



**NOT PROTECTIVELY MARKED**

**Public Board Meeting**

**25 November 2020**

**Item 08**

**THIS PAPER IS FOR DISCUSSION**

**SUMMARY FINANCIAL PERFORMANCE TO 31 OCTOBER 2020**

<b>Lead Director Author</b>	Julie Carter, Director of Finance, Logistics and Strategy Maria McFeat, Deputy Director of Finance
<b>Action required</b>	<p>The Board is asked to discuss and note:</p> <ul style="list-style-type: none"><li>• The financial position to 31 October 2020</li><li>• The COVID-19 funding allocation received from Scottish Government and the COVID-19 financial update to 31 October 2020</li><li>• The efficiency savings position to 31 October 2020</li><li>• The updated full year financial forecast position</li><li>• The work commenced in updating the 2021/22 financial plan</li></ul>
<b>Key points</b>	<ol style="list-style-type: none"><li>1. The financial position shows a deficit of £3.4 million against a trajectory deficit of £2.2 million.</li><li>2. Note that additional funding for COVID-19 was announced by Scottish Government on 29<sup>th</sup> September. As in previous Board papers the detail of this is described within the paper. After offsetting against this funding the net financial position to the end of October is £3.4 million deficit against plan. This includes unachieved efficiency savings due to COVID-19 of £2.3 million for which additional funding will be considered at the planned December/January review period.</li><li>3. Efficiency savings of £3.2 million have been delivered against a target of £7.0 million for the period. Noting that to date £2.3 million of efficiency savings could not be delivered due to COVID-19.</li><li>4. Additional expenditure of £11.2 million has been incurred in this period as a result of the Service's COVID-19 mobilisation plan.</li><li>5. The full year financial forecast remains a break even position.</li></ol>
<b>Timing</b>	During the financial year the Board will be provided with monthly updates on the financial position and from August the final year end forecast position will also be reported. This will show the total forecast costs including the additional costs of COVID-19, the total funding and COVID-19 funding received and progress against the remobilisation

	funding to the end of March 2021. The 2021/22 financial planning cycle will also commence and will be reported to the November Board 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 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 the 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 2020 when the budget for 2020/21 was set.

## **SCOTTISH AMBULANCE SERVICE BOARD**

### **FINANCIAL PERFORMANCE TO 31 OCTOBER 2020**

#### **JULIE CARTER, DIRECTOR OF FINANCE, LOGISTICS & STRATEGY**

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This paper sets out the financial position at 31 October 2020 for the Scottish Ambulance Service.

#### **The Board is asked to note:**

- the financial position to the end of October 2020 for the financial year 2020/21
- a specific section on COVID-19 financial impact and funding assumptions and
- the key messages as highlighted including agreed actions

The financial position to October 2020, reporting a deficit of £3.4 million to date, consists of:

- Income – under target to date by £0.2 million
- Core Expenditure – under spend to date of £0.6 million
- Efficiency savings target for the financial year 2020/21 is £12.0 million. To date £3.2 million of savings have been recognised against a target of £7.0 million year to date, which reflects an efficiency savings gap of £3.8 million. Within the COVID-19 expenditure plan there is the financial impact of a shortfall of £2.3 million of efficiency plans that have not been achieved due to current COVID-19 operational demands.
- Additional expenditure incurred due to COVID-19 response of £11.2 million has been funded by Scottish Government and therefore does not impact the financial position. Possible funding for the £2.3 million shortfall against efficiency plans due to COVID-19 remains under review.

#### **Key messages**

- Total deficit as at October 2020 of £3.4 million (this includes both core and non-core expenditure).
- Our Financial Plan (pre COVID-19) forecast an overspend of £2.2 million by the end of October 2020.
- The financial impact of the COVID-19 response represents £13.5 million additional revenue costs to the Service in this period to date. This includes £11.2 million of additional spend approved in our mobilisation plan plus a shortfall of £2.3 million share

of efficiency plans have not been achieved due to current COVID-19 operational demands.

- Additional funding from Scottish Government for COVID-19 was received on the 1<sup>st</sup> October 2020 and for the period to the end of October this equates to £11.2 million.
- The net financial overspend of £3.4 million is being driven primarily by the shortfall in savings of £3.8 million. This is now the focus for recovery through the Best Value Programme. As reported £2.3 million of this shortfall is the efficiency savings shortfall due to COVID-19 operational demands and funding is being pursued for this. Whilst plans are being developed to aim to recover this shortfall this is deemed as high risk and COVID-19 financial reporting for the Board will continue to include this shortfall until full savings are realised. Scottish Government is aware of this risk and has agreed to review the funding position for unachieved savings in January 2021 if efficiency plans cannot be delivered.

## Key actions agreed in this period

### 1. COVID-19

The impact of COVID-19 on our financial position has been reported since February and a detailed analysis has been undertaken over the last few months. The financial impact to month seven is £13.5 million revenue (including unachieved efficiency savings) with the COVID-19 full year financial forecast (including remobilisation) now in the region of £28 million. This forecast includes £27 million revenue and £1 million capital. The COVID-19 financial analysis is being reviewed and updated on a weekly basis.

**ACTION:** We continue to work closely with Scottish Government colleagues who have put in place a monthly COVID-19 finance reporting update. This continues to be reported to Scottish Government and weekly calls with Deputy Directors of Finance are taking place to discuss this. In addition, a peer to peer review of COVID-19 funding submissions across all Health Board including IJB's has been initiated by the Directors of Finance.

As agreed with Scottish Government, very detailed Quarter 1 returns and indicative full year forecasts were submitted on 14 August 2020. This included a COVID-19 (including remobilisation) financial forecast. This also importantly included assumptions regarding our other allocations including demand and capacity, our new paramedic education model and review of on-call working. Demand and capacity and on call funding has been agreed. It is anticipated these allocations will be received by the end of November 2020.

It was also agreed that as at the end of August formal financial reporting to Scottish Government would recommence and will be reported monthly thereafter.

In relation to COVID-19 funding, confirmation on funding allocation was received on the 1<sup>st</sup> October with a total of £18.3 million revenue allocated and £0.9 million capital, with a further £9.1 million to follow as part of the Q2 review scheduled for December 2020.

### 2. Delivery of our Efficiency Savings Target

Much of the Best Value Programme work has required to be put on hold as we have been dealing with the impact of COVID-19. Therefore, included within the additional costs of COVID-19 are an estimate of efficiency plans that we would have otherwise delivered in year and are now at risk of delivery. These estimates focus primarily on those schemes that

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reduced our overtime costs and managed abstractions. The key driver of our current core overspend excluding COVID-19 is primarily due to our efficiency savings shortfall.

