

# NHS Ayrshire & Arran



**Meeting:** Ayrshire and Arran NHS Board

**Meeting date:** Monday 12 August 2024

**Title:** Financial Management Report for the three months to 30 June 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:

- Effective

## 2. Report summary

### 2.1 Situation

The Board overspent by £16.6 million in the three months ended 30 June 2024.

The Board will not meet the statutory requirement to breakeven in 2024/25 nor can the Board currently operate within the reduced brokerage cap of £27.7 million.

### 2.2 Background

The revenue plan for 2024/2025 was approved at the Board meeting on 21 May 2024. This projected a deficit of £53.5 million. The current projected year-end deficit remains £53.5 million as an anticipated increase in funding for New Medicines of £3.6 million is offset by £4.6 million shortfall against the CRES target.

## 2.3 Assessment

### REVENUE

The key points from the Board finance report at Appendix 1 are:

- Acute Services are £8.2 million overspent. This was attributable to pay costs being £5.2 million in excess of budget, supply costs being overspent by £2.9 million and the impact of unachieved efficiency savings from previous years.
- The acute supplies overspend mainly comprises theatre and surgical sundries (£810k), outsourced radiology reporting (£346k), medicines overspend (£428k) and taxi/private ambulance overspend (£227k).
- £2.0 million of the Acute pay overspend is directly attributable to additional and unfunded beds to support unscheduled care and £1.4 million to the additional staffing costs within the Emergency and Clinical Assessment Units at Crosshouse and Ayr Hospitals.
- The New Medicines Fund is overspent by £1.8 million and is likely to overspend by around £7.2 million by year end due to the cost of new medicines approved by the Scottish Medicines Consortium being higher than the funding provided by Scottish Government for this purpose.
- Reserves are over committed by £6.9 million after 3 months as a result of legacy deficits, with full year projection of £27.75 million.
- The three Integration Joint Boards (IJBs) set budgets to operate within their available financial resources including the use of reserves in some cases. No financial support from the Health Board is anticipated in the current year at this stage. This will be kept under review as the year progresses as there are risks in this assumption.

### CRES

- The Board must achieve the Scottish Government target to deliver a 3% (£26.5 million) Cash Releasing Efficiency Target (CRES). The Board CRES Plan for 2024/25 is to deliver £24.1 million with Integration Joint Boards planning further savings. £4.1 million has been achieved as at the 30<sup>th</sup> June and £19.5 million is forecast to be achieved. The £24.1 million does not include savings from IJBs to be made on health budgets. Monitoring is in section 2.18 of the main report.

### CAPITAL

- The Board is required to operate within its capital funding limit and expects to do so in 2024/25. The annual capital budget is £11.8 million and year to date spend is £0.9 million.

#### 2.3.1 Quality/patient care

Financial resources contribute directly to quality of patient care.

### **2.3.2 Workforce**

Annex B of the finance report provides further information on workforce numbers and agency spend.

### **2.3.3 Financial**

The Board will not meet its statutory requirement to break even in this financial year and forecasts an in year overspend of £53.5 million.

### **2.3.4 Risk assessment/management**

Corporate Risk 703: Failure to deliver sufficient efficiency savings to live within financial allocation may lead to an inability to balance the budget resulting in an adverse impact on the delivery of services and reputational damage to the NHS Board. This could result in the Board being moved from level 3 to level 4 on the ladder of escalation.

### **2.3.5 Equality and diversity, including health inequalities**

This report 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:

- Review the financial position for the financial year to date which is a £16.6 million overspend after three months.
- Evaluate the financial performance against the key Scottish Government targets.
- Seek assurance on the further actions being taken to reduce the financial deficit.
- Note risks related to delivery of the planned savings from closing unfunded beds.

## **3. List of appendices**

The following appendices are included with this report:

### **Appendix A: Finance Report – Month 3**

### **Annex A: CRES Savings Plan 24/25**

### **Annex B: Key workforce data**

### **Annex C: Length of Stay data**

## NHS Ayrshire and Arran – Finance Report

### Finance Report – June 2024

#### 1. Overall Financial Position

1.1 The Board is £16.6 million overspent for the three months ended 30 June 2024.

#### Summary Financial Position

Department	Annual Budget £000	YTD Budget £000	YTD Spend £000	YTD Variance £000	Forecast £000
Acute	430,632	108,615	116,836	(8,221)	(21,472)
New Medicine Fund	16,716	4,179	5,978	(1,799)	(7,196)
Pharmacy	11,344	2,890	3,061	(171)	0
UNPACs	1,914	478	169	309	1,236
<b>Acute and Clinical Services</b>	<b>460,606</b>	<b>116,162</b>	<b>126,044</b>	<b>(9,882)</b>	<b>(27,432)</b>
ISS (Operational)	101,005	21,293	21,379	(86)	0
ISS (Corporate)	18,355	5,967	6,088	(121)	0
Corporate Services	37,969	8,912	8,491	421	1,684
<b>Non Clinical Support Services</b>	<b>157,329</b>	<b>36,172</b>	<b>35,958</b>	<b>214</b>	<b>1,684</b>
Centrally Managed Resources	527	(3,016)	(3,031)	15	0
Reserves	(2,414)	(6,938)	0	(6,938)	(27,752)
<b>Centrally Managed Resources</b>	<b>(1,887)</b>	<b>(9,954)</b>	<b>(3,031)</b>	<b>(6,923)</b>	<b>(27,752)</b>
<b>NHS A&amp;A Health Board Total</b>	<b>616,048</b>	<b>142,380</b>	<b>158,971</b>	<b>(16,591)</b>	<b>(53,500)</b>
East Hscop	233,499	57,749	57,647	102	0
North Hscop	187,157	45,849	47,137	(1,288)	0
South Hscop	107,700	26,554	26,778	(224)	0
HSCOP underspends owed to IJBs	0	0	(1,410)	1,410	0
<b>NHS A&amp;A Total inc HSCPs</b>	<b>1,144,404</b>	<b>272,532</b>	<b>289,123</b>	<b>(16,591)</b>	<b>(53,500)</b>

#### Performance against key Scottish Government targets

The Board will not meet the statutory requirement to breakeven and forecasts a deficit of £53.5 million in 2024/25.

