



NOT PROTECTIVELY MARKED

Public Board Meeting

November 2018

Item 11

THIS PAPER IS FOR DISCUSSION

**SUMMARY FINANCIAL PERFORMANCE TO 31 OCTOBER 2018 AND
2018/19 FINANCIAL OUTTURN FORECAST**

Lead Director Author	Julie Carter, Interim Director of Finance and Logistics Maria McFeat, Interim Assistant Director of Finance
Action required	Board members are asked to:- 1. Note the financial position to the end of October 2018 2. Note the financial forecast and trajectory for year ending March 2019.
Key points	<p>Part 1 - Summary Financial Performance</p> <p>This paper updates Board members on the financial position at 31 October 2018.</p> <p>October Position:</p> <ul style="list-style-type: none"> • Revenue Resource limit : (£1.3 million) overspent • Capital Resource limit : break even • Cash Target: £1.0 million held at end of the month <p>The paper describes the actions in place to deliver a balanced budget in line with the approved Financial Plan. There has been further improvement in the financial position with the continued focus on management of cost pressures and putting increased pace to deliver the agreed efficiency plans.</p> <p>Part 2 - Financial Outturn Forecast 2018/19</p> <p>The key messages from this updated forecast are as follows:</p> <ul style="list-style-type: none"> • The tight financial position continues however we are beginning to realise the planned savings and cost reductions • The forecast recognises the continued cost pressures • The work highlighted at the Board workshop in August focusing on improved controls in rostering • Focus is also on non discretionary spend and improved controls in the procurement system, Pecos, are also starting to show reductions in non pay spend • The forecast assumes a breakeven position however we have

	<p>identified risks of up to £2 million. There are controls in place to manage. It is also critical the priority and scrutiny continues on the savings plans and financial delivery for budget holders.</p> <ul style="list-style-type: none"> • There also continues to be a reliance on non-recurring however the slippage has reduced significantly from previous years and this is expected to continue. • The split of recurring and non recurring savings will be reviewed in detail over the next few months.
Timing	During 2018/19 the Board will be provided with updates at each of its meetings of the financial position and forecast outturn.
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 2018 when the budget for 2018/19 was set.

SCOTTISH AMBULANCE SERVICE BOARD

FINANCIAL PERFORMANCE TO 31 OCTOBER 2018

JULIE CARTER, INTERIM DIRECTOR OF FINANCE AND LOGISTICS

This paper sets out the financial position at 31 October 2018 for the Scottish Ambulance Service. The Board is asked to note the financial position to the end of October 2018.

CORE REVENUE RESOURCE ANALYSIS

The revenue position for the financial year to the end of October is a deficit of £1.3 million, an improvement of £0.3m million on last month. Expenditure was broadly in line with forecast with similar themes reported in previous months with continued cost pressures in overtime, fuel, air ambulance costs and incremental drift. Cost control measures and delivery of savings plans are beginning to reduce the spend trend as seen in previous months.

In addition Major Trauma funding was released from reserves to match the increased resource in the West of Scotland.

Total pay costs continue to show an overspend against budget but expenditure trends are improving with a year to date overspend against pay of £0.230 million compared to the £0.487 million overspend position at month 6. This is described further in the paper.

However supplies costs have increased in the month due to a number of factors:

Air Ambulance costs are £0.4 million over budget through a combination of price increases and increased usage. Fuel prices and out of hours landing charges have increased significantly adding £0.2 million while usage of our fixed wing aircraft have risen 7% adding £0.1 million.

Average diesel prices remain 10% higher than last year adding £0.4 million to our cost base and diesel consumption is 4% higher adding £0.2 million.

Non pay costs relating to staffing are £0.2 million higher than last year with travel and subsistence costs increasing 25% and uniform costs increasing 15%.

On a positive note vehicle maintenance costs have fallen £0.3 million due to the fleet replacement strategy and management control.

In terms of delivery of efficiency savings this pace continues to increase with total savings realised to date of £4.956 million compared to £3.687 million in month 6. As identified in the recent Audit Scotland NHS overview report the reliance on non recurring savings continues to be a feature in this financial year, with the Best Value Programme starting to gather momentum to reduce this reliance in future years. This has been recognised within the updated financial forecast.

Key financial risk of delivery of efficiency plans and management of unavoidable cost pressures continues with the added risk of impact of winter pressures also now featuring over the next few months. Additional funding has been received from Scottish Government and allocated in line with the Service's Winter Plan and this will be monitored closely over the next few months.

