

NHS Ayrshire & Arran



Meeting:	Ayrshire and Arran NHS Board
Meeting date:	Monday 7 October 2024
Title:	Financial Management Report for five months to 31 August 2024
Responsible Director:	Derek Lindsay – Executive 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 £26.6 million in the five months ended 31 August 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 unexpected £4.7 million overspends in acute supplies as outlined in paragraph 2.3 of the main paper.

2.3 Assessment

REVENUE

The key points from the Board finance report are:

- Acute Services are £13.7 million overspent. This is attributable to pay costs being £8.3 million in excess of budget, supply costs being overspent by £4.7 million and the impact of unachieved efficiency savings from previous years.

- The acute supplies overspend mainly comprises theatre and surgical sundries (£901k), outsourced radiology reporting (£394k), laboratory outsourcing and supplies overspend (£503k), medicines overspend (£697k) and taxi/private ambulance overspend (£357k).
- £3.4 million of the Acute pay overspend is directly attributable to additional and unfunded beds to support unscheduled care and £2.3 million to the additional staffing costs within the Emergency Departments and Combined Assessment Units at Crosshouse and Ayr Hospitals.
- The New Medicines Fund is overspent by £3.1 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.
- Legacy deficits within reserves result in a £10.6 million deficit after 5 months with full year projection of £25.35 million.
- The three Integration Joint Boards (IJBs) set budgets to operate within their available financial resources including the use of reserves in some cases. Attached as Appendices B and C are the month four finance reports and recovery plans for North and East Ayrshire IJBs and Appendix D is the South Ayrshire finance report where no recovery plan is required. These include cuts in services which may impact on health services in the light of rising demand and reduced capacity. No financial support from the Health Board to the IJBs 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.
- The 2024/2025 pay award settlement included three “non-pay” elements (reduction in working week, review of grading of band 5 staff and protected learning time). More information on this is provided in paragraph 3.1 of Appendix A and there are several big assumptions around what the cost of these will be in the current year as the job evaluation work is at an early stage.

CRES

- The Board must achieve the Scottish Government target to deliver a 3% (£26.5 million) recurring 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 of £2.7 million. £6.8 million has been achieved as at 31 August and £19.2 million is forecast to be achieved (excluding IJBs). The £24.1 million shown in 2.18 does not include savings from IJBs to be made on health budgets.

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

For discussion. Members are asked to:

- Review the financial position for the financial year to date which is a £26.6 million overspend after five 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 5
 - Annex A - CRES Savings Plan 24/25
 - Annex B - Key workforce data
 - Annex C: Length of Stay data
- Appendix B: Links to [East Ayrshire Health and Social Care Partnership Financial Management Report to 31 July 2024](#), and [Recovery Plan](#)
- Appendix C: Link to [North Ayrshire Health and Social Care Partnership Financial Management Report as at 31 July 2024](#)
- Appendix D: Link to [South Ayrshire Health and Social Care Partnership Financial Management Report as at 30 June 2024](#)

NHS Ayrshire and Arran – Finance Report

Finance Report – August 2024

1. Overall Financial Position

1.1 The Board is £26.6 million overspent for the four months ended 31 August 2024.

Summary Financial Position

Department	Annual Budget £000	YTD Budget £000	YTD Spend £000	YTD Variance £000	Forecast £000
Acute	433,908	181,764	195,447	(13,683)	(24,022)
New Medicine Fund	16,716	6,965	10,037	(3,072)	(7,196)
Pharmacy	11,495	4,839	5,111	(272)	0
UNPACs	1,914	797	216	581	1,394
Acute and Clinical Services	464,033	194,365	210,811	(16,446)	(29,824)
ISS (Operational)	63,939	25,895	25,709	186	0
ISS (Corporate)	56,816	22,321	22,563	(242)	0
Corporate Services	37,489	15,138	14,609	529	1,684
Non Clinical Support Services	158,244	63,354	62,881	473	1,684
Centrally Managed Resources	(69)	(2,908)	(2,803)	(105)	0
Reserves	(5,214)	(10,562)	0	(10,562)	(25,349)
Centrally Managed Resources	(5,283)	(13,470)	(2,803)	(10,667)	(25,349)
NHS A&A Health Board Total	616,994	244,249	270,889	(26,640)	(53,489)
East Hscp	234,439	96,606	96,019	587	0
North Hscp	186,778	76,366	78,411	(2,045)	0
South Hscp	107,418	44,258	44,509	(251)	0
HSCP underspends owed to IJBs	0	0	(1,709)	1,709	0
NHS A&A Total inc HSCPs	1,145,629	461,479	488,119	(26,640)	(53,489)

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 £2.7 million of savings made by IJB partners on health budgets.

2. Acute Services – analysis by cost category

2.1 The annual budget for Acute Services is £433.9 million. The directorate is now £13.7 million overspent above cumulative budget after five months.