Cumulative brokerage due to be repaid to Scottish Government is £78.5 million at the end of 2023/24. This comprises deficits of £14.7 million from 2019/20, £25.4 million from 2022/23 and £38.4 million from 2023/24. Scottish Government have set a brokerage cap of £27.7million for 2024/25. Any deficit in excess of this amount will be disclosed as an overspend within the year end financial statements. This represents a change in approach from prior years, when brokerage would have been provided to enable breakeven at the year end.

The Board is required to deliver recurring efficiency savings equivalent to £26.5 million or 3% of the Board's baseline recurring funding. Planned recurring savings total £24.1 million, which excludes savings made by IJB partners on health budgets.

## 2. Acute Services – analysis by cost category

2.1 The annual budget for Acute Services is £430.6 million. The directorate is now £8.2 million overspent above cumulative budget after three months.

Category	Annual Budget £000	YTD Budget £000	YTD Actual £000	Variance £000
Pay	315,222	79,335	84,579	(5,244)
Supplies	68,738	16,817	19,674	(2,857)
Purchase of Healthcare	83,092	22,121	21,964	157
Provision of Healthcare	(32,929)	(8,270)	(8,462)	192
Operating Income	(1,188)	(813)	(919)	106
Unallocated Savings	(2,303)	(576)	0	(576)
<b>Total</b>	<b>430,632</b>	<b>108,614</b>	<b>116,836</b>	<b>(8,222)</b>

2.2 Pay is £5.2 million overspent:

- **Nursing pay** is £3.4 million overspent. £2.0 million of this is on unfunded beds. Nursing agency spend within acute is £1.85 million. Agency nursing was predominately used in Crosshouse ITU (£304k), Crosshouse CAU (£224k), Crosshouse Accident and Emergency (£131k), and orthopaedic trauma wards at Crosshouse (£325k). Crosshouse accounted for £1.6 million out of the total £1.85 million agency spend.
- **Medical pay** was £1.6 million over, in part due to locum costs of £1.3 million and Glasgow bank costs of £0.4 million.

Workforce data is set out in Annex B.

2.3 Supplies were £2.9 million overspent. Whilst early in the financial year this is already a cause for concern. The highest overspend was in Surgical Sundries at £810k, outsourced radiology reporting at £346k, drugs at £428k and taxi/private ambulance overspend of £227k.

### Acute Service – analysis by department

Department	Annual Budget £000	YTD Budget £000	YTD Actual £000	Variance £000
Medicine	78,552	20,163	22,970	(2,807)
Emergency Crosshouse	34,763	8,730	11,060	(2,330)
Emergency Ayr	16,567	4,166	4,903	(737)
Surgery	122,616	30,425	31,358	(933)
Labs & Diagnostics	41,883	10,459	11,141	(682)
Women and Children	44,672	11,186	11,760	(574)
Other	91,578	23,485	23,643	(158)
<b>Total</b>	<b>430,632</b>	<b>108,615</b>	<b>116,836</b>	<b>(8,222)</b>

2.4 Emergency department overspends include the Combined Assessment Units, which use significant numbers of nurses from the in house nurse bank and from external agency.

2.5 Medicine is over by £2.8 million with £1.9 million at Crosshouse and £0.9 million at Ayr. At Ayr £0.5 million is caused by the spend on Station 1, which is an unfunded ward. At Crosshouse £0.5 million was caused by Ward 4E and £0.25 million by 3F, also both unfunded wards. How long these unfunded wards remain open will determine how big these overspends grow.

2.6 Surgery is £0.9 million overspent. £0.5 million of the overspend was on medical staffing, and £0.36 million on ITU Nursing where agency spend in the first quarter was £304k.

### **Unfunded additional capacity**

2.7 The unfunded beds open at 30 June 2024 including some extra beds in wards under full capacity protocol as well as the wards mentioned above. This was 113 at 31 May 2024 but increased to 144 at 30 June 2024.

2.8 Four wards (Station 1 at UHA and 5A, 4E and 3F at UHC) remain open without funding and amount to 96 beds. Ward 3F had closed on the 30 May 2024, but reopened due to infection control measures and site pressures.

In addition to the unfunded wards there were 48 unfunded beds within wards at 30 June 2024. These beds are also planned for closure as part of the cash releasing efficiency plan.

2.9 The key contributory factors to the unfunded beds are:

- the non delayed average length of stay in NHS Ayrshire & Arran is higher than national benchmarks. Steps are being progressed to reduce the average length of stay in 2024/25 (see Annex C).
- the number of bed days occupied by delayed discharges. Please refer to the final graph on Annex C.

2.10 The Board performance report sets out the actions being supported by the Health Board and Social Care Partnerships to reduce the non delayed length of stay and the number of bed days occupied by delayed discharges over 14 days.

### **New Medicines Fund**

2.11 The New Medicines Fund overspent by £1.8 million after 3 months. It is likely to overspend by around £7.2 million by year end due to the cost of new medicines approved by the Scottish Medicines Consortium being higher than the funding provided by Scottish Government (£16.7 million) for this purpose.

### **Infrastructure and Support Services (I&SS)**

2.12 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 £119.4 million. Operational I&SS services were £0.1 million overspent whilst Corporate I&SS services also overspent by a similar value.

## **Corporate Services**

- 2.13 Other corporate services have budgets of £38.0 million and comprise Public Health, the Nursing Directorate, the Medical Directorate, Human Resources and Organisational Development, Finance, Transformation and Sustainability and the Chief Executive's office. These are underspent by £0.4 million after 3 months.

## **Centrally Managed Resources**

- 2.14 Centrally Managed Resources are budgets not owned by any of our Directorates. Examples include CNORIS, and resources top sliced from our budget to provide services elsewhere through National Services Division.
- 2.15 Reserves in this context are budgets not issued to any Department. Such budgets can be:
- Legacy Deficits
  - Allocations received from Scottish Government not yet issued to services
  - Budget set aside in the Revenue Plan for a specific purpose but not yet spent.

The Board expects to end the year with a £27.8 million over commitment on reserves as a result of legacy deficits exceeding unissued expenditure budgets.

## **Health and Social Care Partnerships (HSCPs)**

- 2.16 In aggregate HSCPs are assumed to breakeven. Underspends belong to Integrated Joint Boards (IJBs) rather than NHS Ayrshire and Arran, as do overspends able to be covered from IJB reserves. IJBs do not at this stage require financial support from the Health Board or Councils. This will be kept under review as the year progresses, as this assumption is not without risk.

