

NHS Ayrshire & Arran



| | |
|------------------------------|---|
| Meeting: | NHS Ayrshire & Arran Board meeting |
| Meeting date: | Tuesday 21 May 2024 |
| Title: | Financial Management Report for 12 months to 31 March 2024 |
| 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. 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. Further non-recurring funding of £10.965 million has been provided by HM Treasury in February which along with a notified reduction in the CNORIS settlement has improved the financial position.

The overspend for the 12 months to 31 March is £38 million of which £36.1 million is Acute Services. Some bed closures and reduced nurse agency use during the year have shown signs of improvement, however during winter further progress on these has been challenging.

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 were 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 1, Income and expenditure summary for health services

Appendix 2, Cash releasing efficiency savings

Appendix 3, Capital Expenditure

1. Background

1.1 This report shows the revenue position at 31 March 2024. This is a £38 million deficit.

2. Revenue Resource Limit and Overall Financial Position

2.1 The total allocations for the year are £1,140 million.

2.2 The Board is £38 million overspent after 12 months and has asked Scottish Government for brokerage of £38.4 million.

3. Acute Services

3.1.1 The annual budget for Acute Services is £427.6 million. The directorate has overspent by £36.1 million this year. £9.9 million was spent on unfunded beds which is higher than the planned £6 million, (please see section 3.1.5 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 |
|-------------------------|----------------|----------------|----------------|-----------------|---------------|---------------|----------------|
| All Acute | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Pay | 309,771 | 309,771 | 333,276 | (23,504) | 25,824 | 29,602 | (3,778) |
| Supplies | 69,596 | 69,596 | 82,372 | (12,777) | 9,149 | 13,382 | (4,232) |
| Purchase of Healthcare | 85,096 | 85,096 | 83,180 | 1,915 | 7,366 | 6,618 | 748 |
| Provision of Healthcare | (33,006) | (33,006) | (32,655) | (352) | (2,756) | (2,542) | (214) |
| Operating Income | (1,576) | (1,576) | (2,444) | 868 | 157 | (8) | 166 |
| Unallocated Savings | (2,292) | (2,292) | 0 | (2,292) | (174) | 0 | (174) |
| Total | 427,589 | 427,589 | 463,729 | (36,141) | 39,566 | 47,051 | (7,485) |

3.1.2 Pay is £23.5 million overspent. Nursing pay was £13.4 million overspent whilst medical pay was £9.0 million over. Cumulative nursing agency spend within acute was £8.85 million with £2.6 million being in accident and emergency and combined assessment units but most nurse agency spend being to staff unfunded beds. Cumulative medical agency spend was £5.64 million.

3.1.3 Supplies are £12.8 million overspent with £1.46 million over on taxis and private ambulances, £2.3 million on prescribing, £2.0 million on equipment (such as insulin pumps and continuous glucose monitors), £1.7 million on laboratory supplies and £0.5 million on radiology reporting which is in part off-set by a underspend on salaries. The overspend on surgical sundries is £3.2 million (mainly theatre supplies) which has jumped by £2.3 million in month 12 due to processing of a high volume of Crosshouse theatre issues in month 12 and also a stocktake write-off. The controls around this process are being reviewed.

3.1.4 Unachieved historical cash releasing efficiency savings are £2.3 million.

3.1.5 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 96 beds. Agency nurse spend on these wards during year was £516,849 for ward 4E, £583,289 for ward 3F and £477,011 for Ward 5A (which is for orthopaedics with £990,300 agency nursing spend in other orthopaedic wards at Crosshouse due to vacancies).

| M12 Spend on unfunded wards | | M1 | M2 | M3 | M4 | M5 | M6 | M7 | M8 | M9 | M10 | M11 | M12 | Total |
|-----------------------------|------------|--------------|--------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--------------|
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| UHA | Station 1 | 261 | 79 | 163 | 182 | 192 | 174 | 178 | 184 | 169 | 182 | 170 | 201 | 2,135 |
| 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 | 251 | 194 | 272 | 2,637 |
| UHC | 5b | 160 | 184 | 97 | 25 | 14 | 10 | 13 | 4 | 3 | 3 | 14 | 7 | 520 |
| UHC | 4e | 167 | 258 | 216 | 189 | 206 | 211 | 227 | 204 | 182 | 209 | 203 | 209 | 2,481 |
| UHC | 3F | 110 | 78 | 121 | 93 | 100 | 78 | 224 | 110 | 96 | 143 | 100 | 105 | 1,358 |
| Total | | 1,160 | 1,005 | 886 | 826 | 789 | 702 | 871 | 722 | 643 | 788 | 681 | 780 | 9,853 |

