

NOT PROTECTIVELY MARKED

Public Board Meeting		27 November 2019 Item 10
THIS PAPER IS FOR DISCUSSION		
SUMMARY FINANCIAL PERFORMANCE TO 31 OCTOBER 2019		
Lead Director Author	Julie Carter, Director of Finance, Logistics and Strategy Maria McFeat, Interim Assistant Director of Finance	
Action required	<p>The Board is asked to discuss and note:</p> <ul style="list-style-type: none"> • The financial position to the end of October 2019 • The efficiency savings position to the end of October 2019 • Note the updated financial forecast position 	
Key points	<ol style="list-style-type: none"> 1. The financial position to the end of October 2019 shows a deficit of £1.9 million against a trajectory deficit of £1.4 million 2. Efficiency savings of £5.1 million have been delivered against a target of £6.5 million for the period. 3. The financial forecast remains a break even position. 	
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 OCTOBER 2019

JULIE CARTER, DIRECTOR OF FINANCE, LOGISTICS & STRATEGY

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

The Board is asked to:

- Note the financial position to the end of October 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 7)

Key messages

Total deficit as at October 2019 of £1.9 million (includes both core and non-core expenditure)

- The current position is slightly behind the financial plan trajectory which forecast a £1.4 million over spend against Core Revenue Resource Limit by the end of October 2019. Although we have seen improved cost control there are continuing areas of cost pressures. The efficiency savings programme continues to plan to deliver the majority of savings later in the financial year - this has been reflected in the full year forecast, with the key risks and assumptions described in this section of the report. This will continue to be closely monitored over the remaining months of this financial year through regular meetings with budget holders and detailed updates provided to the Board and the Executive Team.
- The October 2019 total deficit of £1.9 million to date, consists of:
 - Income – under target to date by £0.1 million
 - Core Expenditure – over spend to date of £0.4 million
 - Efficiency savings target for the financial year 2019/20 is £12.7 million. Currently, the Service has realised £5.1 million of savings to month 7 of this financial year, which reflects a gap of £1.4 million against the planned trajectory. Although a slight worsening position from last month, it remains anticipated that the pace of savings delivery will increase in the coming months as the projects are fully implemented. In addition, an accelerated process has been put in place with the Best Value operational group, who meet monthly, with weekly calls also now in place to discuss progress. The Director of Finance meets on a 1-1 basis with the budget holders, and weekly updates are provided to the Executive Team.

Doc: 2019-11-27 October Financial Performance	Page 2	Author: Director of Finance, Logistics and Strategy
Date 2019-11-27	Version 1.0	Review Date: December 2019

- Although savings to date is slightly behind target at month 7, the financial position at month 7 remains broadly in line with plan, which is achieved through a mix of improved cost control and slippage and delivery of savings.
- There continue to be risks in delivery of the financial plan but none at this stage in the financial year that cause any greater concern or should be escalated.
- 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 shortfall in the efficiency savings plans. 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 recovery review meetings are ongoing to review current progress, and aim to identify further efficiency and cost control opportunities including continued tracking of existing savings. This continues to be delivered through the support of the Best Value Programme and local savings schemes.

Best value programme plans have been further identified and a detailed project plan and leads put in place including focused work on our prioritised schemes. There is also a clear escalation process through the programme governance process.

Increased cost control continues to be a strong focus across the Service and is contributing to the overall financial position with a review of the current delegated limits underway and a plan is in place that if required will be escalated.

A very detailed financial forecast has been completed with an updated savings trajectory that 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, with weekly calls also in place in addition to 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.

Doc: 2019-11-27 October Financial Performance	Page 3	Author: Director of Finance, Logistics and Strategy
Date 2019-11-27	Version 1.0	Review Date: December 2019

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 has been estimated at £9.3 million, reduced from the original forecast of £10.1 million.

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 full year funding shortfall is estimated at £0.6 million and is assumed to be managed locally with no additional funding likely. This has been assumed within our month 7 forecast.

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 November 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 in line with our financial plan and our forecast and the Revenue Resource Limit will reflect that accordingly. A further financial review meeting is planned for mid-November.

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 £500,000 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 November 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, and have been described in the early section of this report with the key priority area in delivering our efficiency savings programme.

Doc: 2019-11-27 October Financial Performance	Page 4	Author: Director of Finance, Logistics and Strategy
Date 2019-11-27	Version 1.0	Review Date: December 2019

As previously noted, 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 January. Our financial forecast assumes no payment of backdated charges and remains the position of the Board.

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 and costs of mandatory upgrades to the fixed wing aircraft which have been negotiated at £0.33 million.

Finance position as at October 2019

Introduction

This section of the paper provides details of the financial results for the period ending October 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.

SUMMARY OF YEAR TO DATE POSITION

Table 1 reports that the revenue position for the financial year to the end of October is a deficit of £1.9 million, made up of the following:

- Income – under budget by £0.1 million
- Expenditure Pay – under budget by £0.4 million
- Expenditure Supplies – over budget by £0.8 million
- Savings – behind target by £1.4 million
- Expenditure Non-core – over budget by £0.04 million.

Doc: 2019-11-27 October Financial Performance	Page 5	Author: Director of Finance, Logistics and Strategy
Date 2019-11-27	Version 1.0	Review Date: December 2019

Table 1 – Scottish Ambulance Service high level overview

SCOTTISH AMBULANCE SERVICE BOARD

REVENUE RESOURCE ANALYSIS

PERIOD TO 31ST OCTOBER 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	295,068	159,023	159,023		22,550	22,550	
Health Board	5,074	3,188	3,234	46	389	421	32
Other Healthcare	810	485	422	(63)	69	61	(8)
Fleet	206	121	74	(47)	17	13	(4)
Staff Car Deductions	312	183	146	(37)	26	18	(8)
Other Operating	1,398	1,103	1,147	44	111	152	41
Total Income	302,868	164,103	164,046	(57)	23,162	23,215	53
Expenditure							
Accident & Emergency	197,264	113,729	113,331	398	16,174	16,001	173
Non Emergency Service	24,156	14,080	14,080	0	1,941	1,985	(44)
Air Ambulance	14,961	8,775	9,437	(662)	1,253	1,275	(22)
Overheads	53,134	27,519	29,100	(1,581)	3,794	4,246	(452)
Total Expenditure	289,515	164,103	165,948	(1,845)	23,162	23,507	(345)
Core Expenditure Variance			(1,902)			(292)	
Non Core Expenditure							
Depreciation (DEL)	13,000	7,936	7,936	0	1,156	1,156	0
Depreciation (Donated)	103	52	52	0	7	7	0
Asset Disposal			39	(39)		0	0
Ame Other Provisions	(300)						
AME Impairments	550						
Total Non Core Expenditure	13,353	7,988	8,027	(39)	1,163	1,163	0
Surplus / Deficit			(1,941)			(292)	