## **Efficiency and Transformation Programme**

- 2.17 The Cash Releasing Efficiency Savings (CRES) programme for 2024/25 totals £24.1 million. IJB savings on health budgets are not included. The Board is required to achieve a minimum of 3% - £26.5 million.
- 2.18 The Corporate Management Team have identified and are monitoring a number of further actions. These are set out in Annex A.

## 2024/25 – delivery against the CRES target

	Annual Target	Q1 Achieved			Forecast
Area	£000	£000	RAG	Risk	£000
Service level agreements	2,100	525		None	2,100
Waiting times	4,000	1,000		None	4,000
Acute prescribing	2545	499		Low	2,545
Primary care prescribing	4050	952		Low	4,050
Ward Closures 4E and Station 1	2283	0		High	0
Bed Reductions ward 5A, CAU, ED	3818	154		Medium	1,767
Close ward 3F Crosshouse	1303	54		Medium	1,024
Full capacity Bed Reductions Ayr	1036	259		None	1,036
Reduce agency doctors	1000	157		Medium	1,000
Taxis, medical records	191	23		Medium	191
Estates rationalisation	50	0		High	50
Procurement	300	0		Medium	300
Public Health	262	66		Low	262
Medical Director	130	33		Low	130
Nurse Director	132	75		Medium	132
ISS	679	276		Medium	679
Finance	130	33		Low	130
Pharmacy	125	31		Low	125
<b>Total</b>	<b>24,136</b>	<b>4,136</b>			<b>19,521</b>
None	7,138	595			7,136
Low	7,242	406			7,242
Medium	7,423	389			5,094
High	2,333	0			50
<b>Total</b>	<b>24,136</b>	<b>4,136</b>			<b>19,521</b>

All of the above are recurring savings with the exception of £356,000 of the waiting times which is non-recurring at this stage. Primary Care prescribing information is received 2 months in arrears, therefore the Q1 achievement shown is an estimate at this stage. This will be updated as the underlying information is received. For Infrastructure and Support Services the Q1 achievement is a projection provided by the Directorate, but ahead of SRO sign off on some schemes.

2.19 In addition to the CRES above for 2024/25, the following have legacy CRES targets from previous years:

Department	Legacy CRES £000
Acute	2,310
ISS	680
Pharmacy	480
OHRD	192
Chief Executive	30
<b>Total</b>	<b>3,692</b>



### 3. RISKS

- 3.1 Pay reform over the next three years includes staged reductions to the working week, a band 5 to band 6 review for those eligible and the introduction of protected learning time. Whilst NHS Ayrshire & Arran have been funded non recurrently in 24/25 for these changes, we are unable to quantify the financial cost at this stage.
- 3.2 The Board still holds the risk in 2024/25 in relation to primary care prescribing overspends, whereas all other IJBs in Scotland hold this risk. The information on spend on this £96 million budget is two months in arrears. Short supply issues are not within local control.
- 3.3 Whilst HSCPs are shown as not requiring any further financial contribution at this stage this is not a guaranteed position.
- 3.4 The current rate of overspend would result in an deficit of £66.4 million if extrapolated on a straight line basis, therefore acute bed closures need to happen and be sustained over the remainder of the year.

### 4. CAPITAL

- 4.1 The Board capital allocation is £11.85 million. The Board expects to spend its capital allocation in full.

Capital allocations	Original Capital Plan £000's	Revised Capital Plan £000's
Core Capital Allocation	8,720.0	8,720.0
Foxgrove: National Secure Adolescent Unit	300.0	300.0
Whole System Estate Plan	1,600.0	1,600.0
National Treatment Centre	173.0	173.0
Brokerage - Crosshouse Ward 4A Refurbishment		128.0
Brokerage - Viewpoint/Vocera		347.0
Brokerage - Fleet Decarbonisation 23/24 Balance		994.8
Rev to Cap		21.4
Cap to Rev Transfer		(434.8)
<b>Total Approved Capital Allocation</b>	<b>10,793.0</b>	<b>11,849.4</b>

4.2

Capital Spend for the 3 months to 30th June 2024	Spend to Date £000's
National Secure Adolescent Unit	50.1
Estates/Capital Planning	97.2
Estates/Energy	3.0
Digital Reform	612.0
Caring for Ayrshire	0.0
EME	288.3
NBV from Asset Sales	(175.0)
Aggregate schemes under £50k	17.7
<b>Total</b>	<b>893.3</b>

## Annex A: CRES savings plan – 2024/25

Overspend area	Target £m	Achieved to date Q1 £m	What is required	Lead director
<b>Additional capacity</b>				
Bed Closures/Improved Length of stay	8.4	0.5	<p>Requires a reduction in average length of stay by 1.5 days.</p> <p>Improvement trajectories in place for Acute. The unscheduled care recovery plan has 3 themes: admission avoidance in ED, Short-Stay patients (frailty and elderly focus and targets) and daily discharges from wards with a target to reduce patients with an LoS &gt;14days.</p> <p>Alongside the LoS reduction are the statutory staffing and safety legislation and good practice to ensure quality of care is maintained and better care outcomes delivered for patients.</p> <p>It is acknowledged by CMT that this is an area of high risk as the successful delivery of this programme will require the alignment of 4 delivery plans, Acute, East, North and South Ayrshire, each contributing to the reduction in length of stay for all patients in an acute, community and hopefully mental health care setting, the latter being impacted by out of area repatriations.</p>	Director of Acute Services/Chief Executive
<b>Acute prescribing</b>				
Medicine switches	1.8	0.35	Five medicine switch opportunities have been identified and will be progressed with indicative savings allocated against each.	Director of Pharmacy
NP procurement and other schemes	0.7	0.15		
<b>Medical staffing</b>				
Reduce agency and Glasgow Bank medical spend	1.0	0.2	<ul style="list-style-type: none"> <li>• Fill substantive consultant vacancies</li> <li>• Fully utilise actively place our clinical fellows and junior doctor workforce</li> <li>• Effective and sustainable rosters.</li> <li>• Compliance with medical employee regulations also.</li> <li>• Job planning and specialty on-call cover.</li> </ul>	Medical Director
<b>Regional National Services</b>				
Service Level Agreements	2.1	0.5	Efficiency at 3% on SLAs.	Director of Finance

