

**NOT PROTECTIVELY MARKED**

<b>Public Board meeting</b>		<b>July 2019 Item 08</b>
<b>THIS PAPER IS FOR DISCUSSION</b>		
<b>SUMMARY FINANCIAL PERFORMANCE TO 30 JUNE 2019</b>		
<b>Lead Director Author</b>	Julie Carter, Director of Finance and Logistics Maria McFeat, Interim Assistant Director of Finance	
<b>Action required</b>	The Board is asked to discuss and note: <ul style="list-style-type: none"> <li>• The financial position to the end of June 2019</li> <li>• The new Finance report format</li> <li>• The efficiency savings position to the end of June 2019</li> </ul>	
<b>Key points</b>	<ol style="list-style-type: none"> <li>1. The financial position to the end of June 2019 shows a deficit of £1.6m against a trajectory of a deficit of £1.8 million.</li> <li>2. Efficiency savings of £1.0 million have been delivered against a target of £2.0 million for the period.</li> <li>3. Finance Report format – the finance report has been refined to show clearer the key issues and risks, actions in the period, trends and forecasts, use of more visual data and a more detailed section on efficiency savings. This will be further developed during months 3 and 4 reporting. Given our tight financial position the report has been designed to draw the reader's attention more fully to our key risks, issues and actions throughout the financial year.</li> </ol>	
<b>Timing</b>	During 2019/20 the Board will be provided with updates on the financial position at every meeting.	
<b>Link to Corporate Objectives</b>	The Corporate Objective this paper relates to is Goal 6 - Develop a model that is financially sustainable and fit for purpose in 2020.	
<b>Contribution to the 2020 vision for Health and Social Care</b>	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.	
<b>Benefit to Patients</b>	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.	
<b>Equality and Diversity</b>	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 30 JUNE 2019**

#### **JULIE CARTER, DIRECTOR OF FINANCE AND LOGISTICS**

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This paper sets out the financial position at 30 June 2019 for the Service.

#### **The Board is asked to**

- Note the financial position to the end of June 2019 for the financial year 2019/20.
- Note the key messages as highlighted including agreed actions.
- Note the key risks and management of these.

#### **Key messages**

Total deficit as at June 2019 of £1.6 million (includes both core and non-core expenditure).

- Whilst this is early in the financial year, this is broadly in line with our financial plan trajectory which forecasts a £1.8 million over spend against Core Revenue Resource Limit by the end of Quarter 1, June 2019. This was forecast due to the timing of efficiency savings implementation with the majority of savings assumed to be delivered later in the year. This will be closely monitored over the next few months with a detailed forecast planned by August 2019.
- The June 2019 total deficit of £1.6 million to date, consists of:
  - Income – under target to date by £0.1 million
  - Core Expenditure – over spend to date of £1.5 million
  - Efficiency savings target for the financial year 2019/20 is £12.7 million. Currently, the Service has realised £1.0 million of savings in the first quarter of this financial year, which reflects a gap of £1.0 million against the planned trajectory however it is anticipated that the pace of savings delivery will increase in the coming months. 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.
  - Month 3 spend is however slightly lower than planned at this stage and this is being closely monitored through the 1-1 meetings and a savings tracker being developed to ensure all savings are being recorded and monitored.
  - There are no reasons, at this early stage in the financial year, that cause any undue concern in the overall delivery of the Service's financial plan.
  - 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 unidentified within the efficiency savings plans to achieve our £12.7 million full year savings target. In addition, a number of the efficiency schemes identified to date are noted as non-recurring.

**ACTION:** Focused budget meetings have been set up 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 to support achievement of the financial plan target and a review of current delegated limits is underway.

1-1 meetings with the budget holders will also address any key financial risks of delivery of efficiency plans and management of unavoidable cost pressures.

As described within the financial plan, if there remains a significant gap by August 2019 and in line with the updated forecast, an internal control and escalation process will be put in place.

### 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 (SG). 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 additional information on the breakdown of the cost has been submitted to SG with a further meeting planned for mid August.

### 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.

**ACTION:** £8.7million funding has been confirmed to date with further analysis being undertaken locally to assess the actual increase in costs including vacancies and turnover. This is being closely monitored and will be reviewed with SG finance colleagues over the next 4-6 weeks.

Doc: 2019-07-31 June Financial Performance	Page 3	Author: Director of Finance & Logistics
Date 2019-07-15	Version 1.0	Review Date: August 2019

#### 4. Annual Operational Plan meeting with Scottish Government

An August forecast is planned that will reflect the outcome of discussions with Scottish Government that followed the submission of the Board's Annual Operational Plan. This plan included the Service's three year financial plan and funding assumptions.

**ACTION:** A financial review meeting with Scottish Government was positive and indications were that the Service assumptions on anticipated allocations shall be met and the Revenue Resource Limit will reflect that accordingly. Additional information is being provided and a follow-up meeting in August is planned.