Category	Annual Budget £000	YTD Budget £000	YTD Actual £000	Variance £000
Pay	318,349	132,966	141,235	(8,269)
Supplies	68,176	28,789	33,536	(4,747)
Purchase of Healthcare	85,050	35,755	35,815	(60)
Provision of Healthcare	(34,275)	(13,937)	(14,201)	264
Operating Income	(1,188)	(890)	(938)	48
Unallocated Savings	(2,204)	(919)	0	(919)
Total	433,908	181,764	195,447	(13,683)

2.2 Pay is £8.3 million overspent:

- **Nursing pay** is £5.2 million overspent. £3.0 million of this is on unfunded beds. Nursing agency spend within acute is £3.48 million. The use of registered agency nursing reduced from 94.5 wte in July to 75.4 wte in August.
- Agency nursing was predominately used in:

Crosshouse ITU (£431k – vacancy cover),
 Crosshouse CAU (£437k – vacancy cover, maternity leave, additional beds and higher level supervisions),
 Crosshouse Accident and Emergency (£275k – additional care to patients waiting in corridors),
 Orthopaedic trauma wards at Crosshouse (£576k vacancy cover and skill mix concerns).
 Crosshouse accounted for £2.87 million out of the total £3.48 million agency spend.

- **Medical pay** was £2.8 million over, in part due to locum costs of £2.5 million and Glasgow bank costs of £0.7 million.

Workforce data is set out in Annex B.

2.3 Supplies were £4.7 million overspent which is a cause for concern.

The highest overspend was in Surgical Sundries at £0.9 million. Theatres are the single biggest cost centre across the surgical division. There is an increased focus on the non pay budgets within the surgical budgetary review process. A work plan has been developed to identify savings as a result of changes to framework contracts.

Outsourced radiology reporting is overspent by £0.4 million. This is due to the use of “Nighthawk” which supports out of hours radiology reporting. There has been some contribution from Access funding in past years and there is an agreement that additional funds may be available from contingency towards the end of the financial year. The service are in the process of reviewing the medical workforce requirements to meet needs for the longer term.

Diagnostic supplies are £0.7 million overspent. Activity levels in biochemistry have significantly increased above budgeted levels. This also includes the unfunded outsourcing of pathology tests to a third party required to maintain turnaround times.

Drugs are £0.7 million overspent – the main reasons are additional and unfunded beds, high usage of Homecare medicines (£0.2 million) and overspends on cancer medicines (£0.2 million)

Taxi/private ambulance overspent by of £0.36 million. These support renal and discharge transport and are currently under review by the transport steering group chaired by the Director of Finance.

Acute Service – analysis by department

Department	Annual Budget £000	YTD Budget £000	YTD Actual £000	Variance £000
Medicine	78,931	33,170	38,437	(5,266)
Emergency Crosshouse	34,883	14,556	18,608	(4,052)
Emergency Ayr	16,682	6,943	8,229	(1,286)
Surgery	122,518	50,844	52,777	(1,933)
Labs & Diagnostics	42,354	17,762	19,323	(1,561)
Women and Children	44,941	18,605	19,307	(703)
Other	93,598	39,884	38,766	1,119
Total	433,908	181,764	195,446	(13,682)

2.4 Medicine is overspent by £5.3 million. £3.7 million relating to University Hospital Crosshouse and £1.6 million to University Hospital Ayr.

2.5 Emergency Care overspent by £5.3 million. This was £1.3 million at University Hospital Ayr and £4.0 million at University Hospital Crosshouse. This includes costs associated with the Clinical Assessment Units which use significant numbers of nurses from the in house nurse bank and from external agency.

The £4.0 million overspend at University Hospital Crosshouse also includes the Orthopaedic trauma wards which are £2.0 million overspent, partly driven by £0.58 million of nurse agency spend.

2.6 Surgery is £1.9 million overspent with:

- £1.2 million on supplies, primarily in theatres at UHA and elective orthopaedics at UHA
- £0.6 million on medical staffing. Specific issues relate to general surgery across both sites as a result of consultant vacancies at UHA driving a reliance on Agency locums. There are also high levels of sickness absence on the middle grade rota at UHC.

Unfunded additional capacity

2.7 The unfunded beds open at 31 August 2024 include some extra beds in wards under full capacity protocol as well as the wards mentioned below. This was 156 at 31 July 2024, increasing to 158 at 31 August 2024. Full capacity beds at UHC do not require additional staffing, however where patients require care under higher level supervision guidance costs are incurred. Full capacity at UHA require additional staff and the cumulative overspend against Stations 2,4,8 and 12 at month 5 amounts to £0.5 million. In addition, Station 1 is an unfunded ward and costs about £150,000 per month, therefore £1.8 million for the year.

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 and remains open.

In addition to the unfunded wards there were 62 unfunded beds within wards at 31 August 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. HSCP teams are focused on managing delays and work in partnership with acute teams through integrated discharge hubs. Improvement work is also ongoing.

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 £3.1 million after 5 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 £120.8 million. Operational I&SS services were underspent by £0.2 million whilst Corporate I&SS services overspent by a £0.2 million due to energy costs.

Corporate Services

2.13 Other corporate services have budgets of £37.5 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 £0.5 million after 5 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 NHS Ayrshire & Arran budget to provide services elsewhere through National Services Division.

- 2.15 Reserves in this context are budgets not issued or attributed 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 £25.3 million over commitment on reserves as a result of legacy deficits.

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 approved by Board as part of the Revenue Plan amounts to £24.1 million. IJB savings on health budgets (around £2.7 million) are not included. The Board is required to achieve a minimum of 3% - £26.5 million including IJB CRES.
- 2.18 The Corporate Management Team have identified and are monitoring a number of actions to deliver the CRES. These are set out in Annex A, however the closure of acute beds in line with plan is not forecast to be delivered. Viridian Associates have identified further savings opportunities, which are not included in the table below.