Table 1 – Scottish Ambulance Service high level overview

**SCOTTISH AMBULANCE SERVICE BOARD
REVENUE RESOURCE ANALYSIS
PERIOD TO 31ST OCTOBER 2018**

	Full Year Budget £'000	Year to Date			Current Month		
		Budget £'000	Actual £'000	Variance £'000	Budget £'000	Actual £'000	Variance £'000
Income							
Revenue Allocation	251,817	142,645	142,645		21,264	21,264	
Health Board	4,644	2,861	2,858	(3)	646	601	(45)
Other Healthcare	894	584	581	(3)	190	188	(2)
Fleet	206	120	79	(41)	17	14	(3)
Staff Car Deductions	310	181	136	(45)	26	16	(10)
Other Operating	2,213	1,875	1,792	(83)	29	(9)	(38)
Total Income	260,084	148,266	148,091	(175)	22,172	22,074	(98)
Expenditure							
Accident & Emergency	171,332	99,202	101,122	(1,920)	14,909	14,714	195
Non Emergency Service	22,576	13,361	13,344	17	1,916	1,963	(47)
Air Ambulance	13,953	8,196	8,594	(398)	1,170	1,228	(58)
Overheads	52,223	27,507	26,323	1,184	4,177	3,884	293
Total Expenditure	260,084	148,266	149,383	(1,117)	22,172	21,789	383
Core Expenditure Variance			(1,292)			285	

INCOME AND EXPENDITURE BY REGION

Table 2 – Income and Expenditure

**SCOTTISH AMBULANCE SERVICE BOARD
INCOME AND EXPENDITURE SUMMARY
PERIOD TO 31 OCTOBER 2018**

		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
Service Delivery Directorate	Income	(4,554)	(4,424)	(130)	-3%	(723)	(654)	(70)	-10%
	Salaries	106,472	106,641	(169)	0%	15,826	15,457	369	2%
	Supplies	20,843	21,964	(1,120)	-5%	2,865	3,329	(463)	-16%
	Sav Target	(2,299)		(2,299)		(328)		(328)	
	Sav Realised	1,352		1,352		541		541	
				(2,368)		49			
Support Services Directorates	Income	(1,068)	(1,023)	(45)	-4%	(185)	(156)	(29)	-16%
	Salaries	10,383	10,444	(61)	-1%	1,500	1,613	(113)	-8%
	Supplies	18,136	17,758	378	2%	2,548	2,505	44	2%
	Sav Target	(2,808)		(2,808)		(401)		(401)	
	Sav Realised	3,605		3,605		728		728	
				1,069		229			
SCOTTISH AMBULANCE SERVICE	Income	(5,621)	(5,446)	(175)	-3%	(908)	(810)	(98)	-11%
	Salaries	116,855	117,085	(230)	0%	17,326	17,070	256	1%
	Supplies	38,980	39,722	(742)	-2%	5,413	5,833	(420)	-8%
	Sav Target	(5,107)		(5,107)		(730)		(730)	
	Sav Realised	4,956		4,956		1,270		1,270	
				(1,299)		278			

Table 3 – Service Delivery

Service delivery is £2.4 million over budget at 31 October. Savings of £1.352 million have been realised against a target of £2.3 million to date, giving a net savings deficit of £0.9 million at month 7. Service areas have confirmed total efficiency savings forecast of £2.2 million.

Non pay costs are £2.0 million higher compared with October 2017 with increased budget of only £1.2 million associated with these pressures. This is due to the increases in air ambulance, non pay staffing costs and diesel pressures highlighted earlier in this paper.

Pay costs are overspent, albeit reducing, due to reduced vacancies coupled with higher volumes of overtime. Table 3a provides more detail.

Table 3

**SCOTTISH AMBULANCE SERVICE BOARD
INCOME AND EXPENDITURE - SERVICE DELIVERY
PERIOD TO 31 OCTOBER 2018**

		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
NORTH REGION	Income	(504)	(504)	(0)	0%	(76)	(82)	7	9%
	Salaries	18,027	17,920	107	1%	2,650	2,603	47	2%
	Supplies	2,077	2,218	(142)	-7%	281	306	(26)	-9%
	Sav Target	(548)		(548)		(78)		(78)	
	Sav Realised	72		72		37		37	
				(511)			(14)		
EAST REGION	Income	(1,015)	(992)	(23)	-2%	(263)	(243)	(21)	-8%
	Salaries	28,225	28,853	(628)	-2%	4,241	4,201	40	1%
	Supplies	3,286	3,538	(252)	-8%	454	564	(109)	-24%
	Sav Target	(661)		(661)		(94)		(94)	
	Sav Realised	258		258		93		93	
				(1,306)			(91)		
WEST REGION	Income	(2,556)	(2,502)	(54)	-2%	(304)	(284)	(20)	-7%
	Salaries	40,803	41,141	(339)	-1%	5,916	5,890	26	0%
	Supplies	4,549	4,838	(289)	-6%	612	818	(206)	-34%
	Sav Target	(783)		(783)		(112)		(112)	
	Sav Realised	434		434		107		107	
				(1,031)			(205)		
NATIONAL OPS	Income	(479)	(426)	(53)	-11%	(80)	(45)	(36)	-44%
	Salaries	19,417	18,727	690	4%	3,019	2,763	256	8%
	Supplies	10,932	11,369	(437)	-4%	1,518	1,640	(123)	-8%
	Sav Target	(307)		(307)		(44)		(44)	
	Sav Realised	589		589		306		306	
				481			360		
TOTAL SERVICE DELIVERY	Income	(4,554)	(4,424)	(130)	-3%	(723)	(654)	(70)	-10%
	Salaries	106,472	106,641	(169)	0%	15,826	15,457	369	2%
	Supplies	20,843	21,964	(1,120)	-5%	2,865	3,329	(463)	-16%
	Sav Target	(2,299)		(2,299)		(328)		(328)	
	Sav Realised	1,352		1,352		541		541	
				(2,368)			49		