**ACTION:** The Best Value Programme restarted in July. The focus of the work remains in line with the financial plan, which described an efficiency target of £5.6 million through the best value programme and a gap of £1.9 million unallocated efficiency plans. This is now being accelerated and is being closely aligned to the COVID-19 remobilisation plan. These plans are also being reviewed against other expenditure areas where we are seeing a reduction in spend due to sickness absence levels lower and travel costs reduced. Work has begun at pace to quantify savings in relation to lower air ambulance activity and lower sickness absence and will be reflected in future months. An updated Best Value plan has been completed and agreed with workstream leads. Work in quantifying the savings noted above will be the focus of the next few months activities.

### **3. Core Financial Position, full year forecast and planning for 2021/22**

Given the uncertainty with COVID-19 and the further financial implications of remobilisation the Service has undertaken a detailed financial forecast to the year end. This also incorporates the assumed level of unachieved efficiency savings (as a result of COVID-19), the impact of winter and the updated COVID-19 financial forecast as noted above.

This revised forecast now forms the basis of the financial planning for the remainder of the financial year and will incorporate an assessment of the financial opportunities and costs based on a number of scenarios. This forecast is described in detail within this paper. Our financial plan to deliver a balanced budget remains.

Work has also commenced in updating the 2021/22 financial plan. A detailed paper will be presented to the November 2020 Board meeting describing the impact of this.

### **Financial Risk considerations noted in the period**

The financial risks are as follows:

#### **Securing COVID-19 funding to cover the additional costs**

The capturing of COVID-19 related costs is well established and has been reported to Scottish Government over the last few months. Our total forecast for the year remains at £28 million with current costs for the seven months of the year in the region of £13.5 million. The first tranche of this funding has been received. The financial forecast and assumptions was also discussed with Scottish Government finance and it is anticipated the full year financial impact of COVID-19 will be received during 2020/21. This will be closely monitored.

**Action** – continue close monitoring of additional costs and reporting to Scottish Government and ensure controls are in place to capture all COVID-19 related expenditure.

#### **Delivery of Efficiency Savings**

This is a significant risk given the delay in progressing with our Best Value programme and our developed efficiency plans. We have estimated delivery of savings of £3.2 million over the first seven months against our target of £7.0 million for the same period. This remains a significant challenge.

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**Action** – A number of actions are progressing including

- Best Value Programme has been reinstated from July. Programme leads and programme plans have been established. Weekly reporting against progress to the Executive Team is now in place.
- Within the £28 million additional COVID-19 costs, we have included an estimate of £4 million at risk efficiency savings based upon our current assumptions. This is being reviewed on an ongoing basis and will continued to be identified as a risk while the Best Value programme plans are being implemented. A formal review with Scottish Government is planned for December 2020.

## **Finance position as at October 2020**

### **Introduction**

This section of the paper provides details of the financial results for the period ending October 2020. The delivery of the financial plan remains a major focus of the finance team. Regular budget review meetings are in place with Service heads, as well as more detailed tracking of efficiency savings, and a new financial reporting template was put in place in August. There is ongoing review of COVID-19 costs and internal cost control processes.

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 2020 is a deficit of £3.4 million, made up of the following:

- Income – under budget by £0.2 million
- Expenditure Pay – over budget by £0.1 million
- Expenditure Supplies – under budget by £0.7 million
- Savings – behind target by £3.8 million
- Expenditure Non-core – break even

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

**SCOTTISH AMBULANCE SERVICE BOARD  
REVENUE RESOURCE ANALYSIS  
YEAR TO 31 OCTOBER 2020**

	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	353,171	194,735	194,735		40,167	40,167	
Health Board	4,981	2,984	2,983	(1)	486	485	(1)
Other Healthcare	1,088	646	528	(118)	105	110	5
Fleet	206	120	23	(97)	17	2	(15)
Staff Car Deductions	254	124	112	(12)	25	11	(14)
Other Operating	1,443	1,063	1,027	(36)	(1,997)	(2,019)	(22)
<b>Total Income</b>	<b>361,143</b>	<b>199,672</b>	<b>199,408</b>	<b>(264)</b>	<b>38,803</b>	<b>38,756</b>	<b>(47)</b>
<b>Expenditure</b>							
Accident & Emergency	206,736	119,968	119,326	642	17,703	17,437	266
Non Emergency Service	25,068	14,421	14,620	(199)	2,140	2,189	(49)
Air Ambulance	15,802	9,311	9,001	310	1,502	1,253	249
Overheads	96,347	38,782	42,710	(3,928)	15,868	6,354	9,514
<b>Total Expenditure</b>	<b>343,953</b>	<b>182,482</b>	<b>185,657</b>	<b>(3,175)</b>	<b>37,213</b>	<b>27,233</b>	<b>9,980</b>
<b>Core Expenditure Variance</b>			<b>(3,439)</b>			<b>9,933</b>	
<b>Non Core Expenditure</b>							
Depreciation (DEL)	15,500	8,487	8,487	0	1,206	1,206	0
Depreciation (Donated)	100	47	47	0	6	6	0
AME Provision	1,190	0	0	0	0	0	0
AME Impairments	400	0	0	0	0	0	0
<b>Total Non Core Expenditure</b>	<b>17,190</b>	<b>8,534</b>	<b>8,534</b>	<b>0</b>	<b>1,212</b>	<b>1,212</b>	<b>0</b>
<b>Surplus / Deficit</b>			<b>(3,439)</b>			<b>9,933</b>	



**Table 2 – Income and Expenditure**

Table 2 provides the year to date position between service and support directorates, and identifies the COVID-19 financial impact separately.

