need to be met by cash releasing efficiency savings if a balanced budget is to be set.

2.3.4 Risk assessment/management

Corporate Management Team assess the risk and determine what the “must do” issues are.

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 two pay and supplies group meetings.

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.

- Pay and Supplies Groups on 14 October and 13 December 2022
- Corporate Management Team meetings 1 November 2022 & 24 January 2023
- Performance Governance Committee 19 January and 2 March 2023
- Board workshop 16 February 2023

2.4 Recommendation

Members are asked to approve the Revenue Plan for 2023/2024 which projects a £56.4 million deficit in the year.

3. List of appendices

The following appendices are included with this report:

- Appendix 1 - Revenue plan for 2023/2024.

Revenue Plan for 2023/2024

1. Introduction

- 1.1 NHS Ayrshire & Arran received baseline recurring funding of £806.1 million in 2022/2023. Scottish Government undertook to fund the full pay award and therefore a further allocation of £27.4 million was received in March 2023. The total recurring 2022/2023 baseline allocation is £833.5 million. The general allocation uplift of 2% for 2023/2024 is £16.7 million which gives a new baseline funding for 2023/24 of £850.2 million.
- 1.2 In addition, earmarked funding for specific purposes is outlined in the table below:

Earmarked Allocations	2020/2021	2021/2022	2022/2023	2023/2024
	£million	£million	£million	£million
Primary care	7.5	11.0	12.0	12.5
Mental health action 15	1.5	2.0	2.0	4.2
Mental health bundle	1.5	1.5	1.5	1.5
CAMHS	0.0	0.0	0.0	4.8
Outcomes framework	4.4	4.4	4.4	4.4
Waiting times	5.5	8.3	7.9	7.6
e-Health	1.9	1.9	1.9	1.9
Family nurse partnership	1.0	1.0	1.0	1.0
Public dental service	2.0	1.8	1.8	1.8
AlcoholDrug Partnerships	1.3	3.4	3.4	3.5
Weight management	0.3	0.3	0.3	0.3
Primary Medical Services	61.6	63.0	65.0	67.0
New Medicines Fund	5.8	3.7	7.2	10.9
Non-core DEL	5.9	1.0	2.8	2.0
District nursing	0.3	0.5	0.6	0.6
COVID-19	70.9	60.3	18.5	7.0
Total	171.4	164.1	130.3	131.0

- 1.3 The Covid 19 funding to the Health Board in 2023/2024 will be about £7 million (mainly for vaccinations).
- 1.4 The allocation letter dated 15 December 2022 notified a 2% general allocation uplift and that Scottish Government would not claw back the employer national insurance increase funded the previous year. The Integration Joint Boards will get a pass through of 2% on their baseline funding and this equates to £4.8 million and will also retain their share of the national insurance increase.

2. e-Health and other prior commitments

- 2.1 Service changes implemented in 2022/2023 with additional recurring revenue costs include about £3 million of e-health investments.
- 2.2 A paper to Corporate Management Team in August 2022 outlined the additional costs of upgrading TrakCare to 2020 version, moving the hosting of it to the Cloud

(or supplier) and procuring the ED module from TrakCare. Together these have an additional revenue cost of £462,210. This will be treated as a prior commitment as it was approved by Corporate Management Team and is being implemented in 2022/2023.

- 2.3 In December, CMT approved an investment in an upgrade to the Laboratory Information System with a recurring cost increase of £414,000 mainly being related to the cloud hosting option.
- 2.4 The budget for MS Office 365 only amounts to £450,000 recurringly sourced from travel budgets. The Integration Joint Boards have agreed to fund the Office 365 licenses for GP practices and other independent contractors therefore they will meet £400,000 of the Office 365 licence costs. The costs in 2023/2024 are estimated to be around £2.3 million, therefore there is recurring cost pressure of £1.45 million.
- 2.5 Other recurring revenue IT cost pressures include the annual support costs for ICU system (critical care clinical information system) with an annual support cost of £31,000 and Cardiology and physiology scanning, storage and reporting systems (EKORA, Sohiller, Viewpoint and Muses) have an additional recurring cost of £56,000.
- 2.6 Essential E-health infrastructure investment in 2022/23 included firewalls with a projected recurring revenue cost of £47,000 and Scottish wide area network (SWAN) increased bandwidth where an estimated additional recurring revenue cost in 2023/2024 is £500,000.
- 2.7 Atos host a lot of national systems (including payroll and SSTS) and their prices will increase by 9.1% in 2023/24 which equates to £47,000.
- 2.8 PACS hardware is hosted nationally and required to be extended for a period of three years at an additional cost per annum of £7,000 for NHS Ayrshire & Arran.

