

NHS Ayrshire & Arran



Meeting:	Ayrshire and Arran NHS Board
Meeting date:	Monday 31 March 2025
Title:	Revenue Plan 2025/2026
Responsible Director:	Derek Lindsay, Director of Finance
Report Author:	Rob Whiteford, Assistant Director of Finance

1. Purpose

This is presented for:

- Decision

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 Board submitted a first draft 3-year financial plan for 2025/26 – 2027/28 on 27 January 2025. A second and final submission was submitted on 17 March 2025. Board Members are asked to approve the revenue plan for 2025/2026. This is a deficit budget of £33.1 million.

2.2 Background

The Board is at escalation level 3 in accordance with the financial position, which in 2024/25 is anticipated, at the time of writing, to be a deficit of £51 million.

Scottish Governance expectations for financial plans for 2025/26 and beyond included annual 3% Cash Releasing and Efficiency Savings (CRES) with year on year improvement until a balanced budget is achieved.

The Board will continue to work with Viridian Associates to maximise efficiency and productivity savings that will enable the Board to establish a sustainable and balanced financial future.

2.3 Assessment

- 2.3.1 Scottish Government have notified a 3% recurring uplift on baseline funding for 2025/26. They will also fund 60% of the increased cost of national insurance increases.
- 2.3.2 SG have confirmed that there will be no brokerage provided in 2025/26; however, all Boards have been informed that they will receive a national sustainability payment which will offer some in-year mitigation. The national sustainability payment will be calculated on an NRAC basis. The NRAC share for NHS Ayrshire & Arran is forecast to be circa £18.35 million non-recurring and £5.14 million recurring, and it is acknowledged that is substantially less than the year end brokerage of £51million currently forecast for 2024/25.
- 2.3.3 The Board have been working closely with Viridian Associates to develop a savings plan.
- 2.3.4 The effect on the Boards financial position is summarised below.

Table 1	Recurring	Non Rec	Total
Summary Position	£000	£000	£000
Funding Uplifts	43,038	20,110	63,148
Cost Pressures excluding brought fwd deficit	(66,534)	(3,224)	(69,758)
Board Savings Plan (excl IJBs)	23,570	6,480	30,050
Sub Total	74	23,366	23,440
Deficit b/fwd	(52,565)	(4,000)	(56,565)
Plan	(52,491)	19,366	(33,125)

- 2.3.5 The Board will receive an uplift of £29.2 million being 3% of its recurring baseline, as well as an NRAC parity adjustment of £2.4 million.
- 2.3.6 In addition, New Medicines Funding will increase to our share of a national £250 million. This is £18.35 million and an increase of £1.66 million over 2024/25 funding.
- 2.3.7 We have also assumed a non-recurring contribution of £100,000 from Scottish Government towards the implementation of a Patient Level Costing System.

Table 2	Recurring	Non Rec	Total
Funding Uplifts	£000	£000	£000
Baseline Uplift 3%	29,200		29,200
NRAC Parity	2,400		2,400
Increase in New Medicines Funding		1,660	1,660
PLICS SG Support		100	100
Sustainability payment	5,138	18,350	23,488
60% funding for national insurance charges	6,300		6,300
Total	43,038	20,110	63,148

3. Summary Cost Pressures

3.1 Table 3 shows the aggregated cost pressures for 2025/26. These total almost £70 million and are expanded on below.

Table 3	Rec	Non- Rec	Total
Summary Cost Pressures	£000	£000	£000
Prior Commitments	1,608	0	1,608
Pay	26,422	0	26,422
Clinical	15,846	0	15,846
Non-Clinical	1,793	0	1,793
Medicines	12,461	1,432	13,893
Non Rec Programme	0	1,792	1,792
IJB Uplift	8,411	0	8,411
Total	66,541	3,224	69,765

4. Prior commitments

Table 4	£000
Prior Commitments	
Cloud hosting (digital strategy)	1,255
National Treatment Centre	193
EDT Secondary to Primary Care	40
e-financials	65
Adastra	14
Cylera (Cybersecurity for Scanning Devices)	41
Total	1,608

- 4.1 In January 2023 the Board approved a Digital Service Strategy with additional recurring revenue cost of £4.83 million. £3.04 million was funded in 2023/2024 and a further £0.535 million in 2024/2025, therefore £1.255 million remains (mainly for extra costs of cloud hosting).
- 4.2 The National Treatment Centre (NTC) programme has been paused. NHS Ayrshire & Arran had recruited staff in anticipation of an NTC at Carrick Glen Hospital and Scottish Government funded these at a cost of £1 million a year for the last two years. This funding will not be available in 2025/2026. Most staff can be absorbed into orthopaedic vacancies, those who cannot require to be funded at a cost of £193,000.
- 4.3 New contracts entered by National Services Scotland (NSS) in 2024 for Electronic Document Transfer (EDT) from secondary care to primary care have increased cost by £40,000. The cost of the e-financials system will rise by £65,000. Also, Adastra at a cost of £14,000 and Cylera (for cyber security on scanning devices) at £41,000.