Table 3a

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

		East Region	North Region	West Region	National Ops	Service Delivery
Current 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)	1,966	1,462	3,046	664	7,138
Prior Year	Average WTE	1,159	654	1,662	664	4,139
	Overtime Hours	97,546	60,898	139,513	36,975	334,932
	Overtime Cost (£'000)	1,979	1,224	2,786	550	6,539
Variance	Average WTE	46	19	20	40	125
	Overtime Hours	(6,227)	6,282	828	5,222	6,105
	Overtime Cost (£'000)	(13)	238	260	114	599

Table 3a illustrates that the average WTE has increased by 125 WTE on the same period last year. Approximately a third of the increase relates to additional resources funded with additional monies e.g. Enhanced Capability, Major Trauma and Strategy. This is a positive position however this has also been seen with an increase in overtime usage and costs resulting in a net cost pressure of £0.6 million compared to last year. Overtime hours have increased by 2% from last year which accounts for half the cost increase with the balance as a result of incremental drift and pay award.

The trend in overtime hours is demonstrated in the graph below. Significant work has taken place 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 were 9% higher on a cumulative basis at the end of June but this has now fallen to 2% at the end of October. The East and West regions in particular have seen a significant fall in the level of overtime over this period.

Overtime Hours by Region

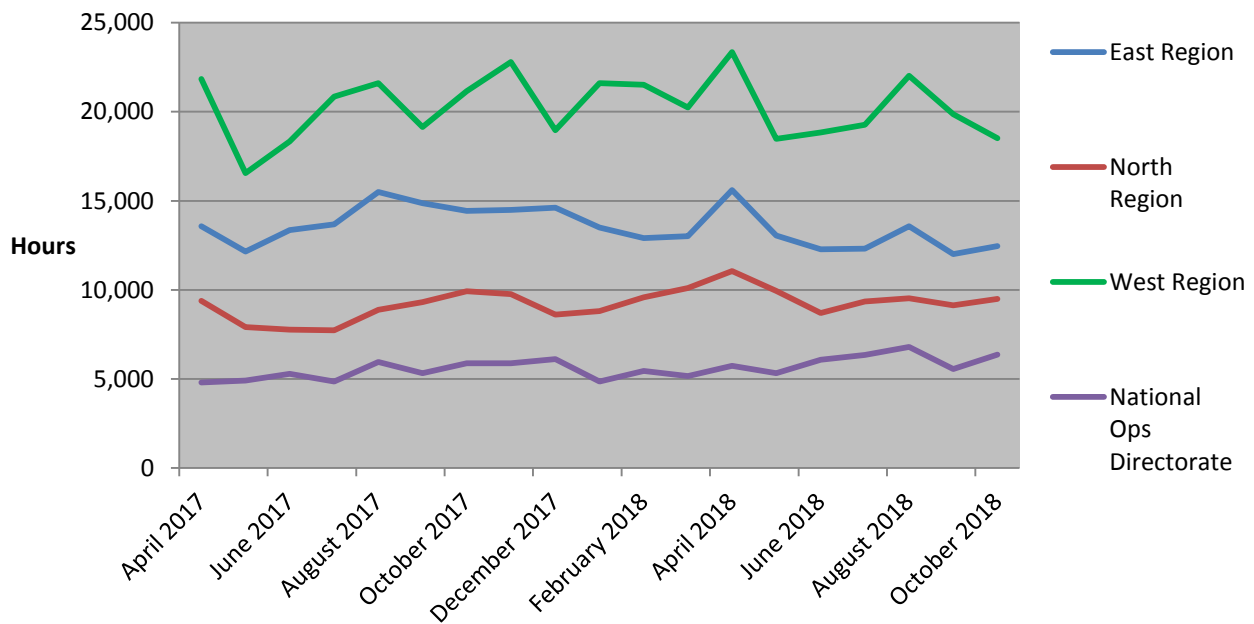


Table 4 – Support Services Directorates

Support services are being reported as £1.0 million under budget. Within Table 4 below the Finance & Logistics savings target includes the budgeted vacancy factor of £2 million. Non recurring slippage and vacancy savings amount to £3.5 million and we are currently £0.8 million ahead of savings target.