2024/25 – delivery against the CRES target

	Annual Target	M5 YTD Achieved			Forecast
Area	£000	£000	RAG	Risk	£000
Service level agreements	2,100	875	Yellow	Medium	2,100
Waiting times	4,000	1,667	Green	Low	4,000
Acute prescribing	2545	943	Green	Low	2,545
Primary care prescribing	4050	1,617	Green	Low	4,050
Ward Closures 4E and Station 1	2283	0	Red	High	0
Bed Reductions ward 5A, CAU, ED	3818	179	Yellow	Medium	1,572
Close ward 3F Crosshouse	1303	85	Yellow	Medium	887
Full capacity Bed Reductions Ayr	1036	432	Green	Low	1,036
Reduce agency doctors	1000	0	Yellow	Medium	1,000
Taxis, medical records	191	38	Yellow	Medium	191
Estates rationalisation	50	21	Green	Low	50
Procurement	300	0	Yellow	Medium	300
Public Health	262	109	Green	Low	262
Medical Director	130	54	Green	Low	130
Nurse Director	132	102	Green	Low	132
ISS	679	336	Green	Low	681
Finance	130	54	Green	Low	130
Pharmacy	125	52	Green	Low	125
Total	24,136	6,563			19,191
Low	13,139	5,387	Green		13,141
Medium	8,712	1,176	Yellow		6,049
High	2,283	0	Red		0
Total	24,136	6,563			19,191

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 M5 YTD achievement shown is an estimate at this stage. This will be updated as the underlying information is received. For Infrastructure and Support Services the M5 YTD 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	630
Pharmacy	480
OHRD	192
Chief Executive	30
Total	3,642

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 £14.6 million non-recurrently in 24/25 for these changes, there are many variables to quantify the financial cost including the percentage of band 5 grading appeals which will be successful in achieving an upgrade (backdated to April 2023) and the backfill arrangements for the half hour per week reduction in basic hours. The best estimate of likely cost is £14.6 million, however it could be significantly different if assumptions are inaccurate. The funding will be released into budgets to match costs incurred.
- 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. Primary Care Prescribing is £229k overspent after 3 months. Initial volume estimates for July are high and will cause the overspend to rise to £794k after 4 months if subsequently proven correct,
- 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 national agreement of an uplift to Service Level Agreements of higher than the general allocation funding uplift for 2024/25 would create an unbudgeted cost pressure.
- 3.5 £1 million funding assumed to cover additional staffing recruited in anticipation of National Treatment Centre.
- 3.6 Winter pressures unlikely to receive additional funding from Scottish Government therefore the overspend within acute could increase as a result.

Annex A: CRES savings plan – 2024/25

Overspend area	Target £m	Achieved to date M5 £m	What is required	Lead director
Additional capacity				
Bed Closures/Improved Length of stay	8.4	0.7	<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 >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>	<p>Director of Acute Services/Chief Executive</p> <p>Director of Acute Services/Chief Executive</p>
Acute prescribing				
Medicine switches	1.8	0.90	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	0.04		
Medical staffing				
Reduce agency and Glasgow Bank medical spend	1.0	0.0	<ul style="list-style-type: none"> • Fill substantive consultant vacancies • Fully utilise actively place our clinical fellows and junior doctor workforce • Effective and sustainable rosters. • Compliance with medical employee regulations also. • Job planning and specialty on-call cover. 	Medical Director
Regional National Services				
Service Level Agreements	2.1	0.9	Efficiency at 3% on SLAs.	Director of Finance
Corporate Services				

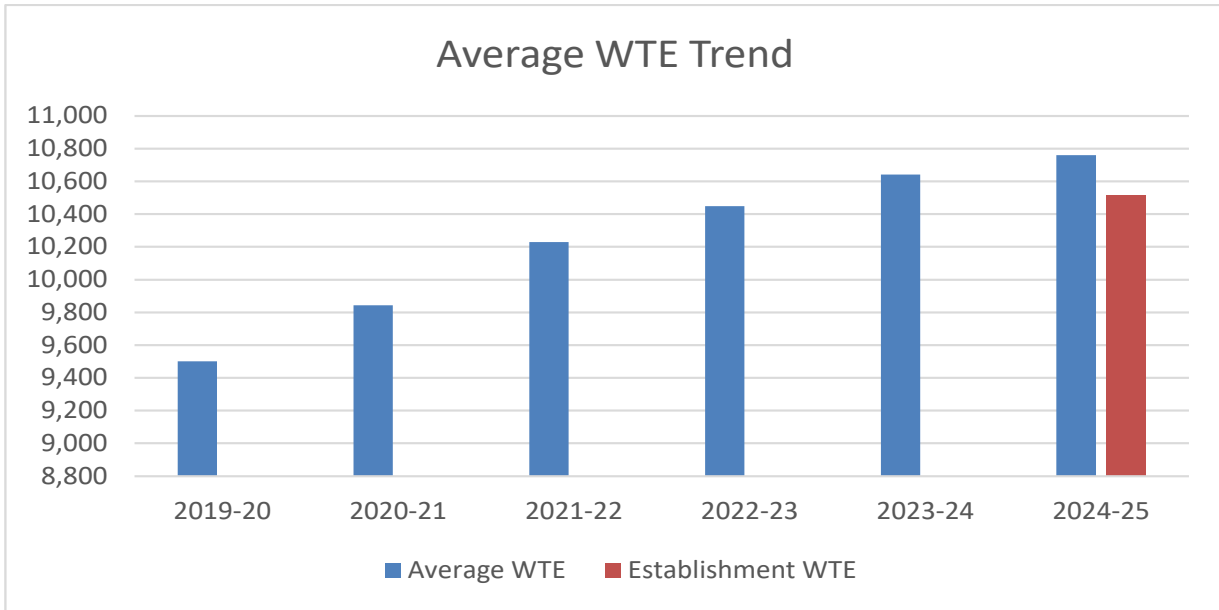
CRES targets	1.5	0.7	Each Corporate Director has been allocated a CRES savings target.	Corporate Directors
Taxis and Private Ambulances	0.1	-	If do not meet ambulance service eligibility criteria for patient transport. Resistance and concerns from and for patients and acknowledge the difficult conversations re: applying the criteria. Project support sought.	Director of Finance
Medical Records Reduction in Hours	0.09	0.04	Reduced Hours to deliver service	
Primary Care Prescribing				
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	0.3	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	1.0	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
Other Schemes				
Waiting Times	4.0	1.7	Reduce use of private sector Waiting List Initiatives	Director of Acute Services
Procurement	0.3	-	Maximise Use of National Frameworks in purchase of supplies.	
Estates Rationalisation	0.05	0.02	Reduce Estates Costs	
Total	£24.1m	£6.6m		