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 31ST OCTOBER 2019

		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
Service Delivery Directorate	Income	(3,972)	(4,007)	35	1%	(502)	(550)	48	10%
	Salaries	120,027	119,014	1,013	1%	17,560	17,114	446	3%
	Supplies	21,953	23,181	(1,228)	-6%	2,833	3,268	(435)	-15%
	Sav Target	(686)	0	(686)	0%	(98)	0	(98)	0%
	Sav Realised	917	0	917	0%	161	0	161	0%
					51			122	
Support Services Directorates	Income	(1,108)	(1,016)	(92)	-8%	(112)	(116)	4	4%
	Salaries	12,589	13,224	(635)	-5%	1,744	1,721	23	1%
	Supplies	18,947	18,557	390	2%	2,623	2,566	57	2%
	Sav Target	(5,812)	0	(5,812)	0%	(1,401)	0	(1,401)	0%
	Sav Realised	4,157	0	4,157	0%	903	0	903	0%
				(1,992)				(414)	
SCOTTISH AMBULANCE SERVICE	Income	(5,080)	(5,023)	(57)	-1%	(614)	(666)	52	9%
	Salaries	132,616	132,238	378	0%	19,304	18,835	469	2%
	Supplies	40,900	41,738	(838)	-2%	5,456	5,834	(378)	-7%
	Sav Target	(6,498)	0	(6,498)	0%	(1,499)	0	(1,499)	0%
	Sav Realised	5,074	0	5,074	0%	1,064	0	1,064	0%
				(1,941)				(292)	

Table 3 – Service Delivery

Service delivery is £0.05 million favourable against budget at 31 October. Savings of £0.9 million have been realised against directorates' targets of £0.7 million to date, giving a net savings surplus of £0.2 million at month 7. 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. At 1st October, a further 10 Paramedics joined the 84 from last month in accepting new contracts as Advanced Paramedic Practitioners, at a cost of £30,000 from this month up to the end of the financial year. This has been funded from our strategy development.

Non pay costs are £1.3 million over budget to date with the largest over spend area being Air Ambulance costs (£0.9 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 and travel & subsistence.

Doc: 2019-11-27 October Financial Performance	Page 7	Author: Director of Finance, Logistics and Strategy
Date 2019-11-27	Version 1.0	Review Date: December 2019

Table 3

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

		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
NORTH REGION	Income	(658)	(662)	4	1%	(82)	(88)	6	7%
	Salaries	20,199	20,153	46	0%	2,928	2,884	44	2%
	Supplies	2,144	2,248	(104)	-5%	310	322	(12)	-4%
	Sav Target	(111)		(111)		(16)		(16)	
	Sav Realised	47		47		7		7	
				(118)			29		
EAST REGION	Income	(849)	(839)	(10)	-1%	(92)	(106)	14	15%
	Salaries	32,622	32,348	274	1%	4,667	4,647	20	0%
	Supplies	3,484	3,620	(136)	-4%	533	544	(11)	-2%
	Sav Target	(175)		(175)		(25)		(25)	
	Sav Realised	157		157		0		0	
				110			(2)		
WEST REGION	Income	(2,012)	(2,000)	(12)	-1%	(264)	(286)	22	8%
	Salaries	44,902	44,647	255	1%	6,528	6,359	169	3%
	Supplies	4,646	4,785	(139)	-3%	652	678	(26)	-4%
	Sav Target	(244)		(244)		(35)		(35)	
	Sav Realised	637		637		107		107	
				497			237		
NATIONAL OPS	Income	(453)	(506)	53	12%	(64)	(70)	6	9%
	Salaries	22,304	21,866	438	2%	3,437	3,224	213	6%
	Supplies	11,679	12,528	(849)	-7%	1,338	1,724	(386)	-29%
	Sav Target	(156)		(156)		(22)		(22)	
	Sav Realised	76		76		47		47	
				(438)			(142)		
TOTAL SERVICE DELIVERY	Income	(3,972)	(4,007)	35	1%	(502)	(550)	48	10%
	Salaries	120,027	119,014	1,013	1%	17,560	17,114	446	3%
	Supplies	21,953	23,181	(1,228)	-6%	2,833	3,268	(435)	-15%
	Sav Target	(686)		(686)		(98)		(98)	
	Sav Realised	917		917		161		161	
				51			122		

Table 4 – Support Services Directorates

Support services are being reported as £2.0 million over budget. 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.

**SCOTTISH AMBULANCE SERVICE BOARD
INCOME AND EXPENDITURE BY DIRECTORATE
PERIOD TO 31ST OCTOBER 2019**

		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
BOARD AND CHIEF EXECUTIVE	Income	(9)	(14)	5	56%	(1)	(3)	2	200%
	Salaries	1,119	1,105	14	1%	165	157	8	5%
	Supplies	82	82	0	0%	13	9	4	31%
	Sav Target	(16)		(16)		(2)		(2)	
	Sav Realised	22		22					
				25			12		
FINANCE AND LOGISTICS	Income	(997)	(937)	(60)	-6%	(95)	(106)	11	12%
	Salaries	5,914	6,610	(696)	-12%	787	775	12	2%
	Supplies	16,972	16,691	281	2%	2,338	2,332	6	0%
	Sav Target	(5,696)		(5,696)		(1,385)		(1,385)	
	Sav Realised	4,041		4,041		903		903	
				(2,130)			(453)		
HUMAN RESOURCES	Income	(26)	(24)	(2)	-8%	(4)	(4)	0	9%
	Salaries	1,209	1,182	27	2%	176	169	7	4%
	Supplies	503	516	(13)	-3%	70	64	6	9%
	Sav Target	(26)		(26)		(3)		(3)	
	Sav Realised	0		0					
				(14)			10		
MEDICAL	Income	(11)	(8)	(3)	-27%	(2)	(1)	(1)	-50%
	Salaries	953	956	(3)	0%	135	146	(11)	-8%
	Supplies	201	259	(58)	-29%	29	34	(5)	-17%
	Sav Target	(14)		(14)		(2)		(2)	
	Sav Realised	67		67					
				(11)			(19)		
CARE QUALITY AND STRATEGIC DEVELOPMENT	Income	(65)	(33)	(32)	-49%	(10)	(2)	(8)	-80%
	Salaries	3,394	3,371	23	1%	481	474	7	1%
	Supplies	1,189	1,009	180	15%	173	127	46	27%
	Sav Target	(60)		(60)		(9)		(9)	
	Sav Realised	27		27		0		0	
				138			36		
TOTAL SUPPORT SERVICES	Income	(1,108)	(1,016)	(92)	-8%	(112)	(116)	4	4%
	Salaries	12,589	13,224	(635)	-5%	1,744	1,721	23	1%
	Supplies	18,947	18,557	390	2%	2,623	2,566	57	2%
	Sav Target	(5,812)		(5,812)		(1,401)		(1,401)	
	Sav Realised	4,157		4,157		903		903	
				(1,992)			(414)		