3.2 New Medicines Fund

3.2.1 The New Medicines Fund Budget is £18.6 million. It overspent by £3.7 million during the year.

3.3 Health and Social Care Partnerships (HSCPs)

3.3.1 The total health budgets for the three HSCPs are now £524 million. 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. The underspend of £0.5 million in relation to primary care prescribing is taken back to Board reserves, however other health budgets within Health & Social Care Partnerships are underspent as follows:-

| Health & Social Care Partnership | £ million |
|----------------------------------|-------------|
| East | 2.9 |
| North | 1.3 |
| South | 0.84 |
| Total | 5.04 |

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 £115.3 million. Operational I&SS services underspent by £0.1 million during the year whilst Corporate I&SS services were over by £0.35 million due to energy costs being higher than budgeted.

3.5 Corporate Services

3.5.1 Other corporate services have budgets of £41.6 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 totalled £5.66 million.

3.6 Corporate Resource and Reserves

3.6.1 Reserves (budgets and deficits not issued to directorates including the underlying deficit brought forward from previous years) were £4.1 million overcommitted by the end of the financial year.

4. Efficiency and Transformation Programme

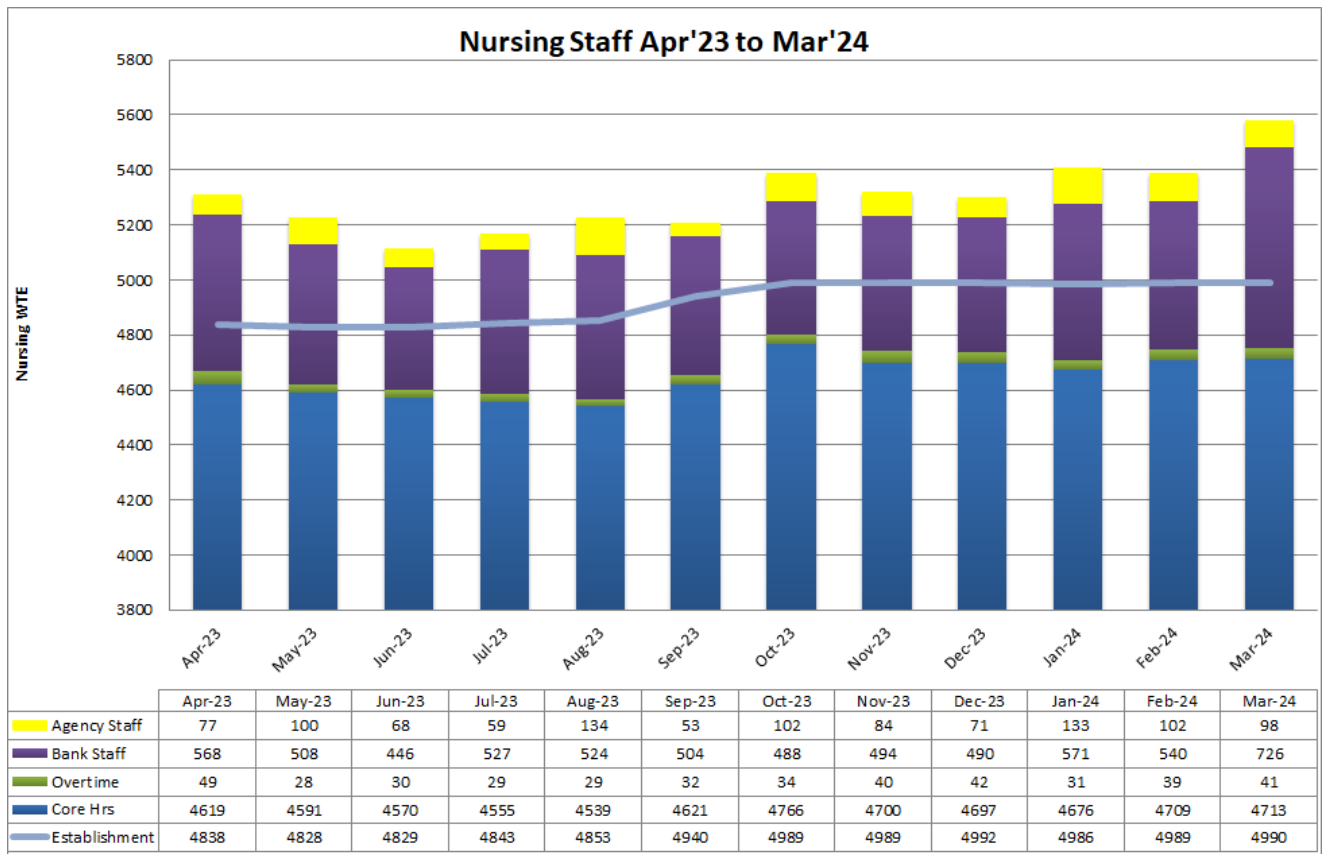
4.1 The Cash Releasing Efficiency Savings (CRES) programme for 2023/2024 totals £9.65 million with Appendix 2 showing delivery of £8.9 million.