Annex B: Key workforce data

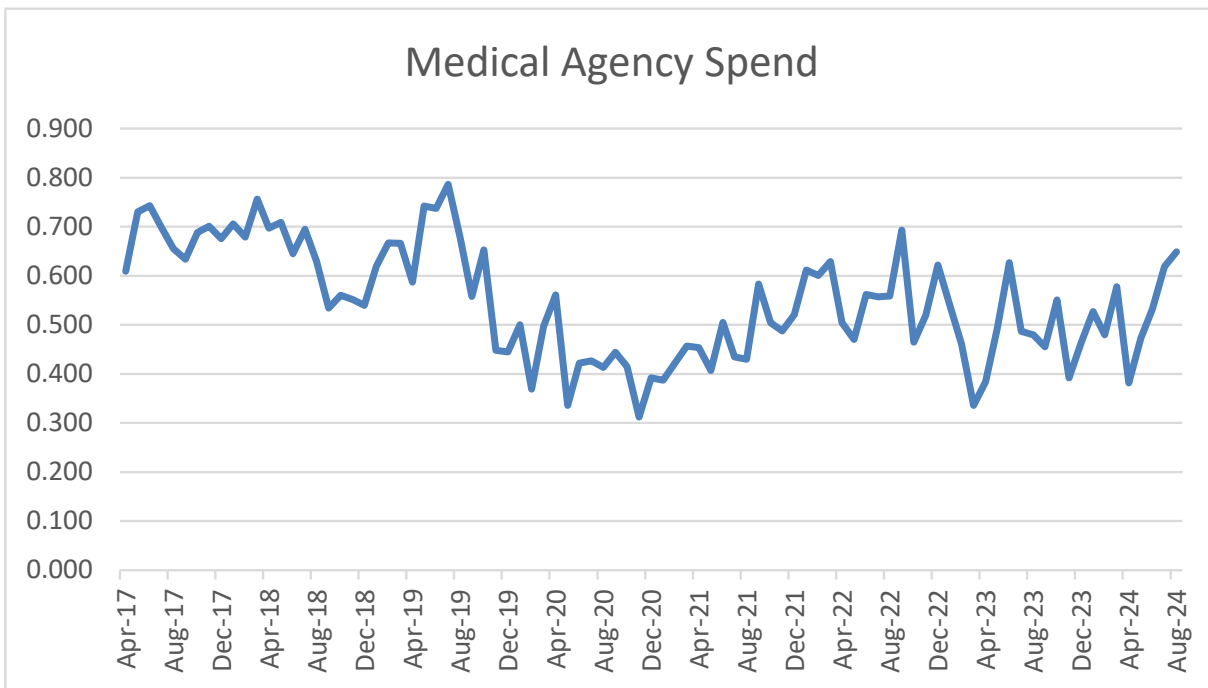
Key points:

