

NOT PROTECTIVELY MARKED

Public Board Meeting

**September 2019
Item 09**

THIS PAPER IS FOR DISCUSSION

SUMMARY FINANCIAL PERFORMANCE TO 31 AUGUST 2019

Lead Director Author	Julie Carter, Director of Finance, Logistics and Strategy Maria McFeat, Interim Assistant Director of Finance
Action required	Board members are asked to discuss and note: <ul style="list-style-type: none"> • The financial position to the end of August 2019 • The efficiency savings position to the end of August 2019 • Note the updated financial forecast position
Key points	<ol style="list-style-type: none"> 1. The financial position to the end of August 2019 shows a deficit of £1.7 million against a trajectory deficit of £1.6 million 2. Efficiency savings of £2.7 million have been delivered against a target of £4.0 million for the period.
Timing	During 2019/20 the Board will be provided with updates on the financial position at every meeting. This section has been included within the paper.
Link to Corporate Objectives	The Corporate Objective this paper relates to is Goal 6 - Develop a model that is financially sustainable and fit for purpose in 2020.
Contribution to the 2020 vision for Health and Social Care	Efficient and effective use of resources is important to the Scottish Ambulance Service to enable it to deliver change in service delivery to meet the aspirations of the 2020 vision.
Benefit to Patients	Efficient and effective use of resources enables Scottish Ambulance Service to provide the best level of safe and effective care to patients as it can within the resources available.
Equality and Diversity	An Equality Impact Assessment (EQIA) was conducted and presented to the Board in March 2019 when the budget for 2019/20 was set.

SCOTTISH AMBULANCE SERVICE BOARD

FINANCIAL PERFORMANCE TO 31 AUGUST 2019

JULIE CARTER, DIRECTOR OF FINANCE AND LOGISTICS

This paper sets out the financial position at 31 August 2019 for the Scottish Ambulance Service.

The Board are asked to

- Note the financial position to the end of August 2019 for the financial year 2019/20.
- Note the key messages as highlighted including agreed actions
- Note the key risks and management of these
- Note the full year forecast (as at month 5)

Key messages

Total deficit as at August 2019 of £1.7 million (includes both core and non-core expenditure).

- The current position, remains broadly in line with our financial plan trajectory which forecast a £1.6 million over spend against Core Revenue Resource Limit by the end of August 2019. The forecast also reflects the phasing of the planned efficiency savings program to deliver the majority of savings later in the financial year, this has been reflected in the full year forecast. This will continue to be closely monitored over the next few months through regular meetings with budget holders and detailed updates provided to the Board.
- The August 2019 total deficit of £1.7 million to date, consists of:
 - Income – under target to date by £0.1 million
 - Core Expenditure – over spend to date of £0.2 million
 - Efficiency savings target for the financial year 2019/20 is £12.7 million. Currently, the Service has realised £2.7 million of savings in the first five months of this financial year, which reflects a gap of £1.3 million against the planned trajectory. It remains anticipated that the pace of savings delivery will increase in the coming months as the projects are fully implemented. An accelerated process is being put in place through the Best Value operational group and the Director of Finance is meeting on a 1-1 basis with the budget holders with weekly updates provided to the Executive team. This also aims to address the full year unidentified savings gap of £1.3 million identified within the financial plan. A formal review of this will take place in month 6 and as per the agreed

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escalation process further controls and reviews may be required to be put in place between then and the end of the financial year.

- There remain risks in delivery of the financial plan but none at this stage in the financial year that cause any undue concern.
- It is therefore anticipated that the Board will achieve the target agreed with the Scottish Government Health and Social Care directorate and the delivery of our financial plan.

Key actions agreed in this period

1. Delivery of our Efficiency Savings Target

As mentioned above, as identified in the financial plan there continues to be a gap of £1.3 million in the delivery of our efficiency at this time in the financial year. Significant work continues in identifying and implementing savings plans to achieve our £12.7 million full year savings target and this is reflected in our updated financial forecast. In addition, a number of the efficiency schemes identified to date are noted as non-recurring and this is also being closely monitored.

ACTION: Financial review meetings are ongoing to review current progress, and aim to identify further efficiency opportunities including tracking of existing savings. This continues to be delivered through the support of the Best Value Programme and local savings schemes and working groups. Best value programme plans have been identified and a detailed project plan and leads put in place. There is also a clear escalation process through the programme governance process at the agreed points from the project plan.

Increased cost control continues to be a strong focus across the Service and is contributing to the overall financial position and a review of the current delegated limits is underway and may need to be escalated if the planned savings are not achieved in this financial year.

The financial forecast has completed an updated savings trajectory and in addition to working on delivering our local efficiency plans, has identified a list of key schemes totalling £2.3 million that need to be delivered in the remainder of this financial year. The Best Value operational group is now prioritising the delivery of these programmes and reporting on progress will be a key feature of the weekly Executive Team review.

2. Scottish Government three year Agenda for Change pay policy and funding

Year two of the three year pay deal has been implemented and has, as planned, added 2.7% to our pay bill, approximately £5.7 million.

ACTION: the financial plan assumed this pressure will be fully funded by Scottish Government. We have to date received funding for £4.5 million and the balance of £1.2 million assumes to be fully funded. Meetings with Scottish Government continue to be positive and this funding has been assumed within our full year forecast.

3. Scottish Government Superannuation

The Department of Health and Social Care confirmed that the employer contribution was to increase from 14.9% to 20.9% from 1 April 2019. This increase has been incorporated into the staffing budget. The additional cost to the Service is around £10.1 million which was anticipated as being fully funded.

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ACTION: £8.7 million funding has been confirmed to date with further analysis being undertaken locally to assess the actual increase in costs including vacancies and turnover. The estimated pressure to the Service at this stage is in the region of £0.35 million, this position will be closely monitored. Our SLA income has been increased to recover this increase from other NHS Boards.

4. Annual Operational Plan meeting with Scottish Government

The updated forecast position including risks and actions will be the focus of continued review by Scottish Government and a further financial review meeting in October has been scheduled. The funding assumptions included within our Board and Scottish Government approved financial plan have been assumed within our full year forecast.

ACTION: Financial review meetings with Scottish Government remain positive and indications are that the Service assumptions on anticipated allocations shall be met and the Revenue Resource Limit will reflect that accordingly. A further financial review meeting is planned for early October.

5. Pay during Annual Leave

Following national agreement on 'Pay during Annual Leave' for voluntary overtime and excess hours, the Service actioned arrears payments in August to staff, as per the nationally agreed and negotiated position. A nationally agreed and negotiated in partnership calculation was applied and the total payments were higher than our financial plan anticipated. This was due to

- our calculation was based on actual rates over the period since August 2017 however the nationally agreed formula was based on rates as at March 2019
- our calculation was based upon actual annual leave days whereas the national formula assumed the average of 30 days applies to all staff regardless of when they started
- an assumption regarding our offset of extended duty payments already made

The shortfall is in the region of £500k and our forecast assumes this is fully funded.

ACTION: Scottish Government are working with the Directors of Finance to understand the full analysis of actual paid compared to funding with a meeting scheduled in October to agree next steps.

New Financial Risk considerations noted in the period

The financial risks identified within the financial plan remain at the level anticipated in the plan, and have been described in the early section of this report with the key priority area in delivering our efficiency savings programme.

As noted last month, Highland and Island Airports Limited are seeking increased charges for the use of airports back to 2015. The Service has previously only agreed increased charges for 2018/19. A meeting has taken place between both parties and the Service has agreed to formalise their position for further review by the Highland and Island Airports Limited Board. A further discussion is planned for October. Our financial forecast assumes no payment of backdated charges and remains the position of the Board.

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Further financial cost pressures identified include the impact of rateable value increases on the ScotSTAR bases in Glasgow and Aberdeen for the last 4 years, totalling £0.6 million, plus costs of mandatory upgrades to the fixed wing aircraft of £0.16 million. Discussions continue with the relevant parties in agreeing a final position.