5. Workforce

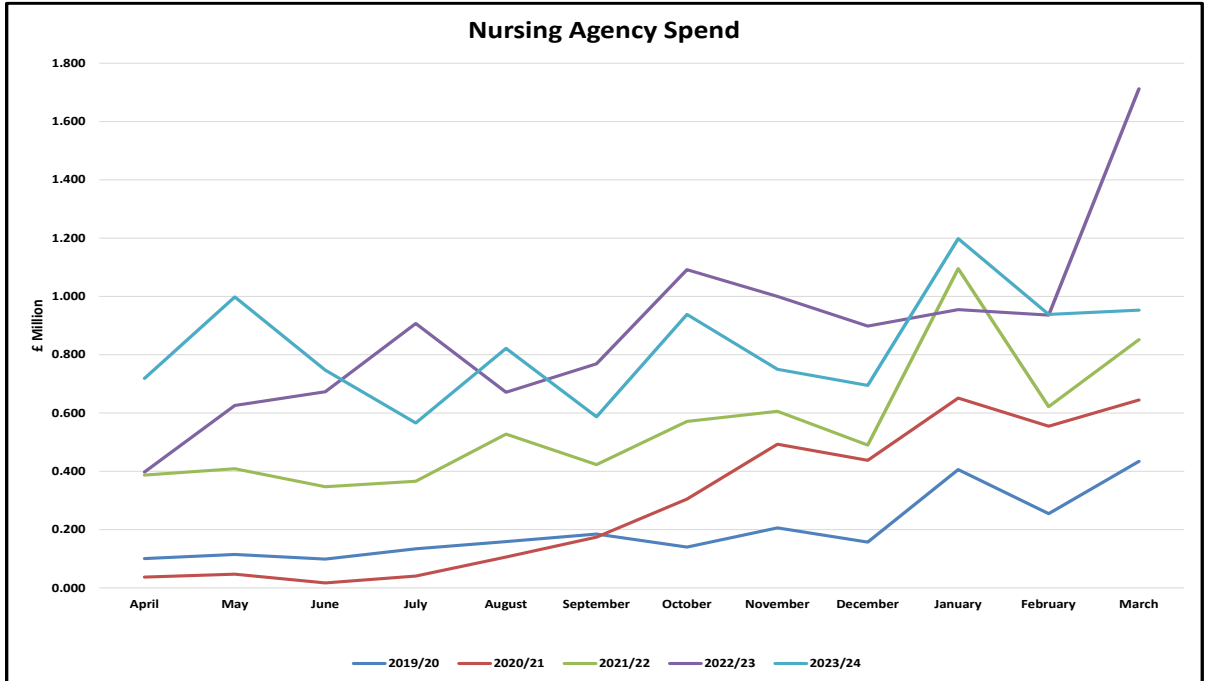
5.1 The table below shows the whole time equivalent (WTE) staff used from April to March 2024. It then compares this with the average in preceding years. There has been a marked and sustained increase in WTE since the COVID-19 pandemic, with the WTE reaching a record high for 2023-24 in March of 11,036.

| | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 | Oct-23 | Nov-23 | Dec-23 | Jan-24 | Feb-24 | Mar-24 | 2022-23 Apr-Mar Average WTE | 2021-22 Apr-Mar Average WTE | 2020-21 Apr-Mar Average WTE | 2019-20 Apr-Mar Average WTE |
|----------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|
| Contracted Hrs | 9,603 | 9,622 | 9,380 | 9,561 | 9,524 | 9,485 | 9,698 | 9,742 | 9,599 | 9,814 | 9,815 | 9,810 | 9,478 | 9,291 | 9,034 | 8,809 |
| Excess Part Time Hrs | 260 | 155 | 386 | 219 | 241 | 394 | 274 | 259 | 397 | 192 | 260 | 276 | 306 | 344 | 317 | 285 |
| Overtime | 92 | 59 | 60 | 62 | 63 | 64 | 70 | 78 | 80 | 61 | 72 | 82 | 86 | 106 | 116 | 93 |
| Nurse Bank Staff | 568 | 508 | 446 | 527 | 524 | 504 | 488 | 494 | 490 | 571 | 540 | 726 | 462 | 406 | 321 | 253 |
| Medical Bank Staff | 8 | 11 | 9 | 11 | 16 | 15 | 20 | 15 | 11 | 10 | 10 | 7 | | | | |
| Agency Staff | 95 | 122 | 90 | 83 | 153 | 74 | 96 | 111 | 104 | 161 | 132 | 142 | 117 | 82 | 55 | 60 |
| Total WTE | 10,626 | 10,477 | 10,371 | 10,463 | 10,521 | 10,536 | 10,646 | 10,699 | 10,681 | 10,799 | 10,819 | 11,036 | 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 558 WTE over our nursing establishment in Month 12. Bank was unusually high in March 2024 and this may have been to cover higher annual leave taken. 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.

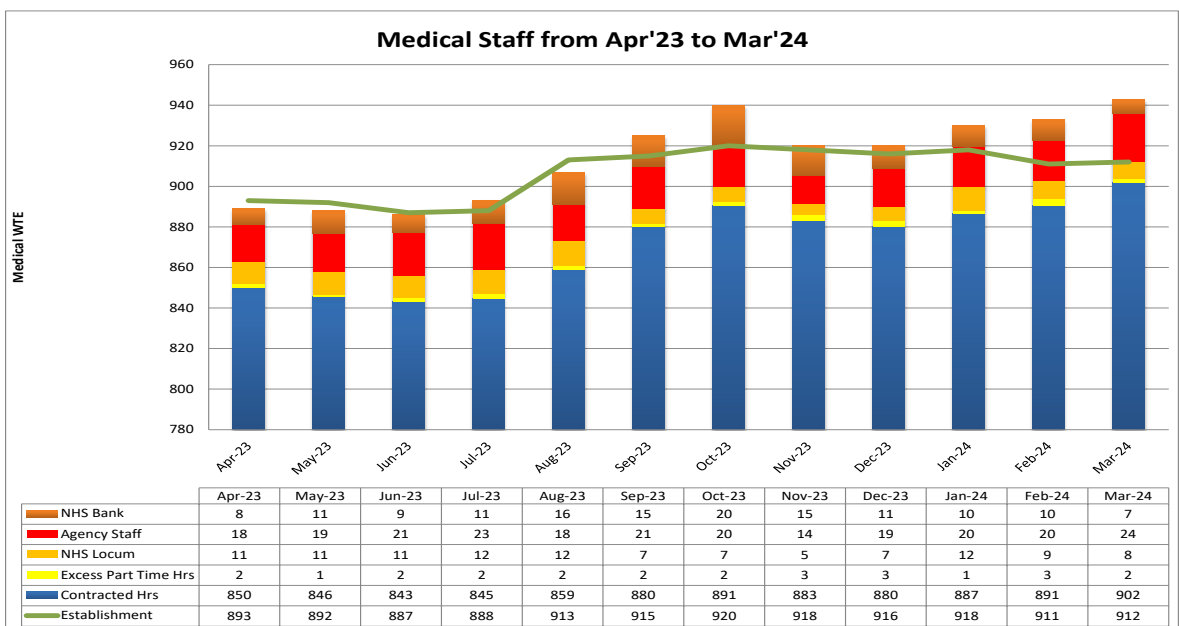


5.3 Nursing agency spend had reduced in July to £0.6 million as non-framework providers (who charge higher commission) were not used in favour of framework providers. The spend has since fluctuated between months with a peak in January of £1.2 million which was in part due to cover for public holidays during Christmas and New Year which was paid in January. 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.