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 31ST OCTOBER 2019

Table 5

Full Year Budget £'000	Year to Date		
	Budget £'000	Actual £'000	Variance £'000

Income

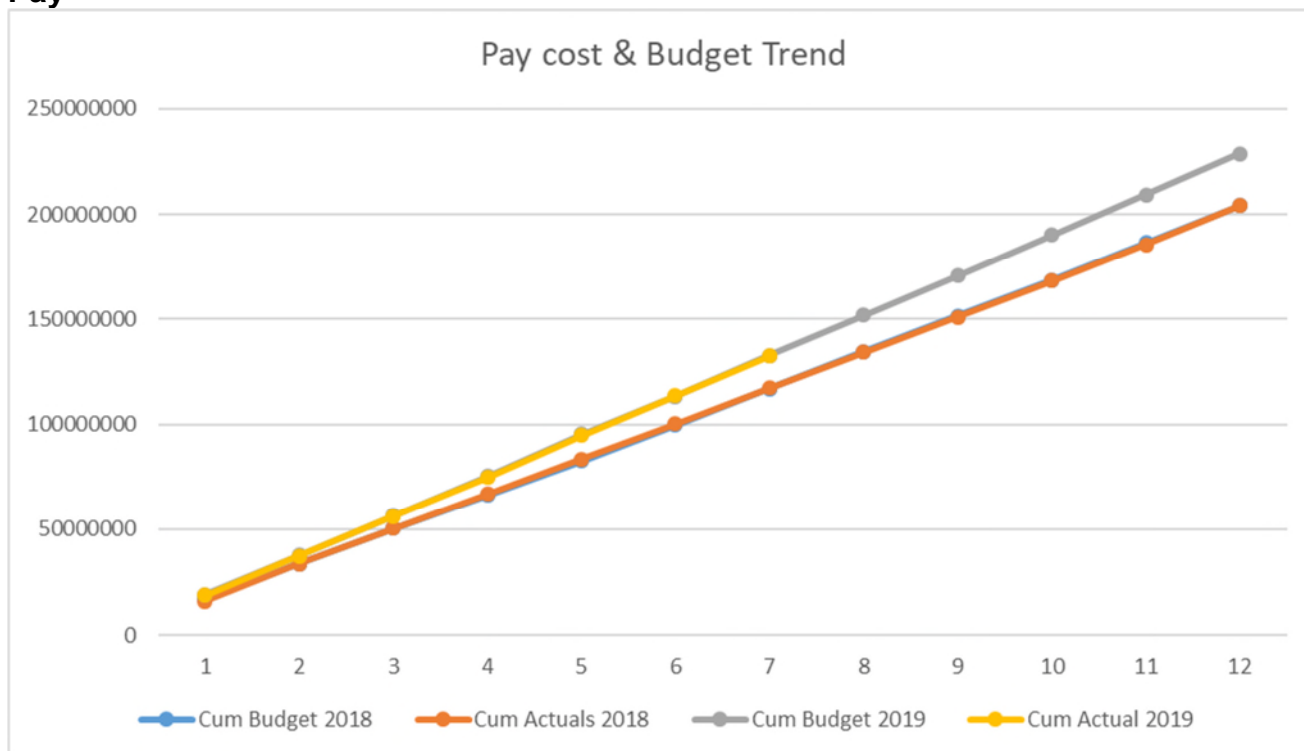
Revenue Allocation	295,068			
Baseline Allocations	284,974			
Recurring Allocations	193			
Non-Recurring Allocations	9,901			
Fleet Income	206	121	74	(47)
Health Board	5,074	3,188	3,234	46
Other Healthcare	810	485	422	(63)
Other Operating	1,398	1,103	1,147	44
Staff Car Deductions	312	183	146	(37)
Total Income	302,868	5,080	5,023	(57)

Total income (including funding) to date is £0.06 million behind target. This position has improved since last month as income from events undertaken are 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