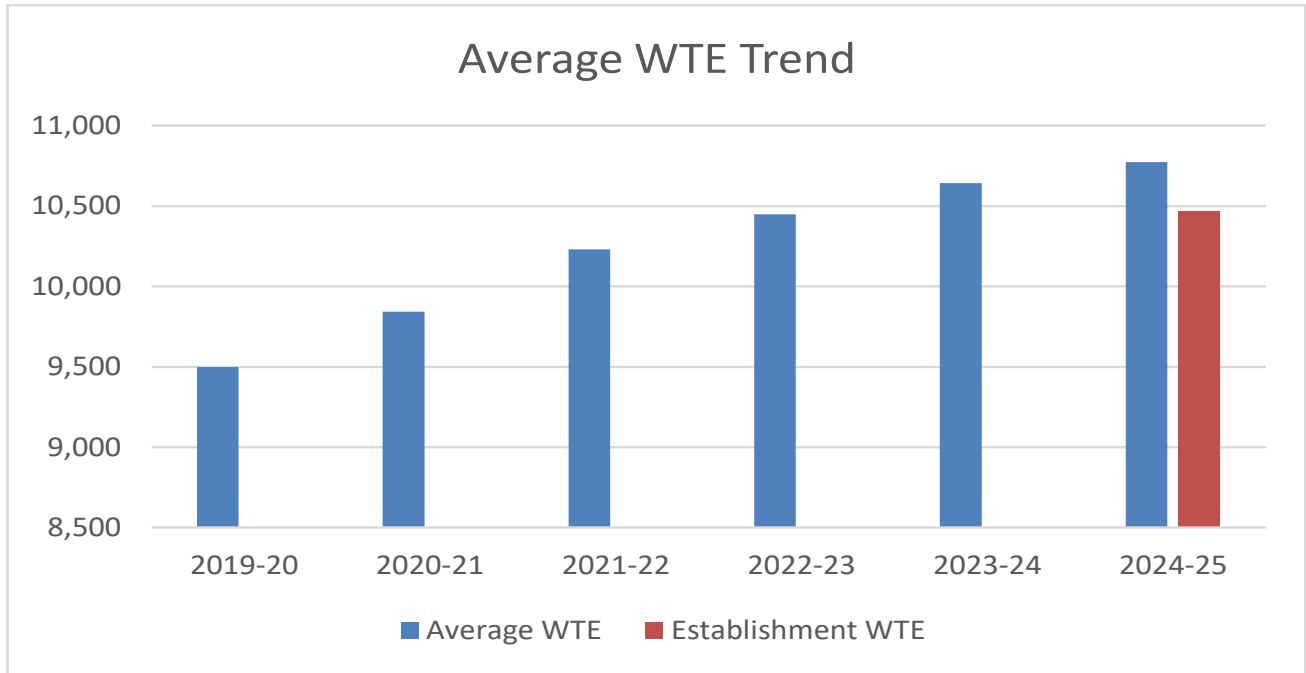
<b>Corporate Services</b>				
CRES targets	1.5	0.5	Each Corporate Director has been allocated a CRES savings target.	Corporate Directors
Taxis and Private Ambulances	0.1	-	If do not meet ambulance service eligibility criteria for patient transport. Resistance and concerns from and for patients and acknowledge the difficult conversations re: applying the criteria. Project support sought.	Director of Finance
Medical Records Reduction in Hours	0.09	-	Reduced Hours to deliver service	Director of Acute services
<b>Primary Care Prescribing</b>				
Prescribing projects and reviews	1.0	0.2	Primary care pharmacy team will undertake a number of prescribing improvement projects, the detail of which are held in their CRES plan.	Director of Pharmacy
Full Year Effect of 23/24 Savings	0.5	0.1	This reflects programmes that were initiated part way through 23/24 and will complete in 24/25	Director of Pharmacy
Polypharmacy	0.1	-	The team has a target number of polypharmacy reviews to achieve. The saving reflects the average saving achieved multiplied by the target number of reviews. Note that this is a quality initiative aimed at ensuring people are taking the correct medicines according to their medical condition(s)	Director of Pharmacy
ScriptSwitch decision support	0.3	0.1		Director of Pharmacy
Off-Patents	2.2	0.5	A number of medicines will be coming off patent which leads to a reduction in price as competition emerges. The biggest saving in this category is apixaban, an anticoagulant. We have already started saving money on this one and the full year effect will be seen in 24/25	Director of Pharmacy
<b>Other Schemes</b>				
Waiting Times	4.0	1.0	Reduce use of private sector Waiting List Initiatives	Director of Acute Services
Procurement	0.3	-	Maximise Use of National Frameworks in purchase of supplies.	Director of Infrastructure and Support Services
Estates Rationalisation	0.05	-	Reduce Estates Costs	Director of Infrastructure and Support Services
<b>Total</b>	<b>£24.1m</b>	<b>£4.1m</b>		

## Annex B: Key workforce data

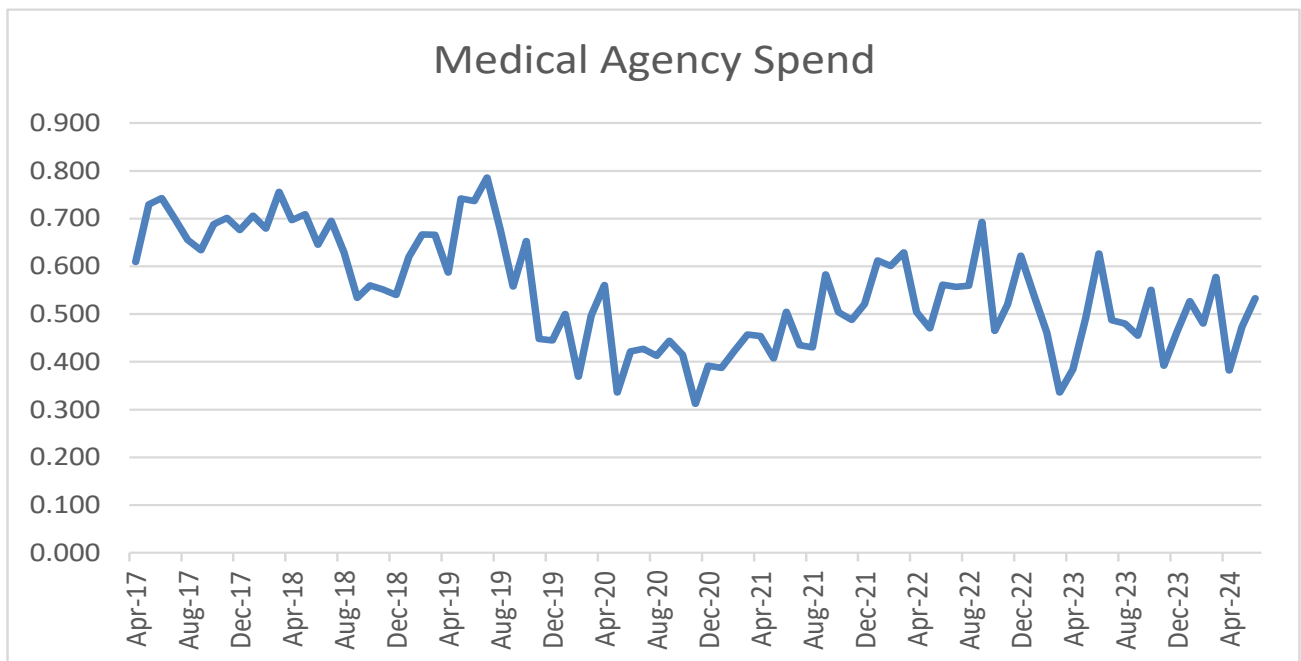
### Key points:

- There has been a sustained increase in staffing since 2020/2021.
- Medical agency spend has been broadly static since April 2021.
- Nursing agency spend has been on an overall upward trend since April 2020.
- Significant increase in agency and bank nursing staffing reflects national trends
- Sickness absence has been above the 4% target since the pandemic

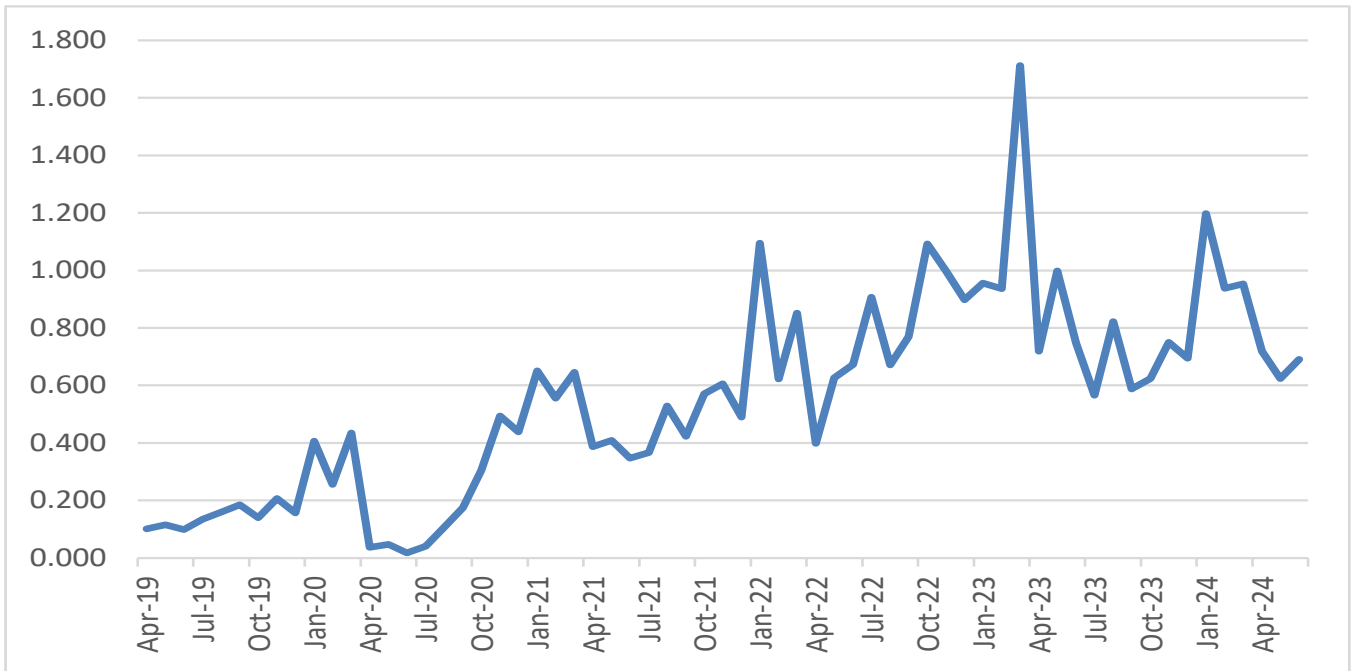
### Average WTE trend



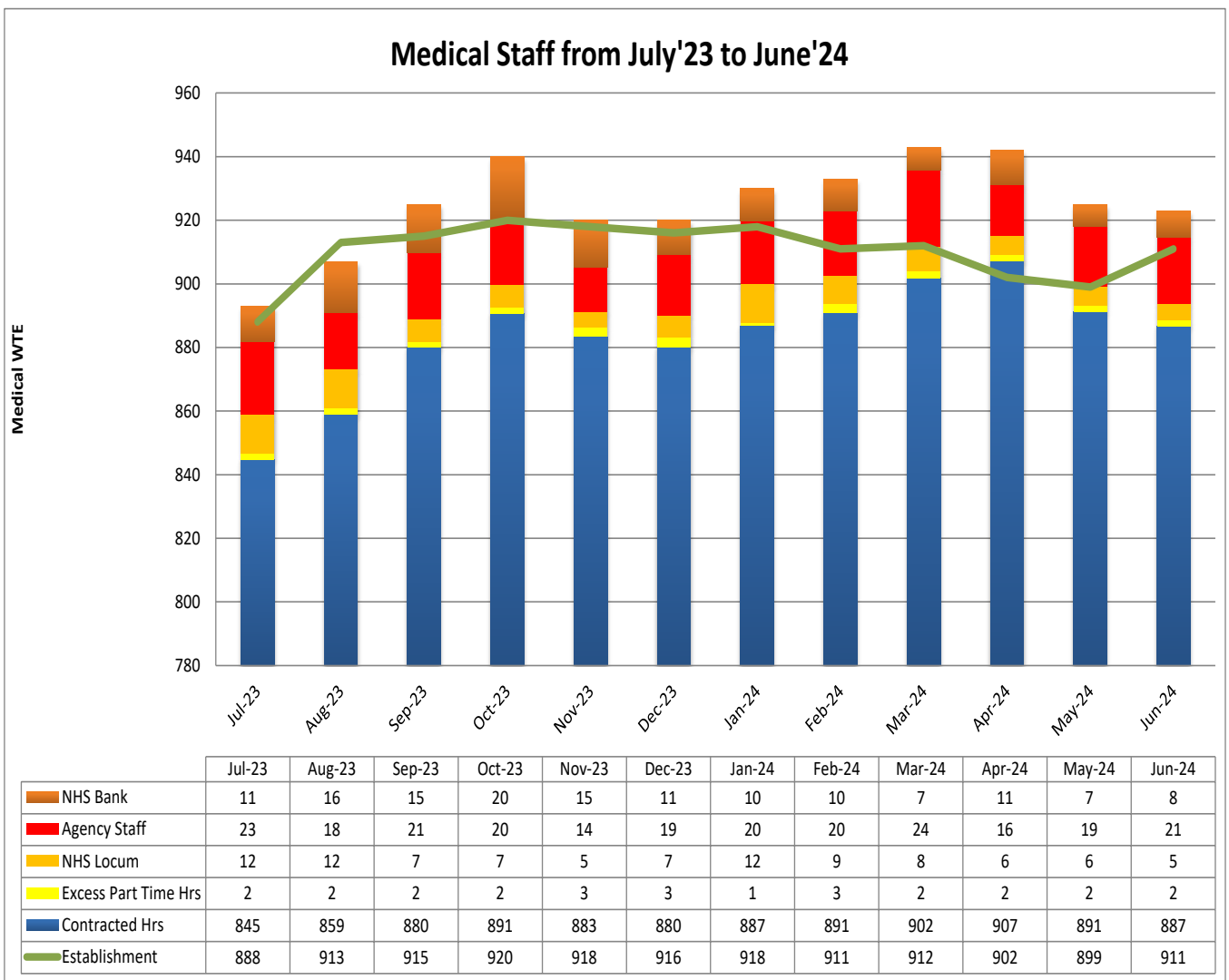
### Medical agency trend



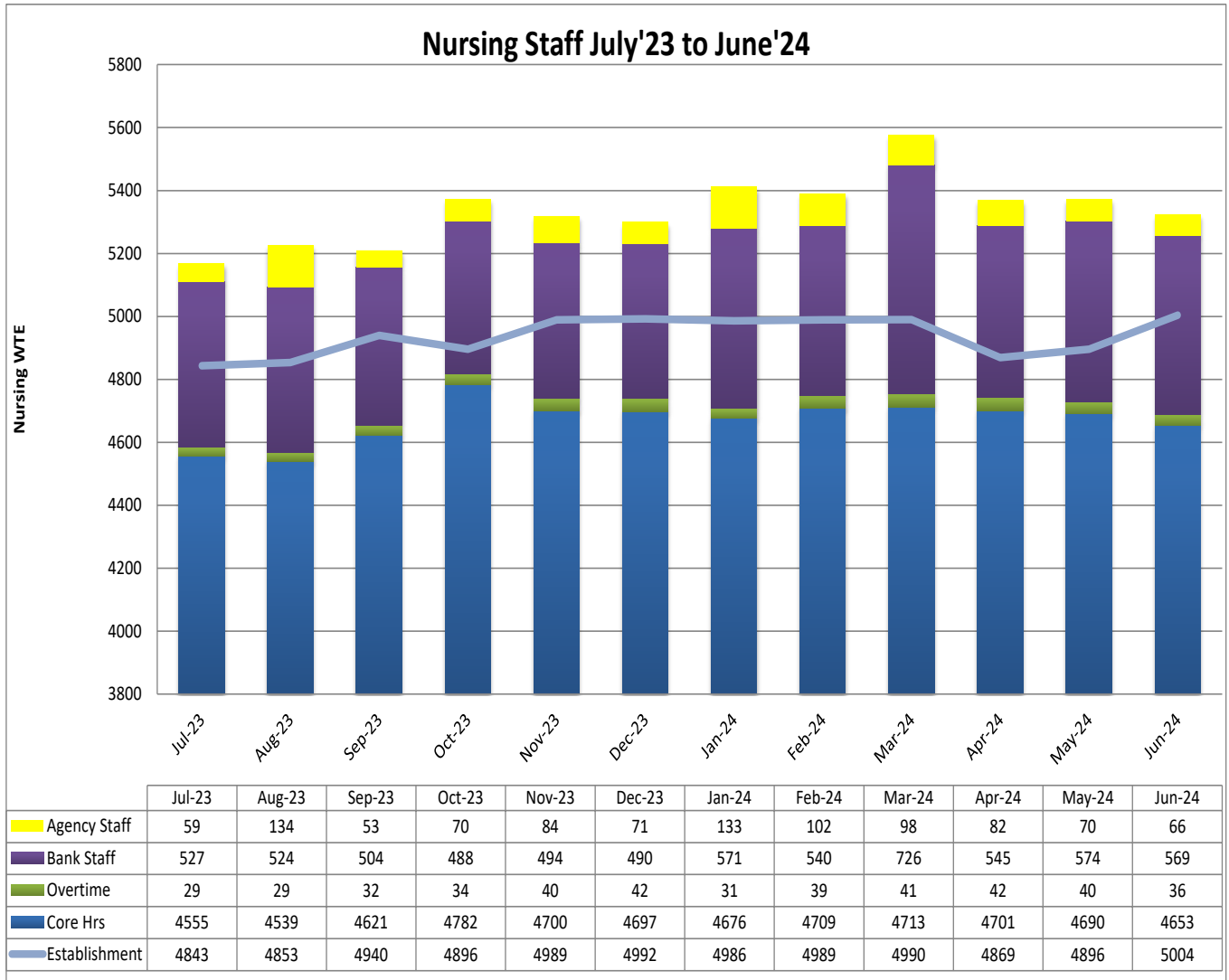
## Nursing agency trend



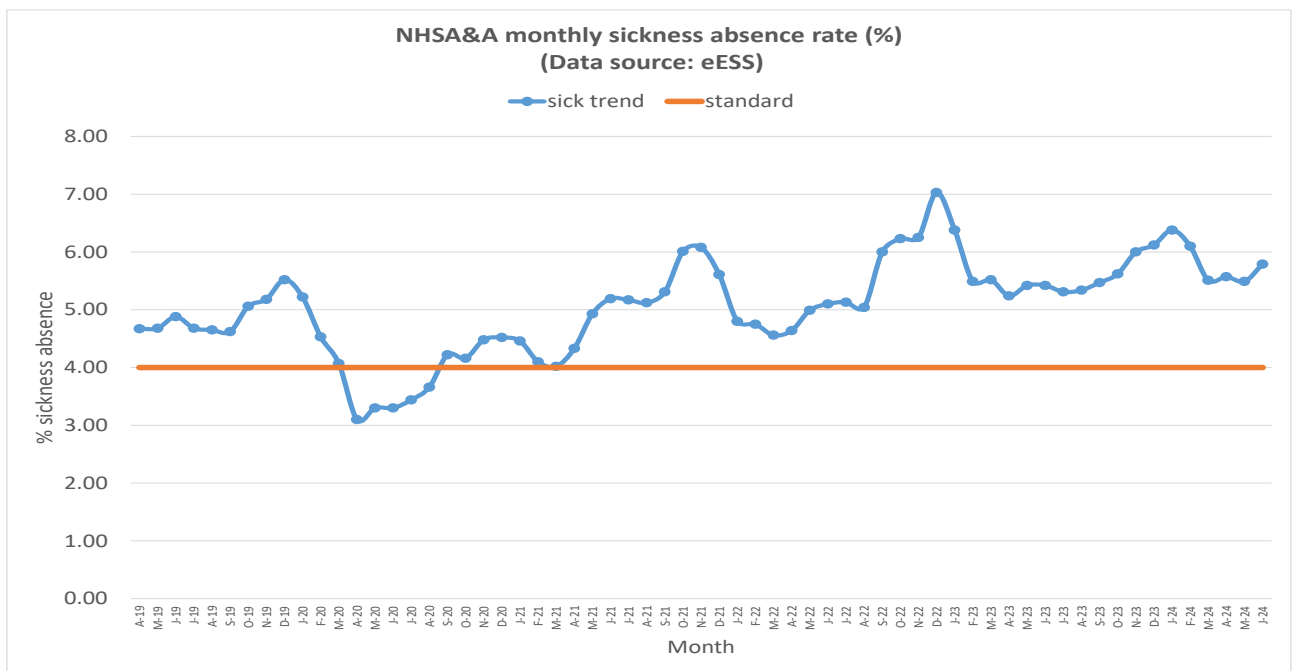