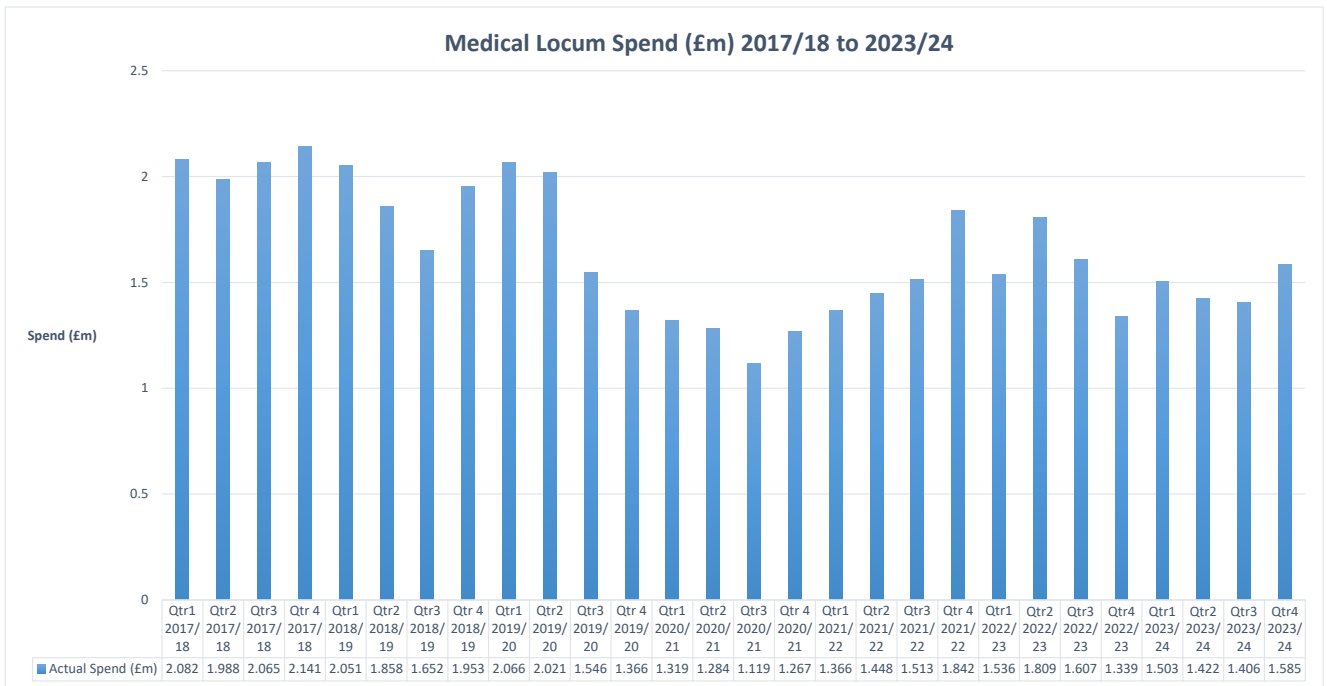


5.4 We used 943 WTE medical staff in March, including locums and agency. This was 31 above establishment.

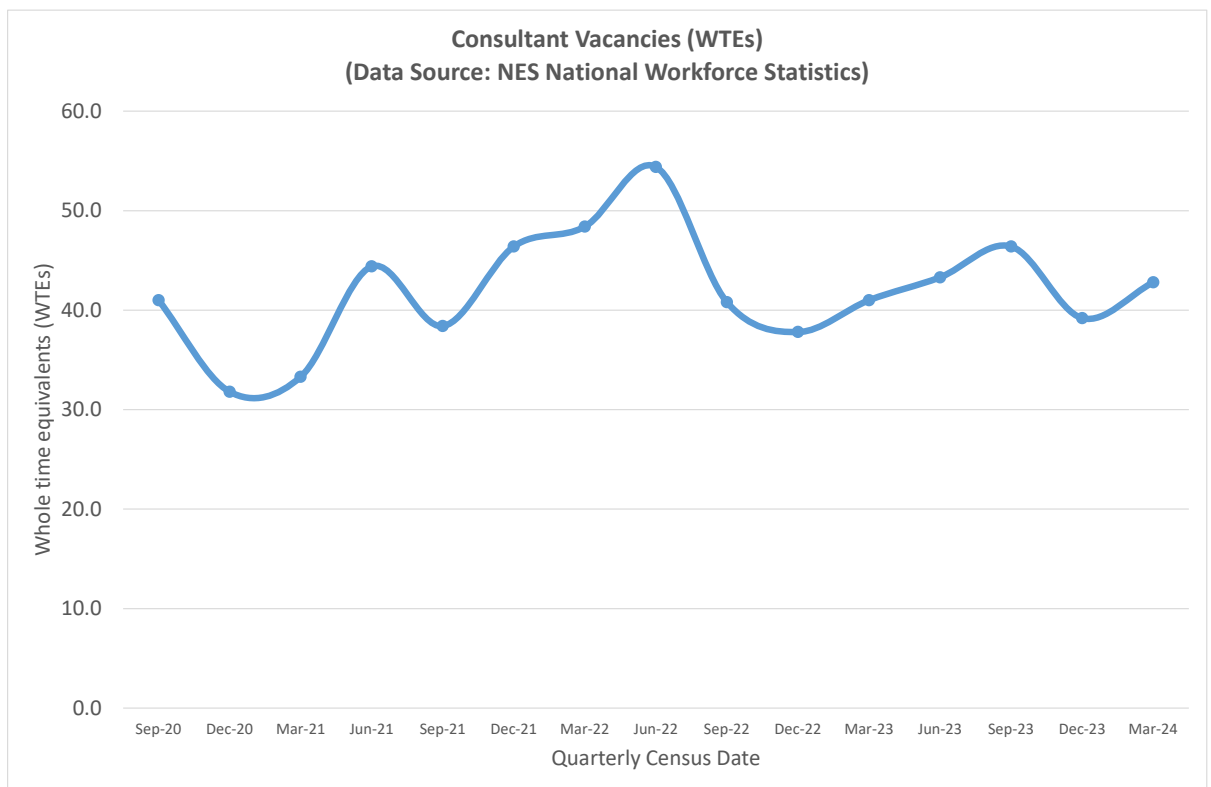
5.5 The graph below shows the trend from April 2023 to March 2024. The high cost of some medical agency staff is a driver for an overspend against the medical staff budget. Medical agency spend was £0.58 million in March. An increased number of junior doctors is the main driver for the increase in contracted hours since August/September.