Table 1	
Digital investments	£000
TrakCare	462
Laboratory Information Systems	414
MS Office 365	1,450
Critical care system	31
Cardiology systems	56
Firewalls	47
Scottish Wide Area Network	500
Atos	47
PACS	7
Total	3,014

- 2.9 Other service developments approved by CMT during the year were £113,000 for medical physicist staffing to increase by two clinical scientists in order to make sustainable a small team. Also an investment of £336,357 in the public protection team was deemed unavoidable by CMT due to risks.

- 2.10 CMT also viewed as a must do increased staffing for the haematology ward at Crosshouse at a cost of £530,000 and increased staffing for discharge lounges at both acute hospital sites at a cost of £250,000.
- 2.11 A paper to CMT in January 2022 recommended an additional 3.72 whole time equivalent (WTE) Acute Medicine Consultants in Ayr Hospital. Two WTE were funded in 2022/2023 and the cost of a further 1.72 WTE this year is £230,000.
- 2.12 Audit Scotland tendered for external auditors of health boards and the notified fees are 25% higher than previously, creating a £59,000 cost pressure.
- 2.13 Nurse bank staffing increase will be partly funded by Nursing Directorate but £20,186 cost pressure to be funded.

Table 2	
Prior Commitments	£000
Digital (per table 1)	3,014
Medical physics	113
Public protection	336
Haematology	530
Discharge Lounges	250
Acute medicine consultants	230
Audit Scotland fees	59
Nurse bank staffing	20
Total	4,552

3. Pay

- 3.1 Assuming that the 2% general allocation uplift should fund a 2% pay uplift, the Board cost (excluding IJBs) of this is about £8 million.
- 3.2 Junior doctor budgets for higher grade specialist trainees and banding supplements require additional funding of £550,000.
- 3.3 Concerns about the robustness of digital infrastructure and staffing levels were raised in an external report commissioned from CGI and an investment of £1.26 million in additional digital staff is proposed.
- 3.4 Band 2 nursing auxiliaries are being assessed for a potential move to band 3. Initial cost is projected as £1.2 million in 2023/2024. £500,000 was set aside in the 2022/2023 budget which reduces the 2023/2024 increase to £700,000.
- 3.5 A new specialist grade medical contract will cost an additional £440,000.
- 3.6 An innovation to attract third year and above medical students to work for us has been in place for over a year without funding. A budget of £100,000 is proposed.
- 3.7 Two clinical development fellows have been providing a peri-operative orthopaedic service at University Hospital Crosshouse, funded from a vacant orthodontic consultant. This funding source is no longer available and the service requires to continue at a cost of £140,000.

- 3.8 Four clinical fellows are required to support critical care middle grade rotas due to changes in training at a cost of £300,000.
- 3.9 Discretionary points for Consultants cost an extra £200,000 a year.
- 3.10 An increasing number of junior doctors require skilled worker visas which will cost around £70,000 a year. Clinical development fellows and other doctors also need visas which can cost up to £6,000 each, therefore an estimated cost pressure of £200,000 in total.

