North East Ambulance Service NHS
NHS Foundation Trust

CATEGORY OF PAPER					
Specific action required:	✓	**Provides Assurance:**	✓	**For Information:**	✓

Trust Board – 25/10/2018

Report title: Financial Performance Report – Month 06 summary

Purpose of report:

The attached report summarises the financial performance as at the end of September 2018.

A glossary of terms is provided at the end of the report.

Key issues:
(key points of the paper, how this supports the achievement of the Trust's corporate objectives, overview of risk implications, main risk details on page 2)

The month 06 financial performance report includes an assessment of i) the SOCI, ii) delivery against the CIP plan requirements, iii) capital expenditure, iv) cash liquidity and their overall impact upon v) the NHSI financial metrics.

The following high level table summarises progress and any movements since last month, and is consistent with the consolidated reporting of the corporate sub-objectives, which track the FOT.

	YTD	Movement	FOT	Movement
SOCI (I&E)	◆	⇩	◆	⇧
CIP	◆	⇩	◆	⇧
Capital Expenditure	◆	⇨	◆	⇧
Cash Liquidity	◆	⇧	◆	⇧
NHSI Financial Metrics	◆	⇨	◆	⇨

Improving = ⇧

No change = ⇨

Deteriorating = ⇩

The YTD SOCI position has slightly worsened since last month. However the FOT has significantly improved by £0.90m.

The FOT CIP is still causing a significant financial concern, given that it is presently forecast to under-deliver by £0.62m (7.44%) against the annual plan target. However the FOT has improved by a further £0.12m since last month.

Capital expenditure has been subject to a more detailed review and is therefore now back on track.

The YTD Cash position has significantly improved this month, and the FOT has also improved due to the improving SOCI and capital positions.

Overall the NHSI metrics remain strong.

Issue previously considered by: Senior Financial Management colleagues, including the Director of Finance and Resources and the Finance Committee.

Recommended actions:

The Board is recommended to:

- Receive this report and seek clarity on the information reported,
- Ratify the Finance Committee recommendation to accept the '2 for 1' deal as proposed by NHSI, and
- Note that monthly financial reports will continue to be provided to the Trust Board and to a number of other audiences.

Sponsor / approving director:	L Hodgson, Director of Finance and Resources
Report authors:	D Sellers, Associate Director of Financial Management, A Chapman, Contracting Manager, and M Rutter, Financial Services and Capital Accounting Manager

Governance and assurance

	Organisational Sustainability	Improving Quality & Safety	Workforce & Investors in People	Clinical Care & Transport	NHS 111 & Clinical Assessment Service	Comms & Engagement
Link to Trust Priorities: *(please tick)*	✓	✓		✓	✓	✓

	Caring	Responsive	Effective	Well Led	Safe
Link to CQC / KLOE: *(please tick)*			✓	✓	✓

	Pride	Strive for excellence	Respect	Compassion	Take responsibility & be accountable	Make a difference – day in & day out
Link to Trust values: *(please tick)*	✓	✓			✓	

(Please explain how this paper supports the application of the Trust's values in practice)	By having pride in a sustainable financial position, by striving for excellence through sound financial management and by ensuring that all colleagues are accountable for managing Trust resources efficiently or effectively.
Any relevant legal / statutory issues? *(Such as relevant acts, regulations, national guidelines or constitutional issues to consider)*	These accounts are based upon International Financial Reporting Standards.

	Yes	No	Not Relevant
Equality analysis completed			✓
If this is not relevant please explain why:	Statement of financial position only.		

Key considerations	Details
Confirm whether any risks that have been identified have been recognized on a risk register and provide the reference number:	The full list of current open financial risks is shared with the Finance Committee.
Please specify any Financial Implications **Please explain whether there are any associated efficiency savings or increased productivity opportunities?**	Receipt of £1.003m from the PSF (Provider Sustainability Fund – formerly STF) is dependent upon achieving the deficit control total throughout the 2018/19 financial year. This funding is not at risk by accepting the 2 for 1 deal on offer from NHSI.
Are any additional resources required e.g. staff capacity?	No.
Is there any current or expected impact on patient outcomes/experience/quality?	No additional impact on patient outcomes/experience/quality to report.