#### 5. Finance – continued development of the finance reporting format

Work has been carried out to review and re-model the content and format of the Board finance report. This work is also being considered by the Corporate Governance Steering Group established to oversee the implementation of the Blueprint and Scottish Government Director Letter in February 2019. Over June and July 2019 reporting, the finance report will gradually incorporate this new layout building on our existing strong financial reporting to highlight the following:

- the financial position for the month reported
- the key messages as highlighted including agreed actions
- the key risks and management of these
- Continue to show the detail on the revenue position - including any wider NHS and public sector issues
- Detailed efficiency savings out-turn against financial plan trajectory and graphical representation of this performance
- Anticipated Scottish Government Revenue Resource Limit allocations not yet received but forecast
- Our developing Efficiency savings programme tracker by work-streams and risk assessment
- A horizon scanning section looking at potential medium to long term challenges and opportunities

**ACTION:** Some of these changes have been implemented for June 2019 reporting and more will be added for August 2019.

#### 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 are as expected at this early stage in the financial year. These have been described in the early section of this report including – risks on delivery of our efficiency savings, SG funding to cover pay costs and the UK wide pension increase. Actions 1 through to 4 inclusive describe how these risks are being managed.

There is however a new financial risk identified by Highland and Island Airports Limited who 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 been scheduled for the 24<sup>th</sup> July to discuss the detail of these charges and the Service will keep the Board and Scottish Government updated as this progresses.

Doc: 2019-07-31 June Financial Performance	Page 4	Author: Director of Finance & Logistics
Date 2019-07-15	Version 1.0	Review Date: August 2019

## Finance position as at June 2019

### Introduction

This section of the paper provides details of the financial results for the period ending June 2019. Budget sign offs are underway with budget plans, efficiencies and financial pressures identified. In line with most Boards, the reliance on non-recurring savings will continue to be a feature in this financial year, and this will be a major focus of the regular management accounts team meetings with Service heads in addition to 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.

### NSI Business Intelligence Finance Tableau Visualisation Tool

In the wider NHS environment, a new Business Intelligence (BI) platform for the NHS finance community has been designed to improve reporting of financial information to budget holders. The SAS Finance lead for Tableau is in the final stages of completing the detailed training to champion the finance Tableau future reports and dashboard requests. A collective list of all budget holders is being reviewed to share with National Services Scotland (NSS) and National Single Instance (NSI) technical team for system level access set-up and finance are linking with e-health to ensure appropriate access on budget holder's PC/Laptops is in place for point of implementation.

NSS/NSI plan to roll out the system shortly to finance teams to build up their knowledge over the next few months, before full roll out to regions for a self service Finance dashboard and reporting access. It is planned that this roll-out will commence in Quarter 3, finance leads will liaise with budget holders in advance of this.

This is an important aspect of financial management for the budget holders with improved access to financial information to allow quick corrective action.

Doc: 2019-07-31 June Financial Performance	Page 5	Author: Director of Finance & Logistics
Date 2019-07-15	Version 1.0	Review Date: August 2019

## SUMMARY OF YEAR TO DATE POSITION

Table 1 reports that the revenue position for the financial year to the end of June is a deficit of £1.567m, made up of the following:

- Income – under recovered by (£0.114) million
- Expenditure Pay – under budget by £0.257 million
- Expenditure Supplies – over budget by (£0.751) million
- Savings – behind target by (£0.957) million
- Expenditure Non-core – over budget by (£0.002) million

Doc: 2019-07-31 June Financial Performance	Page 6	Author: Director of Finance & Logistics
Date 2019-07-15	Version 1.0	Review Date: August 2019

**Table 1 – Scottish Ambulance Service high level overview**

**SCOTTISH AMBULANCE SERVICE BOARD  
REVENUE RESOURCE ANALYSIS  
PERIOD TO 30 JUNE 2019**

	Full Year Budget £'000	Year to Date			Current Month		
		Budget £'000	Actual £'000	Variance £'000	Budget £'000	Actual £'000	Variance £'000
<b>Income</b>							
Revenue Allocation	278,805	67,396	67,396		22,673	22,673	
Health Board	4,448	1,341	1,328	(13)	497	438	(59)
Other Healthcare	789	205	154	(51)	69	66	(3)
Fleet	206	52	29	(23)	17	7	(10)
Staff Car Deductions	311	79	65	(14)	26	22	(4)
Other Operating	1,653	561	548	(13)	286	329	43
<b>Total Income</b>	<b>286,212</b>	<b>69,634</b>	<b>69,520</b>	<b>(114)</b>	<b>23,568</b>	<b>23,535</b>	<b>(33)</b>
<b>Expenditure</b>							
Accident & Emergency	197,819	49,006	48,744	262	16,599	16,335	264
Non Emergency Service	24,505	6,178	6,168	10	2,041	2,027	14
Air Ambulance	14,945	3,777	4,386	(609)	1,254	1,936	(682)
Overheads	48,943	10,673	11,787	(1,114)	3,674	3,942	(268)
<b>Total Expenditure</b>	<b>286,212</b>	<b>69,634</b>	<b>71,085</b>	<b>(1,451)</b>	<b>23,568</b>	<b>24,240</b>	<b>(672)</b>
<b>Core Expenditure Variance</b>				<b>(1,565)</b>			<b>(705)</b>
<b>Non Core Expenditure</b>							
Depreciation ( DEL)	13,000		3,115		1,038		
Depreciation ( Donated)	100		23		8		
Non Cash DEL	0		0		0		
Impairments ( AME)	0		0		0		
Provisions ( AME)	0		0		0		
<b>Total Non Core</b>	<b>13,100</b>		<b>3,138</b>		<b>1,046</b>		

## Table 2 – Income and Expenditure

Table 2 provides the year to date position between service and support directorates, and includes the over spend position to date on non-core expenditure of £2k in relation to loss on sale of assets.