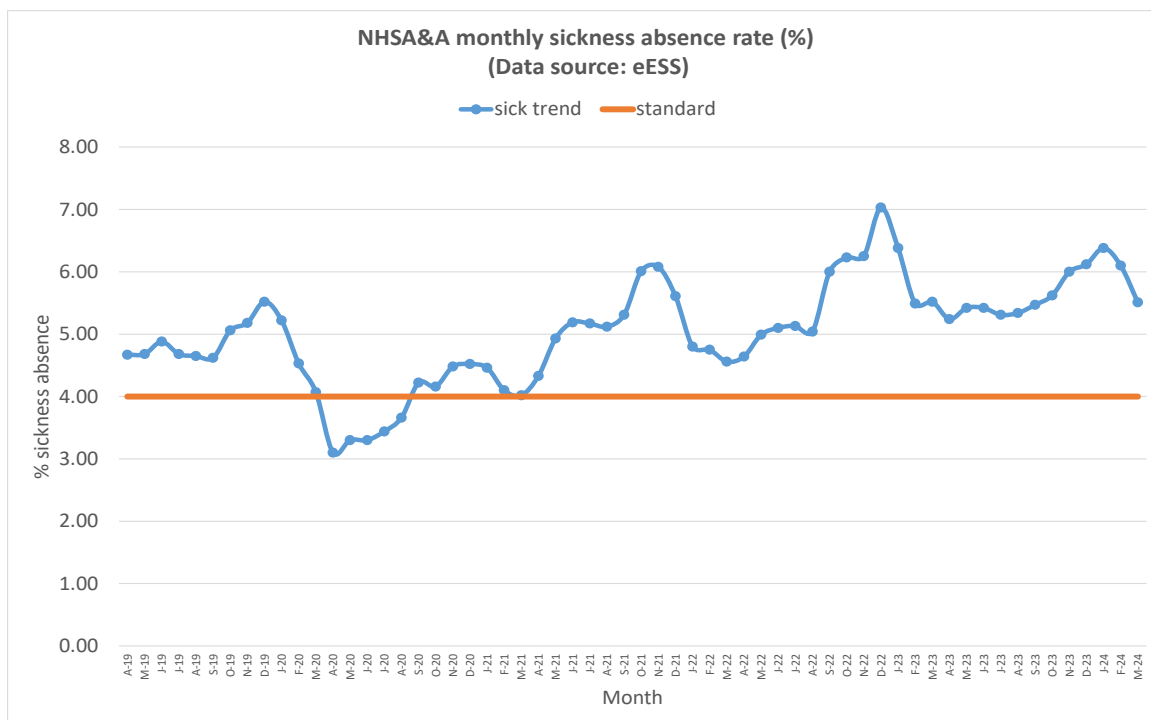
5.6 The graph below shows the trend in medical agency spend from quarter one of 2018/2019 to quarter two of 2023/2024. Spend over the last quarter has increased.