The Scottish Trauma Network (STN) anticipated allocation includes £0.9 million which we understand has not been set aside by Scottish Government. However we have received assurance that the STN have confirmed with reasonable confidence that they will be able to meet the Service's requirement from slippage across the network. This will also be closely monitored.

Finance position as at August 2019

Introduction

This section of the paper provides details of the financial results for the period ending August 2019. Budget management is underway with budget plans, efficiencies and financial pressures identified. In line with most Boards, the reliance on non-recurring savings is likely to continue to be a feature in this financial year. This delivery of the financial plan remains a major focus of the regular management accounts team meetings with Service heads, as well as more detailed tracking of efficiency savings and a review of Service internal control processes and delegated limits.

For the purpose of understanding the financial data tabled within this report the following guidelines are provided:

- All Income budget and actual figures are presented as credit values (in brackets), a positive variance value against income reflects an improved performance against income plan whereas a negative variance is reflective of an underperformance contrary to income plan.
- All Expenditure budget and actual values are shown as positive figures; a positive variance value against expenditure reflects a favourable under-spend against budget plan whereas a negative variance is reflected of an adverse performance on budget plan.

At this point, we have noted finance related developments taking place in the wider NHS environment that may have an impact on the financial planning of the Board.

The Scottish Government Health team are working on a financial planning process for the next spending review up to 2024/25. The Service has contributed to this work and has identified the key investment priorities over this period. This identifies the work on our Demand and Capacity as our key priority issue with a total estimated investment of up to £28 million. This increased capacity will crucially allow us to respond to our sickest patients quickly saving even more lives, and reduce response times for less acutely ill patients, allowing for timely assessment and conveyance where necessary and management within communities where appropriate. This will also relieve significant stress on our staff, reducing shift overruns, allowing time for staff rest periods and improving overall staff health experience and wellbeing. The

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business case supporting this is currently being completed and due to be presented to the Board in October 2019.

SUMMARY OF YEAR TO DATE POSITION

Table 1 reports that the revenue position for the financial year to the end of August is a deficit of £1.665 million, made up of the following:

- Income – under budget by (£0.1) million
- Expenditure Pay – under budget by £0.6 million
- Expenditure Supplies – over budget by (£0.63) million
- Savings – behind target by (£1.34) million
- Expenditure Non-core – over budget by (£0.18) million

Table 1 – Scottish Ambulance Service high level overview

SCOTTISH AMBULANCE SERVICE BOARD
REVENUE RESOURCE ANALYSIS
PERIOD TO 31 AUGUST 2019

	Full Year Budget £'000	Year to Date			Current Month		
		Budget £'000	Actual £'000	Variance £'000	Budget £'000	Actual £'000	Variance £'000
Income							
Revenue Allocation	281,203	114,113	114,113		24,407	24,407	
Health Board	5,099	2,383	2,394	11	602	545	(57)
Other Healthcare	798	344	311	(33)	67	68	1
Fleet	206	86	52	(34)	17	16	(1)
Staff Car Deductions	312	131	105	(26)	26	23	(3)
Other Operating	1,313	807	780	(27)	120	194	74
Total Income	288,931	117,864	117,755	(109)	25,239	25,253	14
Expenditure							
Accident & Emergency	197,537	81,801	81,208	593	16,563	16,372	191
Non Emergency Service	24,398	10,254	10,134	120	2,057	1,980	77
Air Ambulance	14,949	6,279	6,832	(553)	1,258	1,275	(17)
Overheads	52,047	19,530	21,064	(1,534)	5,361	5,489	(128)
Total Core Expenditure	288,931	117,864	119,238	(1,374)	25,239	25,116	123
Non Core Expenditure							
Depreciation (DEL)	13,000	5,415	5,415	0	1,174	1,174	0
Depreciation (Donated)	100	37	37	0	7	7	0
Asset Disposal			182	(182)		105	(105)
Total Non Core Expenditure	13,100	5,452	5,634	(182)	1,181	1,286	(105)
Surplus / Deficit				(1,665)			32

Table 2 – Income and Expenditure

Table 2 provides the year to date position between service and support directorates

SCOTTISH AMBULANCE SERVICE BOARD
INCOME AND EXPENDITURE SUMMARY
PERIOD TO 31 AUGUST 2019

		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
Service Delivery Directorate	Income	(2,896)	(2,883)	(13)	0%	(686)	(705)	19	3%
	Salaries	86,000	84,939	1,061	1%	17,390	17,105	285	2%
	Supplies	15,955	16,794	(839)	-5%	3,211	3,239	(28)	-1%
	Sav Target	(491)		(491)		(98)		(98)	
	Sav Realised	602		602		115		115	
				320					293
Support Services Directorates	Income	(855)	(759)	(96)	-11%	(147)	(142)	(5)	-3%
	Salaries	9,314	9,778	(464)	-5%	2,618	3,108	(490)	-19%
	Supplies	13,392	13,363	29	0%	3,009	2,949	60	2%
	Sav Target	(3,509)		(3,509)		(902)		(902)	
	Sav Realised	2,055		2,055		1,076		1,076	
				(1,985)					(261)
SCOTTISH AMBULANCE SERVICE	Income	(3,751)	(3,642)	(109)	-3%	(833)	(847)	14	2%
	Salaries	95,314	94,717	597	1%	20,008	20,213	(205)	-1%
	Supplies	29,347	30,157	(810)	-3%	6,220	6,188	32	1%
	Sav Target	(4,000)		(4,000)		(1,000)		(1,000)	
	Sav Realised	2,657		2,657		1,191		1,191	
				(1,665)					32

Table 3 – Service Delivery

Service delivery is £0.3 million favourable against budget at 31 August. Savings of £0.6 million have been realised against directorates' targets of £0.5 million to date, giving a net savings surplus of £0.1 million at month 5. Service areas have total efficiency savings forecast of £1.8 million for the year, this is against a target of £1.2 million.

Pay costs are £1.0 million under spent over all service areas, with vacancies within the National Operations Directorate as we continue to recruit to our Control Centre expansion and Enhanced Specialist Operations teams.

Non pay costs are £0.8 million over budget to date with the largest over spend area being Air Ambulance costs (£0.5 million). This is due to a combination of increases in both price and usage. Flying Hours have increased for both Fixed Wing and Rotary aircrafts while costs have also risen for airport standby & landing charges, fuel prices due to inflation and exchange rates pressures. Other expenditure lines that are being monitored closely include accommodation, travel & subsistence and diesel.

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Table 3

**SCOTTISH AMBULANCE SERVICE BOARD
INCOME AND EXPENDITURE - SERVICE DELIVERY
PERIOD TO 31 AUGUST 2019**

		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
NORTH REGION	Income	(452)	(469)	17	4%	(103)	(123)	20	19%
	Salaries	14,560	14,378	182	1%	2,941	2,885	56	2%
	Supplies	1,529	1,625	(96)	-6%	298	289	9	3%
	Sav Target	(79)		(79)		(16)		(16)	
	Sav Realised	34		34		7		7	
				58			76		
EAST REGION	Income	(663)	(642)	(21)	-3%	(186)	(201)	15	8%
	Salaries	23,391	23,118	273	1%	4,755	4,648	107	2%
	Supplies	2,457	2,611	(154)	-6%	484	512	(28)	-6%
	Sav Target	(125)		(125)		(25)		(25)	
	Sav Realised	116		116		24		24	
				89			93		
WEST REGION	Income	(1,456)	(1,447)	(9)	-1%	(332)	(321)	(11)	-3%
	Salaries	32,360	31,905	455	1%	6,537	6,414	123	2%
	Supplies	3,364	3,493	(129)	-4%	639	677	(38)	-6%
	Sav Target	(175)		(175)		(35)		(35)	
	Sav Realised	424		424		84		84	
				566			123		
NATIONAL OPS	Income	(325)	(325)	0	0%	(64)	(60)	(4)	-6%
	Salaries	15,689	15,538	151	1%	3,157	3,159	(2)	0%
	Supplies	8,606	9,066	(460)	-5%	1,790	1,761	29	2%
	Sav Target	(112)		(112)		(22)		(22)	
	Sav Realised	28		28				0	
				(393)			1		
TOTAL SERVICE DELIVERY	Income	(2,896)	(2,883)	(13)	0%	(685)	(705)	20	3%
	Salaries	86,000	84,939	1,061	1%	17,390	17,106	284	2%
	Supplies	15,956	16,795	(839)	-5%	3,211	3,239	(28)	-1%
	Sav Target	(491)		(491)		(98)		(98)	
	Sav Realised	602		602		115		115	
				320			293		

Table 4 – Support Services Directorates

Support services are being reported as £2.0 million over budget. Within table 4, the Finance & Logistics savings target includes the Best Value Programme target of £7.8 million and the service-wide cost control target of £2.0 million. Aside of this, support services have confirmed forecast savings of £0.8 million against their savings target of £0.6 million.