- 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

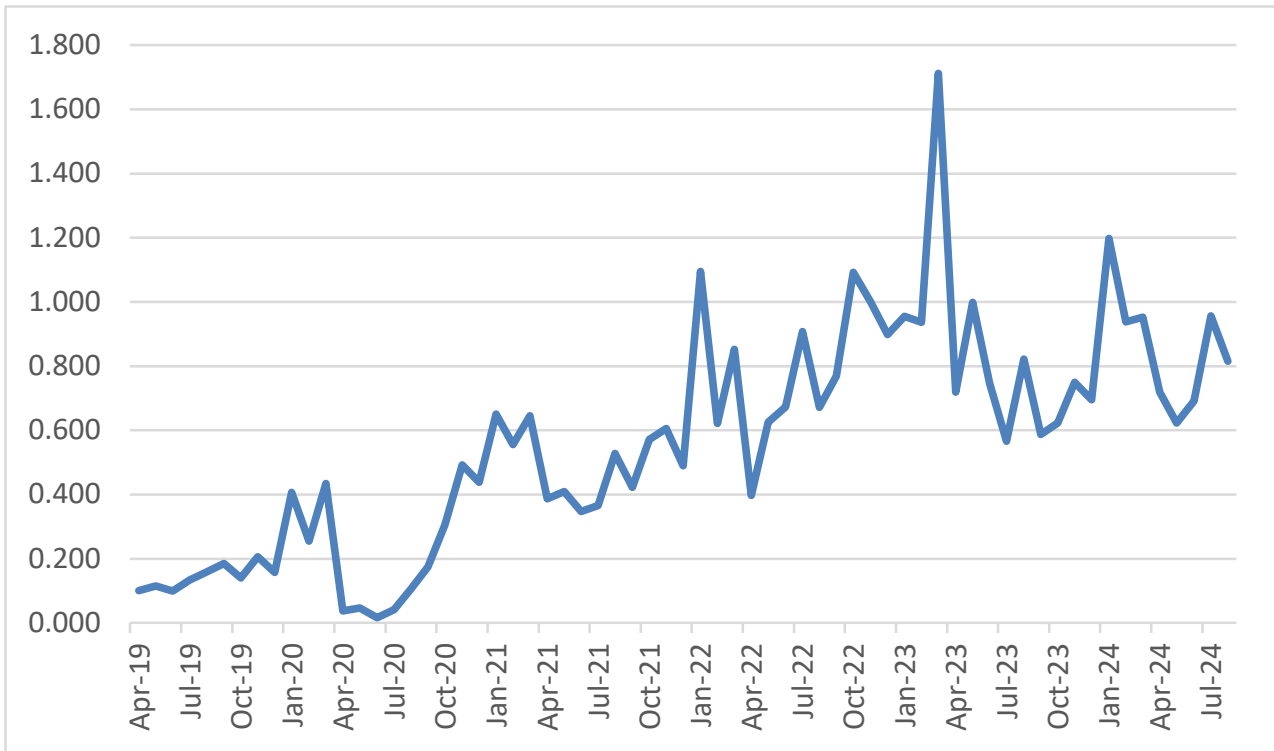
Average WTE trend



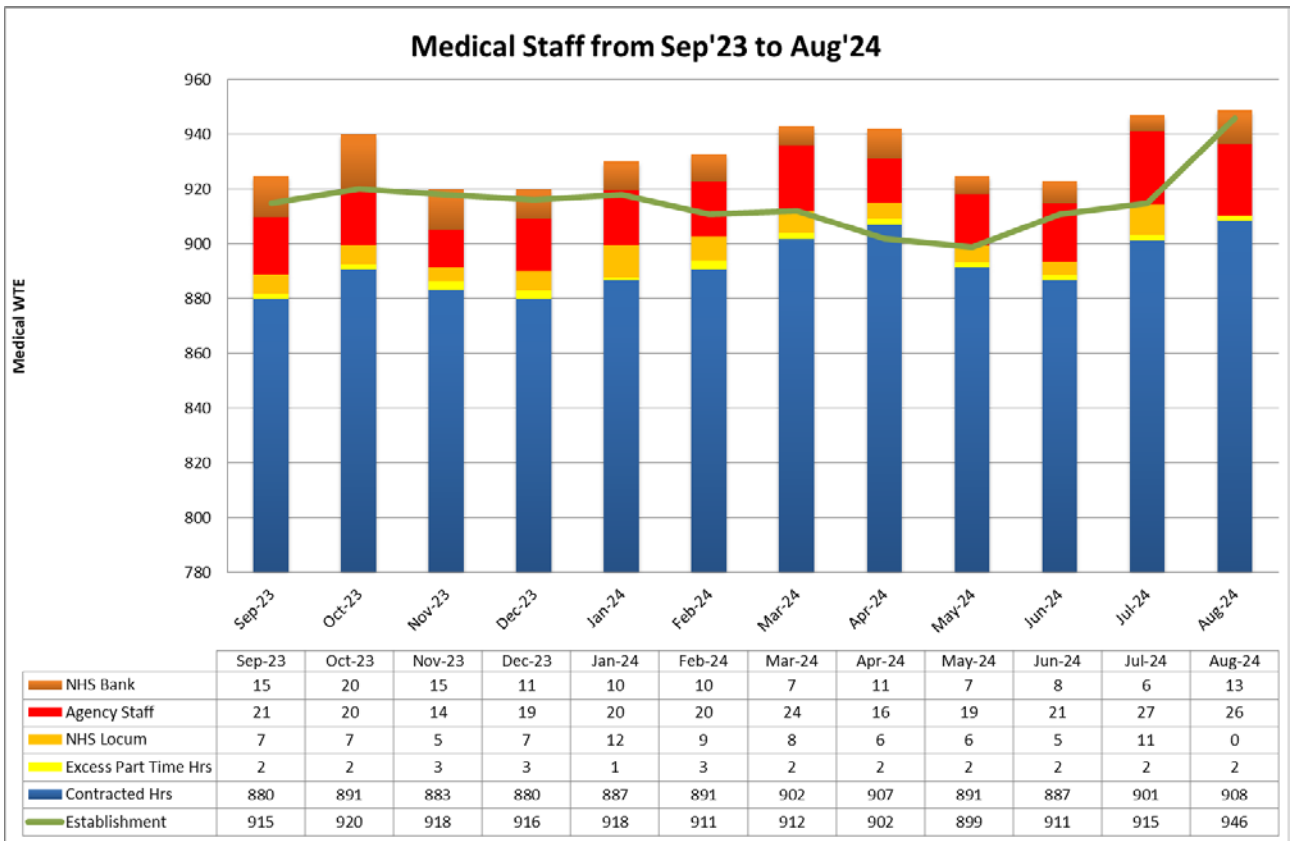