**SCOTTISH AMBULANCE SERVICE BOARD**  
**INCOME AND EXPENDITURE SUMMARY**  
**PERIOD TO 30 JUNE 2019**

		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
Service Delivery Directorate	Income	(1,740)	(1,674)	(66)	-4%	(620)	(598)	(22)	-4%
	Salaries	51,367	51,107	260	1%	17,056	17,101	(44)	0%
	Supplies	9,485	10,272	(787)	-8%	3,310	3,878	(568)	-17%
	Sav Target	(294)		(294)		(98)		(98)	
	Sav Realised	354		354		167		167	
				(534)					(566)
Support Services Directorates	Income	(497)	(449)	(48)	-10%	(275)	(264)	(11)	-4%
	Salaries	4,936	4,940	(3)	0%	1,679	1,645	34	2%
	Supplies	7,940	7,906	34	0%	2,577	2,658	(81)	-3%
	Sav Target	(1,706)		(1,706)		(402)		(402)	
	Sav Realised	689		689		325		325	
				(1,033)					(135)
SCOTTISH AMBULANCE SERVICE	Income	(2,237)	(2,123)	(114)	-5%	(895)	(863)	(33)	-4%
	Salaries	56,303	56,046	257	0%	18,735	18,745	(10)	0%
	Supplies	17,425	18,178	(753)	-4%	5,887	6,536	(649)	-11%
	Sav Target	(2,000)		(2,000)		(500)		(500)	
	Sav Realised	1,043		1,043		492		492	
				(1,567)					(701)



### Table 3 – Service Delivery

Service delivery is £0.5 million over budget at 30 June. Savings of £0.35 million have been realised against directorates' targets of £0.29 million to date, giving a net savings surplus of £0.06 million at month 3. Service areas have confirmed total efficiency savings forecast of £0.8 million for the year, this is against a target of £1.2m.

Pay costs are £0.3 million under spent due to vacancies mainly within the National Ops Directorate as we continue to recruit for 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 (£0.6 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.

**Table 3**

**SCOTTISH AMBULANCE SERVICE BOARD  
INCOME AND EXPENDITURE - SERVICE DELIVERY  
PERIOD TO 30 JUNE 2019**

		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
NORTH REGION	Income	(255)	(249)	(6)	-2%	(97)	(97)	(0)	0%
	Salaries	8,706	8,644	62	1%	2,879	2,875	4	0%
	Supplies	920	924	(4)	0%	319	320	(1)	0%
	Sav Target	(48)		(48)		(16)		(16)	
	Sav Realised	20		20		20		20	
				25			8		
EAST REGION	Income	(351)	(331)	(20)	-6%	(127)	(126)	(1)	-1%
	Salaries	13,922	13,908	14	0%	4,637	4,617	19	0%
	Supplies	1,466	1,562	(96)	-7%	500	474	26	5%
	Sav Target	(75)		(75)		(25)		(25)	
	Sav Realised	50		50		50		50	
				(127)			69		
WEST REGION	Income	(937)	(892)	(45)	-5%	(330)	(291)	(40)	-12%
	Salaries	19,265	19,227	38	0%	6,340	6,410	(71)	-1%
	Supplies	2,063	2,132	(69)	-3%	779	747	32	4%
	Sav Target	(105)		(105)		(35)		(35)	
	Sav Realised	255		255		85		85	
				75			(29)		
NATIONAL OPS	Income	(197)	(202)	5	2%	(66)	(85)	19	29%
	Salaries	9,474	9,327	147	2%	3,201	3,197	3	0%
	Supplies	5,036	5,655	(619)	-12%	1,711	2,336	(625)	-36%
	Sav Target	(67)		(67)		(22)		(22)	
	Sav Realised	28		28		11		11	
				(507)			(613)		
TOTAL SERVICE DELIVERY	Income	(1,740)	(1,674)	(66)	-4%	(620)	(598)	(22)	-4%
	Salaries	51,367	51,107	260	1%	17,056	17,101	(44)	0%
	Supplies	9,485	10,272	(787)	-8%	3,310	3,878	(568)	-17%
	Sav Target	(294)		(294)		(98)		(98)	
	Sav Realised	354		354		167		167	
				(534)			(566)		

## Table 4 – Support Services Directorates

Support services are being reported as £1.0 million over budget. Within table 4, the Finance & Logistics savings target includes the National Best Value Programme target of £7.8 million and the service-wide cost control target of £2 million. Aside of this, support services have achieved savings of £0.2million against their savings target of £0.6 million.