Table 4

SCOTTISH AMBULANCE SERVICE BOARD
INCOME AND EXPENDITURE BY DIRECTORATE
PERIOD TO 31 AUGUST 2018

		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
BOARD AND CHIEF EXECUTIVE	Income	(6)	(8)	1	23%	(1)	(1)	(0)	-19%
	Salaries	799	797	2	0%	161	162	(0)	0%
	Supplies	56	66	(10)	-18%	6	8	(2)	-44%
	Sav Target	(12)	0	(12)		(2)	0	(2)	
	Sav Realised	22	0	22		8	0	8	
				4					2
FINANCE AND LOGISTICS	Income	(776)	(703)	(74)	-9%	(130)	(131)	0	0%
	Salaries	4,614	5,168	(554)	-12%	1,651	2,158	(507)	-31%
	Supplies	11,989	11,988	1	0%	2,545	2,591	(47)	-2%
	Sav Target	(3,426)	0	(3,426)		(885)	0	(885)	
	Sav Realised	1,946	0	1,946		1,068	0	1,068	
				(2,106)					(370)
HUMAN RESOURCES	Income	(18)	(17)	(2)	-9%	(4)	(4)	(0)	-3%
	Salaries	857	845	13	1%	181	172	9	5%
	Supplies	381	394	(13)	-3%	75	74	1	2%
	Sav Target	(19)	0	(19)		(4)	0	(4)	
	Sav Realised		0	0			0	0	
				(21)					6
MEDICAL	Income	(8)	(6)	(2)	-25%	(2)	(1)	(0)	-19%
	Salaries	682	665	17	3%	139	141	(3)	-2%
	Supplies	144	191	(48)	-33%	29	31	(3)	-9%
	Sav Target	(11)	0	(11)		(2)	0	(2)	
	Sav Realised	67	0			0	0		
				(43)					(7)
CARE QUALITY AND STRATEGIC DEVELOPMENT	Income	(46)	(26)	(21)	-45%	(9)	(4)	(6)	-59%
	Salaries	2,362	2,304	57	2%	488	476	12	2%
	Supplies	823	724	100	12%	354	243	111	31%
	Sav Target	(43)	0	(43)		(9)	0	(9)	
	Sav Realised	20	0			0	0		
				94					109
TOTAL SUPPORT SERVICES	Income	(854)	(758)	(96)	-11%	(146)	(141)	(6)	-4%
	Salaries	9,315	9,779	(464)	-5%	2,619	3,108	(489)	-19%
	Supplies	13,393	13,362	30	0%	3,008	2,948	61	2%
	Sav Target	(3,509)		(3,509)		(902)		(902)	
	Sav Realised	2,055		2,055		1,076		1,076	
				(1,985)					(260)

Table 5 – Detailed Income Analysis

Details of the financial performance analysed into specific income and funding sources are noted in the table below. This includes scrutiny of the key movements and pressure areas.

SCOTTISH AMBULANCE SERVICE BOARD
INCOME INCLUDING ALLOCATIONS
PERIOD TO 31 AUGUST 2019

Table 5

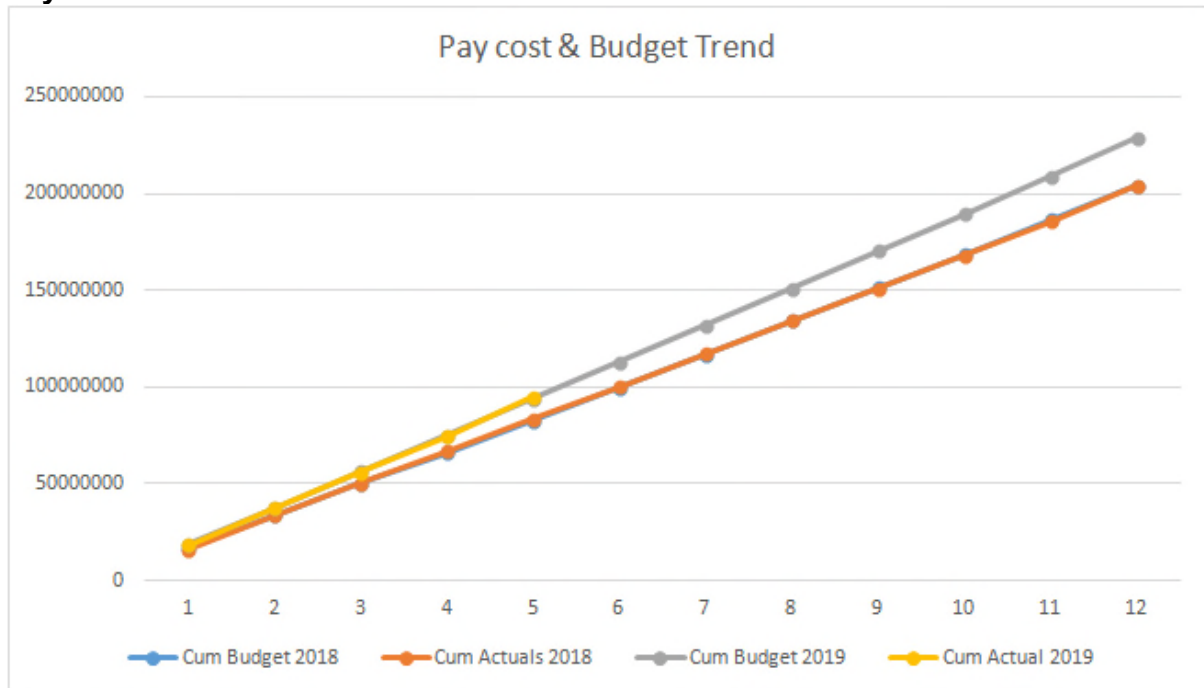
	Full Year Budget £'000	Year to Date		
		Budget £'000	Actual £'000	Variance £'000
Income				
Revenue Allocation	294,303			
Baseline Allocations	284,960			
Recurring Allocations	193			
Non-Recurring Allocations	9,150			
Fleet Income	206	86	52	(34)
Health Board	5,099	2,383	2,394	11
Other Healthcare	798	344	311	(33)
Other Operating	1,313	807	780	(27)
Staff Car Deductions	312	131	105	(26)
Total Income	302,031	3,751	3,642	(109)

Total income (including funding) to date is £109,000 behind target. This position is expected to improve in future months as income from events undertaken is recognised.

The original financial plan assumed revenue funding allocations of £286 million. Adjustments are made on a monthly basis to the budget to include any additional allocations as they are notified to the Boards from Scottish Government and other NHS Boards. There are no significant issues to identify.