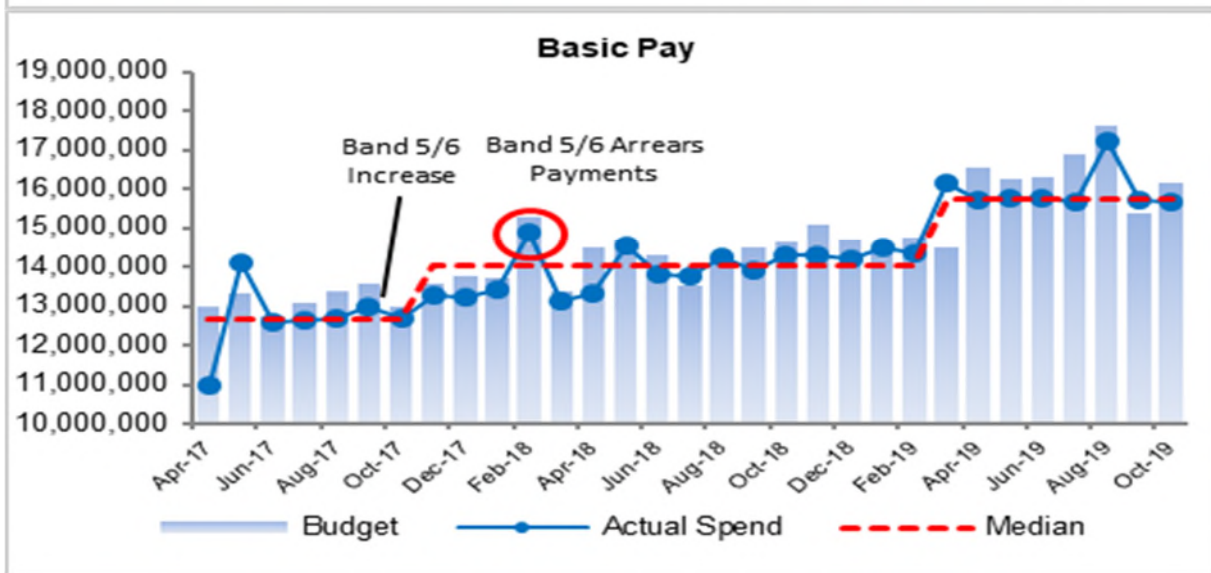
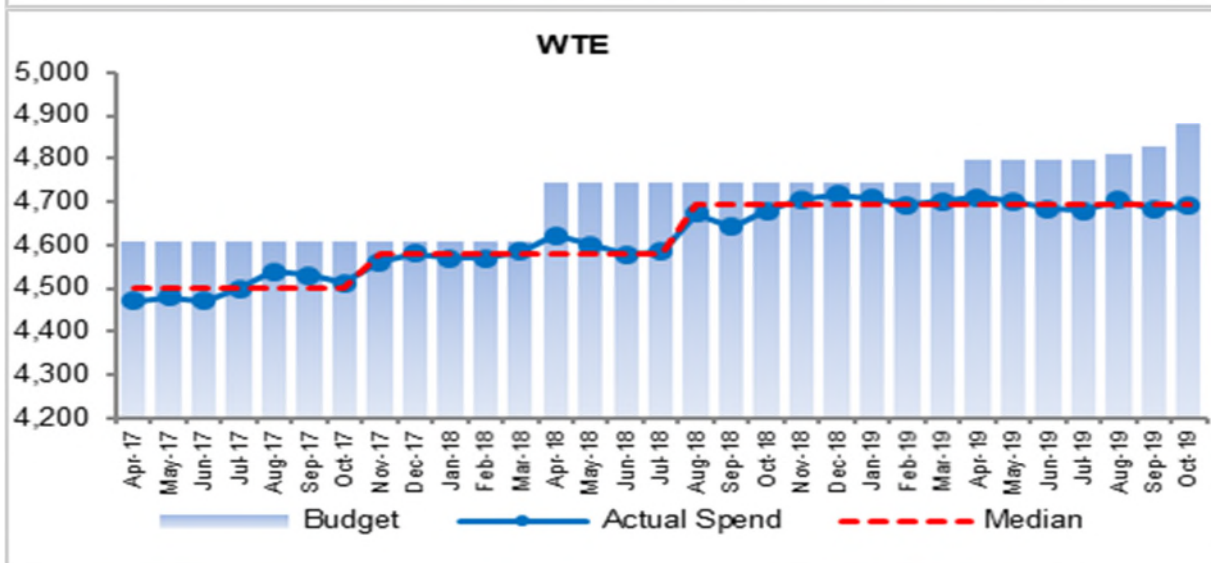
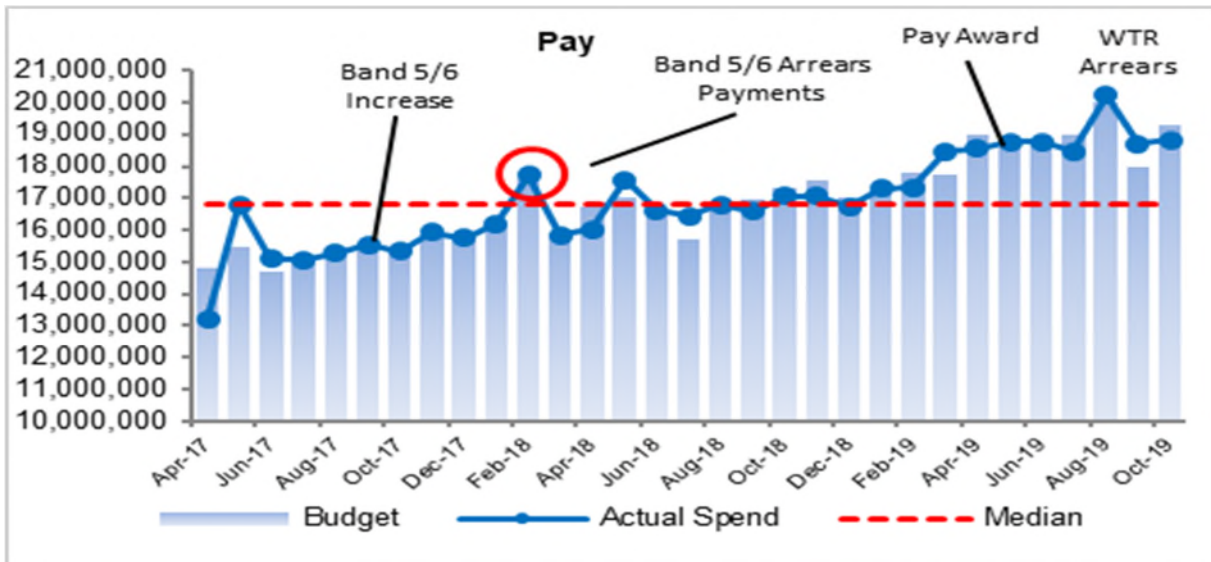
Pay



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 also 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.



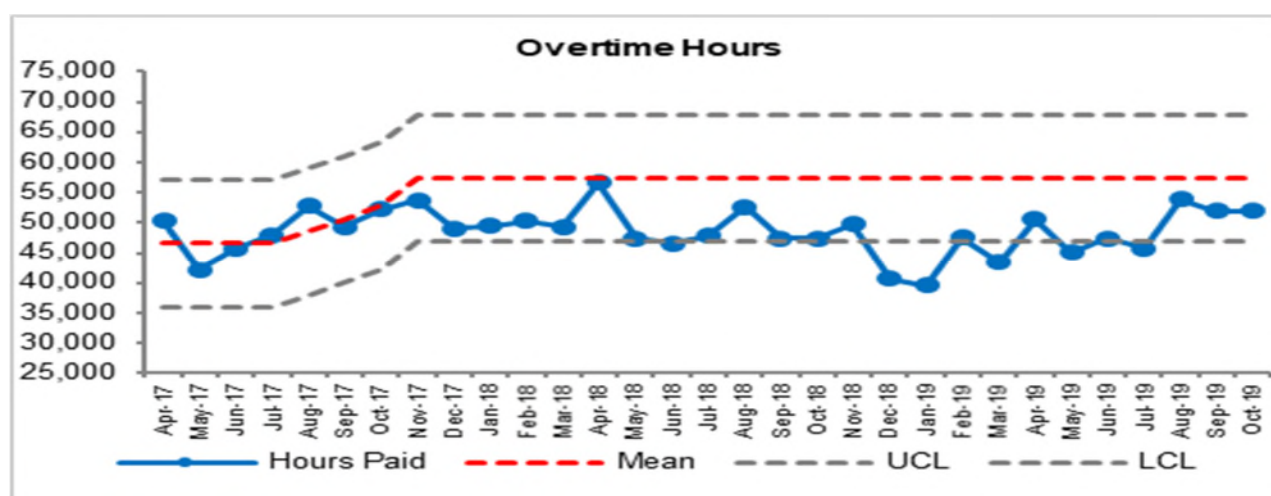
This confirms pay costs as one of our key pressure areas.