Table 4

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

		Cumulative to Date				Current Period			
		Budget £'000	Actual £'000	Variance £'000	Variance %	Budget £'000	Actual £'000	Variance £'000	Variance %
BOARD AND CHIEF EXECUTIVE	Income	(10)	(7)	(4)	-37%	(1)	(1)	(1)	-37%
	Salaries	833	820	13	2%	110	117	(7)	-7%
	Supplies	96	86	10	11%	14	18	(3)	-23%
	Sav Target	(4)		(4)		(1)		(1)	
	Sav Realised	11		11					
				27			(12)		
FINANCE AND LOGISTICS	Income	(848)	(855)	7	1%	(143)	(123)	(20)	-14%
	Salaries	4,748	4,853	(105)	-2%	679	743	(64)	-9%
	Supplies	16,428	15,944	483	3%	2,305	2,213	92	4%
	Sav Target	(2,744)		(2,744)		(392)		(392)	
	Sav Realised	3,509		3,509		714		714	
				1,149			329		
HUMAN RESOURCES	Income	(26)	(30)	4	15%	(4)	(4)	0	9%
	Salaries	1,138	1,127	12	1%	160	161	(1)	-1%
	Supplies	510	596	(86)	-17%	73	88	(15)	-21%
	Sav Target	(14)		(14)		(2)		(2)	
	Sav Realised	29		29					
				(55)			(18)		
MEDICAL	Income	(19)	(3)	(16)	-82%	(3)	(1)	(2)	-62%
	Salaries	633	637	(4)	-1%	92	110	(18)	-20%
	Supplies	196	298	(102)	-52%	28	72	(44)	-159%
	Sav Target	(8)		(8)		(1)		(1)	
	Sav Realised								
				(130)			(65)		
CARE QUALITY AND STRATEGIC DEVELOPMENT	Income	(65)	(29)	(36)	-56%	(9)	(3)	(7)	-71%
	Salaries	2,894	2,870	24	1%	398	420	(22)	-6%
	Supplies	904	831	73	8%	126	111	15	12%
	Sav Target	(37)		(37)		(5)		(5)	
	Sav Realised	56		56		14		14	
				79			(5)		
TOTAL SUPPORT SERVICES	Income	(968)	(923)	(45)	-5%	(160)	(131)	(29)	-18%
	Salaries	10,246	10,307	(61)	-1%	1,438	1,551	(113)	-8%
	Supplies	18,133	17,755	378	2%	2,545	2,501	44	2%
	Sav Target	(2,808)		(2,808)		(401)		(401)	
	Sav Realised	3,605		3,605		728		728	
				1,069			229		

Table 5 – Strategy Investment

The Scottish Government is investing an additional £6.7 million in 2018/2019 to support the delivery of “Towards 2020: Taking Care to the Patient” bringing the total investment to date to £18 million.

This will allow the Service to continue enhancements within Ambulance Control Centres, take forward Specialist and Advanced Paramedic recruitment and the implementation of enhanced Developing Future Leaders and Managers (DFLM) time.

The table below provides a breakdown of the full investment along with the expenditure committed and anticipated in 2018/19.

**SCOTTISH AMBULANCE SERVICE BOARD
STRATEGY INVESTMENT REPORT
PERIOD TO 31 OCTOBER 2018**

	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	1,185	1,655	2,840	2,284
Out of Hospital Cardiac Arrest	199	11	210	210
DFLM	323	327	650	323
Training - additional training staff	600		600	600
Training - additional non pay costs	312		312	312
Specialist Paramedics B6	2,258	4,650	6,908	3,883
Implementation Support	392		392	392
Workforce Development	4,400		4,400	4,400
Telehealth	93	57	150	
Total Strategy Investment	11,300	6,700	18,000	13,942

Table 6 – Progress against our Efficiency Plans

The following table shows the progress against our efficiency plans.

**SCOTTISH AMBULANCE SERVICE
2018/19 EFFICIENCY SAVINGS REPORT
PERIOD TO 31ST OCTOBER**

	Annual Target £'000	Agreed Savings Plans £'000	Savings Recognised to date £'000
Service Totals	7,917	3,157	1,656
Funding			500
Vacancy Factor			900
Non recurrent Slippage			1,900
SAVINGS TO DATE			4,956

The efficiency plans are split into three specific areas:

- Directorate Savings Targets
- Best value programme and
- Carry forward initiatives

Directorate Savings Target

Each Directorate within the Service has been allocated a 1% efficiency target recognising the requirement to continually review our costs and ensuring reinvestment in our services to meet ongoing cost pressures. The savings plans that have been submitted by the directorate teams equate to a total of £2.2 million against a target of £2.5 million. This shortfall is being scrutinised by the teams with the likelihood of further schemes of £0.3 million anticipated by year end. Detailed monitoring and tracking of savings has begun with £1.6 million identified to date.

Best Value Initiatives

Directors have been appointed to lead on the various work stream identified with savings expected to commence in the third quarter of the year.

A small number of initiatives are in their infancy and have delivered a reduction in spend in comparison to the same period last financial year. This includes accommodation costs and lease car charges. A number of pilot schemes have also commenced which aim to report on deliverable savings over the next few months.