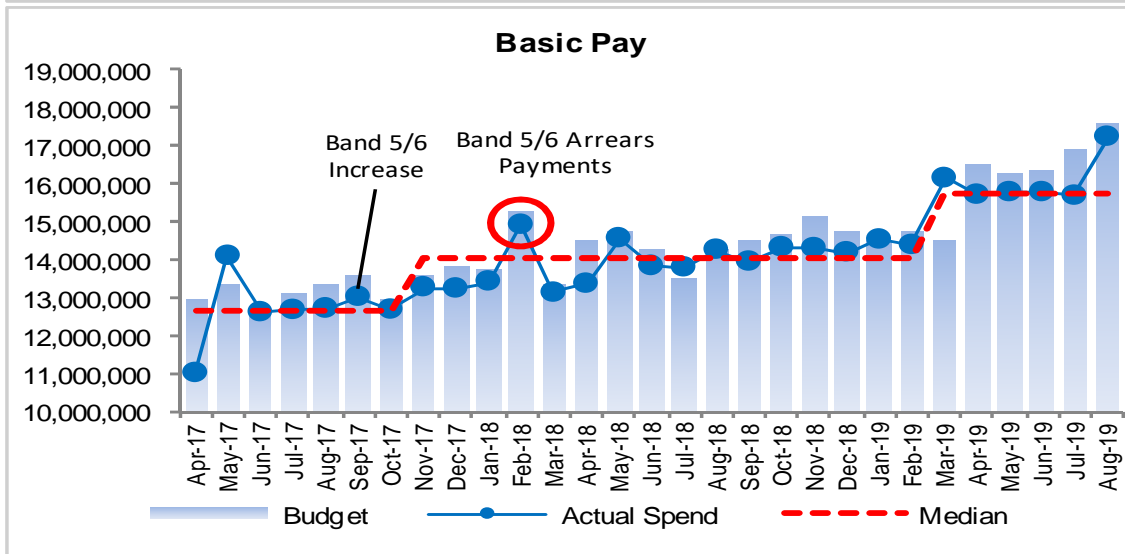
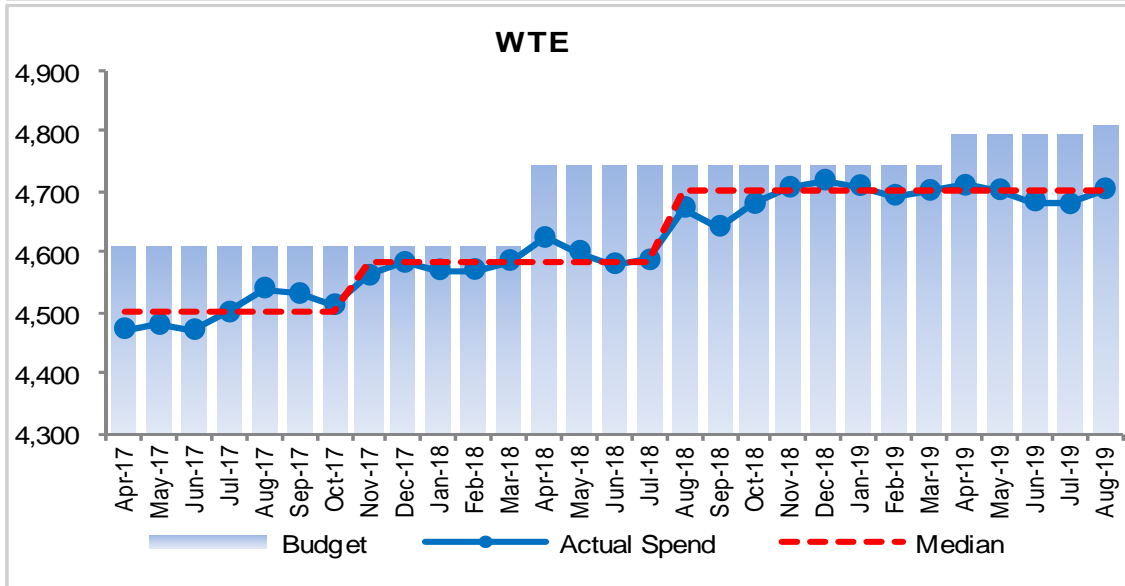
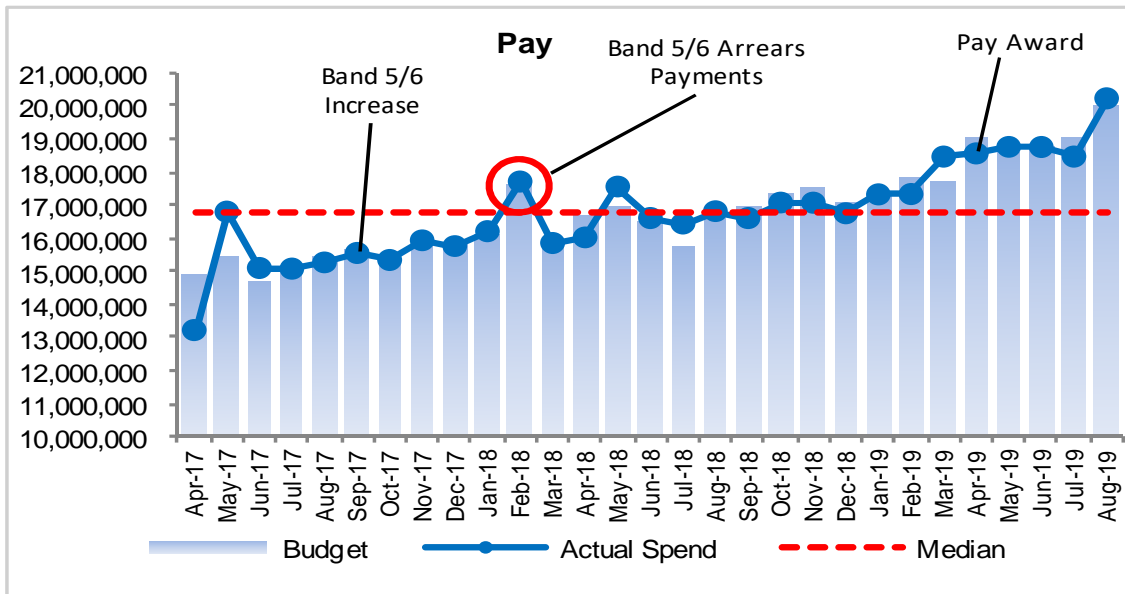
Detailed Expenditure Analysis

Pay



The pay graph above reflects both year to date budget and year to date actual spend for financial year 2018/19 and 2019/20. As can be seen, the trend clearly shows 2019 costs as expected exceeding 2018 values, due to increased WTE as a result of our developments, Agenda for Change pay award, incremental drift and the superannuation increase applied from April 2019. Table 6 below provides the detail on the uplift in average WTE from this time last year.

The chart below has a trend analysis from April 2017. Also included are trends for WTE and Basic Pay – where the effects of the pay awards and re-grading of Paramedics from Band 5 to Band 6 take effect.



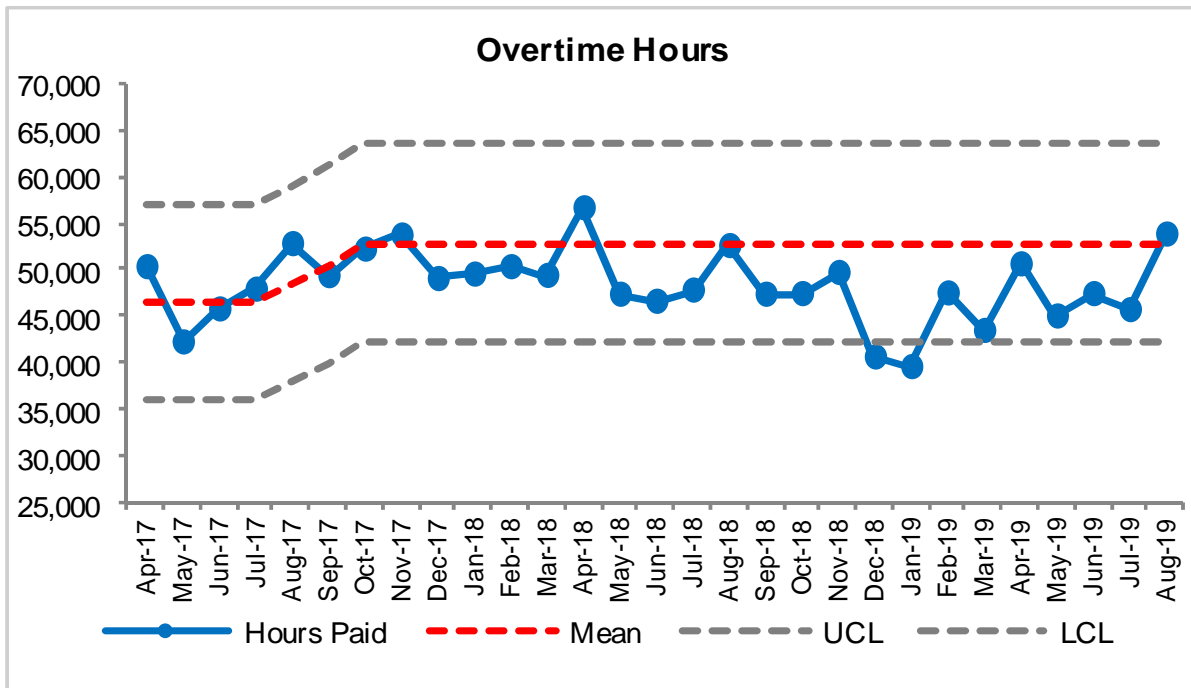
This confirms pay costs as one of our key pressure areas.