Table 6

**SCOTTISH AMBULANCE SERVICE BOARD
STAFF AND OVERTIME SUMMARY
PERIOD TO 31ST OCTOBER 2019**

		East Region	North Region	West Region	National Ops	Service Delivery
Current Year	Average WTE	1,213	695	1,657	746	4,311
	Overtime Hours	89,554	68,681	140,087	40,201	338,523
	Overtime Cost (£'000)	2,083	1,556	3,156	935	7,730
Prior Year	Average WTE	1,205	673	1,682	704	4,264
	Overtime Hours	91,319	67,180	140,341	42,197	341,037
	Overtime Cost (£'000)	1,963	1,462	3,046	660	7,131
Variance	Average WTE	8	22	(25)	42	47
	Overtime Hours	(1,765)	1,501	(254)	(1,996)	(2,514)
	Overtime Cost (£'000)	120	94	110	275	599

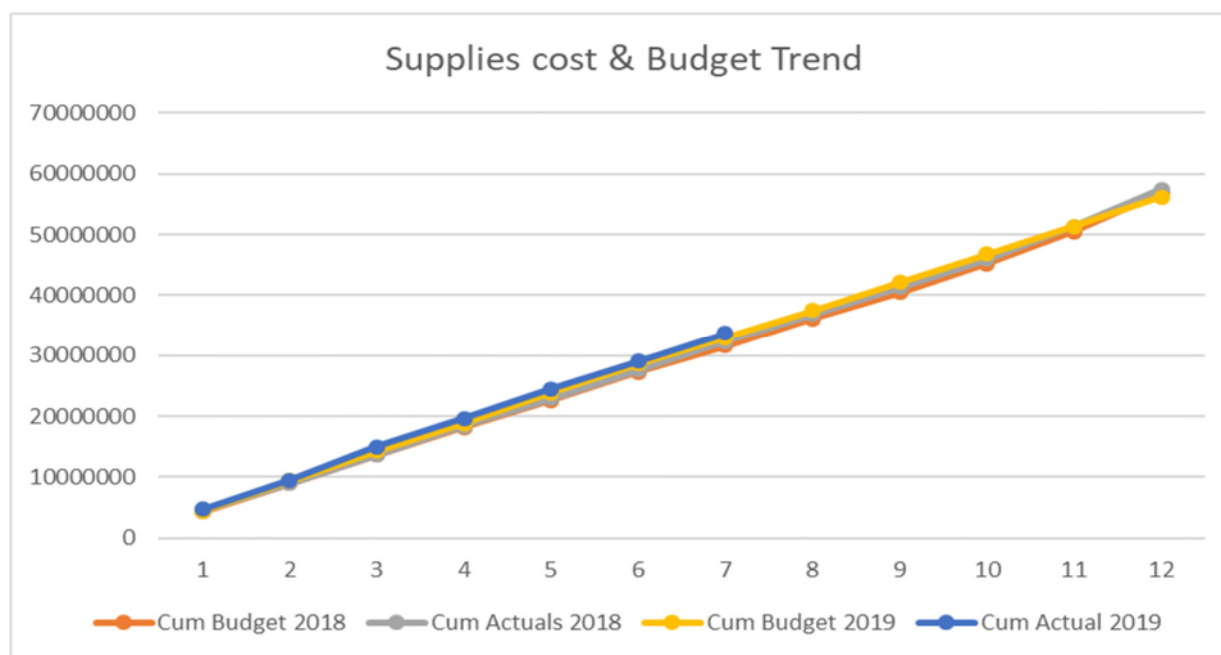
The above table illustrates that the average WTE has increased by 47 WTE from the same period last year, as further Paramedics continue to be recruited and trained. In addition to this we continue to see a decrease in overtime hours as we work to our roster plans put in place during 2018/19 as monitored 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 improved cost control processes.

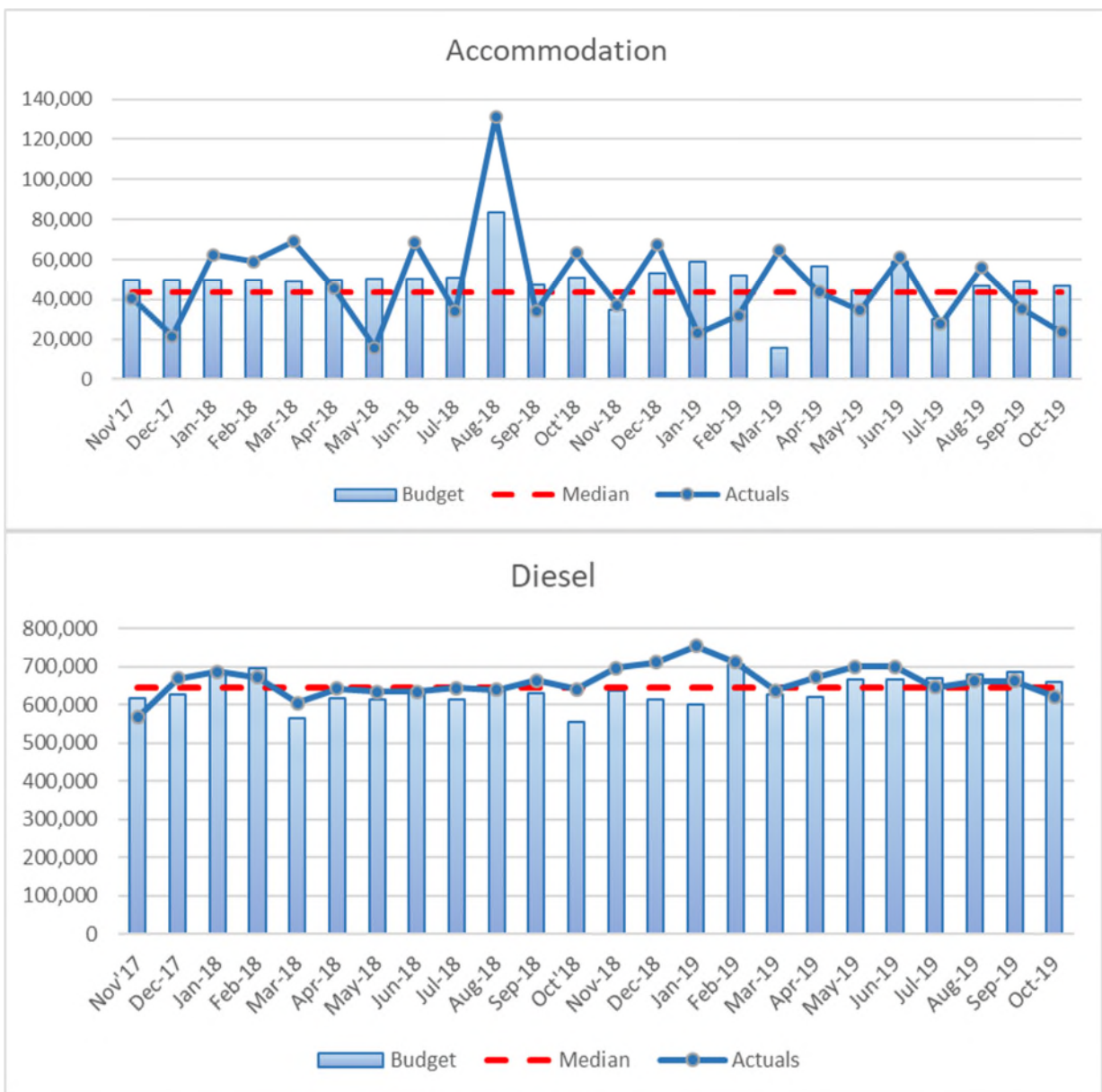
The non-pay position to date shows a (£0.8) million over spend with a number of specific cost pressures remaining:

- Air Ambulance costs (£0.9) 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. Although total flying hours are 3% higher than the same period last year, the number of missions in this period has only increased by 1%, resulting in an increase in the average length of flights.
- Travel & Subsistence (£0.1) million over budget – Expenditure is 5% higher than same period last year. This area remains a key focus for the Best Value programme with the review of hotel bookings demonstrating a slight decrease in costs as anticipated (this is reflected in the graph below), however it is recognised there are additional staff and training taking place and without the additional controls this could have been a more significant cost impact. 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.

- Software costs (£0.2) million – Investment has been made in regards Software licences and support as part of the Demand & Capacity Programme. This is in the main non-recurring expenditure and the benefits of this work will be described within the Demand and Capacity business case.
- Property running (£0.1) million – Heat, Light and Power costs have increased more than 10% for both gas and Electricity due to tariff rates.

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 and stability of costs is evident across other cost headings.

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



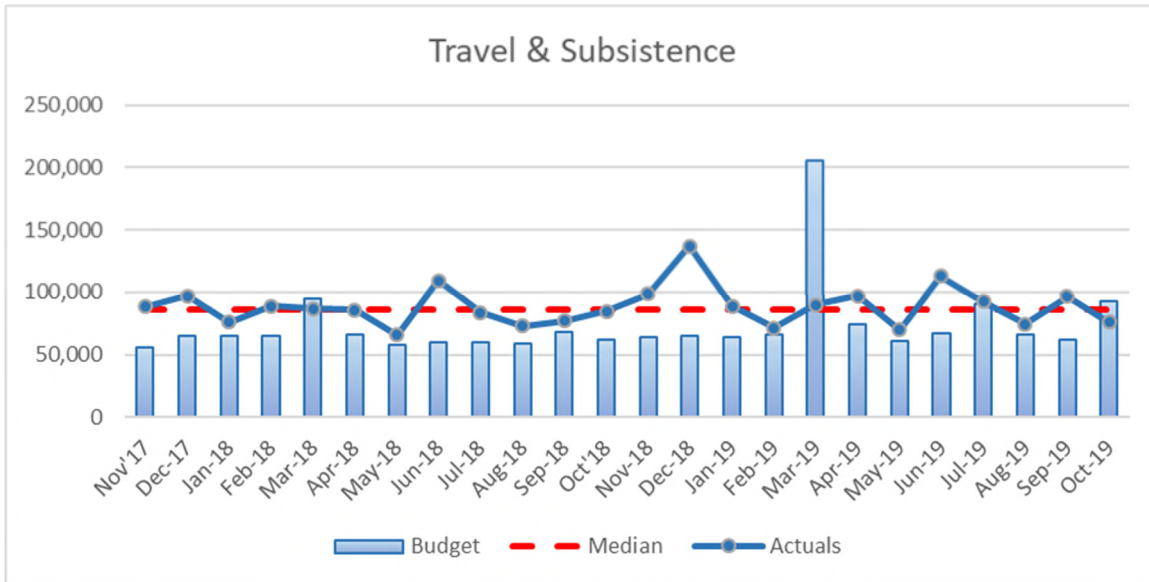
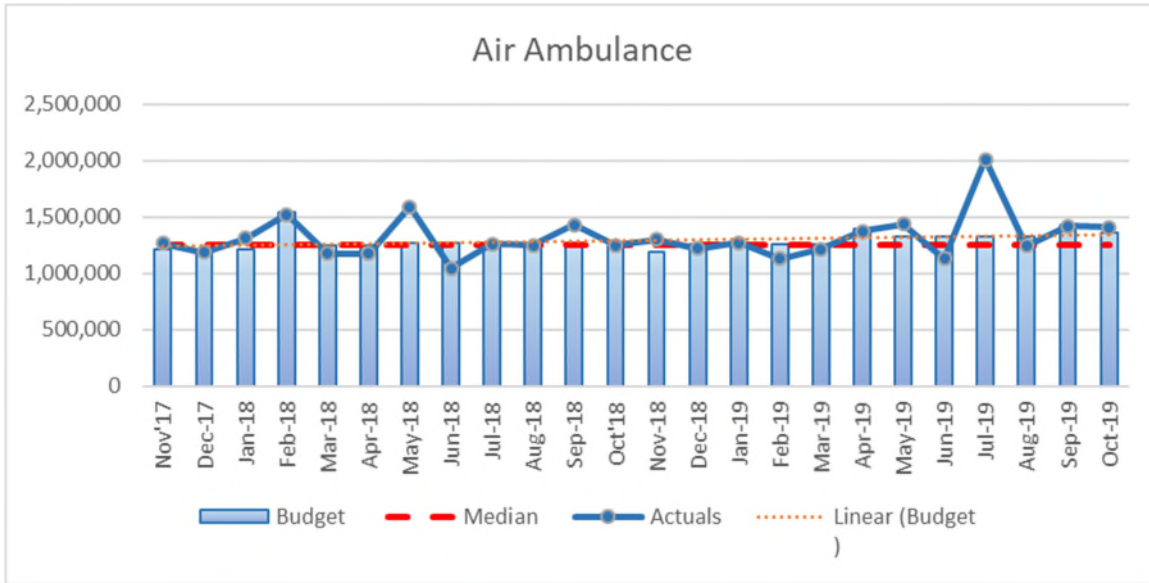


Table 7 – Strategy Investment

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.