5. Pay

- 5.1 The Scottish budget on 4 December 2024 outlined public sector pay arrangements for 2025/2026, with a 9% pay envelope covering the three-year period 2025/26 to 2027/28. It stipulates that if a national three-year settlement is not agreed, the 2025/26 pay uplift will be restricted to 3%. A 3% uplift has therefore been assumed at a cost (excluding IJBs) of £14 million.
- 5.2 Boards were told to exclude a cost pressure related to the increased employer cost for national insurance from the first draft of the financial plan; however, on 20 February 2025 the SG notified Boards to include 100% cost pressure for this in their final financial plan. With this notification the Board were also advised that SG will fund 60% of the national insurance cost pressure as this was the amount funded by HM Treasury. What this means for NHS A&A is a total cost pressure is about £10.5 million. This is now included in the March 2025 draft of the Board's revenue plan.
- 5.3 Expansion of junior doctor posts nationally requires Boards to find the banding supplement funding, which is £372,000 for NHS Ayrshire & Arran. In addition, there are significant gaps because of junior doctors being less than full time where the backfill cost is £824,000. Maternity leave on the GP programme costs £286,000 and supernumerary period for international recruits' costs £126,000. The total cost pressure for junior doctors is therefore £1.608 million.
- 5.4 Discretionary points for consultants cost an extra £200,000 a year.
- 5.5 Pharmacy Foundation year's costs charged to the Board have increased by £135,000.

Table 5

Pay	£000
Pay Uplift - AfC	10,761
Pay Uplift - Medical & Dental	3,239
National Insurance changes (non IJB)	6,977
IJB pass through to National Insurance	2,142
Four X Radiographer Band 6 to 7 upgrades	50
Junior Doctors and Banding Supplements	1,608
Discretionary Points	200
International Recruitment Band 4 Post	40
Pharmacy Foundation Year	135
Finance business partner (part year)	80
Improvement support staff (part year)	275
Procurement support staff (part year)	244
Infection prevention and control	542
HR business partner	93
Band 3 HR digital administrator	36
Total	<u>26,422</u>

- 5.6 The above table does not include provision for increased costs of reduced hours or other terms and conditions negotiated nationally.

6. Clinical cost pressures

- 6.1 Inflation uplift on service level agreements (SLAs) is likely to be in line with general allocation uplift. A 3% increase after a 3% efficiency saving results in a 6% cost pressure. SLAs are £75 million and 6% is £4.5 million.
- 6.2 National Services Division commission services and recommended to Chief Executives additional investment of £1.24 million in liver transplant, craniofacial surgery, paediatric stem cell transplant, spinal injuries and cervical screening. Our share of this is £100,000.
- 6.3 Golden Jubilee National Hospital are seeking to recover the costs they incur to provide Cardiac services to West of Scotland Boards. They have re-costed these services, and this information suggests a potential pressure of £0.5 million for NHS Ayrshire & Arran.
- 6.4 It is important to have a frailty pathway for older people being admitted to hospital and station 1 at Ayr Hospital is proposed to be funded recurrently, along with the 10 beds within CAU at Crosshouse and 5 beds in Ayr. Ward 5A requires to be funded although the expectation is that as length of stay is reduced through the SAFER programmes, these beds can close. Extra winter capacity for four months is also proposed.