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 quarter.



- 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 March 2024. Sickness absences rates have decreased over the last two months.



6.0 Capital

- 6.1 Appendix 3 shows the capital allocations and spend for 2023/2024.
- 6.2 The capital plan for 2023/2024 approved at Board on 23 May 2023 anticipated allocations of £36.555 million including £16 million for a National Treatment Centre which has been put on hold for at least two years with only £424,000 spend in 2023/2024. Final capital allocations for the year total £19.2 million.
- 6.3 Not included in the capital plan was funding for fleet decarbonisation and installation of electric vehicle charging points. £620,000 was received in 2023/2024 from Transport Scotland and spent.
- 6.4 In 2023/2024, £630,000 to buy three houses near Crosshouse Hospital for undergraduate medical students accommodation was bid for and awarded.
- 6.5 The biggest capital expenditure in the year was for the national secure adolescent unit (Foxgrove) at Ayrshire Central Hospital where £7.7 million spend in the year took the total spend on the project to £19.5 million.
- 6.6 The major spend area out of the formula capital allocation was on digital infrastructure improvement with capital spend of £3.19 million as well as non-

recurring revenue expenditure for implementation of digital projects. Scottish Government have been asked to carry forward to 2024/25 some £166,000 for VAT on electric vehicle charging, £347,000 for digital projects, £128,000 for ward 4A refurbishment and £3 million for an upgrade to the intensive care unit at Crosshouse.

7.0 Risk assessment and mitigation

- 7.1 The Board set a deficit plan of £56.4 million, however additional Scottish Government funding for sustainability and UK Government consequential funding reduced the deficit to £38 million.
- 7.2 Operational overspends within acute totalled £36.1 million by the end of the financial year. In setting the 2024/25 budget consideration needs to be given to either reduce or fund these areas of overspend.

Financial Position for March 2024

| | 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 | 309,771 | 309,771 | 333,276 | (23,504) | 117,818 | 117,818 | 130,454 | (12,636) | 427,589 | 427,589 | 463,729 | (36,141) |
| New Medicines Fund | 0 | 0 | 0 | 0 | 18,651 | 18,651 | 22,358 | (3,707) | 18,651 | 18,651 | 22,358 | (3,707) |
| Pharmacy | 12,244 | 12,244 | 11,540 | 705 | (314) | (314) | 312 | (625) | 11,931 | 11,931 | 11,851 | 79 |
| Acute and Clinical Services | 322,016 | 322,016 | 344,815 | (22,800) | 136,154 | 136,154 | 153,123 | (16,969) | 458,170 | 458,170 | 497,938 | (39,768) |
| ISS (Operational) | 48,890 | 48,890 | 47,916 | 974 | 12,951 | 12,951 | 13,822 | (870) | 61,841 | 61,841 | 61,737 | 104 |
| ISS (Corporate) | 73 | 73 | 72 | 0 | 53,436 | 53,436 | 53,784 | (348) | 53,509 | 53,509 | 53,857 | (348) |
| Chief Executive | 985 | 985 | 935 | 50 | (7) | (7) | 29 | (36) | 978 | 978 | 964 | 14 |
| Director Public Health | 12,692 | 12,692 | 10,399 | 2,293 | 1,361 | 1,361 | 1,116 | 245 | 14,053 | 14,053 | 11,515 | 2,539 |
| Medical Director | 4,699 | 4,699 | 5,210 | (511) | (2,792) | (2,792) | (4,091) | 1,299 | 1,907 | 1,907 | 1,119 | 788 |
| UNPACs | 32 | 32 | 0 | 32 | 1,892 | 1,892 | 628 | 1,264 | 1,924 | 1,924 | 628 | 1,296 |
| Nursing Director | 9,292 | 9,292 | 8,337 | 955 | (545) | (545) | (132) | (413) | 8,747 | 8,747 | 8,205 | 541 |
| Finance | 5,372 | 5,372 | 5,159 | 213 | (420) | (420) | (456) | 36 | 4,952 | 4,952 | 4,703 | 249 |
| ORG and HR Development | 5,856 | 5,856 | 5,711 | 145 | 505 | 505 | 639 | (134) | 6,361 | 6,361 | 6,350 | 11 |
| West Of Scotland Region Ce | 30 | 30 | 19 | 11 | (30) | (30) | (19) | (11) | 0 | 0 | 0 | 0 |
| Transformation+sustainability | 2,396 | 2,396 | 2,202 | 194 | 307 | 307 | 282 | 25 | 2,704 | 2,704 | 2,484 | 219 |
| Non Clinical Support Services | 90,318 | 90,318 | 85,961 | 4,357 | 66,658 | 66,658 | 65,602 | 1,056 | 156,976 | 156,976 | 151,563 | 5,413 |
| Corporate Resource | 1,229 | 1,229 | 1,214 | 15 | 3,867 | 3,867 | 3,388 | 478 | 5,095 | 5,095 | 4,602 | 493 |
| Corporate Reserves | 3,257 | 3,257 | 0 | 3,257 | (7,391) | (7,391) | 0 | (7,391) | (4,134) | (4,134) | 0 | (4,134) |
| Corporate Resource and Reserves | 4,486 | 4,486 | 1,214 | 3,272 | (3,524) | (3,524) | 3,388 | (6,913) | 961 | 961 | 4,602 | (3,641) |
| NHS A&A Health Board Total | 416,819 | 416,819 | 431,990 | (15,171) | 199,288 | 199,288 | 222,113 | (22,825) | 616,107 | 616,107 | 654,103 | (37,996) |
| East Hscp | 70,066 | 70,066 | 66,951 | 3,114 | 159,915 | 159,915 | 163,029 | (3,114) | 229,981 | 229,981 | 229,981 | (0) |
| North Hscp | 103,086 | 103,086 | 101,140 | 1,946 | 83,509 | 83,509 | 85,455 | (1,946) | 186,595 | 186,595 | 186,595 | 0 |
| South Hscp | 39,804 | 39,804 | 37,680 | 2,124 | 67,638 | 67,638 | 69,762 | (2,124) | 107,442 | 107,442 | 107,442 | (0) |
| HSCP underspends owed to IJBs | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| NHS A&A Total inc HSCPs | 629,775 | 629,775 | 637,761 | (7,986) | 510,350 | 510,350 | 540,360 | (30,010) | 1,140,125 | 1,140,125 | 1,178,121 | (37,996) |