Table 6

**SCOTTISH AMBULANCE SERVICE BOARD
STAFF AND OVERTIME SUMMARY
PERIOD TO 31 AUGUST 2018**

		East Region	North Region	West Region	National Ops	Service Delivery
Current Year	Average WTE	1,217	697	1,663	738	4,315
	Overtime Hours	63,508	48,847	98,606	27,819	238,780
	Overtime Cost (£'000)	1,482	1,113	2,215	507	5,317
Prior Year	Average WTE	1,200	671	1,680	700	4,251
	Overtime Hours	66,842	48,559	101,971	30,283	247,655
	Overtime Cost (£'000)	1,448	1,054	2,166	492	5,160
Variance	Average WTE	17	26	(17)	38	64
	Overtime Hours	(3,334)	288	(3,365)	(2,464)	(8,875)
	Overtime Cost (£'000)	34	59	49	15	157

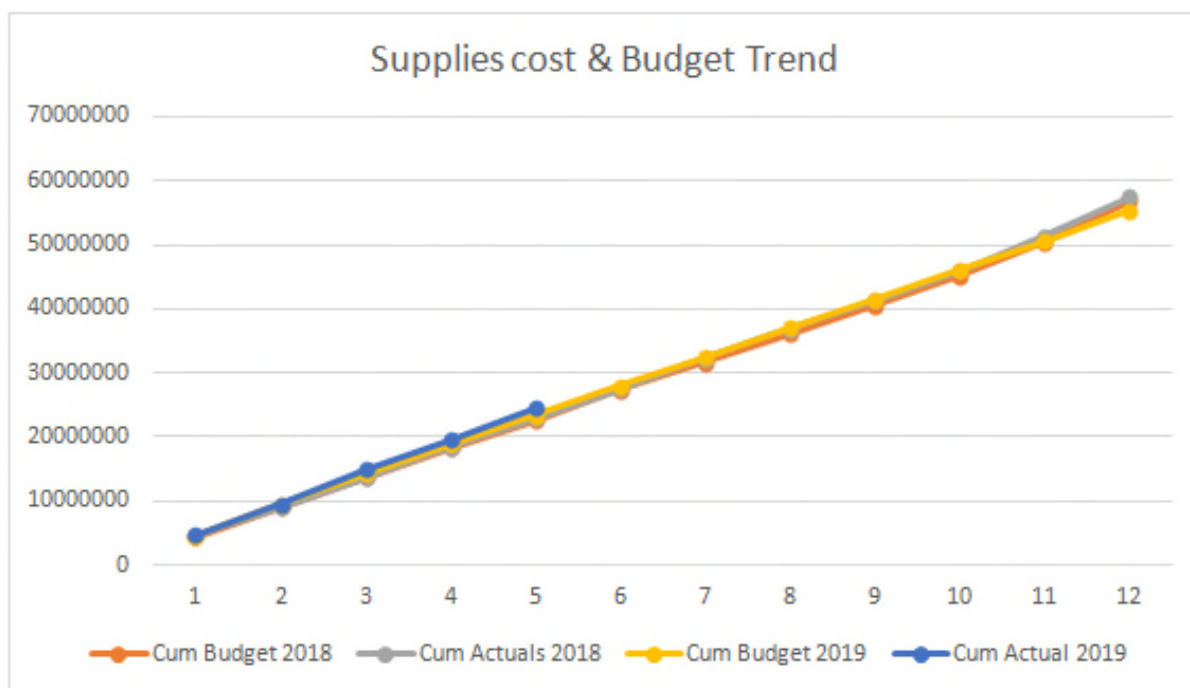
The above table illustrates that the average WTE has increased by 64 WTE from the same period last year, as further ambulance paramedics continue to be recruited and trained. In addition to this we continue to see a decrease in overtime hours as we work to our roster plans put in place during 2018/19 as monitored through the best value programme.



The trend in overtime hours for the last financial year is demonstrated in the graph above. Significant work has been taking place over the last year to put additional controls and scrutiny in the management of overtime and this has seen an improving position as part of the recovery actions by operational managers.

The sharp increase in overtime hours paid in August primarily relates to the timing of training (mandatory training and also the beginning of our Paramedic education programme) during a holiday period. As part of our continuous improvement plans the Head of Education and Professional Development will look to redesign and carefully plan mandatory training requirements to ensure that this is delivered in line with operational requirements and minimise the impact on shift cover and additional overtime costs especially over likely annual leave periods.

Non-pay



The non-pay graph above reflects year to date budget and year to date actual spend for both 2018/19 and 2019/20. While there continues to be a cost pressure this shows there is no significant increase from 2018/19 which demonstrates the continued cost control processes.

The non-pay position to date shows a (£0.63) million over spend with a number of ongoing cost pressures remaining:

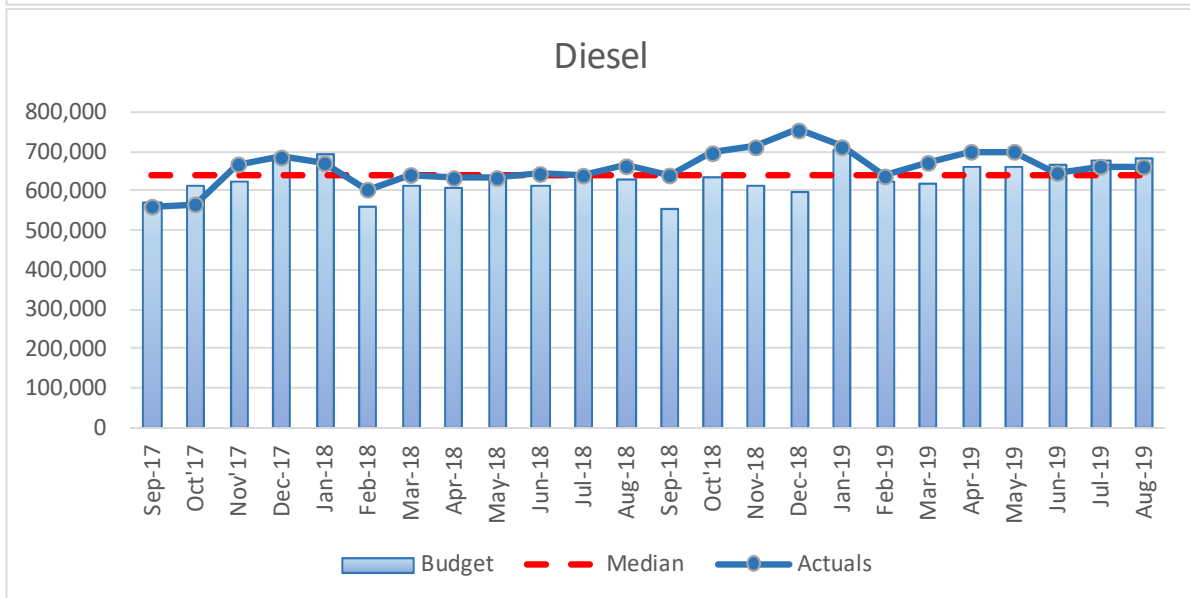
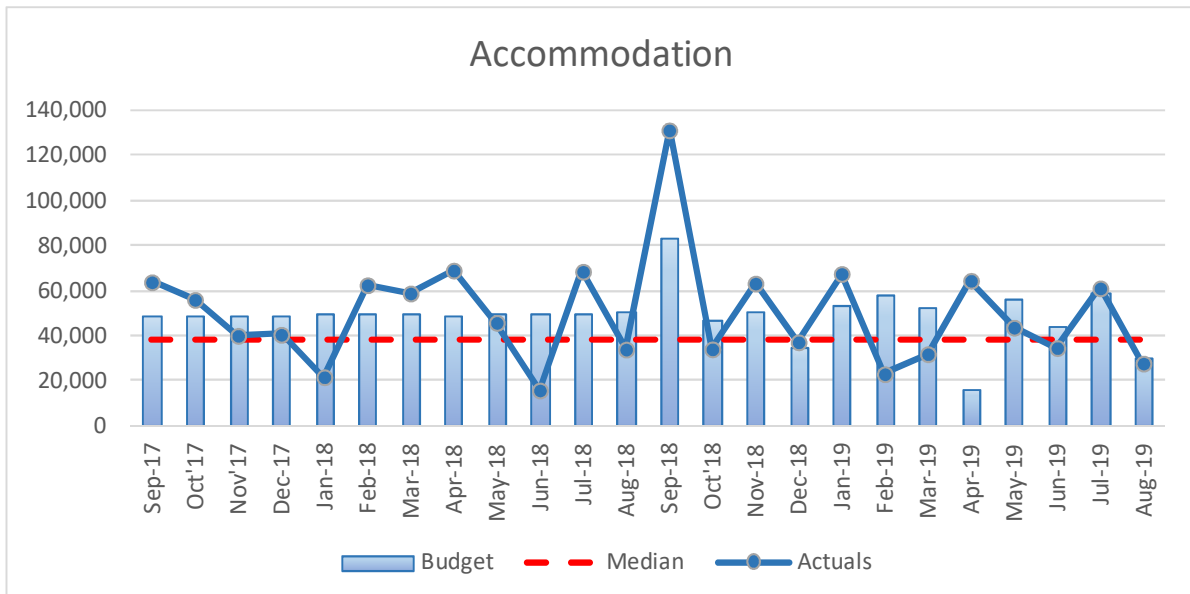
- Air Ambulance costs (£0.5) million over budget -. There has been a 10% uplift in the hourly flying charge for the fixed wing aircraft due to inflationary and exchange rate pressures while total flying hours are 5% higher than the same period last year.
- Travel & Subsistence (£0.1) million over budget – Expenditure is 9% higher than same period last year. This area remains a key focus for the Best Value programme with the review of hotel bookings not demonstrating the decrease in costs as anticipated, however it is recognised there are additional staff and training taking place. A review of the travel policy is currently underway. A communication on meal breaks subsistence, which had been identified as a significant cost increase, has also been issued to staff to ensure this is being applied in line with agenda for change terms and conditions. A further audit of this will be undertaken over the next month.
- Vehicle Running Costs (£0.04) million over budget – The volume of fuel purchased has increased 3% against the same period last year whilst the average price has been 0.5% higher adding £0.14 million to our cost base for five months. Vehicle leasing charges also contribute to this cost pressure. With a review of car leasing also being actioned.
- Software costs (£0.1) million – Investment has been made in regards Software licences and support as part of the Demand & Capacity Programme. This is in

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the main non-recurring expenditure and the benefits of this work will be described within the Demand and Capacity business case.

On a positive note, vehicle maintenance costs continue to remain under budget with little uplift from last year's reported figure, due to the fleet replacement strategy and strong management control.

A number of the items detailed above are presented in graphical form below illustrating the expenditure trends over the last two years (rolling).



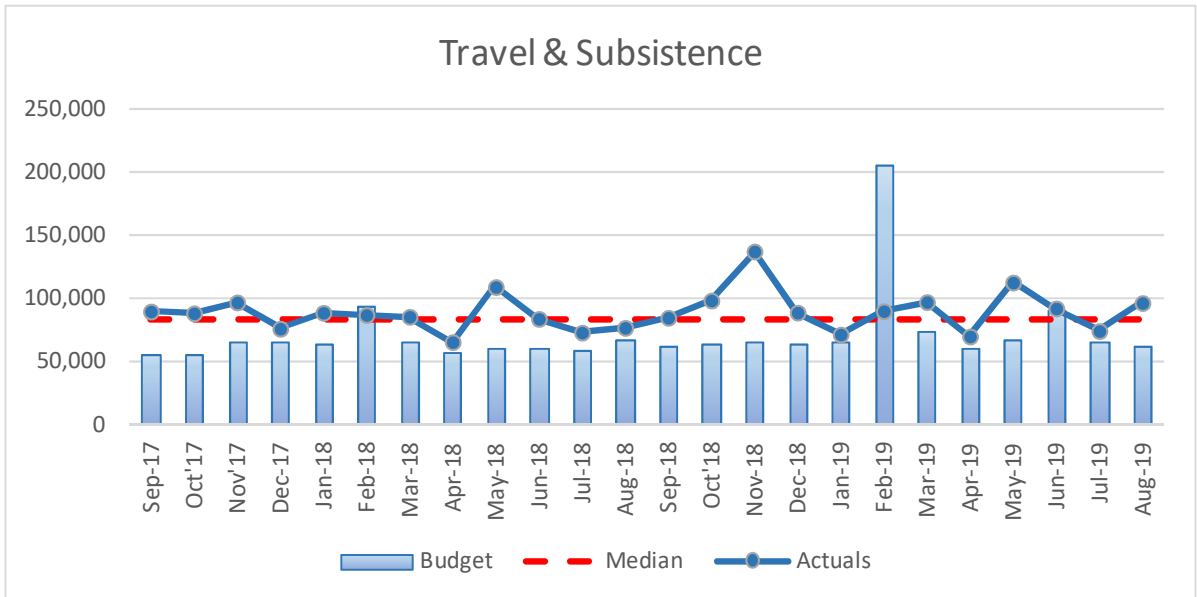
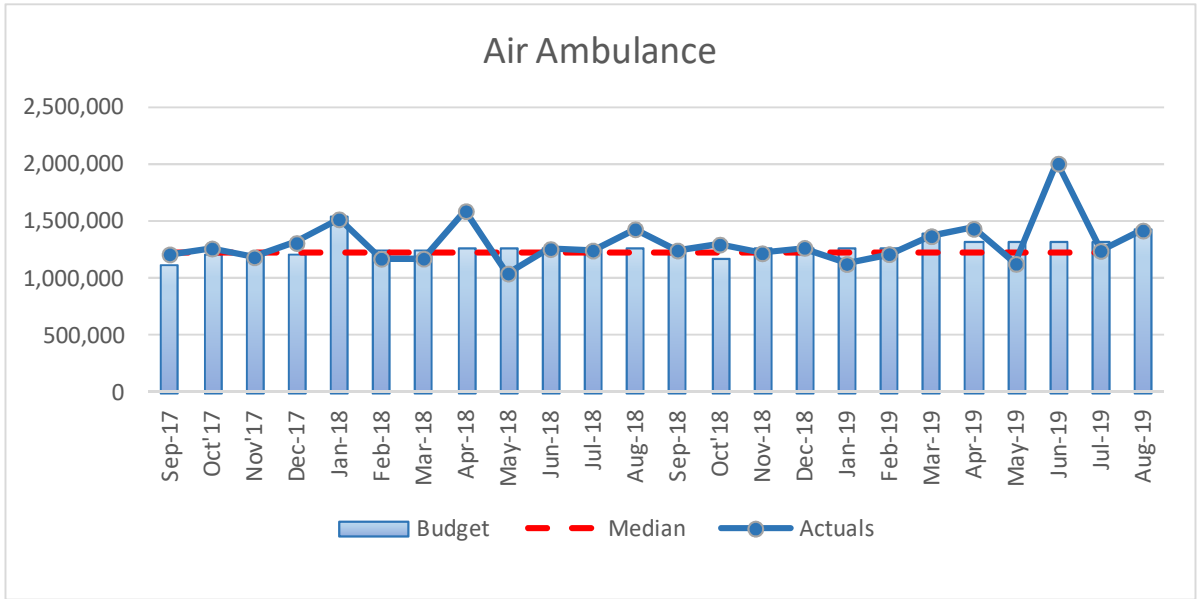


Table 7 – Strategy Investment

The Scottish Government is investing an additional £6.6 million in 2019/2020 to support the delivery of “Towards 2020: Taking Care to the Patient” bringing the total investment to date to £24.6 million.