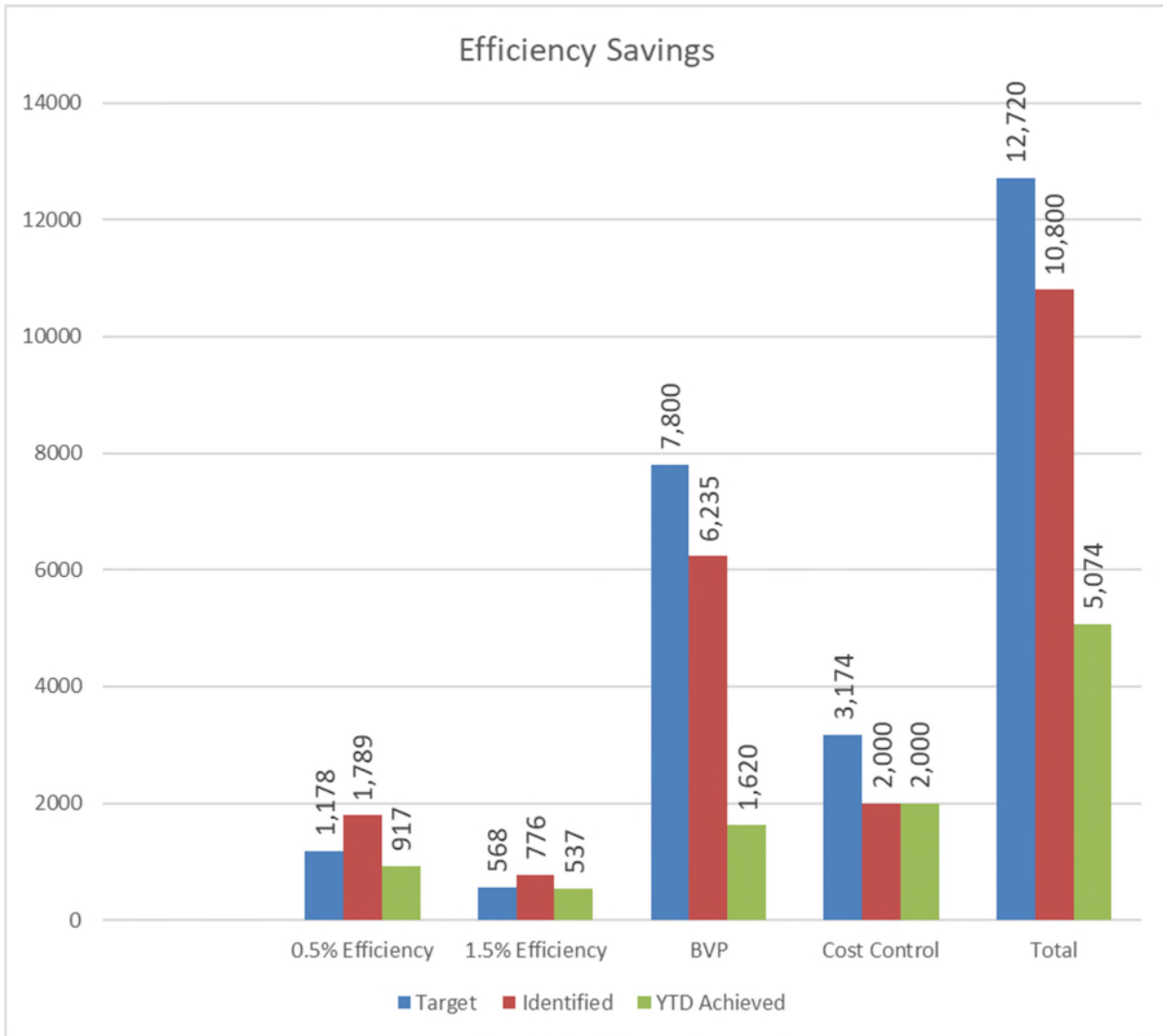
**SCOTTISH AMBULANCE SERVICE BOARD
STRATEGY INVESTMENT REPORT
PERIOD TO 31ST OCTOBER 2019**

	Previous Investment £'000	2018/19 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	868
Training - additional training staff	600		600	600
Training - additional non pay costs	312		312	312
Specialist Paramedics B6	6,908	2,798	9,706	5,795
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	17,704

The financial plan assumed slippage of £4.0 million against the strategy and other planned investment continues into month 7 activity.

Efficiency Savings

Savings of £5.1 million were delivered against the 7-month savings target of £6.5 million and against full year identified plans of £10.8 million as identified within our revised 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 25 have savings identified to date of £1.5 million, further schemes have since been identified and these targets are forecasted to be fully achieved.

- **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, £1.6 million of savings have been recognised in the first six months, which includes savings from abstractions, sickness absence, shift over-runs, fuel initiatives and insurance recovery. 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 and a more longer term impact. 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.

In the latest period, the Insurance workstream began to deliver savings as motor insurance liabilities were reduced by approximately £80,000 thanks largely to the efforts of the Insurance lead in gathering evidence to defend claims made against the service. It is expected that further cost reductions will accrue on claims where liability is contested.

- **Unidentified Initiatives**

The financial plan identified £1.3 million of unidentified savings. The latest forecast has reduced this to a £1 million gap and work continues to review expenditure and best practice to assess if further projects can be identified. The financial forecast continues to assume further efficiencies will be identified.

Forecast

The financial forecast position to break even remains very tight. The level of engagement with budget holders continues to be very positive, with a continuation of lots of ideas to delivery services more efficiently realising better value however the key focus now is on implementation during this financial period. 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 as we move towards year end this includes monthly financial recovery meetings with key budget holders are being arranged, these meetings will commence during November.