CAU beds (15 beds)	£1.56 million
Station 1 (24 beds)	£2.53 million
Ward 5A (30 beds)	£2.94 million
Winter wards (36 beds for 4 months)	£1.27 million
Total	£8.29 million

- 6.5 A National Policy decision means that some Sexual Health tests must be sent remotely for evaluation. The cost of this is £71,000. The RPI based inflation increase on the laboratories managed service contract is £220,000.
- 6.6 The cost of consumables in the business case for robotic surgery was neutral, however costs have increased by £300,000.
- 6.7 Audiology consumables are expected to overspend by £50,000 and require funding in 2025/26.
- 6.8 Clinical Physiology implants such as implantable cardioverter defibrillators and pacemakers are expected to overspend by £81,000 and require funding in 2025/26.
- 6.9 Theatre supplies have been consistently overspent and require funding of £300,000 in 2025/26.
- 6.10 Supplies issued through the National Distribution Centre (NDC) have not been uplifted for inflation in recent years. Comparisons of similar products over 4 years

have shown an average inflation rise of 6% per annum. The cost pressure is £450,000 which represents £90,000 per annum for 4 years up to 31 March 2025, plus another £90,000 for 2025/26 inflation.

- 6.11 Two staff currently funded by Cancer monies require core funding. This is £128,000.
- 6.12 NHS Greater Glasgow & Clyde provide over £60 million of services under a core service level agreement (SLA). As well as the uplift in paragraph 6.1 there are further cost pressures of £656,000.
- 6.13 Boards are required to fund 50% of hospice running costs. Ayrshire Hospice eligible running costs are about £8.8 million and a cost pressure of £200,000 is required in addition to the inflationary uplift.

6.14 **Table 6**

Clinical Cost Pressures	£000
Service Level Agreements	4,500
National Services Pressures	100
GJNH Cardiac Services	500
Fund additional acute beds	8,290
Sexual health - send away tests	71
Laboratory managed service RPI	220
Robotic Surgery Supplies	300
Audiology Supplies	50
Clinical Physiology Implants (ICD/Pacemakers)	81
Other Theatre Supplies	300
NDC Inflation (4 year catch up)	450
Cancer funded posts now core	128
Glasgow SLA	656
Ayrshire Hospice	200
Total	<u>15,846</u>

7. Non-clinical Cost Pressures

- 7.1 Water charges and council tax bills are expected to rise by around 1.7% in 2025/2026, trade effluent costs will also rise by a similar amount – a total cost pressure of £20,000.
- 7.2 A rates cost pressure of £72,000 based on a 1.7% uplift is expected. The “other rents” cost pressure is £38,000. A pressure of £110,000 is included.
- 7.3 Funding increases have not been given for increasing postage costs in recent years resulting in an overspend. The pressure is £250,000.

Year	£000
2023/2024	83
2024/2025	100
2025/2026	67
Total	250

- 7.4 The contract for non-clinical waste disposal includes an annual increase in cost per tonne. The 2025/2026 increase will cost £12,000 extra and in addition a £28,000 increase in clinical waste costs are expected based on a 3.5% increase. A pressure of £40,000 is included.
- 7.5 Catering budgets overspent in 2023/2024 due to rising national procurement contract costs for food/provisions. £177,000 is the additional requirement based on procurement contracts.
- 7.6 Most maintenance agreements and service contracts have a built-in inflationary increase. The cost pressure for 2025/2026 is £164,000.
- 7.7 Laundry services are delivered by NHS Lanarkshire on behalf of three Boards. The estimated increase for NHS Ayrshire and Arran is £86,000, an increase of 3.5%.
- 7.8 Electric vehicles are more expensive than those they replaced by £71,000 per annum. This is purely for lorries and vans and does not include community based staff.
- 7.9 The EMIS web community license model has changed, resulting in a £70,000 increase per annum.
- 7.10 Office 365 has a budget in 2024/2025 of £2.87 million. A new contract is being negotiated nationally which may increase this cost by £530,000.
- 7.11 Health employees in East HSCP use accommodation owned by East Ayrshire Council who charge £139,000.

7.12

Table 7	
Non Clinical Cost Pressures	£000
Water, council tax, trade effluent etc	20
Rates and other rents	110
Postage	250
Non-clinical and clinical waste	40
Food provisions	177
Maintenance agreements inflation	164
Laundry	86
Electric vehicles	71
Private Finance Initiative inflation	136
EMIS	70
Office 365 Contract	530
Accommodation costs	139
Total	1,793

8. Prescribing

- 8.1 Primary Care Prescribing pressures are £7.7 million. £2.5 million is to address the forecast overspend in 2024/25. The remaining £5.2 million represents a 3% increase in both volume of items prescribed and the price per item.