Table 3	
Pay related	£000
Assume 2% uplift for all except IJBs	8,000
Junior doctors	550
Digital staff	1,260
Band 2 to 3 nursing auxiliaries	700
Specialist doctor	440
Medical students	100
Peri-operative orthopaedics	140
Discretionary points	200
Critical care clinical fellows	300
Doctor visas	200
TOTAL	11,890

4. Clinical cost pressures

- 4.1 Inflation uplift on service level agreements (SLA) requires 2% cash increase after 3% efficiency saving therefore 5% cost pressure on about £70 million is £3.5 million.
- 4.2 Inflationary pressure on cost of supplies (excluding prescribing) are significant:-

Table 4	
Clinical Cost pressures	£000
Laboratory managed service (Chrystal)	362
Aseptic suite	50
Taxis retender (mainly renal)	133
Small electromedical equipment	200
Theatre supplies	300
TOTAL	1,045

- 4.3 Service pressures arising from increased demand and workforce shortages in medical staffing for the following specialties result in waiting list initiatives:-

Specialty	£000
Anaesthetics	150
Trauma	110
Acute medicine	40
TOTAL	300

- 4.4 Some purchased services from outwith Ayrshire are seeing activity and cost increases. Cardiac services purchased from Golden Jubilee National Hospital include TAVI and volume is increasing. West of Scotland Medical Directors recommended an increased rate of 90 per million population which requires an increase in budget of £80,000.
- 4.5 A budget of £22,000 is required for the repair costs by a third party supplier for surgical rigid telescopes. A supply shortage of Immunoglobulin (blood product) has increased the price to us by £56,000.
- 4.6 National services cost pressures include expansion of Chimeric Antigen Receptors Cell Therapy CAR-T, expansion of Ideferix use at a national cost of around £2.4 million and £0.6 million cost for expansion of chronic pain management and £2.1 million for complex mesh surgery. NHS Ayrshire & Arran share is around £850,000.

4.7

Table 5	
Unavoidable clinical cost pressures	£000
External service level agreement	3,500
Supplies pressures (from table 4)	1,045
Medical staffing WLIs	300
TAVI	80
Immunoglobulin	56
Equipment repairs	22
Robotic surgery decontamination and maintenance	350
National services	850
Total	6,203

5. Non-clinical Cost Pressures

- 5.1 About 98% of gas and electricity has been advance purchased for 2023/2024 through national pan public sector arrangements. The expected additional cost pressure in 2023/2024 is £2.4 million, which reflects some deferred costs due to advance purchasing.
- 5.2 Water charges and council tax bills are expected to rise by around 9% in 2023/2024, trade effluent costs will also rise by a similar amount – a total cost pressure of £180,000.
- 5.3 A total rates cost pressure of £240,000 is expected based on a 5.8% increase.
- 5.4 The contract for non-clinical waste disposal includes an annual increase in cost per tonne. The 2023/2024 increase will cost £41,000 extra and in addition a £96,000 increase in clinical waste costs are expected.
- 5.5 National procurement contract costs for food/provisions rose by £150,000 in 2022/2023 which requires to be funded and may be £150,000 higher again in 2023/2024 due to inflation. Increased costs for plumbing and joinery supplies are £70,000.

5.6 Most maintenance agreements and service contracts have a built in inflationary increase. The increased cost pressure for 2023/2024 are:

Maintenance agreements and services contracts	£000
IT service contracts	349
Estates	177
Total	526

5.7 Laundry services are, delivered by NHS Lanarkshire on behalf of three Boards. An increase of £67,000 in 2022/2023 represented a 3.36% increase however actual pay increases were higher and need a £205,000 top up with further £200,000 increase estimate for 2023/2024.

5.8 Cleaning materials (paper towels, toilet rolls etc) which have approximately doubled in price requiring £303,000 budget increase.

5.9 Inflationary increases are built into three Private Finance Initiative contracts based on RPI at February 2023, with the most recent RPI of 13.4% the cost increase in 2023/2024 is additional £377,000 for Ayrshire Maternity Unit, £256,000 for East Ayrshire Community Hospital and £113,000 for Woodland View.

5.10 As well as the digital investments of around £3 million in table 1 and the £1.26 million planned investment in digital staff in table 3, the digital services strategy to Board in January 2023 also identifies a need for £354,000 of recurring other digital developments.