This allows the Service to continue enhancements within Ambulance Control Centres, and to take forward paramedic recruitment, development of advanced practice and the implementation of enhanced Developing Frontline Leaders and Managers (DFLM) time.

The table below provides a breakdown of the full investment along with the expenditure committed at this point.

SCOTTISH AMBULANCE SERVICE BOARD
STRATEGY INVESTMENT REPORT
PERIOD TO 31 AUGUST 2019

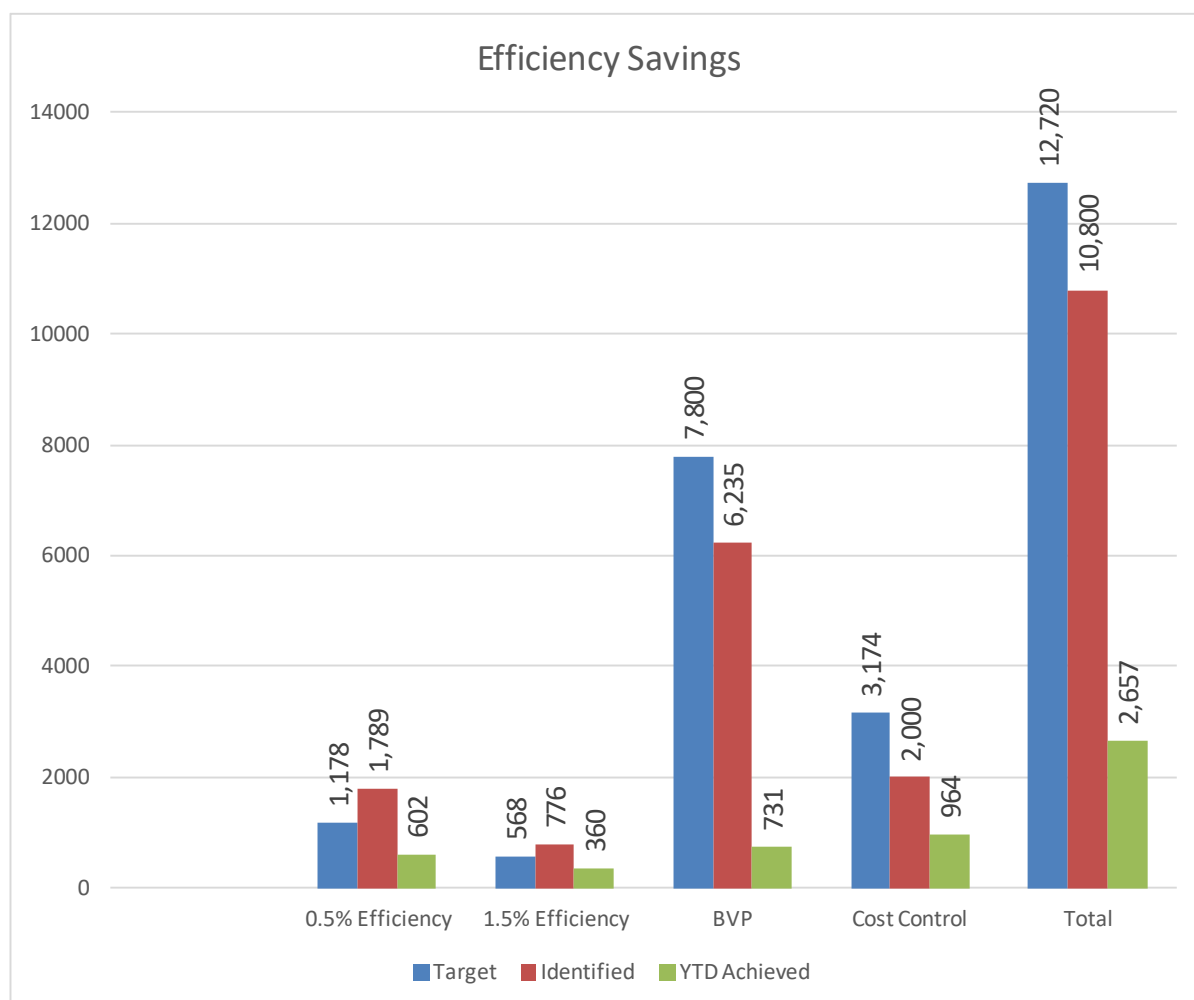
	Previous Investment £'000	2019/20 Investment £'000	Total Investment £'000	Released to Date £'000
Divisions Low Acuity	833		833	833
ACC Low Acuity	255		255	255
ACC Urgent Tier desk	120		120	120
ACC Additional Call takers	330		330	330
Ambulance Control Centres	2,840	2,512	5,352	3,589
Out of Hospital Cardiac Arrest	210	190	400	210
DFLM	650	1,250	1,900	323
Training - additional training staff	600		600	600
Training - additional non pay costs	312		312	312
Specialist Paramedics B6	6,908	2,798	9,706	4,016
Implementation Support	392		392	392
Workforce Development	4,400		4,400	4,400
Telehealth	150	(150)		
Total Strategy Investment	18,000	6,600	24,600	15,380

The financial plan assumed slippage of £4.0 million against the strategy and other investment continues into month 5 activity.

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Efficiency Savings

Savings of £2.7 million were delivered against the five month savings target of £4 million and against full year identified plans of £10.8 million as identified within our full year forecast. This detail is plotted in the graph below, split into the various savings streams.



As described within the financial plan the efficiency plans are split into three specific areas:

- **Directorate Savings Target**

Each Directorate has been allocated 0.5% Service target or 1.5% Support efficiency targets to recognise the requirement to continually review our costs and ensure reinvestment in our services to meet ongoing cost pressures. With 80 proposals valued at £1.2 million submitted initially, of which 18 have savings identified to date of £0.1 million, further schemes have since been identified and these targets are forecasted to be fully achieved. This is being continually reviewed and formal escalation processes put in place by September if a directorate has failed to identify sufficient schemes to meet their target.

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- **Best Value Programme**

The Service launched the Best Value Programme in May 2018 to agree a new service wide efficiency savings approach, which aims to use innovation and improvement methodology to drive systematic change and transform services to deliver better value, cost efficient services for the organisation whilst continuing to deliver high quality care. The programme crucially will also be responsible for promoting forward thinking within the Service, horizon scanning and capitalising on best practice across the wider NHS, public and private sectors to create a pipeline of future efficiency opportunities to inform the build of a 3-5 year sustainable financial plan.

The £7.8 million savings target for this year is driven from 48 projects/work streams identified and agreed. With a number of the work streams in the early stages, it is anticipated that the pace of savings delivery will increase in the coming months. To date, £0.8 million of savings have been recognised in the first four months, which includes savings from abstractions, sickness absence, shift over-runs and fuel initiatives. The management accounts team have been reviewing the projects regularly with the BV team, and will continue to liaise with operational directors to ensure targets can be met over the course of the year, as it is recognised that some of these work streams fall into a medium and high level of delivery risk categories. The updated forecast has identified a list of high priority programmes that need to deliver £2.3 million savings between now and year end. Significant work and focus is now on these areas and updates are provided weekly to the Executive team.