- 8.2 There is additional specific provision of £300,000 for weight loss injections.
- 8.3 The uplift required for acute prescribing is £4.454 million. This has been based on a detailed cost centre by cost centre review by the Acute Pharmacy Team. The pressure is a combination of overspend in 2024/25 (£2.633 million) and specific pressures in 2025/26 (£1.820 million).
- 8.4 It represents an uplift of 15% on existing budgets, which is above the planning guidance of 10%. The consistent (national) identification of new indications for expensive medicines is challenging when managing costs.
- 8.5 Specific uplifts for 2025/26 identified by the Pharmacy Team for locally prescribed New Medicines are £1.007 million. Information on New Medicines recharged from Greater Glasgow and Clyde is an estimate of £425,000.
- 8.6 The in-year cost pressure for 2025/26 is therefore £1.432 million. This is shown as non-recurring to match the nature of the associated funding increase.

Table 8	Recurrent	Non - Rec	Total
Medicines	£000	£000	£000
Primary Care	7,707		7,707
Weight management injections	300		300
Acute Prescribing	4,454		4,454
New Medicines Fund		1,432	1,432
Total	12,461	1,432	13,893

9. Non-Recurring Expenditure

- 9.1 The following non-recurring expenditure is planned:

Table 9	£000
Non Recurring Pressures	
Food, fluid and nutrition	158
SHREWD system	75
International medical graduates	135
Protection costs for theatre staff at Crosshouse	240
e-rostering implementation	370
PACs radiology system implementation	301
Business systems replacement	38
Covid enquiry	130
National Treatment Centre (NTC) manager	100
Patient level information costing system (PLICS) support	100
IPC surveillance system implementation	145
Total	1,792

10. Uplift for Integrated Joint Boards (IJBs)

10.1 Scottish Government guidance states that a 3% uplift should be provided to IJBs based on their recurring baselines. The cost of this is £8.412 million.

11. Savings

11.1 The Board must achieve a minimum of 3% recurring Cash Releasing Efficiency Savings, measured as 3% of its recurring baseline. This includes IJB savings and is £30.197 million. IJB savings do not belong to the Board.

11.2 The plan also sets out non-recurring savings of £8 million. These are based on reductions in temporary staffing, overtime and sale of property.

11.3 Table 10

	Recurrent	Non Recurring	Total
	£000	£000	£000
Savings			
Medicine	3,000		3,000
Women and Children	1,400		1,400
Surgery (NR Theatre Supplies)	4,000	300	4,300
Emergency	2,000		2,000
Clinical Support Services (NR is CT MRI)	2,100	250	2,350
Nursing Supplementary Staffing		2,100	2,100
Workforce Transformation	130	500	630
Medical Supplementary Staffing		1,250	1,250
Infrastructure & Support Services	900	100	1,000
Procurement	1,400		1,400
Commercial Income Opportunities		1,500	1,500
Corporate	2,790	480	3,270
Energy	1,850		1,850
Primary Care Prescribing	2,000		2,000
Acute Prescribing	2,000		2,000
Sub Total Excl IJB Savings	23,570	6,480	30,050
East HSCP	2,445		2,445
North HSCP	2,170		2,170
South HSCP	2,015		2,015
Total Including IJBs	30,200	6,480	36,680

11.4 Scottish Government require 3% recurrent savings which amount to £30.2 million for NHS Ayrshire and Arran.

12.1 Quality/patient care

Savings schemes are subject to a Quality Impact Assessment prior to implementation.

12.2 Workforce

The plan includes provision for pay awards in line with national guidance.

12.3 Financial

Cost pressures exceeding the funding uplift for 2025/2026 require to be met by cash releasing efficiency savings.

12.4 Risk assessment/management

Risks are assessed through the relevant governance routes.

12.5 Equality and diversity, including health inequalities

An impact assessment has not been completed because a diverse range of cost pressures are identified.

12.6 Other impacts

- Best value and Use of Resources

12.7 Communication, involvement, engagement and consultation

The Board has carried out its duties to involve and engage external stakeholders where appropriate through pay and supplies group meetings. Savings plans at this stage are derived from working with Viridian Associates.

12.8 Route to the meeting

Cost Pressures have been previously considered by the following groups as part of their 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 Group 11 October 2024
- Pay and Supplies Group 6 December 2024
- Corporate Management Team 14 January 2025, 11 February 2025 and 25 February 2025.
- Performance Governance Committee discussed Annex 1 on 16 January 2025
- Corporate Management Team 25 March 2025
- Performance Governance Committee Light meeting 26 March 2025

13. Recommendation

The Board is asked to approve the revenue plan for 2025/2026. This is a deficit budget of £33.1 million.