Medical agency trend



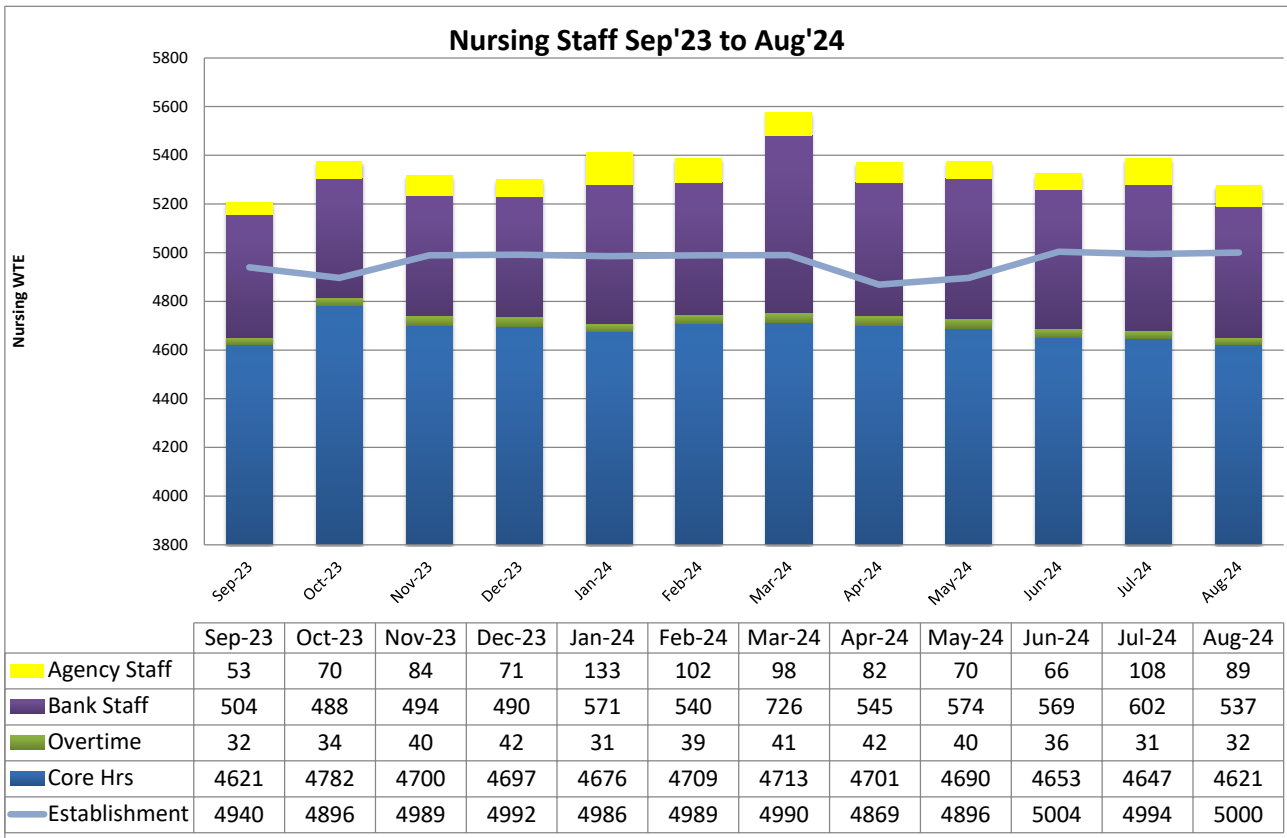
Nursing agency trend



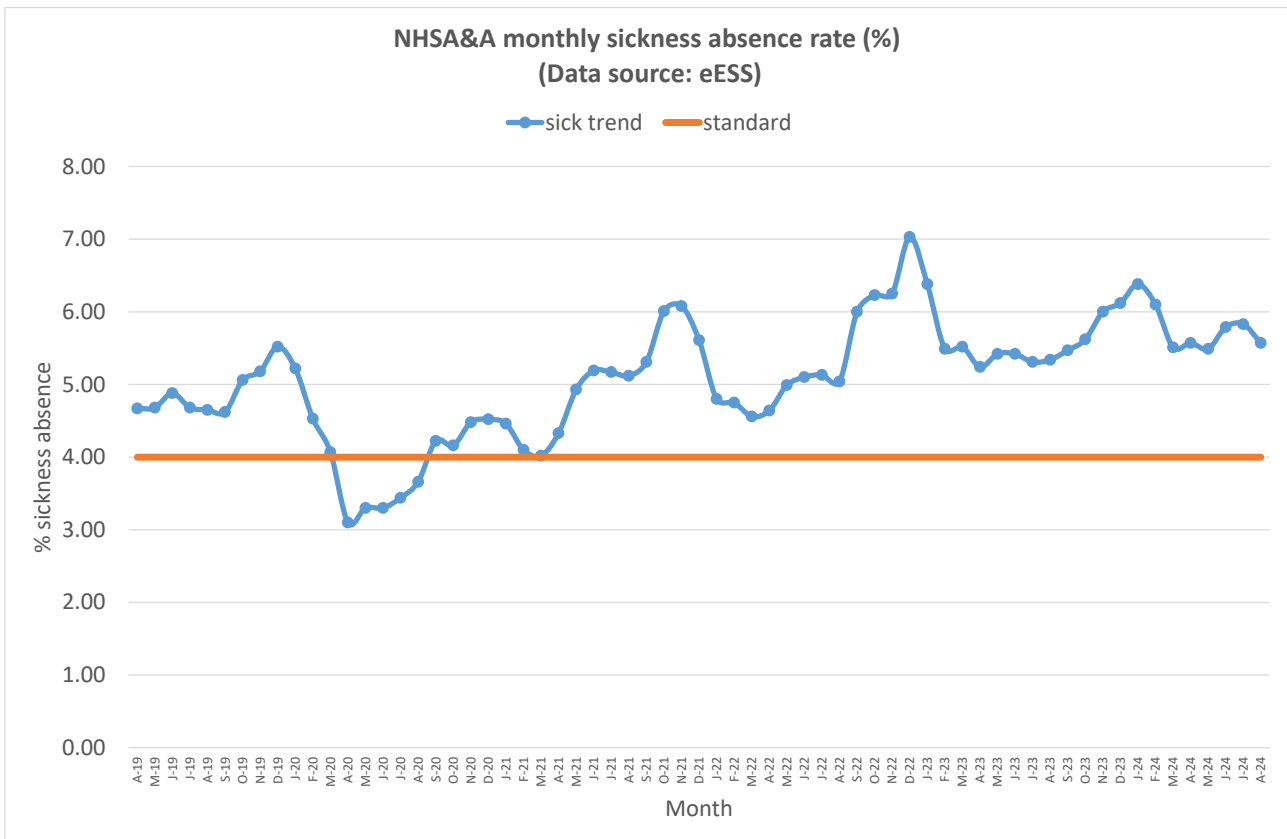
Medical Staffing breakdown