Regular meetings have been set up with our SG Colleagues to keep them up to date with the position, with the next meeting taking place during November, 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 and working to key trigger points to focus attention within specific higher spend areas.

The summary position has moved slightly in the month and can be show as:

Cost Pressures:

During the month cost pressures have been updated. Increasing our cost pressures by £0.92 million to £22.67 million.

The reforecast of pay, due to incremental drift increases has provided some benefit (£0.5 million) that has been offset by new non pay pressures including ambulance premises rates review and legislatively required modifications to the air craft (£0.33 million).

The funding required for developments has increase to take account of the demand and capacity implementation systems and program (£0.7 million).

Income Assumptions:

The revised forecast includes an increase in anticipated income from the Scottish Government (£0.7 million) this funding is to support the ICCS transition.

Efficiency Savings:

The revised forecast assumes the movement from further efficiencies leaving the balance to break even to be identified of £1 million. This is a slight improvement on last month's forecast.

Doc: 2019-11-27 October Financial Performance	Page 20	Author: Director of Finance, Logistics and Strategy
Date 2019-11-27	Version 1.0	Review Date: December 2019

Description	Financial Plan	Forecast at month 6	Forecast at month 7
Cost Pressures	£21.75m	£21.7m	£22.67m
Income Assumptions	£9.2m	£9.2m	£9.9m
Efficiency plans			
Committed plans		£4.5m	£5.4m
Cost control		£2m	£2m
Further plans		£4.3m	£4.3m
Total		£10.8m	£11.7m
Further efficiencies under review		£1.9m	£1.0m
Total	£12.7m	£12.7m	£12.7m

CAPITAL POSITION AS AT MONTH 7 (31 OCTOBER 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 SG 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 £250,000.
 - ICCS Replacement £1.2 million (amount to be confirmed)
 - Scottish Trauma Network £138,000 (amount to be confirmed).

To date, the Core Allocation of £1.794 million along with allocations for ICCS Replacement and ScotSTAR have been received by the Service.

ALLOCATION

Received

Core Allocation	1,794,000
ICCS Replacement	1,240,000
ScotSTAR	250,000

Anticipated

Defibrillator Replacement	10,609,000
Fleet Replacement	12,734,000
Scottish Trauma Network (Amount to be confirmed)	138,500

Total Capital Allocation	<u>26,765,500</u>
---------------------------------	--------------------------

YTD Capital Position

The YTD Capital Position is shown in the table below. The expenditure to end of Month 7 is 26.0% 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.

Capital receipts of £326,000 have been received as 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.

The unallocated budget of £451,000 will be fully utilised during 2019/20 as BCs are submitted and approved by the CPGG. There are a number of anticipated projects in the

Doc: 2019-11-27 October Financial Performance	Page 22	Author: Director of Finance, Logistics and Strategy
Date 2019-11-27	Version 1.0	Review Date: December 2019

pipeline and an update on the progress of these are discussed at each meeting and this allows for prioritisation of emerging developments.

During Month 7, the following mini business cases were approved by the Capital Programme Governance Group:

- Replacement of the NICE Recorder used by ACC. A budget of £172,000 was allocated to this project
- Additional £10,000 for Back Up Telephony to cover additional costs.

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

SCOTTISH AMBULANCE SERVICE			
CAPITAL REPORT 2019-20			
As at Month 7 (31 October 2019)			
PROJECT	Approved Budget £	YTD Actuals £	Notes
Formula Capital Projects			
eHealth and ICT	443,618	31,445	
Property	411,900	(3,477)	
Medical Equipment	36,760	36,836	
Unallocated	451,722	0	Budget will be allocated to projects upon approval of BC
	1,344,000	64,804	
Earmarked Allocations			
Enhancing Capability	1,713,916	179,137	
Defib Replacement	11,059,000	2,204,708	Additional £450,000 from Formula Capital added to Earmarked allocation
ICCS Replacement	1,240,000	0	Budget to be confirmed
ScotSTAR	250,000	54	
Major Trauma Vehicles	138,500	0	Budget to be confirmed
	11,020,084	4,760,924	
	25,421,500	7,144,823	
Capital Receipts		0 (326,000)	Gain on sale of vehicles
TOTAL	26,765,500	6,883,627	

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 BC to the Capital Governance Group.

<u>Approved Projects from Formula Capital</u>		£
eHealth and ICT		
Video Conferencing		6,430
SASNet (Coin Replacement)		87,000
Back Up Telephony		40,000
NICE Call Recorder		172,000
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		443,618
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		1,342,518
Unallocated Budget		451,482
<u>Anticipated Projects</u>		
Telephony	15,000	
Poweredge Servers (incorrectly charged to revenue)	10,938	
Ferno Powertraxx EasyGlide Chair (incorrectly charged to revenue)	5,700	
Ultra Sonic Atomizers (incorrectly charged to revenue)	11,434	
Vehicle Accidents	404,899	
Total - Anticipated Projects		447,970
Revised Unallocated Budget		3,512

Key Capital 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 SG 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 SG to defer some of the £10.6 million allocation to 2020/21. This is considered to be low risk.

Cumnock Station Refurbishment

The design for the refurbishment has had to be revised and as a consequence the works have gone back out to tender. This will cause a delay to the project and completion will now be early 2020/21. Revised cost estimates for 2019/20 are being prepared and there is likely to be a significant under spend in 2019/20, with the balance required in 2020/21. Plans are in place to accelerate projects in 20/21.

ICCS Replacement Project

Confirmation has been received from SG regarding revenue funding for this project and the capital allocation of £1.2 million has been received. The Memorandum of Understanding with the DoH has now been signed and therefore costs have been confirmed. Risks to the delivery of this project should now be mitigated.

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

CONCLUSION

The reported financial position of £1.9 million over budget as we enter the second half of the financial year is slightly behind our financial plan trajectory of £1.4 million overspent against Core RRL at the end of October 2019. The key contributors to this have been described above with corrective actions noted. Progress will be monitored and updated each month.

As anticipated the most significant risk relates to the delivery of the efficiency plans. Given the ambitious savings programme it was always planned that the savings would be delivered later in the year however the £5.1 million savings achieved to date against the planned £6.5 million at this stage is lower than planned. Significant work as detailed in the paper continues in delivering and tracking the 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. In additional internal escalation processes have been put in place with weekly calls with operational leads and monthly recovery meetings with key budget holders.

Doc: 2019-11-27 October Financial Performance	Page 25	Author: Director of Finance, Logistics and Strategy
Date 2019-11-27	Version 1.0	Review Date: December 2019