## Medical Staffing breakdown



## Nurse Staffing breakdown



## Sickness Absence



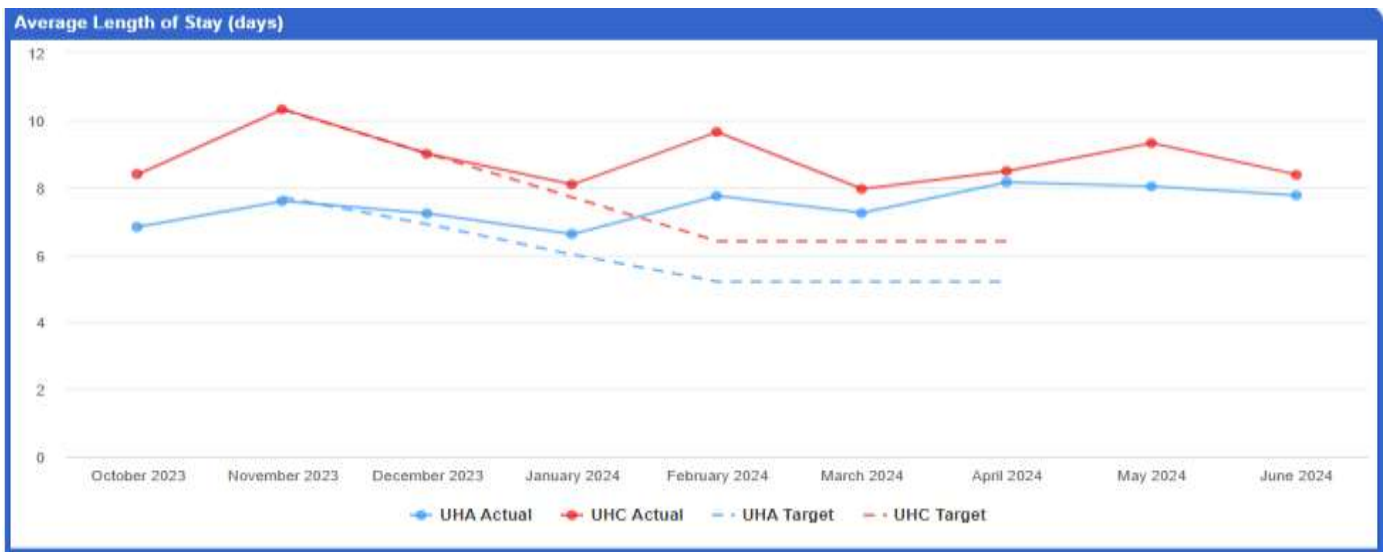
## Annex C: Length of stay (LOS)

The Board is implementing an Urgent and Unscheduled Care Recovery Plan – Workstream 2 is Reducing Acute LoS. Key targets are:

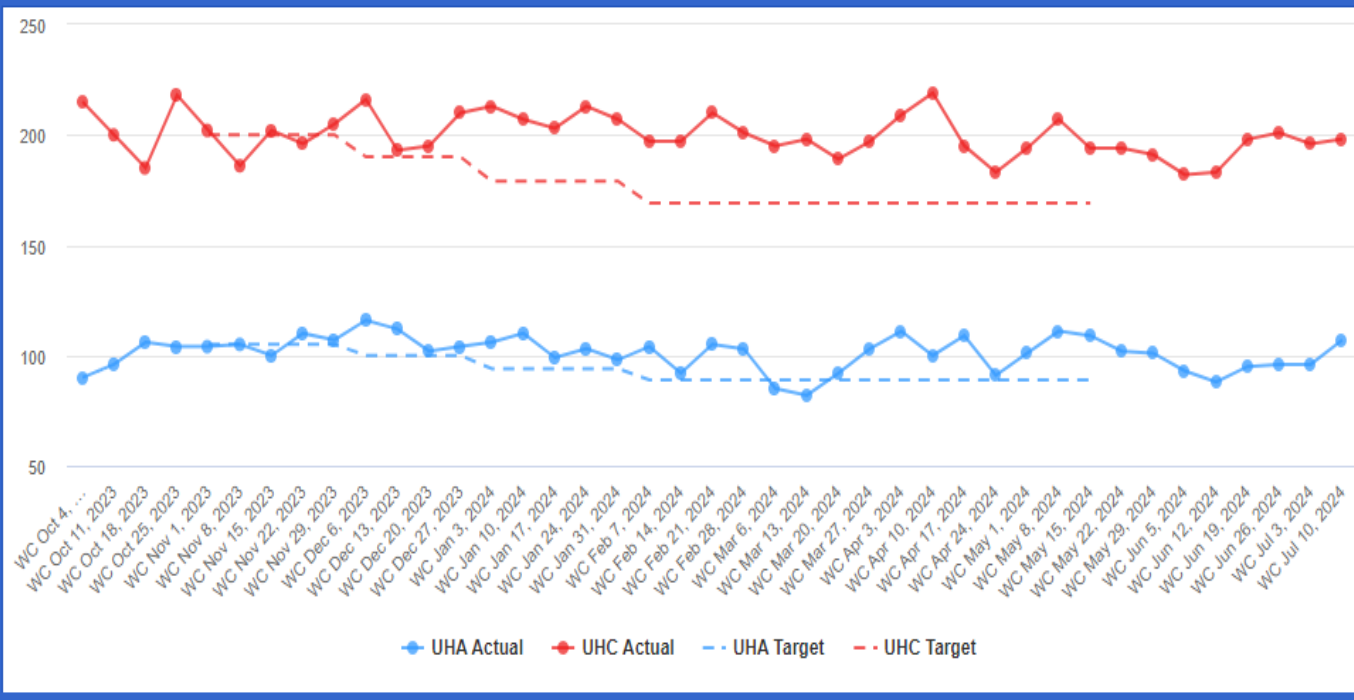
- Reduction in overall hospital average LoS
- Reduction in average LoS in General Medicine wards
- Reduction in number of patients with a length of stay of over 14 days
- Increase in pre-noon discharges
- Reduction in number of unfunded beds open
- Reduction in core occupancy
- Increase in weekend discharges
- Increase in proportion of inpatients with a planned date of discharge (PDD)
- Increase in care home discharges

Since March 2024 the overall length of stay in our acute hospitals has increased with delayed discharges of South Ayrshire patients rising in this period.

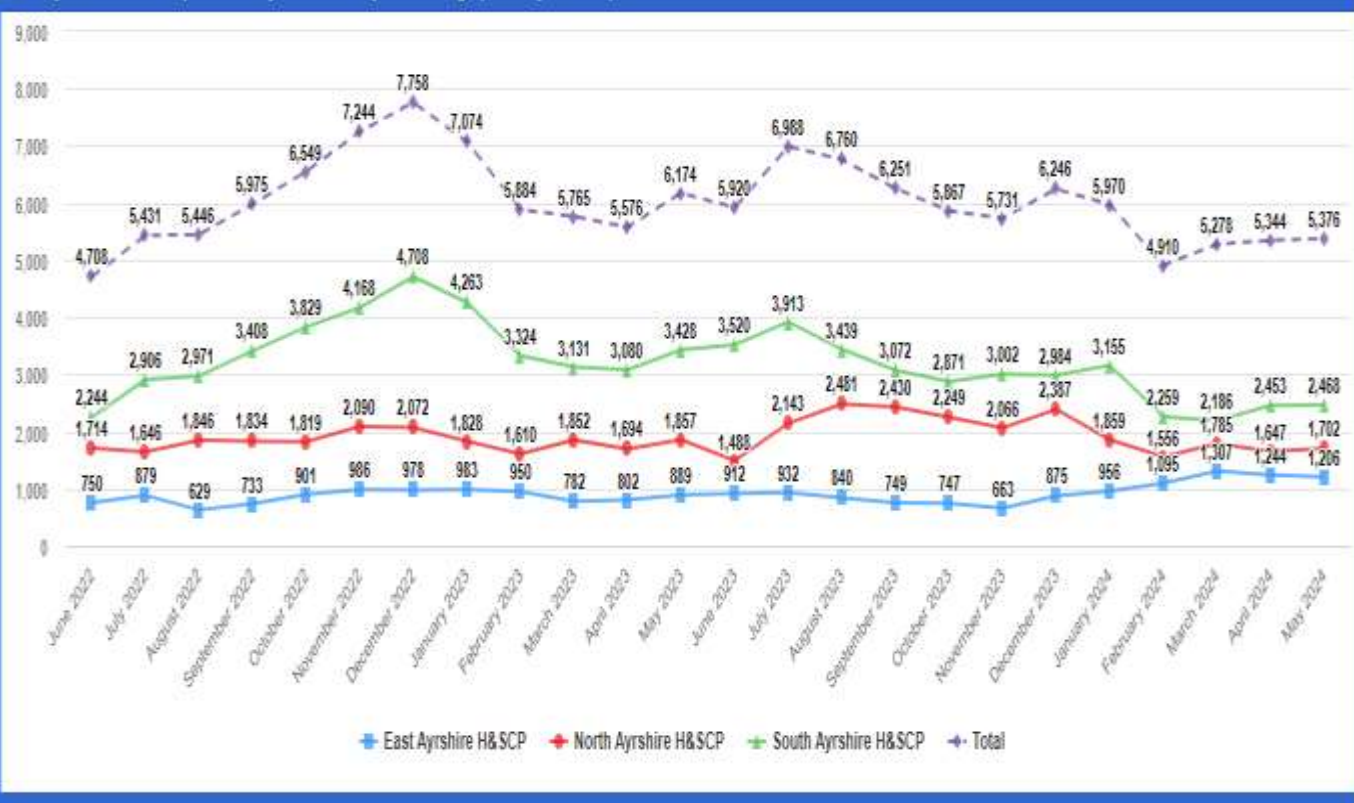
### Length of stay trend



Patients with LOS > 14 days (weekly census)



Monthly number of occupied bed days due to delayed discharge (all delay reasons)



**East Ayrshire H&SCP**

May 2024 result

**1,206**

**North Ayrshire H&SCP**

May 2024 result

**1,702**

**South Ayrshire H&SCP**

May 2024 result

**2,468**

**All Ayrshire Residents**

May 2024 result

**5,376**