SCOTTISH AMBULANCE SERVICE BOARD									
INCOME AND EXPENDITURE SUMMARY									
YEAR TO 31 OCTOBER 2020									
		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
COVID-19	Income			0		0	0	0	
	Salaries	7,807	7,807	0		7,807	599	7,208	
	Supplies	3,370	3,370	0		3,370	546	2,824	
	Sav Target	(2,331)	0	(2,331)		(333)	0	(333)	
	Sav Realised		0	0		0	0	0	
				(2,331)				9,699	
Service Delivery Directorate	Income	(3,584)	(3,574)	(10)	0%	1,553	1,579	(26)	2%
	Salaries	129,606	129,215	391	0%	19,839	19,564	275	-1%
	Supplies	21,621	21,671	(50)	0%	3,322	3,208	114	-3%
	Sav Target	(20)	0	(20)	0%	(2)	0	(2)	0%
	Sav Realised	35	0	35	0%	0	0	0	0%
				346				361	
Support Services Directorates	Income	(1,354)	(1,100)	(254)	-19%	(191)	(169)	(22)	-12%
	Salaries	12,501	12,948	(447)	4%	1,818	1,904	(86)	5%
	Supplies	19,890	19,180	710	-4%	2,750	2,622	128	-5%
	Sav Target	(4,648)	0	(4,648)	0%	(663)	0	(663)	0%
	Sav Realised	3,185	0	3,185	0%	516	0	516	0%
				(1,454)				(127)	
SCOTTISH AMBULANCE SERVICE	Income	(4,938)	(4,674)	(264)	-5%	1,362	1,410	(48)	4%
	Salaries	149,914	149,970	(56)	0%	29,464	22,067	7,397	25%
	Supplies	44,881	44,221	660	1%	9,442	6,376	3,066	32%
	Sav Target	(6,999)	0	(6,999)		(998)	0	(998)	
	Sav Realised	3,220	0	3,220		516	0	516	
				(3,439)				9,933	

**Table 3 – Service Delivery**

Service delivery is £0.3 million under budget at 30 October 2020. This does not include any savings targets which are currently held centrally at a value of £5.8 million. Work has commenced to deliver the best value work streams with agreed leads and implementation plans in place.

Pay costs (excluding COVID-19) are reporting a small underspend £0.4 million over all service areas, however it should be noted that additional pay expenditure has been incurred

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across all service areas as a result of COVID-19 and this has been identified separately in Table 2, and explained further later in this paper.

**Table 3**

SCOTTISH AMBULANCE SERVICE BOARD									
INCOME AND EXPENDITURE - SERVICE DELIVERY									
YEAR TO 31 OCTOBER 2020									
		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
NORTH REGION	Income	(556)	(555)	(1)	0%	(77)	(75)	(2)	-3%
	Salaries	21,337	21,130	207	-1%	3,129	3,075	54	-2%
	Supplies	2,011	2,162	(151)	8%	288	299	(11)	4%
	Sav Target			0				0	
	Sav Realised			0				0	
				55				41	
EAST REGION	Income	(450)	(415)	(35)	-8%	(121)	(100)	(21)	-17%
	Salaries	33,979	34,000	(21)	0%	5,134	4,907	227	-4%
	Supplies	3,276	3,305	(29)	1%	492	477	15	-3%
	Sav Target			0				0	
	Sav Realised			0				0	
				(85)				221	
WEST REGION	Income	(1,969)	(1,992)	23	1%	(318)	(318)	0	0%
	Salaries	47,608	47,532	76	0%	7,011	6,917	94	-1%
	Supplies	4,179	4,318	(139)	3%	607	676	(69)	11%
	Sav Target			0				0	
	Sav Realised			0				0	
				(40)				25	
NATIONAL OPS	Income	(609)	(612)	3	0%	2,069	2,072	(3)	0%
	Salaries	26,682	26,553	129	0%	4,565	4,665	(100)	2%
	Supplies	12,155	11,886	269	-2%	1,935	1,756	179	-9%
	Sav Target	(20)	0	(20)		(2)		(2)	
	Sav Realised	35	0	35		0		0	
				416				74	
TOTAL SERVICE DELIVERY	Income	(3,584)	(3,574)	(10)	0%	1,553	1,579	(26)	2%
	Salaries	129,606	129,215	391	0%	19,839	19,564	275	-1%
	Supplies	21,621	21,671	(50)	0%	3,322	3,208	114	-3%
	Sav Target	(20)	0	(20)		(2)	0	(2)	
	Sav Realised	35	0	35		0	0	0	
				346				361	

**Table 4 – Support Services Directorates**

Support services are being reported as £1.5 million over budget. The Finance & Logistics savings target includes all Best Value Programme targets. Aside of this, support services are still finalising plans against their combined directorate efficiency targets of £0.6 million, however £0.3 million of savings have been delivered to date. Meetings are currently ongoing with the budget holders to finalise remaining plans.

**SCOTTISH AMBULANCE SERVICE BOARD**  
**INCOME AND EXPENDITURE BY DIRECTORATE**  
**YEAR TO 31 OCTOBER 2020**

		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)	(4)	0	0%	(1)	(1)	0	
	Salaries	985	979	6	-1%	129	162	(33)	26%
	Supplies	53	117	(64)	121%	12	37	(25)	208%
	Sav Target	(16)	0	(16)		(2)	0	(2)	
	Sav Realised	28	0	28		0	0	0	
				(46)	(60)				
FINANCE AND LOGISTICS	Income	(1,271)	(1,035)	(236)	-19%	(175)	(153)	(22)	-13%
	Salaries	5,759	6,251	(492)	9%	834	857	(23)	3%
	Supplies	18,009	17,493	516	-3%	2,552	2,459	93	-4%
	Sav Target	(4,522)	0	(4,522)		(646)	0	(646)	
	Sav Realised	2,984	0	2,984		481	0	481	
				(1,750)	(117)				
HUMAN RESOURCES	Income	(23)	(21)	(2)	-9%	(4)	(2)	(2)	
	Salaries	1,267	1,258	9	-1%	171	183	(12)	7%
	Supplies	469	341	128	-27%	68	41	27	-40%
	Sav Target	(26)	0	(26)		(4)	0	(4)	
	Sav Realised			0		0	0	0	
				109	9				
MEDICAL	Income	(7)	(6)	(1)	-14%	(1)	0	(1)	
	Salaries	1,340	1,312	28	-2%	187	184	3	-2%
	Supplies	277	281	(4)	1%	42	1	41	-98%
	Sav Target	(23)	0	(23)		(3)	0	(3)	
	Sav Realised	80	0	80		26	0	26	
				80	66				
CARE QUALITY AND PROF DEVELOPMENT	Income	(49)	(34)	(15)	-31%	(10)	(13)	3	
	Salaries	3,150	3,148	2	0%	497	518	(21)	4%
	Supplies	1,082	948	134	-12%	76	84	(8)	11%
	Sav Target	(61)	0	(61)		(8)	0	(8)	
	Sav Realised	93	0	93		9	0	9	
				153	(25)				
TOTAL SUPPORT SERVICES	Income	(1,354)	(1,100)	(254)	-19%	(191)	(169)	(22)	-12%
	Salaries	12,501	12,948	(447)	4%	1,818	1,904	(86)	5%
	Supplies	19,890	19,180	710	-4%	2,750	2,622	128	-5%
	Sav Target	(4,648)	0	(4,648)		(663)	0	(663)	
	Sav Realised	3,185	0	3,185		516	0	516	
				(1,454)	(127)				