<table>
<tr>
<td>Specify whether appropriate clinical and/or stakeholder engagement has been undertaken:
(stakeholders could include staff, other Trust departments, providers, CCGs, patients, carers or the general public)</td>
<td colspan="4">Engagement was held with budget managers, the Finance Committee and the Trust Board when compiling the 2018/19 financial plan.

Now that we are well into the monthly reporting cycle, engagement has been and continues to be with a wide range of budget managers and others in possession of information of use for financial reporting and forecasting.</td>
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<tr>
<td rowspan="5">Are there any aspects of this paper which need to be communicated to our stakeholders (internal or external)?
(Please tick – if ‘yes’ then please complete all boxes. Please briefly specify the key points for communication and ensure the Comms team are informed via <u>mailto:publicrelations@neas.nhs.uk</u>)</td>
<td>Yes</td><td>No</td><td>Positive</td><td>Negative</td>
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<tr><td>✓</td><td></td><td>✓</td><td></td></tr>
<tr><td>Proactive</td><td>Reactive</td><td>Internal</td><td>External</td></tr>
<tr><td>✓</td><td></td><td>✓</td><td>✓</td></tr>
<tr><td colspan="4">The overall monthly financial position is reported internally to the Finance Committee and subsequently to the Trust Board. Individual budget managers receive financial reports pertaining to their area(s) of budget responsibility. Other summary financial performance reports are provided for the Delivering Consistently group and the NEASUS board meeting. NHSI are also provided with financial reports on a monthly basis too.</td></tr>
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Financial Performance Report – M06
25th October 2018

1. Introduction/Executive Summary

1.1. This report outlines the financial performance against our NHSI financial plan for the month ended 30 September 2018, which was submitted to NHSI on 15 October 2018. The report includes a contracting update, a detailed SOCI position, supplemented with an analysis of key variations from the I&E plan, CIP, Capital, Cash Liquidity and NHSI metrics.

1.2. The overall SOCI position has slightly worsened in YTD variance terms since last month, but improved by £0.900m in FOT terms to a FOT surplus of £0.188m. The improvement in the FOT is as a consequence of confirmation of additional funding via NHSI for the majority of the additional costs associated with the pay award (see section 3.2 iii) below), (of circa £0.350m).

1.3. The Finance Committee are recommending to the Board that the Trust takes the opportunity to convert £0.300m of this into a future cash benefit of £0.900m via receipt of additional PSF (of £0.600m). To help to manage the overall position nationally, NHSI has offered a 'two for one' offer, for any underspends against control totals, which we now believe is an attractive offer. This offer was made last month, but there was a risk that NEAS would lose some of the existing PSF (of £1.003m), the current offer would not put existing PSF at risk. The remaining contents of this report assume that this offer is subsequently agreeable to the Trust Board.

1.4. The FOT this month has also enabled us to provide for additional investment in hospital discharge vehicles to assist with the whole health economy.

1.5. Although we are still reporting green for all of the YTD metrics, the FOT metrics are more variable in nature. We continue to report a significant concern in relation to delivery of the CIP (in FOT terms), although the forecast shortfall in the CIP has reduced by a further £0.119m (down to -£0.622m or -7.44%). Additionally, as a consequence of a joint review of the capital programmes (see section 5 below), the FOT is now contained within the initial plan value, so this is back on target.

2. Key Contracting Issues

Update by exception only on the Trust's contracts for 2018/19 as follows:

- Income due to NEAS associated with divert activity is £175,000 year to date. Divert journeys in September totaled 100 generating income of £50,000.

- A local Mental Health PTS contract is in its final year of the current four year block contract (with no CQUIN applicable). A new 3-year contract with an option to extend for a further 12 months, has been negotiated from 1 April 2019 onwards. It is based on continued delivery of existing service with a 1.9% uplift on the 2018-19 contract value. This will be reviewed annually. The FT has confirmed there are likely to be variations uplifting contract value in the next 12 to 18 months, to adapt to their future patient model of care and an increased requirement for patient transport.