Nurse Staffing breakdown



Sickness Absence



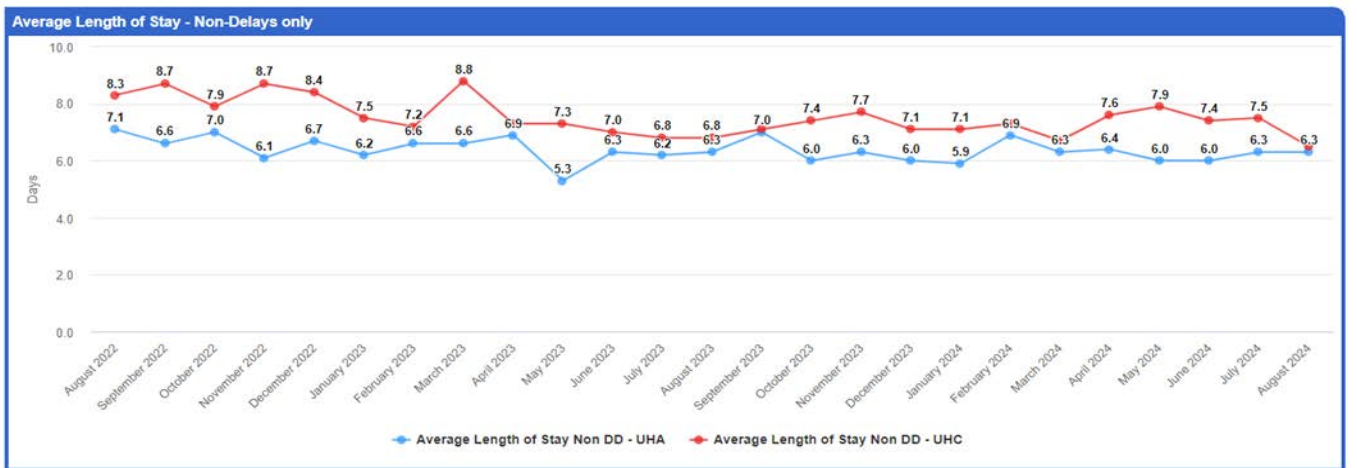
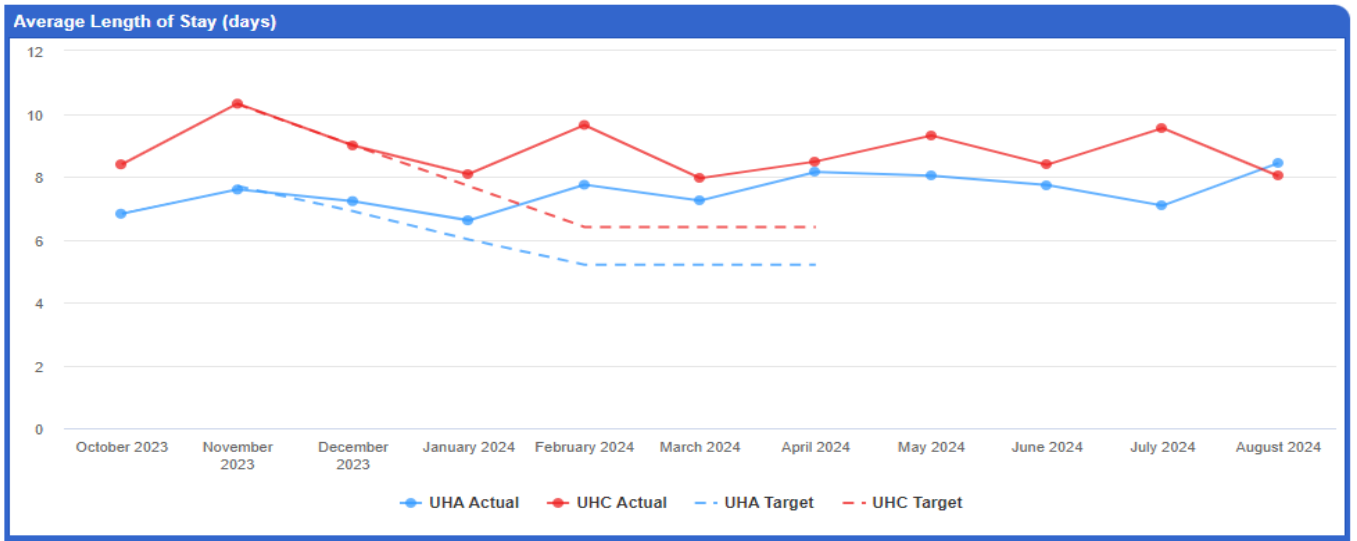
Annex C: Length of stay (LOS)