**Table 4**

**SCOTTISH AMBULANCE SERVICE BOARD**  
**INCOME AND EXPENDITURE BY DIRECTORATE**  
**PERIOD TO 30 JUNE 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	(4)	(2)	(2)	-55%	(1)	(1)	(1)	-52%
	Salaries	409	407	2	0%	138	141	(3)	-2%
	Supplies	33	47	(14)	-44%	13	17	(4)	-28%
	Sav Target	(7)		(7)		(2)		(2)	
	Sav Realised	14		14					
				(8)					(10)
FINANCE AND LOGISTICS	Income	(450)	(413)	(36)	-8%	(260)	(254)	(5)	-2%
	Salaries	2,188	2,233	(45)	-2%	756	744	12	2%
	Supplies	7,246	7,104	142	2%	2,375	2,362	14	1%
	Sav Target	(1,655)		(1,655)		(385)		(385)	
	Sav Realised	589		589		305		305	
				(1,006)					(60)
HUMAN RESOURCES	Income	(11)	(10)	(1)	-9%	(4)	(3)	(0)	-7%
	Salaries	511	504	7	1%	161	157	4	2%
	Supplies	230	236	(6)	-3%	75	61	14	19%
	Sav Target	(11)		(11)		(4)		(4)	
	Sav Realised								
				(11)					14
MEDICAL	Income	(5)	(4)	(1)	-23%	(2)	(1)	(0)	-21%
	Salaries	386	385	0	0%	136	137	(1)	-1%
	Supplies	86	142	(56)	-65%	29	53	(25)	-86%
	Sav Target	(6)		(6)		(2)		(2)	
	Sav Realised	67		67					
				4					(28)
CARE QUALITY AND STRATEGIC DEVELOPMENT	Income	(28)	(20)	(8)	-27%	(9)	(4)	(5)	-51%
	Salaries	1,443	1,409	34	2%	489	466	22	5%
	Supplies	345	377	(32)	-9%	84	165	(80)	-95%
	Sav Target	(26)		(26)		(9)		(9)	
	Sav Realised	20		20		20		20	
				(12)					(51)
TOTAL SUPPORT SERVICES	Income	(497)	(449)	(48)	-10%	(275)	(264)	(11)	-4%
	Salaries	4,936	4,940	(3)	0%	1,679	1,645	34	2%
	Supplies	7,940	7,906	35	0%	2,577	2,658	(81)	-3%
	Sav Target	(1,706)		(1,706)		(402)		(402)	
	Sav Realised	689		689		325		325	
				(1,033)					(135)

## 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.

Table 5

**SCOTTISH AMBULANCE SERVICE BOARD**  
**INCOME INCLUDING ALLOCATIONS**  
**PERIOD TO 30 JUNE 2019**

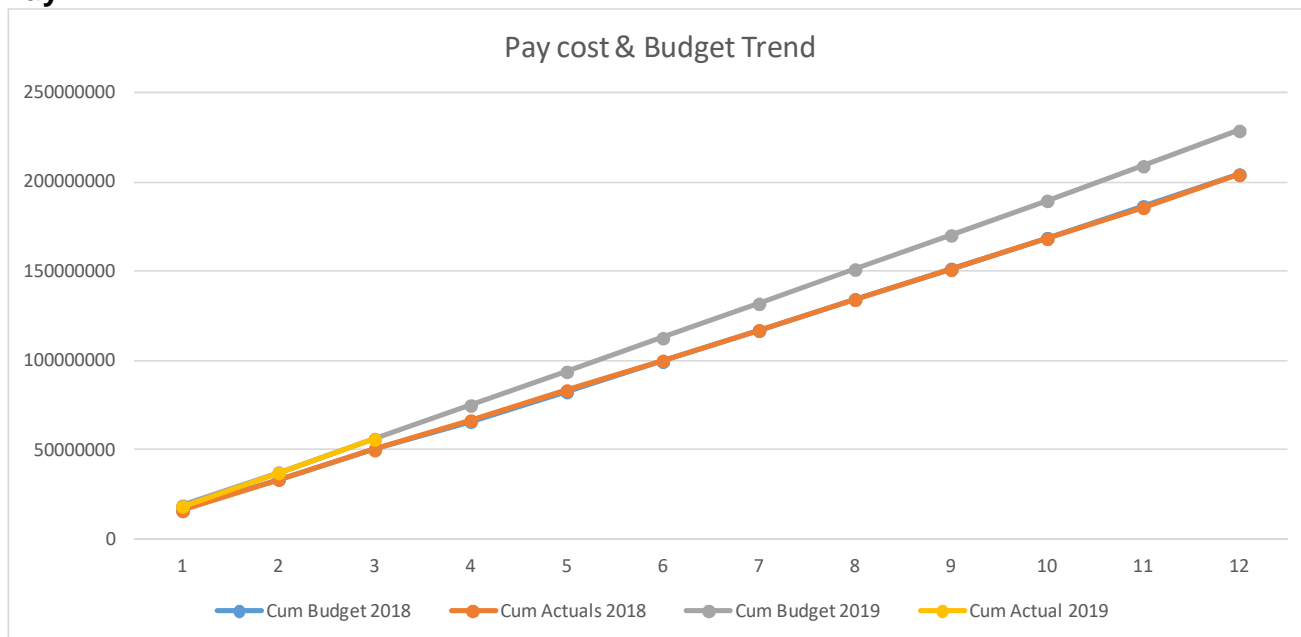
	Full Year Budget £'000	Year to Date		
		Budget £'000	Actual £'000	Variance £'000
<b>Income</b>				
Revenue Allocation	291,905			
Baseline Allocations	285,249			
Recurring Allocations	193			
Non-Recurring Allocations	6,463			
Health Board	4,448	1,341	1,328	(13)
Other Healthcare	789	205	154	(51)
Fleet	206	52	29	(23)
Staff Car Deductions	311	79	65	(14)
Other Operating	1,653	561	548	(13)
<b>Total Income</b>	<b>299,312</b>	<b>2,238</b>	<b>2,124</b>	<b>(114)</b>

Total income (including funding) to date is £114,000 behind target. This position is expected to improve in future months as income from events is recognised.