3. Month 06 YTD and FOT Financial Position

3.1 Our M06 SOCI as reported to NHSI is shown in summary within Appendix 1. To summarise, we achieved an Operating Surplus[1] of £0.761m, which is a favourable variance of £0.605m against our planned £0.156m YTD operating surplus. Our YTD 'Adjusted Financial Performance'[2] is a £0.264m surplus which is £0.601m better than our planned YTD deficit of -£0.337m. Neither income nor expenditure have moved significantly from last month's run rate, with the exception of transport which has spent more above the run rate, largely due to cost pressures associated with the South of Tyne Dialysis contract (see 3.2 i) below).

[1] ***Operating Surplus** – formerly defined as EBITDA. This is the surplus/ (deficit) before any 'non-operating' items such as profits from asset disposals, finance leases and PDC dividend payments are taken into account.*

[2] ***Adjusted Financial Performance Surplus** – formerly defined as 'Normalised Surplus', this is our bottom line performance after accounting for non-operating items and adding back any I&E impairments and is the measure used by NHSI to assess our performance against our agreed financial control total.*

3.2 Our realistic FOT 'Adjusted Surplus' is now -£0.188m, which is £0.901m better than our NHSI financial control total of £0.713m and would ensure planned PSF of £1.603m would be allocated in-year. There are a number of FOT movements since last month, which are explained below:

i) +£0.098m favourable re: South of Tyne Renal Dialysis Contract, within PTS income,

ii) +£0.062m favourable re: Other income,

iii) +£0.351m favourable re: 'Other clinical income' mainly as a consequence of confirmation of additional A4C pay award funding via NHSI of i) £0.245m (re: Unsocial Hours arrangements), ii) £0.044m (re: removal of previous 'national top-slice) and iii) £0.058m (re: the WOS).

iv) +£0.150m favourable reclassified to 'Other clinical income' from (-£0.150m adverse) Education & Training income re: Rotational Paramedic training deferred income,

v) +£0.600m favourable PSF (formerly STF), due to the 'two for one' offer, highlighted within section 1.2 above,

vi) +£0.098m favourable re: 'Income in respect of employee benefits accounted for on a gross basis' (i.e. in respect of 3 recent secondments of NEAS staff to other organisations). Some of this has required the employee expenses FOT to increase for backfill arrangements (see v) below).

vii) +£0.300m favourable re: additional Insurance Rebate, which is now available.

viii) +£0.196m favourable re: staff and executive director employee costs, due to £0.367m improvement within Unscheduled care, which in turn is due to a combination of slippage on recruitment plans and lower overtime, offset by:

a. -£0.149m additional costs within Corporate areas (including the recent secondment costs – see iv) above – and some additional events costs not previously provided for,
b. -£0.075m additional meal break costs now being forecast, and
c. -£0.020m additional agency costs in support of the CQC assessment.

ix) -£0.171m adverse re: 'Purchase of healthcare from non-NHS and non-DHSC group bodies', which is attributable to recent discussions with the Chief Operating Officer re: additional Unscheduled Care third party provider usage now being forecast.

x) -£0.123m adverse re: supplies and services (combined), due to an increase in expected spend based on current trends.

xi) +£0.090m favourable re: depreciation, due to the review of the 2018/19 capital programme (see section 5.1 below).

xii) -£0.310m adverse due to the creation of a provision re: availability of the Apprentice Levy.

xiii) -£0.209m adverse re: other, primarily due to a more pessimistic view re: future unidentified CIPs, as the actual savings are being recognised within the relevant subjective categories.

3.3 In terms of SOCI performance the following key variances from plan should be noted:

3.3.1 Revenue Variances

- NHS Ambulance Clinical income is now £0.346m above plan in YTD terms and £1.396m above plan in FOT terms primarily due to the two new PTS Dialysis transport contracts, previously reported upon (i.e. South of Tyne and Hedley Court).

- The other clinical income from patient care activities is £0.433m above plan YTD, and £2.008m above plan at FOT. This is mainly due to inclusion of £0.795m (YTD) additional income from the DHSC in respect of the A4C pay award. This translates through into an additional £1.765m at FOT. Additionally £0.150m deferred income due to rotational paramedics as detailed above is now included within the FOT.