A best value pipeline of savings has been developed including a total of 40 potential schemes with a full year saving potential of £4.9 million and these are being developed in a 3 year plan planning cycle.

Carry Forward Initiatives

The Service is in the process of appointing an insurance claims administrator to pursue the recovery of third party liabilities. Our vehicle insurance policy is £0.59 million per annum with an additional £0.86 million forecast for vehicle damages. It is planned that this will be in place for the last quarter of this financial year and the Service will continue to work to reduce this cost pressure over the next twelve months.

The majority of the medical gases savings, (£0.25 million vs a forecast spend of £0.92 million) are predicated on reducing cylinder rentals. However there is a key issue to resolve in terms of the actual stock level held and that being charged by our supplier. Detailed work has been done on this with a meeting taking place with the supplier to agree how this can be taken forward. This remains a key focus of the Best Value Group.

The use of supermarket and “Keyfuel” sites has been widely promoted in the Service in an effort to reduce diesel costs. The average use of these sites across the Service is 65% against a target of 80%, generating £68,000 of cost reduction to date. There are variations between areas and targeted work is being undertaken in those areas where usage is below target. This is being monitored closely.

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CAPITAL

Table 7 shows the Capital Expenditure report for the year.

Table 7 – Capital Expenditure

**SCOTTISH AMBULANCE SERVICE BOARD
CAPITAL EXPENDITURE REPORT
PERIOD TO 31 OCTOBER 2018**

	Planned Budget £'000	Actual to Date £'000	Forecast Variance £'000	Status
CAPITAL RESOURCE FUNDING				
Formula Allocation	1,794	66		
Project Specific Funding	10,538	1,122		Consists of Vehicle Replacement, Enhanced Capability and Defib Replacement Funding
Other Central Funding (ScotSTAR)	250			
Funding Returned to SG				
Capital Grant	(400)			Transfer of funding to SFRS for Lerwick
Capital Receipts	40			Gain on disposal of vehicles
Total Capital allocation	12,222	1,188		
EXPENDITURE				
Building Projects				
Lerwick Station	400	6		Completed in Sept 18 - final costs being calculated but funding has been deducted from budget to cover Capital Grant
Cumnock Refurbishment	100			Deferred to 2019-20 due to option appraisal not completed in time for project to start in 2018-19
Elgin Station Refurbishment	100			Minor refurbishment of Elgin Station to address overcrowding issues
Co-location Sites	100	5		Project underway - estimated completion Q4 2018/19
SORT Bases	300	3		Modification of Aberdeen SORT base - Estimated completion Q1 2019/20 - Tender process underway
ACC-Norseman Expansion Phase 2	320	63		Due for completion Sept/Oct 18 - final costs being calculated
Stirling Care Village	52	22		Final costs being calculated - funds to be transferred to NHS FV
Electric Charging Points	10			Estimated completion Q4 2018/19
	1,382	99		
Equipment				
Enhanced Capability	2,300			details being finalised - mixture of estates, vehicles and equipment purchases
Defibrillator Replacement	2,000			Estimated budget - final details confirmed when FBC approved and contract award made
Medical Equipment	150			Project underway - estimated completion Q4 2018/19
ScotSTAR	250			details being finalised - estimated completion Q4 2018/19
	4,700			
ICT Projects				
Network Infrastructure	188	7		Project underway - estimated completion Q4 2018/19
eHealth	30			Project underway - estimated completion Q4 2018/19
	218	7		
Vehicle Replacement	5,938	2,104		Project underway - estimated completion Q4 2018/19
Unallocated	444	(2)		Actual Costs to consists of vat credit
Capital Receipts	40			
Capital Grant	(400)			
Total Capital expenditure	12,322	2,208		

BALANCE SHEET

Table 8 shows the Balance Sheet, with cash balance at £1.0 million.

Table 8 – Balance Sheet

SCOTTISH AMBULANCE SERVICE BOARD
BALANCE SHEET
AT 31 OCTOBER 2018

	Opening Balance £'000	Balance as at 31 Oct £'000	Month Change £'000	Forecast as at 31 Mar £'000
Non-Current Assets				
Property, Plant & Equipment	85,609	80,679	(94)	80,000
Intangible Fixed Assets	2,803	2,479	(47)	1,800
Financial Assets	3,622	3,606	(1)	3,500
Total non-current assets	92,034	86,764	(142)	85,300
Current Assets				
Assets held for sale	115	115	0	95
Inventories	126	112	(5)	145
Trade & other receivables	21,938	19,233	(1,075)	19,000
Cash	60	1,002	695	60
Total current assets	22,239	20,462	(385)	19,300
Total assets	114,273	107,226	(527)	104,600
Current Liabilities				
Provisions	2,803	2,803	0	2,800
Trade & other payables	19,339	9,768	(104)	15,600
Total current liabilities	22,142	12,571	(104)	18,400
Non-Current Liabilities				
Provisions	14,968	14,968	0	14,200
Trade & other payables	60	60	0	
Total non-current liabilities	15,028	15,028	0	14,200
Total net assets	77,103	79,627	(423)	72,000
Taxpayers Equity				
General Fund	72,977	75,573	(413)	67,500
Revaluation Reserve	4,126	4,054	(10)	4,500
Total reserves	77,103	79,627	(423)	72,000

CONCLUSION

The reported financial position of £1.3 million over budget after 7 months reflects an unfavourable position greater than planned at this stage in the financial year. The key contributors to this have been described above with corrective actions noted. This does however show an improving position seen over the last few months and in line with our forecast.