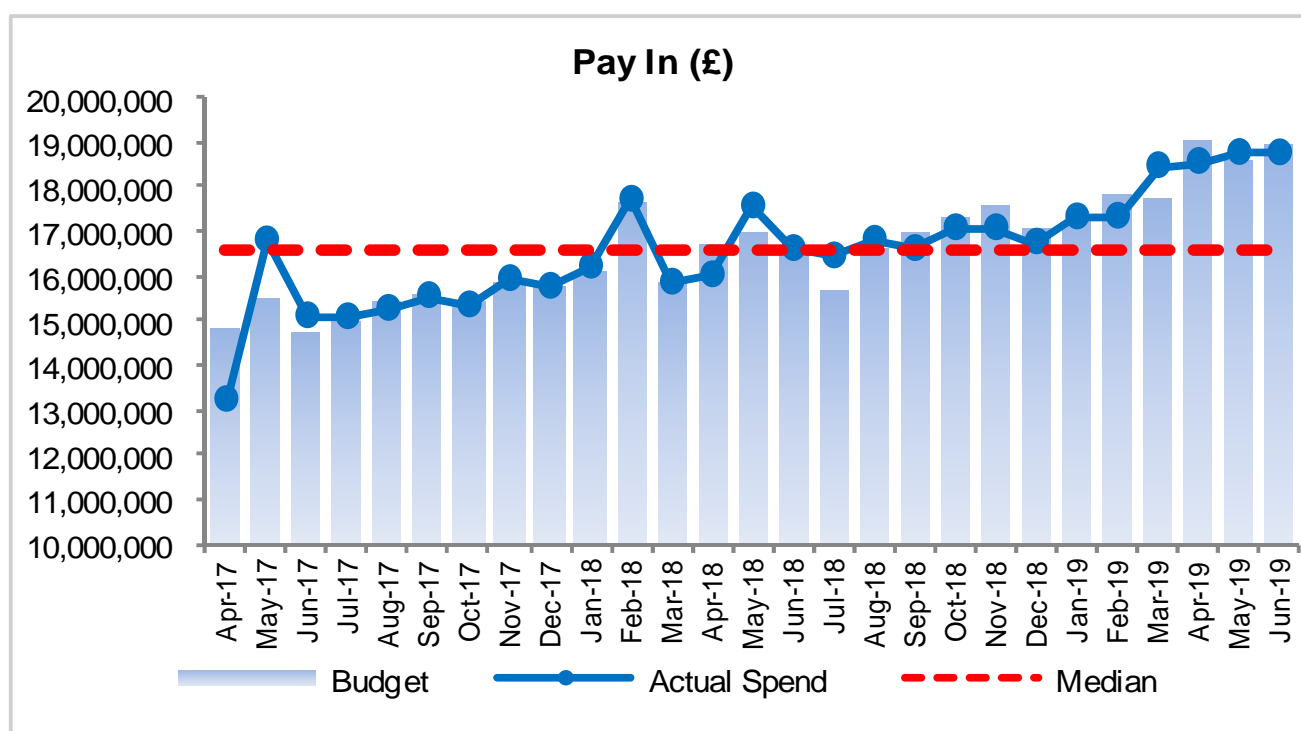
The original financial plan assumed revenue funding allocations of £286 million. Adjustments are made on a monthly basis to the budget to include any additional allocations as they are notified to the Boards from Scottish Government and other NHS Boards.

## 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, these are plotted on the graph but as the 2019/20 values only reflect 3 months, the trend analysis for this year is not yet clear, but we can see as expected an increase in costs, due to the increased WTE as a result of our developments, Agenda for Change pay award, incremental drift and the superannuation increase applied from April 2019. This is shown on the table below with the trend analysis shown from April 2017. A detailed analysis is being undertaken to quantify the increase due to additional WTE and cost increase – this will be reported in the month 4 finance report.