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

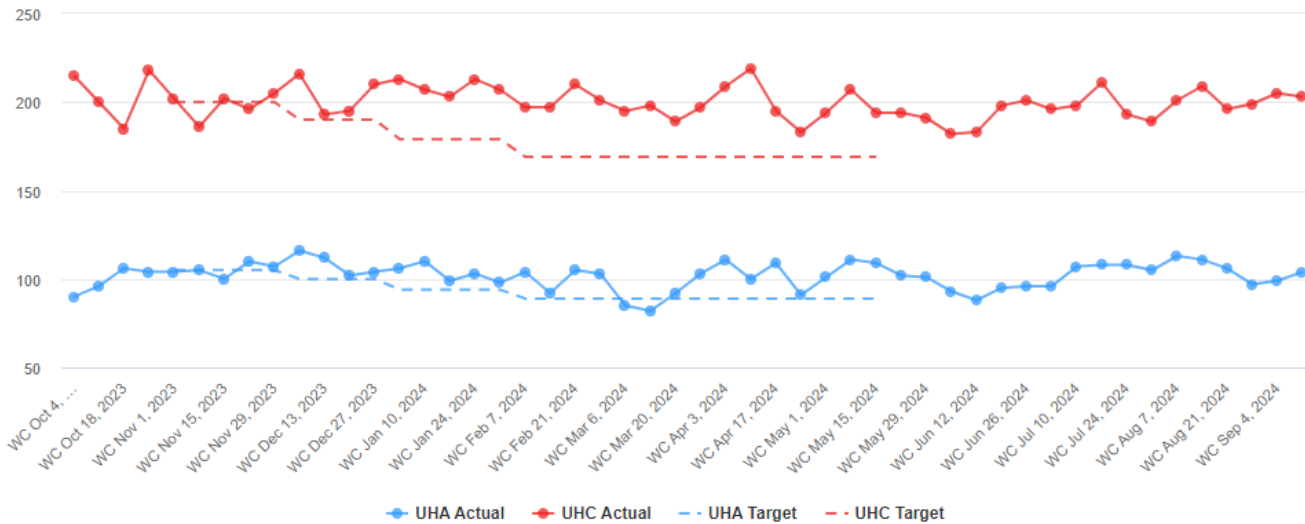
- Reduction in overall hospital average LoS
- Reduction in average LoS in General Medicine wards
- Reduction in number of patients with a length of stay of over 14 days
- Increase in pre-noon discharges
- Reduction in number of unfunded beds open
- Reduction in core occupancy
- Increase in weekend discharges
- 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.

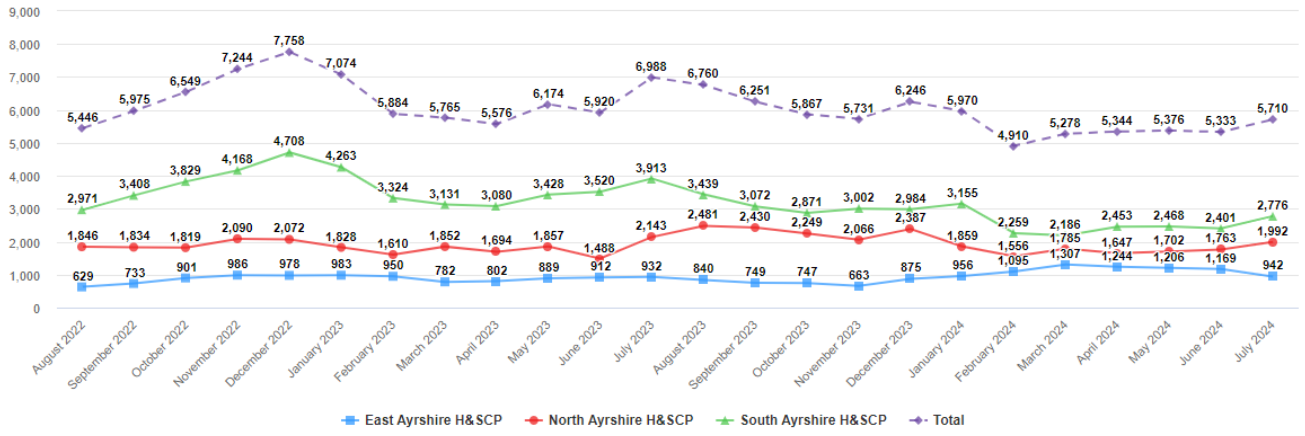
Length of stay trend



Patients with LOS > 14 days (weekly census)



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



East Ayrshire H&SCP

July 2024 result

📊 942

North Ayrshire H&SCP

July 2024 result

📊 1,992

South Ayrshire H&SCP

July 2024 result

📊 2,776

All Ayrshire Residents

July 2024 result

📊 5,710