It was always anticipated that the savings plans would be delivered later in the year and the £5.0 million savings achieved to date is only slightly lower than planned. Significant work has commenced to strengthen and put pace into the Best Value Programme and a pipeline of projects is also in place providing assurance of additional recurring efficiency schemes being implemented throughout the few months. These assumptions have been incorporated into the detailed forecast.

Overtime hours are now more in line with previous years and plans have been developed to reduce this further over the remainder of the year.

A detailed forecast has been completed and anticipates a break even position for the year end, in line with the Board financial plan. This is explained further in Part 2 of this report.

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BOARD FINANCIAL OUTTURN FORECAST 2018/19

It has been highlighted throughout the financial year that delivery of the Board financial target of breakeven was very challenging. The 18/19 financial plan required efficiency savings of £9.9 million to deliver this balanced budget. The Board workshop in August described an unfavourable movement on this with additional cost pressures in overtime and diesel. However the workshop also described the increased work on the Best Value Programme and progress on the efficiency savings and described a recovery plan on how this could be brought back in line with the financial plan trajectory.

This paper provides an update at the mid year review point and builds upon the work commenced in August 2018.

The paper will provide the detail of the movement in position between August and October 2018, and the current forecast position. It will describe the assumptions in delivering this and the key risks and financial impact of these. It will also describe how these risks are being managed and mitigated. The format of the paper will show:

- A reminder of the previous forecast in August 2018
- Now at the midyear point, what is the year end forecast position and the assumptions associated with this
- What actions are in place to deliver this, including management of the risks

The forecast has been built up to project our forecast in terms of both income and expenditure, being balanced through the controls in managing cost pressures and importantly the delivery of the efficiency agenda.

NHS in Scotland Context

As described in the recent Audit Scotland overview report all NHS Boards are experiencing growing pressures including the current tight financial environment, increasing demand for services, difficulties in recruiting staff and rising public and political expectations..

August 2018 Forecast

The revised 2018/19 forecast movement from the financial plan is shown in Table 1 as presented at the Board workshop.

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Table 1

18/19 Forecast	Aug Update £m	Oct Update £m
Recurring savings required in 18/19 as per financial plan	9.9	9.9
Net position	7.9	7.9
Change in position in 18/19 including August forecast and updated for midyear review		
Additional pay pressures (in line with August forecast)	1.2	1.2
Additional diesel pressures (in line with August forecast)	0.8	0.8
Air Ambulance pressures (new pressure)	-	0.5
Offset against reductions in forecast spend	- 0.4	- 1.8
Revised position 18/19	9.5	8.6
Efficiency Plans		
Confirmed 1% savings allocation	1.5	2.3
Confirmed Carry forward schemes	0.7	0.5
Confirmed Best Value Programme	0.4	0.4
Total confirmed savings	2.6	3.2
Additional savings planned through Best Value focus	-	0.5
Total Efficiency plans on track to delivered	2.6	3.7
Non recurring slippage (compared to £2.5m in August forecast)	2.5	2.9
Current Gap	4.4	2.0
Focus on overspend areas	0.7	-
Close gap on the 1% target	0.7	-
Place on best value program	1.0	-
Remove ability to support the £15m	0.3	0.3
Additional pay award funding	1.7	1.7
Total	breakeven	breakeven

The key points from this August forecast were:

- Revised position of £9.5 million savings required
- Full Year Savings position at that stage was £2.6 million
- Non recurring slippage estimated of £2.5 million
- Recovery plan agreed to
 - Reduce overspends by £0.7 million (targeting specifically overtime)
 - Increase efficiencies by £0.7 million and £1 million through Best Value Programme focus
 - Remove contribution to the £15 million - £0.3 million
 - Seek additional pay award funding of incremental drift of £1.7 million

The work in delivering this has progressed well with our Board financial position improving each month. This has shown a continued reduction in overtime costs and efficiency savings plans have been developing. There has been significant scrutiny with weekly updates presented to the Executive Team and a key focus at regional mid year reviews.

So in summary our forecast position is now as at October:

- Year end overspends remain broadly in line with the August forecast position
- An additional pressure of £0.5 million for Air Ambulance for fuel and landing charge price increases and hours has been recognised
- Our savings forecast confirmed for year end is updated to £3.2 million, with an additional savings forecast of £0.5 million
- Non recurring slippage has increased to £2.9 million as opposed to £2.5 million.
- £0.3 million towards the National Health Board £15 million contribution remains in the plan.
- £1.7 million final contribution towards the NHS 3% pay uplift has been confirmed although (not yet received)
- Continued focus on pressure areas has seen improvement in recent months and planned reduction in expenditure of £1.8 million is anticipated through to year end.