**Table 6**

**SCOTTISH AMBULANCE SERVICE BOARD  
STAFF AND OVERTIME SUMMARY  
PERIOD TO 30 JUNE 2019**

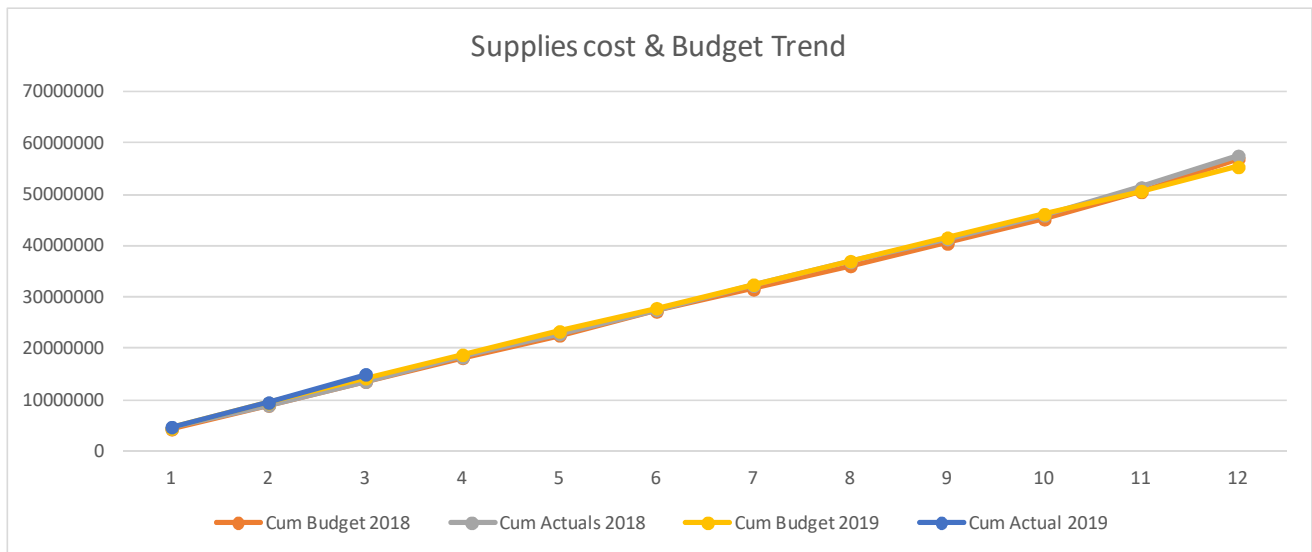
		East Region	North Region	West Region	National Ops	Service Delivery
Current Year	Average WTE	1,220	701	1,676	730	4,327
	Overtime Hours	26,318	19,396	37,799	10,606	94,119
	Overtime Cost (£'000)	593	430	834	224	2,081
Prior Year	Average WTE	1,197	673	1,681	698	4,249
	Overtime Hours	28,661	20,991	41,831	11,062	102,545
	Overtime Cost (£'000)	623	456	895	194	2,168
Variance	Average WTE	23	28	(5)	32	78
	Overtime Hours	(2,343)	(1,595)	(4,032)	(456)	(8,426)
	Overtime Cost (£'000)	(30)	(26)	(61)	30	(87)

The above table illustrates that the average WTE has increased by 78 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 costs as we work to our roster plans put in place during 2018/19 as monitored through the best value programme. The quantification of these savings against the best value programme is still being investigated and have not been fully included within the savings identified for the first three months of this financial year.

The trend in overtime hours for the last financial year is demonstrated in the graph below. 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.

Overtime hours have reduced 5% for Quarter 1 when compared to the same period last year. This reduction is evident across all 3 regions and within National Operations divisions also. It is however noted that there appears to be a slight increase in Quarter 1 when compared to Quarters 3 & 4 of 2018/19 and this is being closely monitored.

## Non-pay



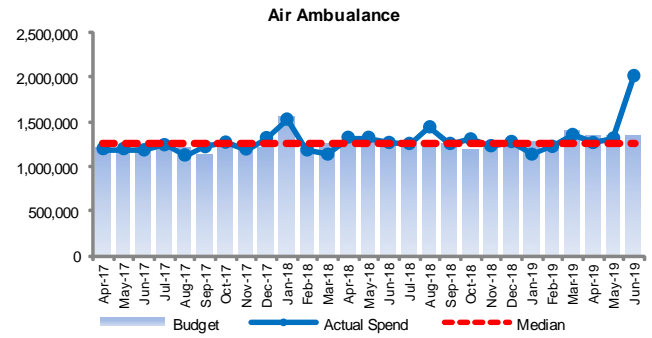
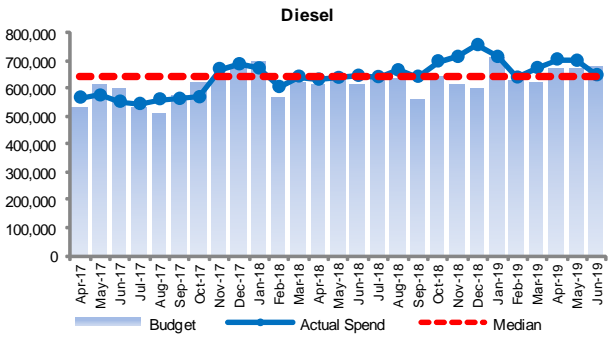
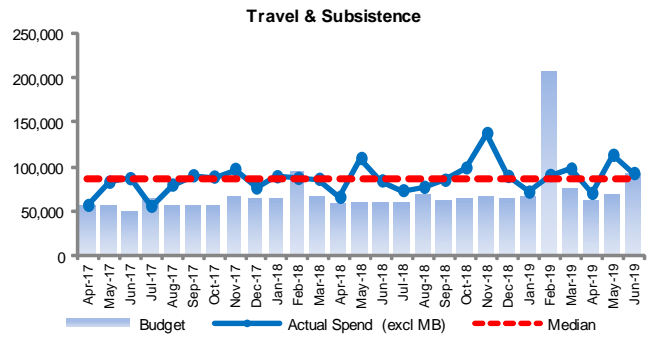
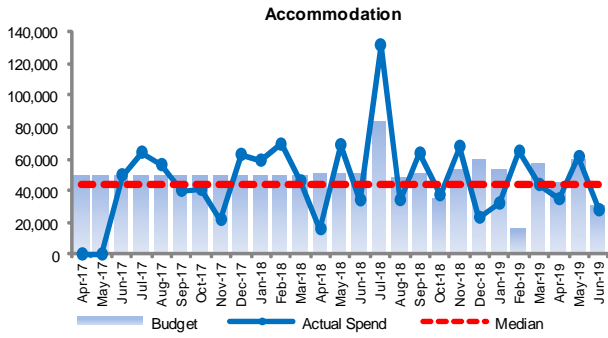
The non-pay graph above reflects year to date budget and year to date actual spend for both 2018/19 and 2019/20. The non-pay position to date shows a £0.75 million over spend with a number of ongoing cost pressures remaining:

- Air Ambulance costs (£0.6) million over budget - includes airport standby charges relating to prior years. 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 (£0.050) million over budget – Expenditure is 6.5% 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. A review of the travel policy is currently underway. A communication on meal breaks subsistence has also been issued to staff to ensure this is being applied in line with agenda for change terms and conditions.
- Vehicle Running Costs (£0.080) million over budget – Although the volume of fuel purchased has reduced slightly against the same period last year, the average price has been 4% higher which has added £0.180 million to our cost base for just one quarter. A small reduction in pump price towards the end of June is noted. Vehicle leasing charges also contribute to this cost pressure. Further investigation is underway to understand what is driving this increase in spend.

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 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. This is part of the development of the vector of measures against the best value programme.





## 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.

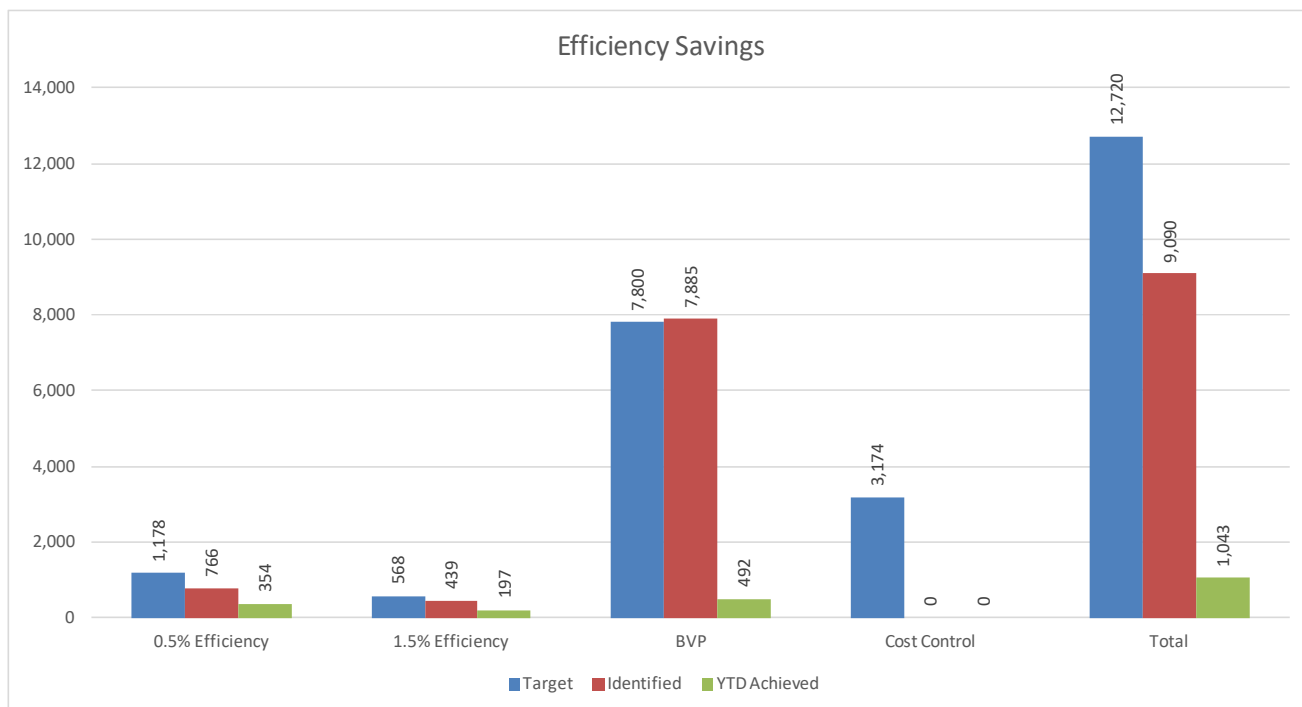
**SCOTTISH AMBULANCE SERVICE BOARD**  
**STRATEGY INVESTMENT REPORT**  
**PERIOD TO 30 JUNE 2019**

	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)		
<b>Total Strategy Investment</b>	<b>18,000</b>	<b>6,600</b>	<b>24,600</b>	<b>15,380</b>

The financial plan assumed slippage of £4.0 million against the strategy and other investments and this continues to assumed within this month 3 report. A detailed review of this will be undertaken in month 4.

## Efficiency Savings

Savings of £1.0 million were delivered against the first quarter savings target of £2 million. The following graph shows the progress against our efficiency plans. Members can note the savings delivered against the full year identified plans.



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, of which 17 have savings identified to date of £0.55 million, there is a gap of £0.5 million to achieve the financial plan target of £1.7 million. This will be reviewed critically over the next 3 months and formal escalation processes put in place by September if no further schemes have been identified.

- **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, £0.5 million of savings have been recognised in the first three months, which includes savings from abstractions, sickness absence, shift over-runs and fuel initiatives. The management accounts team 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.