## 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.

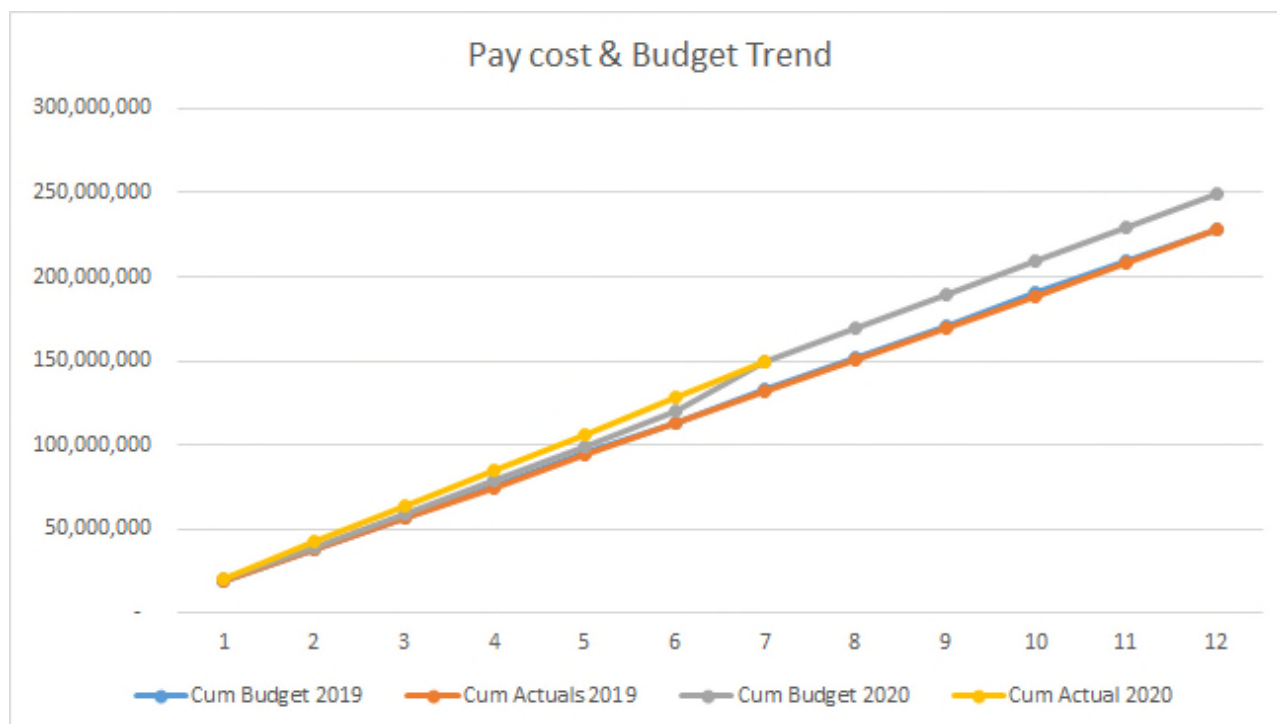
**SCOTTISH AMBULANCE SERVICE BOARD**  
**INCOME INCLUDING ALLOCATIONS**  
**YEAR TO 31 OCTOBER 2020**

	Full Year Budget £'000	Year to Date		
		Budget £'000	Actual £'000	Variance £'000
<b>Income</b>				
Revenue Allocation	353,171			
Baseline Allocations	303,372			
Recurring Allocations	3,950			
Non-Recurring Allocations	45,849			
Fleet Income	206	120	23	(97)
Health Board	4,981	2,984	2,983	(1)
Other Healthcare	1,088	646	528	(118)
Other Operating	1,443	1,063	1,027	(36)
Staff Car Deductions	254	124	112	(12)
<b>Total Income</b>	<b>361,143</b>	<b>4,937</b>	<b>4,673</b>	<b>(264)</b>

Total income (including funding) to date is £0.26 million behind target.

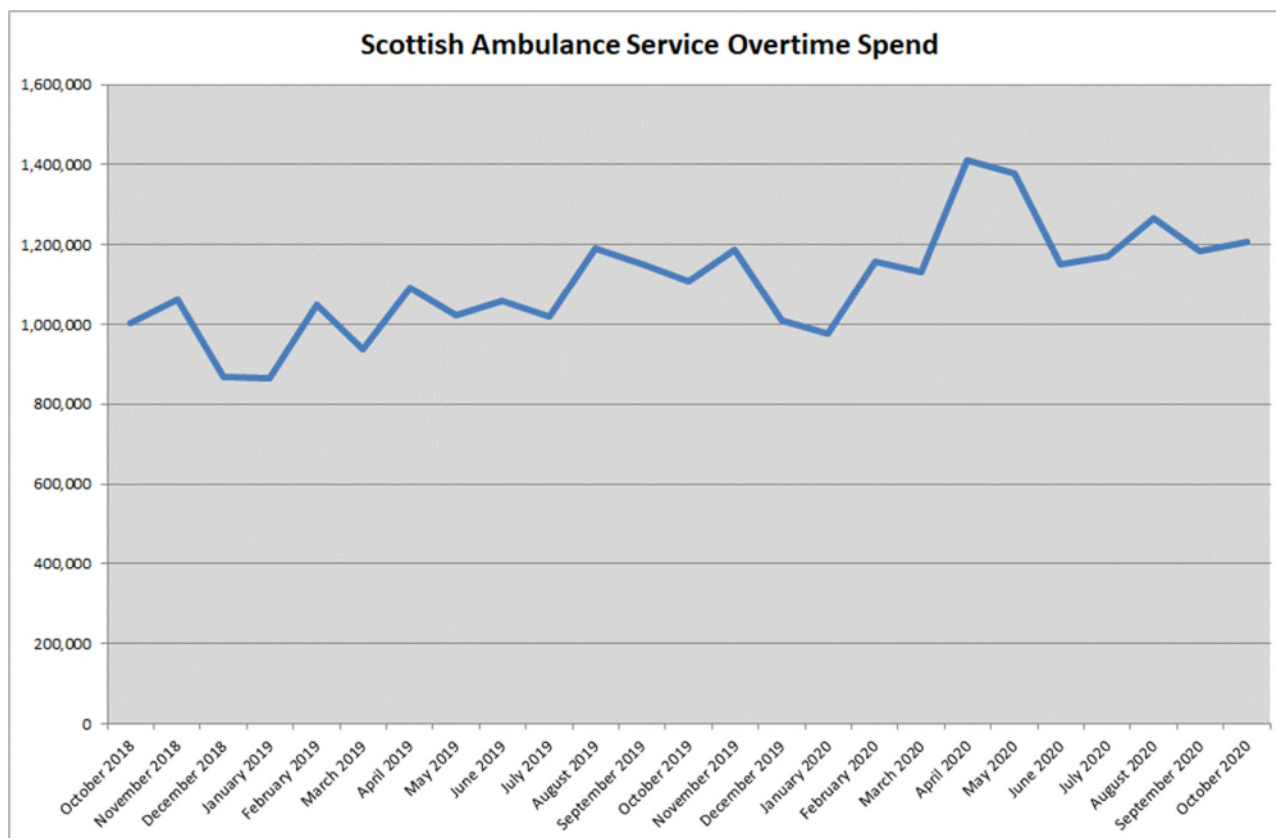
The original financial plan assumed revenue funding allocations of £306 million. Adjustments are made on a monthly basis to the budget to include any additional allocations as they are notified to the Boards from Scottish Government and other NHS Boards.