The assumptions driving this forecast are described below.

It is also recognised that there are some risks associated with the delivery of this full year forecast. The risks are also described below, with a financial quantification and actions describing how these will be managed.

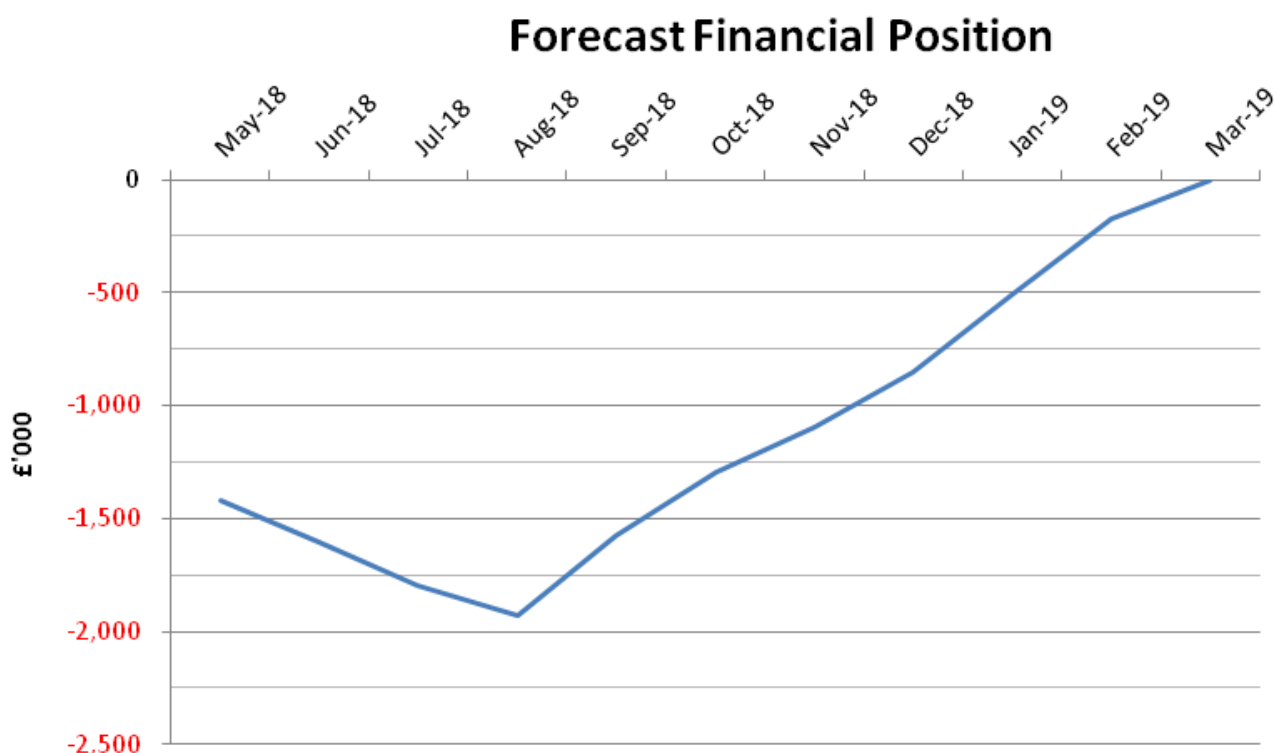
Our monthly financial position is demonstrating this improved trend.

The Service outturn at October 2018 reports £1.3 million over budget after 7 months. However this is showing an improved financial position in line with previous months. It is forecast that this trend will continue until March 2019 with the following trajectory as shown in Table 3 below.

Table 2

Month	£million
7	£(1.3)million
8	£(1.1)million
9	£(0.8)million
10	£(0.5)million
11	£(0.2)million
12	Breakeven

This will be reported on a monthly basis going forward and will be plotted against the graph below.



Detailed Assumptions and Risks

This high level forecast has been built up with very detailed analysis from a 'bottom up' approach and this next section will describe this detail, the assumptions associated with this and the risks in delivering this, and how these will be managed.

The basis for the forecast and risks assumptions are described below:

INCOME

Broadly income remains similar to prior year and received to date. Government allocations have been confirmed with low risk movements. Total other income for 2018-19 is forecast between £8.4 million and £8.7 million depending on ad hoc income received in the last 5 months. The forecast assumes £8.7 million with a risk of £0.3 million relating to reduced income from private events.