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 | 49 |
| LED lighting | 100 | 0 |
| 3% Corporate CRES - | | |
| Chief Executive | 30 | 0 |
| Public health | 210 | 0 |
| Medical Director | 60 | 0 |
| Nurse Director | 165 | 0 |
| I&SS Operational | 1,588 | (492) |
| I&SS Corporate* | 0 | 0 |
| Finance | 120 | 0 |
| OHRD | 165 | 0 |
| T&S | 60 | 0 |
| Pharmacy | 302 | (168) |
| CRES Total | 9,650 | (766) |

Capital Expenditure

| | 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 | 7,714 |
| 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 |
| Student Accommodation Fardalehill | | 630 |
| Additional Infrastructure Equipment monies | | 498 |
| Fleet Decarbonisation 22/23 Balance | | 620 |
| Fleet Decarbonisation 23/24 | | 0 |
| Capital Grant re Quarriers from SG | | 100 |
| Brokerage into 24/25 | | (641) |
| Transfer of Capital Grant to Revenue | | (100) |
| Revenue to Capital Transfer | | 813 |
| Capital to Revenue Transfer | | (3,665) |
| Total Approved Capital Allocation | 36,555 | 19,207 |
| | | |
| | | |
| | | Spend |
| Capital Spend for the 12 months to 31st March 2024 | | to Date |
| | | £000's |
| National Secure Adolescent Unit | | 7,726 |
| CDU Washer Disinfectors | | 655 |
| National Treatment Time Centre | | 424 |
| Crosshouse Ward 4A Refurbishment | | 1,161 |
| Distributed Working | | 476 |
| UHC Forensic Examination Room | | 170 |
| Digital Reform | | 3,190 |
| Caring for Ayrshire | | 0 |
| CDU Equipment Upgrade | | 47 |
| UHC Urgent Plant Replacement | | 180 |
| UHA Renal Plant | | 153 |
| Ailsa DW Furniture | | 95 |
| UHC Drainage Pipework | | 192 |
| UHC Renal Plant | | 137 |
| Robotic Steriliser | | 245 |
| Urgent Replacements | | 113 |
| EME | | 1,872 |
| Fleet Decarbonisation | | 708 |
| Food Vacuum Waste System | | 125 |
| GP Premises Stewarton | | 74 |
| UHC Pharmacy Robot | | 671 |
| Fardalehill House Purchases | | 617 |
| ITU Review | | 106 |
| NBV from Asset Sales | | (263) |
| Aggregate schemes under £50k | | 332 |
| Total | | 19,206 |