## Detailed Pay analysis



The pay graph above reflects both year to date budget and year to date actual spend for financial year 2019/20 and 2020/21. As can be seen, the trend shows 2020 costs exceeding 2019 values, due to increased overtime as a result of the COVID-19 situation. Overtime cost in this current year is averaging 8.6% of the year to date pay bill compared to last year to date at 5.9%. The table below shows a trend analysis of overtime costs in the last 2 years. The impact of COVID-19 mobilisation on the Service can be seen in the months from March 2020. Table 6 below provides the detail on the uplift in average WTE from this time last year.





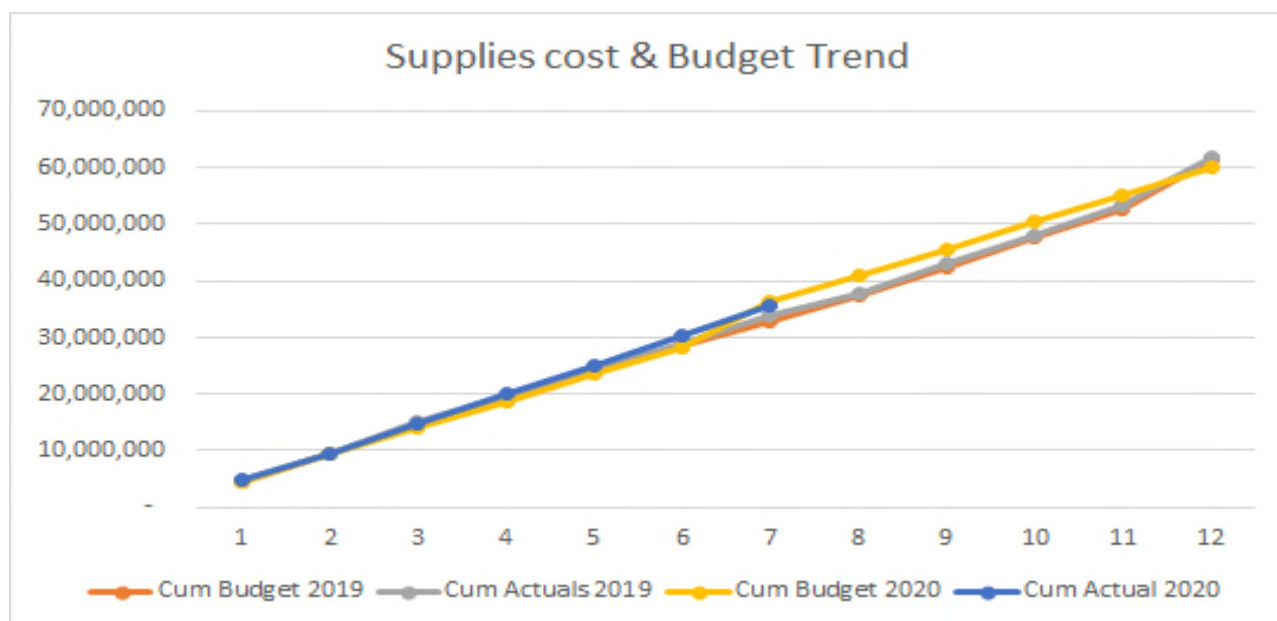
**Table 6**

**SCOTTISH AMBULANCE SERVICE BOARD  
STAFF AND OVERTIME SUMMARY  
YEAR TO 31 OCTOBER 2020**

		East Region	North Region	West Region	National Ops	Service Delivery
Current Year	Average WTE	1,224	697	1,710	785	4,416
	Overtime Hours	94,939	72,297	152,423	47,056	366,715
	Overtime Cost (£'000)	2,207	1,662	3,491	1,112	8,472
Prior 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)	1,984	1,506	3,085	930	7,505
Variance	Average WTE	11	2	53	39	105
	Overtime Hours	5,385	3,616	12,336	6,855	28,192
	Overtime Cost (£'000)	223	156	406	182	967

The above table illustrates the significant increase in overtime hours due to our COVID-19 response when compared to the same period last year. This is despite absences rates for annual leave, sickness and CPD & Training being considerably lower than the prior year reflecting the increased pressures within the system.

## Non-pay



The non-pay graph above reflects year to date budget and year to date actual spend for both 2019/20 and 2020/21. This year additional non-pay spend of £3.4 million has been incurred as a result of the Service COVID-19 mobilisation plan. A detailed breakdown of these costs can be found in the COVID-19 section below.

## Efficiency Savings

Savings of £3.2 million have been delivered against the seven-month target of £7.0 million and against identified plans of £10.8 million.





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

- **Support Directorate Savings Target**

Support Directorates have been allocated a 1.5% efficiency target to recognise the requirement to continually review our costs and ensure reinvestment in our services to meet ongoing cost pressures. A total of £0.3 million has been delivered to date against full year target of £0.6 million.

- **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 is also 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 2020-23 financial plan recognises that during engagement with staff in 2019/20 and a review of our approach to the delivery of savings there is a need to bring all saving plans together and clearly define national programmes through the Best Value Programme and devolved accountability to the budget holders for local implementation.