Table 3

Description	Plan	Risk	Risk controls
Health Board	£4.7m	-	
Other Operating Income	£2.8m	£0.3m	Risk is deemed low although work is required to be maintained to ensure full cost recovery. A dedicated resource in the Finance team is focused on this
Other Healthcare	£0.9m	-	
Staff Car deductions	£0.2m	-	
Fleet Income	£0.1m	-	
Total	£8.7m	£0.3m	

Last year 50% (£4.0 million) of income was derived from other NHS Boards, either through service level agreements (SLA) or for ad-hoc resources provided. The current year forecast is £4.7 million that includes additional resourcing in Wick and Moray plus the NHS Scotland agreed percentage uplift on inter-board SLA.

Other operating income includes income from private events including the European Games, profit on asset disposal and out of area transfers. The risk is noted above.

Other healthcare income includes reimbursement from the road traffic accident fund and VAT recoveries.

The balance of income comes from fleet and staff lease car deductions with a combined forecast of £0.3 million.

PAY

Total pay for 2018-19 is forecast between £204.0 million and £204.6 million depending on level of overtime spend in the last 5 months.

Table 4

Description	Plan	Risk	Risk Controls
Basic Pay (inc ON costs & WTR)	£170.7m	-	
Enhanced Pay	£18.8m	-	
Overtime	£12.3m	£0.6m	This is based upon winter pressures higher than planned. A further funding bid is being considered
Other pay costs	£2.2m	-	
Total	£204.0m	£0.6m	

The plan assumes the outcome of the detailed analysis undertaken by the Regions and the Best Value Programme Director in agreeing trajectories for overtime usage over the next 5 months.

NON PAY

The non pay forecast is planned at £55.2 million with risks of £1.1 million. This is shown in table 5 below:

Table 5

Description	Plan	Risks	Risk Controls
Spend to date	£32.3m	-	
Extrapolated cost	£22.1m	£1.0m	Work is progressing well through the increased cost control processes. This will be closely monitored. Detailed analysis has been completed on where this is being targeted
18% increase in diesel (Nov-Feb-)	£0.4m	-	
33% increase in Heat Light Power (Nov-Feb)	£0.2m	-	
Enhanced Capability Expenditure	£0.3m	-	
Major Trauma Expenditure	£0.3m	-	
Insurance costs to balance sheet	-£0.3m	-	
Air Ambulance MCA cost	-£0.2m	-£0.1m	Discussions are continuing with air ambulance and Highlands and Islands Airports regarding charging discrepancies
Other IT/Tele-health expenditure	£0.1m	-	
Total	£55.2m	£1.1m	

The key risk is associated with expenditure trends in non pay over the next 5 months. It is assumed the improved trend continues. In addition the year end controls will be put in place during the last quarter of the year. There is also significant work taking place in specific programmes of work including travel, medical gases and estates. This is also closely linked to the savings plans below, although we have ensured there is no double count of assumptions.

SAVINGS

Good work continues in the Best Value Programme and engagement with the regions. Weekly updates are provided to the Executive team with a focus on delivery and pace. The

forecast assumes the full delivery of the total agreed savings of £3.157 million as summarised below:

Table 6

	Proposals Received £'000
Directorate Savings Target (1%)	
West Region	597
East Region	517
North Region	145
National Operations	610
Chief Executive Office	11
Care Quality & Strategic Development	64
Finance & Logistics	281
Human Resources	44
Medical	0
Directorate Total	2,268
Best Value Initiatives	397
Carry Forward Initiatives	
Telematics	0
Make Ready/Consumables/Logistics	0
Insurance & Accident Management	63
Medical Gases	250
Diesel	180
Carry Forward Total	493
Pay Award confirmed as funded	
SERVICE TOTALS	3,157

In addition to the above there is continued robust focus on best value initiatives such as the pilot for travel and accommodation management, shift overruns, as well as management of medical gases and medical consumable stocks is imperative to the delivery of these savings proposals. There is also work on fleet, estates and patient transport. It has been assumed in the forecast that this work will generate an additional £0.5 million of savings.

Key Messages and Conclusion

The key messages from this updated forecast are as follows:

- The tight financial position continues however we are beginning to realise the planned savings and cost reductions as described within the August recovery plan

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- The forecast recognises the continued cost pressures in overtime and diesel and in addition the current pressure in air ambulance.
- The work highlighted at the Board workshop in August focusing on improved controls in rostering has commenced with some improvements particularly in the East, with some in the West and the North also focused on this. The rostering trajectories agreed by the Regions have been included within this forecast. This is forecast to reduce the current trend.
- Focus is also on non discretionary spend and improved controls in Pecos are also starting to show reductions in non pay spend, this is also linked to efficiency savings plans and reductions have been assumed within the forecast.
- The forecast assumes a breakeven position however we have identified risks of up to £2 million within this analysis. There are controls in place to manage these as noted in the paper, including an action on year end spend if necessary. It is also critical the priority and scrutiny continues on the savings plans and financial delivery for budget holders.
- There also continues to be a reliance on non-recurring however the slippage has reduced significantly from previous years and this is expected to continue. The split of recurring and non recurring savings will be reviewed in detail over the next few months.

The Board is asked to note this year end forecast with monthly updates provided at each meeting. This reporting will also include monitoring of the risks and quantification.

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