Table 6	
Non-clinical supplies cost pressures	£000
Energy related	2,419
Water, council tax, trade effluent etc	180
Rates	240
Non-clinical and clinical waste	137
Food and estates provisions	370
Maintenance agreements inflation	526
Laundry	405
National support team for O365 and PACs	35
Cleaning materials	303
Private Finance Initiative inflation	746
Other digital developments	354
Total	5,715

6. Covid related costs

6.1 During the pandemic many additional services were introduced. These were funded non-recurringly by Scottish Government and the only ones they will support in 2023/2024 and beyond are the vaccination programme, test and protect residual and PPE. Corporate Management Team considered Covid related costs on 1 November 2022 and felt that the following ones could not cease:

Table 7	
Covid related costs	£000
Cleaning enhancement (mainly 24/7 cover in A&E's and CAU's)	822
Acute respiratory pathways in A&E and CAU	1,000
Total	1,822

7. CNORIS

7.1 The current budget of £3.5 million is sufficient for our share of about £64 million national settlements. In 2020/2021 and 2021/2022 the national settlements were higher and Scottish Government have advised Boards to assume £80 million for 2023/2024 therefore there is a need to increase the budget by £0.86 million to cover up to £80 million national settlements.

8. Prescribing Cost pressures

8.1 Primary care prescribing budget of around £80 million is overspent in 2022/2023 by over £6 million. The full year cost needs to be recurrently funded and provision made for expected 2% increases in volume in 2023/24 therefore a cost pressure of £12.5 million.

8.2 Acute prescribing is also overspent in 2022/2023 by £4 million and with projected cost pressures for Immunoglobulin and monoclonal antibody drugs, a total acute medicines cost pressure of £4.8 million.

8.3 Additional funding for New Medicines Fund should cover additional cost of these.

Prescribing cost pressures	£000
Primary care prescribing	12,495
Acute prescribing	4,845
Total	17,340

9. Resource implications and identified source of funding

9.1

Table 8	
Summary of recurring cost pressures	£000
IJB pass through	4,800
Prior commitments	4,552
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Total	53,182

- 9.2 The funding uplift notified for 2023/2024 is £16.7 million (plus £3 million of retained national insurance funding) therefore in order to not worsen the underlying deficit of £26.4 million we would require to find £33.5 million of cash releasing efficiency savings in 2023/2024 on top of delivery of the £3.355 million acute unachieved cash releasing efficiency savings from previous years.

Below is a table showing planned CRES for 2023/2024:

CRES area	£000
Service Level Agreements (Acute)	2,100
Acute prescribing	1,700
Other Acute	1,300
Primary Care prescribing	1,700
Energy efficiency	100
Corporate directorates	2,700
Total planned CRES	9,600

- 9.3 The projected underlying deficit budget for 2023/24 is £50.3 million which is an increase of £23.9 million from the £26.4 million budget deficit in 2022/23. In addition, we have a cost for the following unfunded acute beds

Area	Plan	Cost £ million
Station 10 and 11 at UHA	Will close by 2 April 2023	Nil
Station 2 at UHA (for delayed discharges)	Transition ward	2.00
Station 1 at UHA	Plan will follow modelling	2.00
Ward 5B at UHC	Close by 2 April 2023	Nil
Ward 5A at UHC	Close by 7 May 2023	0.20
Ward 4E at UHC	Close by 11 June 2023	0.50
Ward 3F at UHC (stroke)	No plan yet	1.40
Total		6.10

The projected financial deficit for 2023/2024 based on the above plan is £56.4 million.

- 9.4 The draft financial plan submitted to Scottish Government on 9 February 2023 and discussed at the Performance Governance Committee on 2 March 2023 showed a projected £55.4 million forecast deficit for 2023/2024.

10. Risks

- 10.1 Acute services bring into 2023/2024 some £3.355 million of unachieved CRES from previous years. The ability to deliver on £1.3 million of this in 2023/2024 is dependent upon being able to consolidate renal ward 2F into the main renal ward.
- 10.2 The projected deficit budget for 2023/2024 is dependent upon the timing of the closure of the 165 unfunded acute beds. Factors in ability to close them include reducing the average length of stay in hospital which is affected by delayed transfers of care to social care. The additional costs could be mitigated if Integration Joint Boards funded the acute beds occupied by delayed transfer of care patients, however nothing has been assumed in this regard.

10.3 3% corporate CRES target is challenging to deliver for all corporate directorates. A new Financial Improvement Scrutiny Group has been established to monitor progress on these and enhance operational grip and financial performance management.