- **Cost control**

Work is also ongoing considering additional cost control measures being put in place. 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. It is likely these will be projects and ideas generated later in the financial year.

Doc: 2019-07-31 June Financial Performance	Page 19	Author: Director of Finance & Logistics
Date 2019-07-15	Version 1.0	Review Date: August 2019

## **CAPITAL**

### **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 £0.250 million
    - ICCS Replacement £1.2 million (amount to be confirmed)

### **Governance Process**

The Service has established a Capital Programme Governance Group (CPGG) to approve any capital funded projects, within the Service's Scheme of Delegation, and to monitor capital expenditure during the project.

A mini business case must be submitted to the CPGG for all projects requiring funding from the Service's Formula Capital Budget. The BC must detail the reasons the project is required along with the benefits, risks and costs associated with it. These BC's are subject to prioritisation by the CPGG to ensure Formula Funding is utilised efficiently.

### **YTD Capital Position**

The YTD Capital Position is shown in the table below. The expenditure in Quarter 1 is always typically low as projects are in the planning stage.

Capital receipts of £18,400 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.

It is anticipated the budget of £0.751 million 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 pipeline and updates on the progress of these are discussed at each meeting this allows for prioritisation of emerging developments.

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

Doc: 2019-07-31 June Financial Performance	Page 20	Author: Director of Finance & Logistics
Date 2019-07-15	Version 1.0	Review Date: August 2019

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

As at Month 3 (30 June 2019)

<b>PROJECT</b>	<b>Approved Budget £</b>	<b>YTD Actuals £</b>	<b>Notes</b>
<b>Formula Capital Projects</b>			
eHealth and ICT	165,880	4,508	
Property	411,900	-4,644	
Medical Equipment	15,000	14,957	
Unallocated	751,220	0	Budget will be allocated to projects upon approval of BC
	<b>1,344,000</b>	<b>14,821</b>	
<b>Earmarked Allocations</b>			
Enhancing Capability	1,713,916	183,409	
Defib Replacement	11,050,000	519,392	Additional £450k from Formula Capital added to Earmarked allocation
ICCS Replacement	0	0	Budget to be confirmed
Scotstar	250,000	54	
Vehicles	11,020,084	1,612,885	
	<b>24,034,000</b>	<b>2,315,739</b>	
Capital Receipts	0	-18,393	Gain on sale of vehicles
<b>TOTAL</b>	<b>25,378,000</b>	<b>2,312,168</b>	

## 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.

<b><u>Approved Projects from Formula Capital</u></b>		<b>£</b>
<b>eHealth and ICT</b>		
Video Conferencing		6,430
SASNet (Coin Replacement)		87,000
Back Up Telephony		30,000
West Education Centre, Hamilton		10,200
Kirkwall Airwave Kit		32,250
<b>Total- eHealth and IT</b>		<b>165,880</b>
<b>Special Projects</b>		
Defib Replacement		450,000
<b>Total - Special Projects</b>		<b>450,000</b>
<b>Property</b>		
Cumnock		405,000
Elgin		6,900
<b>Total – Property</b>		<b>411,900</b>
<b>Operations</b>		
Medical Equipment		15,000
<b>Total – Operations</b>		<b>15,000</b>
<b>Total Approved Projects</b>		<b><u>1,042,780</u></b>
<b>Unallocated Budget</b>		<b>751,220</b>
<b><u>Anticipated Projects</u></b>		
NICE Replacement	120,000	
LAN Replacement	20,000	
EPR Enhancements	25,000	
VC Enhancements	30,000	
Autodispatch Module	63,666	
C3 Demand Management Module	13,952	
Respiratory Protection (Capital to Revenue transfer)	<u>578,583</u>	
<b>Total - Anticipated Projects</b>		<b>851,201</b>
<b>Revised Unallocated Budget</b>		<b><u>(99,981)</u></b>

## **Key Risks against the Capital projects**

### 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.

### ICCS Replacement Project

Following the approval of the Business Case in November 2018, positive conversations were held with SG to request funding to cover these costs. However, no official confirmation has been received from SG as yet that the Service will be allocated the funding. Conversations are ongoing and this is considered a medium risk.

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

## **CASH**

The Service has drawn £77.9 million of funding from SGHSCD since 1<sup>st</sup> April with £73.0 million used on operating activities and £4.6 million spent on investment in property plant and equipment. This leaves a cash balance of £0.3 million at 30<sup>th</sup> June.

Working capital has improved by £4.0 million with receivables increasing by £2.0 million and payables reducing by £2.0 million. Cash spent on investment includes £2.6 million paid to 2018/19 year end creditors.

## **CONCLUSION**

The reported financial position of £1.6 million over budget after 3 months aligns with our financial plan trajectory for reporting a £1.8 million overspend against Core RRL at the end of quarter 1, June 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 £1.0 million savings achieved to date against the planned £2 million at this stage is lower than planned, and detailed work continues in recognising and tracking savings especially in light of the slightly improved financial position at the end of the first quarter.

A detailed year end forecast is planned by August 2019 and 1-1 meetings have been arranged with the Director of Finance and key budget holders with weekly updates also provided to the Executive Team.

Doc: 2019-07-31 June Financial Performance	Page 23	Author: Director of Finance & Logistics
Date 2019-07-15	Version 1.0	Review Date: August 2019