- **Cost control**

Work is also ongoing considering additional cost control measures being put in place these will be escalated at month 6 if the financial position does not improve. This is considering a review of delegated limits, review of PECOS (contract and non contract usage), roster management and stock control.

- **Unidentified Initiatives**

The financial plan identified £1.3 million of unidentified savings. Work continues to review expenditure and best practice to assess if further projects can be identified. and the financial forecast continues to assume further efficiencies will be identified.

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Forecast

The financial forecast position to break even remains very tight. The level of engagement with budget holders is excellent, whereby they share lots of ideas to delivery services more efficiently realising better value however the key focus now is on implementation. Each Region is working up actions plans to delivery against their identified plans. Given the tight position the financial forecast is now being reported as part of our monthly financial position. As expected we are also working on an internal escalation plan if this needs to be implemented.

Regular meetings have been set up with our SG Colleagues to keep them up to date with the position this is in addition to our regular financial performance reporting.

Forecast Position

The forecast position remains on track to break even, although this will continue to require significant focus. We are doing this through very detailed monitoring and evaluation on a weekly basis, working to key trigger points to focus attention within specific higher spend areas.

The summary position is:

Description	Financial Plan	Forecast at month 4	Forecast at month 5
Cost Pressures	£21.75m	£22m	£21.7m
Income Assumptions	In line with plan	In line with plan	In line with plan
Efficiency plans			
Committed plans		£4.5m	£4.5m
Cost control		£2m	£2m
Further plans		£4.3m	£4.3m
Total		£10.8m	£10.8m
Further efficiencies under review		£1.9m	£1.9m
Total	£12.7m	£12.7m	£12.7m

CAPITAL POSITION AS AT MONTH 4 (31 JULY 2019)

2019/20 Capital Budget

The Service's Capital budget is made up of 2 elements:

- Formula Capital of £1.794 million
 - The Service is provided with this allocation to fund all capital projects that are not subject to approval by the Scottish Government Capital Investment Group (CIG) or has not received a separate earmarked allocation
- Earmarked Allocation
 - The Service receives earmarked allocations for Business Cases that have been approved by the CIG. In 2019/20 the following earmarked allocations are anticipated to be received:
 - Defibrillator Replacement Programme £10.6 million
 - Fleet Replacement Programme £12.734 million
 - Scotstar £250k
 - ICCS Replacement £1.2 million (amount to be confirmed)
 - Scottish Trauma Network £138k (amount to be confirmed).

To date, only the Core Allocation of £1.794 million has been received by the Service. This is in line with previous years, where Scottish Government has processed all earmarked allocations in September.

ALLOCATION

Received

Core Allocation	1,794,000
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Anticipated

Defibrillator Replacement	10,609,000
Fleet Replacement	12,734,000
Scotstar	250,000
Scottish Trauma Network (Amount to be confirmed)	138,500
ICCS Replacement (Amount To be Confirmed)	1,240,000
Total Capital Allocation	<u>26,725,500</u>

YTD Capital Position

The YTD Capital Position is shown in the table below. The expenditure to end of Month 4 is 16.5% of the total anticipated budget. Most of the expenditure relating to the Defibrillator Replacement, Fleet Replacement and ICCS Replacement projects will be incurred in Quarters 3 and 4.

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Capital receipts of £311.9k have been received as a result of vehicles being sold for a price higher than the NBV. These receipts can be used for additional capital expenditure above the allocated budget and will be considered by the Capital Programme Governance Group (CPGG).

The unallocated budget of £633,000 will be fully utilised during 2019/20 as mini business cases submitted and approved by the CPGG. There are a number of anticipated projects in the pipeline and an update on the progress of these are discussed at each meeting and this allows for prioritisation of emerging developments.

In addition, expenditure of £22,000 on equipment for Scotstar North was incorrectly coded to the revenue budget. The expenditure has been reallocated to capital and the Capital Programme Governance Group (CPGG) have requested a retrospective mini business case for this project.

It is anticipated that the Capital Budget will break-even at year-end.

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**SCOTTISH AMBULANCE SERVICE
CAPITAL REPORT
2019-20**

As at Month 5 (31 August 2019)

PROJECT	Approved Budget £	YTD Actuals £	Notes
Formula Capital Projects			
eHealth and ICT	261,618	4,569	
Property	411,900	(3,477)	
Medical Equipment	15,000	14,957	
Unallocated	633,482	0	Budget will be allocated to projects upon approval of BC
	1,322,000		
	0	16,048	
Earmarked Allocations			
	1,713,916		
Enhancing Capability		176,624	
Defib Replacement	11,059,000	560,774	Additional £450k from Formula Capital added to Earmarked allocation
	1,240,000		
ICCS Replacement	0	0	Budget to be confirmed
Scotstar	272,000	21,933	
Major Trauma	138,500	0	Budget to be confirmed
	11,020,000	3,930,900	
Vehicles	84	49	
	25,443,500	4,690,280	
		(311,854)	
Capital Receipts	0	4)	Gain on sale of vehicles
TOTAL	26,765,500	4,394,475	

Approved and Anticipated Projects

The following table shows details of all projects that have had a mini business case approved and funding allocated from the Formula Capital Budget along with anticipated projects that are awaiting submission of a Business Case to the Capital Governance Group.

<u>Approved Projects for Formula Capital</u>		£
eHealth and ICT		
Video Conferencing		6,430
SASNet (Coin Replacement)		87,000
Back Up Telephony		30,000
West Education Centre, Hamilton		10,200
C3 Demand Management Module		16,742
Kirkwall Airwave Kit		32,250
LAN Equipment		15,330
C3 Auto Dispatch Module		63,666
Total- eHealth and IT		261,618
Special Projects		
Defib Replacement		450,000
Total - Special Projects		450,000
Property		
Cumnock		405,000
Elgin		6,900
Total - Property		411,900
Operations		
Medical Equipment		15,000
North Scotstar Equipment		22,000
Total - Equipment		37,000
Total Approved Projects		1,160,518
Unallocated Budget		633,482
<u>Anticipated Projects</u>		
NICE Replacement	120,000	
EPR Enhancements	25,000	
VC Enhancements	30,000	
SORT Additional Defibs	175,560	
Respiratory Protection (Capital to Revenue transfer)	578,583	
Total - Anticipated Projects		929,143
Revised Unallocated Budget		<u>(295,661)</u>

Key Risks

Defibrillator Replacement Project

Due to the late commencement of this Programme, the completion date is now expected to be the end of May 2020. The funding allocated by Scottish Government is due to be received in 2019/20 only. The costs associated with the extension to May 2020 are being calculated with the expectation that a request will be made to Scottish Government to defer some of the £10.6m allocation to 2020/21. This is considered to be low risk.

ICCS Replacement Project

Following the approval of the Business Case in November 2018, positive conversations were held with Scottish Government to request funding to cover these costs. The capital funding has now been received and discussions continue on seeking funding for the revenue costs as part of the ESN programme. A detailed updated will be presented to the Board in September.

All other projects are expected to be delivered on time and within budget.

CONCLUSION

The reported financial position of £1.7 million over budget after 5 months aligns with our financial plan trajectory for reporting a £1.6 million overspend against Core RRL at the end of August 2019. The key contributors to this have been described above with corrective actions noted. Progress will be monitored and updated each month.

It was always anticipated that the savings plans would be delivered later in the year however the £2.7 million savings achieved to date against the planned £4 million at this stage is lower than planned, and detailed work continues in delivering and tracking savings

A detailed year end forecast is discussed above with key areas of focus highlighted. These areas will continue to be the focus of 1-1 meetings with the Director of Finance and key budget holders with weekly updates also provided to the Executive Team.