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The Best Value Programme will now therefore provide an overarching reporting mechanism for all locally devolved savings schemes and will lead on driving nationally identified initiatives and projects.

- **Devolved Targets** – Responsibility for projects that were implemented during 2019/20 and now deemed to be embedded within the Service has been devolved to budget holders. Progress of these projects will be monitored however these are expected to deliver £4.0 million on a recurring basis, with £2.4 million delivered to date.
- **Empowerment and raising awareness** – Projects to raise awareness and improve local management of budgets initially involving fleet and estates costs are hoped to deliver £0.2 million. Reporting on these have been developed and is in the process of being issued.
- **Best Value Programmes** – More than 30 work streams have been identified with potential savings of £5.6 million that will be led by the Best Value Programme team and supporting local managers and teams. A detailed programme plan has been developed with Executive leads against each programme. This work had been put on hold as a result of the COVID-19 response, whilst the programme team are leading on the COVID-19 demand and capacity modelling and all resources have been tied into this. This work has now restarted with an updated implementation plan now in place.
- **Unidentified Initiatives**

The financial plan identified £1.9 million of unidentified savings. This forecast had since been reduced to a £1.3 million gap due to the allocation of 1.5% efficiency targets to support directorates. Work continues to review expenditure and best practice to assess if further projects can be identified.

In line with our Best Value governance processes formal escalation plans will have been put in place. This includes the reintroduction of the weekly progress reporting on progress to the Executive Team.

## COVID-19 Financial Implications

Board Members are aware that there is additional funding in place from Scottish Government to support expenditure due to the COVID-19 pandemic. We have been working closely with Scottish Government colleagues who have put in place a regular finance reporting update. The Service's submission to Scottish Government will be used to update the board on a monthly basis, this reporting has reduced from the initial weekly Board update.

Cost incurred during 2020/21 to 31 October are outlined in the table below.

Category of Resource	£
Additional pay & staff overtime	6.2 million
Additional temporary staff incl. Louisa Jordan Phase 1	1.6 million
Supplies and equipment (PPE, Cleaning materials, etc.)	1.4 million
Air ambulance and third party support	2.6 million
Offsetting Savings (fuel)	(0.6 million)

Efficiency saving underachievement	2.3 million
	<b>13.5 million</b>

#### Additional pay & staff overtime

On top of cover for increased levels of COVID-19 related sickness and self-isolation, additional overtime has been required to backfill staff seconded to support our COVID-19 response. These include the Strategic, Tactical and Regional Cells as well as Clinical Hubs and Ambulance Control resilience.

#### Additional temporary staff including NHS Louisa Jordan Phase 1

The Service has employed students from Glasgow Caledonian University on fixed term or bank contracts to support the creation of a new ambulance station at the NHS Louisa Jordan in Glasgow. Some recently retired staff have also returned on bank contracts to help improve resilience and meet demand.

#### Air ambulance and third party support

Our delivery of the COVID-19 response has been enhanced by various third party organisations such as Loganair, British Red Cross, Arcus, ATOS, Arnold Clark, and St Johns Ambulance. These companies are providing us with services specifically to help manage the additional pressure of the current crisis through the provision of aircraft for patient transfers, Red Cross vehicles in Aberdeen and the Central belt, automated telephony services, laptop hire to enable staff to work from home, and van hire for distribution of PPE respectively.

#### Offsetting Savings

The Service has benefitted from the offer of free fuel from BP UK since late March until the offer ended in early June and these savings have offset the additional COVID-19 expenditure to the value of £0.6 million.

#### Forecast

The full year forecast has now increased to £28.3 million including remobilisation costs and this has been formally submitted to Scottish Government as part of the Q1 review process. These will remain under constant review. Table 7 shows the most recent forecast update reflecting actual costs to October.

The Service commissioned our internal auditor, KPMG to perform a high level review of the key financial controls and processes put in place by the Service in response to the COVID-19 pandemic. This report was approved by the Audit Committee on 5 October 2020. The overall conclusion found was the Service's process and control implemented to monitor and report COVID-19 related costs to be effective, with 3 recommendations all with immediate effect. These were:

- To put an approval process in place for accruals and forecasting assumptions of items greater than £250,000 to be approved by the CEO. A process is already in place for investment in spend greater than £250,000, but the auditors considered best practice to also include a process for accruals and forecasting.
- To put in place improved recording of staff time when dedicated to COVID-19 activities. Currently for staff this is based on an assessment of their time, but auditors identified it would be appropriate for some staff to record this on a 'timesheet' type basis and

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- To include modelling for 2<sup>nd</sup> and 3<sup>rd</sup> waves. This had already commenced.

### **Funding Confirmation and Covid-19 Allocation methodology**

Whilst we still await our formal response to our remobilisation plan, we have received a financial allocation of £18.3 million on the 1 October 2020. The allocation sets out a reconciliation between reported Q1 and Q2-4 COVID-19 spend, there are two elements to the total allocation.

- Q1 Allocation: Spend is based on actual expenditure and is based on our Q1 submission.
- Q2-4 Allocation: Spend categories have been allocated at 70% of forecast spend due to the uncertainty around forecasting across NHS Scotland. A further review of this position will be undertaken in December with allocations anticipated in January 2021 based upon actual spend.

As referenced earlier there has been no allocation awarded as a result of under achievement of savings. This is being closely monitored with a further review of the position by December 2020.

The Service allocation of £18.3 million, is as detailed in table 1.

This is made up of

- £5.6 million for Q1. Being £6.6 million actual expenditure less £1 million unachieved savings and
- £12.7 million for Q2-4 being £20.8 million less £2.7 million for underachievement of savings and adjusted for forecast uncertainty (30%) at £5.4 million.

	Scottish Ambulance Service
Q1 Total as per COVID-19 Finance Return	6,629
Less underachievement of savings	(999)
<b>Q1 Allocation</b>	<b>5,630</b>
Q2-4 Total as per COVID-19 Finance Return	20,840
Less Q1 underspend	
<b>Less relevant allocations made to date</b>	
Less underachievement of savings	(2,697)
Adjustment for forecast uncertainty	(5,443)
<b>Total Q2-4 Allocation</b>	<b>12,700</b>
<b>Total Q1-4 Allocation</b>	<b>18,330</b>

The COVID-19 forecast due to be submitted in the 30 November return is shown in table, 7 there are no significant movements from the previous forecast submitted as confirmation of the Q1 forecast at 28 October 2020.

**Table 7**

Health Board Spend	Revenue												Revenue	Capital
	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	2020/21	2020/21
Personal protective equipment - note 8	197	110	266	212	(57)	(16)	81	241	230	969	230	230	2,693	46
Deep cleans - note 8	39	5	19	10	(1)	-	3	63	50	27	34	50	299	
Equipment & Sundries - note 6	10	11	6	(8)	1	14	6	8	7	7	7	6	75	575
Digital, IT & Telephony Costs - note 9 and note 3	45	26	85	27	(32)	135	43	51	31	7	-	-	419	7
Estates & Facilities cost including impact of physical distancing	1	54	36	18	38	13	25	37	30	25	25	20	322	
Additional staff overtime and enhancements - note 2 and 4	911	1,263	1,559	707	568	842	373	792	792	792	792	762	10,153	
Additional temporary staff spend - All Other - note 2	7	54	138	158	171	125	227	108	110	110	110	110	1,428	
Additional Travel Costs - note 6 and note 4	356	316	394	263	332	396	375	381	394	399	394	671	4,671	
Loss of income													-	
Cost to 3rd Parties to Protect Services (where services are currently stopped)			-		58	12	12						82	
Louisa Jordan costs - note 1	86	140	125	128	109	117	-	-					705	
Louisa Jordan costs - note 1 NP	6	24			1	13							44	
Flu Programme Delivery Costs						5							5	
New ways of working/ Systems transformation						-	-	637	637	637	637	635	3,183	
Other-Clinical Equipment Resilience - note 5							9						9	225
Offsetting savings - Health	(275)	(311)	(72)	-		43	-	-	-				(615)	
<b>Total</b>	<b>1,383</b>	<b>1,692</b>	<b>2,556</b>	<b>1,515</b>	<b>1,188</b>	<b>1,699</b>	<b>1,145</b>	<b>2,327</b>	<b>2,281</b>	<b>2,973</b>	<b>2,229</b>	<b>2,484</b>	<b>23,473</b>	<b>853</b>
														<b>24,326</b>
Expected underachievement of savings (health)	333	333	333	333	333	333	333	333	333	333	333	333	3,996	
<b>Total</b>	<b>1,716</b>	<b>2,025</b>	<b>2,889</b>	<b>1,848</b>	<b>1,521</b>	<b>2,032</b>	<b>1,478</b>	<b>2,660</b>	<b>2,614</b>	<b>3,306</b>	<b>2,562</b>	<b>2,817</b>	<b>27,469</b>	<b>853</b>
														<b>28,322</b>

## Mobile Testing Units

The Service is currently delivering Mobile Testing Units (MTUs) across Scotland with this service coming into effect from the end of August 2020 and planned to continue until the end of February 2021.

The MTU Investment Delivery Business Case identified a total budget requirement of £11.2 million. In early August, the budget requirement was subsequently revised to £10.9 million, accounting for actual pay costs incurred during June and July 2020.

The year-to-date expenditure (at 31 October 2020) is as follows:

	<b>Costs</b>
Pay	£ 3.1 million
Non Pay	£ 0.3 million
<b>Total</b>	<b>£ 3.4 million</b>

Year-to-date spend has been incurred in line with the approved budget of £10.9 million. There are currently no areas for concern.

## Updated Year-end Forecast Position

Given the current financial position and the revised winter and COVID-19 modelling, we have undertaken a detailed financial forecast using our approved financial plan as the basis of this. The key assumptions are noted below:

### Key Pressure areas

- Pay – there are changes to the working time directive calculation that would see overtime included in pay as if at work which will add £1.4 million to the pay bill. This was previously assumed within the Board financial plan but this has now increased to £1.6 million.

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- Pay - We have assumed the funding support for the 2019/20 pay settlement recurrently in 2020/21. This remains in line with our financial plan pressure.
- Pay - Incremental pressure is significantly higher due to the regrading of ambulance paramedics and technicians in 2016/17 and we have assumed £1.7 million funding to support this.
- Full funding for COVID-19 expenditure is anticipated.
- Full funding to match expenditure for Demand and Capacity is anticipated.
- Full funding for SPiNE paramedic education model to match expenditure is anticipated.
- Depreciation – we forecast a spend of £16 million with provision made internally for £14 million with the additional £2 million being funded by Scottish Government (not including the impact of IFRS16)

In summary therefore:

- We had developed pre COVID-19 a financial plan to deliver £9.8 million in savings and anticipated £2 million in slippage
- After delivering these savings there remained a gap of £1.9 million that we committed to work to deliver the balance of savings by the year end
- As at October 2020/21 we have delivered £3.2 million of savings against our plan of £7 million (to month 7) with a shortfall of £3.8 million (at month 7)
- The full year savings plan required total savings of £11.7 million. Note that £4 million savings are at risk due to COVID-19 pressures although we are actively trying to recover this gap through increased efficiencies.
- It is assumed the £4 million devolved savings will be delivered in full, as we have seen for the first five months of the financial year with the remaining projected savings of £4 million to be delivered. We are forecasting that these will be delivered on a recurring basis
- We continue to assume the cost pressures in line with our financial plan including our pay pressures and implications of Microsoft 365.
- We continue to assume approx. £2 million slippage against our developments but this will be reviewed on a monthly basis.

This revised financial forecast has therefore been update on the attached table:

<b>Summary of Financial Position</b>	<b>2020/21</b>	<b>2020/21 forecast update</b>
Committed cost pressures	£23.415m	£23.415m
Resource uplift (confirmed for 20/21 and assumed similar levels for 21/22 and 22/23)	£8.1m	£8.1m
Additional Scottish Government funding		
- Incremental drift/scales	£1.7m	£1.7m
Contribution to the £15m	(£0.40m)	(£0.40m)

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<b>Pressures to support through efficiency savings</b>	<b>£14.015m</b>	<b>£14.015m</b>
Efficiency plans – devolved targets	£4m	£4m
Efficiency plans – best value devolved	£0.258	£0.258
Efficiency plans – Best Value plans but not yet implemented (Best Value programme being established from July)	£5.8m	£1.804m
Efficiency plans not delivered due to COVID-19		£3.996m
Unidentified Savings (likely non-recurring savings)	£1.9m	£1.9m
Likely slippage (based on previous years trends)	£2.0m	£2.0m
<b>Breakeven position</b>	<b>-</b>	<b>-</b>

Therefore, the revised financial forecast is unchanged from previous month and is dependent upon:

- Full funding for additional COVID-19 expenditure – currently estimated at £27.469 million (this includes £4 million of efficiency savings not likely to be delivered but this will be closely monitored during the year and plans will be accelerated to recover this shortfall where possible)
- Our savings programme to be accelerated and deliver savings of £8 million with £3.2 million delivered to month 7.
- Of these £8 million savings it is assumed £2 million will be non-recurring and £6 million will be recurring savings (this is based on currently modelling assumptions). The Best Value programme has just been commenced since July 2020 so there does remain a level of risk on these assumptions
- £2 million of slippage is still assumed
- Costs associated with demand and capacity and SPINE development are assumed to be fully funded

## Planning for 2021/22 Position

We have commenced 2021/22 financial planning with detailed planning scenarios due to be shared with Board members in November 2020.

It is anticipated that as we continue to live with COVID-19, associated expenditure will continue into financial year 2021/22, whilst we remobilise our resources and plan for renewal of our services. A detailed expenditure plan paper will be presented to the November Board meeting.

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## CAPITAL

### YTD CAPITAL POSITION AS AT MONTH 7 (31 October 2020)

#### 2020/21 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 2020/21 the following earmarked allocations have been received:
    - Fleet Replacement Programme £14.546 million
    - Scotstar £0.25 million
    - Covid and EpiShuttles £0.853 million

The total 2020/21 allocation is anticipated to be £17.443 million. The Core Allocation of £1.794 million was received in Month 3 and the COVID-19 Capital allocation of £0.853 million received in Month 6. All other allocations are still anticipated.

#### YTD Capital Position

The YTD Capital Position is shown in the table below.

Capital receipts of £45,000 have been received as a result of vehicles being sold for a price higher than the NBV. These receipts have been used for additional capital expenditure above the allocated budget.

The unallocated budget of £22,000k will be fully utilised during 2020/21 as Business Cases are submitted and approved by the CPGG. There are a number of anticipated projects in the pipeline and an update on the progress of these is discussed at each meeting and this allows for prioritisation of emerging developments.

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

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**SCOTTISH AMBULANCE SERVICE  
CAPITAL REPORT 2020-21  
As at Month 7 (31 October 2020)**

<b>PROJECT</b>	<b>Approved Budget £</b>	<b>YTD Actuals £</b>	<b>Notes</b>
<b>Formula Capital Projects</b>			
eHealth and ICT	723,232	77,585	
Logistics and Procurement System	146,346	0	
Property	105,780	4,129	Vat Credit
Medical Equipment	<u>853,000</u>	<u>483,763</u>	Covid Equipment
	<b>1,828,358</b>	<b>565,477</b>	
<b>Earmarked Allocations</b>			
Enhancing Capability	1,167,851	2,994	
Defib Replacement	0	0	Project completed – no further funding required
ICCS Replacement	601,626	(37,948)	Adjustment to Year End Accruals
Scotstar	0	(1,262)	Vat credit
Major Trauma	0	13,683	
Vehicles	<u>13,628,149</u>	<u>2,738,257</u>	
	<b>15,397,626</b>	<b>2,715,724</b>	
Unallocated Budget	22,216		
Capital Receipts	0	(44,906)	Gain on sale of vehicles
Capital to Revenue Transfer	194,800		
<b>TOTAL</b>	<b>17,443,000</b>	<b>3,236,295</b>	

## Approved and Anticipated Projects

The following table shows details of all projects that have had a mini business case approved and funding allocated.

<b><u>Approved Projects</u></b>		
	£	
<b>eHealth and ICT</b>		
ePR Enhancements	30,000	
ICT Installation at Training Sites	22,000	
C3 Duplicate Module and Training Expansion	76,800	
LAN Replacement	48,032	
Contact Centre Replacement (Telephony)	467,200	
Server Replacement	79,200	
<b>Total- eHealth and IT</b>	<b>723,232</b>	
<b>Special Projects</b>		
Enhancing Capability	1,167,851	
Logistics and Procurement System	146,346	
Defib Replacement	0	Budget reduced as no longer required
ICCS Replacement	601,626	
<b>Total - Special Projects</b>	<b>1,915,823</b>	
<b>Property</b>		
Bo'ness Station Co-location	61,500	
Stirling Conference Centre	44,280	
<b>Total - Property</b>	<b>105,780</b>	
<b>Operations</b>		
Vehicles	13,628,149	
Medical Equipment	853,000	
<b>Total - Equipment</b>	<b>14,481,149</b>	
<b>Total Approved Projects</b>	<b>17,225,984</b>	
Total Approved Budget	17,443,000	
Less Capital to Revenue Transfer	(194,800)	
Add: Capital Receipts	44,906	
<b>Total Budget Available</b>	<b>17,292,106</b>	
<b>Unallocated Budget</b>	<b>67,122</b>	
<b><u>Anticipated Projects</u></b>		
Scotstar Loading Mechanism	25,500	
Cardonald UPS	24,180	
<b>Revised Unallocated Budget</b>	<b>17,442</b>	

## **Key Risks**

### **ICCS Replacement Project**

The project is being implemented in collaboration with the other UK Ambulance Services. Initial completion date was scheduled for December 2020, however due to the COVID19 situation, the project has experienced some delays and completion is now expected to be Q1 2021/22. This is considered to be low risk.

### **COVID-19**

The full allocation for the COVID-19 Capital Costs has been received in October 2020. There is no financial risk against these costs.

### **Enhancing Capability**

Agreement has been reached between the Enhancing Capability Programme and Fleet Replacement Programme to absorb the £1.2 million in 2020/21 for Fleet Purchases and repay Enhancing Capability in 2021/22 to allow the estates projects to be funded in 2021/22.

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

## **CONCLUSION**

The underlying position for the Service is £3.4 million behind target including COVID-19 funding received on 1<sup>st</sup> October 2020.

The financial impact of COVID-19 is being monitored closely. Funding of £18.3 million has been received in October which accounts for full funding of our Q1 expenditure, plus 70% of our anticipated full year forecast expenditure. This also includes full funding of anticipated capital expenditure of £0.9 million. Funding of the full £28 million is anticipated.

Efficiency savings are being accelerated to recover the shortfall in savings due to COVID-19 and these will be monitored closely with a further review in December 2020.

We have also carried out a detailed full year financial forecast including the full year impact of COVID-19, remobilisation and efficiency plans and this will continue to be reported monthly thereafter. A balanced financial plan is forecast.

**Julie Carter**

**Director of Finance, Strategy and Logistics**

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