- Total 'Other operating income' is now -£0.244m behind plan YTD, but expected to overachieve in FOT terms (by £0.997m). This now primarily is due to i) £0.600m additional PSF and ii) £0.300m additional Insurance Rebate now available, plus a number of other smaller slippage related variances reported previously.

3.3.2 Employee Expense Variances

- The new pay rates are now firmly within the YTD and FOT expenses, as we now have six months' of actual costs included. However, the new USH arrangements with effect from 1st September 2018 are anticipated to be firmed up on a more incremental basis as the number of colleagues operating under these new arrangements increases. Communications continue with operational colleagues in relation to the new Unsocial Hours pay arrangements to enable them to make informed decisions.

- Employee expenses are presently overspending by -£0.424m above YTD plan, and now expected to significantly overspend (by -£2.128m) at FOT. This reflects the following variances:

  - The implications of the pay award (as described above), are presently anticipated to cost at least £1.8m (FOT) in excess of currently planned budgets available. This comprises the new pay rates plus the USH enhancements changes. NHSI have committed to update financial plans to incorporate these additional costs and the associated income.

  - Various Corporate Services underspends due to a number of vacancies that were in place earlier this financial year. These underspends are reducing as vacancies are being filled.

  - £0.336m underspend re: Unscheduled Care, increasing to £0.583m at FOT, through a combination of vacancies and reductions in late finish overtime costs this financial year, although being partially offset by meal break overspends.

  - -£0.334m overspend re: Scheduled Care, increasing to -£0.620m at FOT due to a combination of overtime and bank overspends in excess of vacancy underspends.

  - -£0.152m overspend re: Emergency Operations Centre, becoming a -£0.577m overspend at FOT, due to increased recruitment for the new NHS111/IUC contract <u>and</u> overtime costs being incurred.

  - These are offset by unidentified CIP savings targets within unscheduled and scheduled care, which will increase to £1.058m at FOT. By implication, this budget pressure is implicitly being partially absorbed by some compensating net underspends.

3.3.3 Non-Pay Expense Variances

- 'Operating expenses excluding employee expenses' (or non-pay costs) are currently £0.508m underspent YTD with a -£1.392m FOT overspend, primarily due to the following:

  - Third Party contracts (i.e. purchase of healthcare from non-NHS organisations) – YTD overspend of -£0.210m, which is presently forecast to overspend by -£0.857m (at FOT) as costs associated with the South of Tyne Dialysis contract continue to be incurred and a revised forecast for the number of hours being required for unscheduled care third party requirements has now been incorporated.

  - Supplies and services – combined underspend of £0.221m (YTD) and £0.107m (FOT), reflecting a more realistic forecast. Further investigation will be undertaken at this month's budget meetings with relevant managers.

  - Establishment – Covering a spectrum of fixed and variable expenditure types (including hard and soft facilities management, IM&T, office related costs, etc.). The YTD underspend has now increased to £0.172m and therefore the FOT overspend has reduced marginally down to -£0.098m.

  - Transport – Also covering a spectrum of expenditure types (including Fuel, ACS, Taxis, etc.). The YTD and FOT overspends (of -£0.373m and -£0.823m respectively) have both increased further since last month. See section 3.1 in particular, re: servicing the South of Tyne Dialysis contract.

  - Depreciation and amortisation – The YTD combined underspend of £0.155m is anticipated to increase to £0.193m at FOT. This is primarily due to slippage on capital expenditure (see section 5 below). If further capital slippage or other planned reductions in capital expenditure occur, then this underspend should increase.

  - Education & Training – The YTD underspend is now £0.188m due to slippage, which is anticipated to be spent by the end of this financial year. Additionally, as per section 3.2 xii), a provision is now in place to cover the previously recorded risk re: Apprentice Levy.

- Other – This includes a combination of positive reserve budgets and negative non-pay CIP target budgets. The present £0.298m YTD underspend is expected to increase to £0.443m as reserve provisions are released as subjective expenditure (elsewhere in the accounts) increases during the financial year. This month's FOT movement has been explained within section 3.2 xiii) above. This will remain under close scrutiny as the financial year progresses.

3.3.4 Non-Operating Income and Expenditure Variances

- Overall non-operating income and expenditure are still broadly in line with plans, given their relative immateriality, with again very little movement since last month.

3.4 Movements from YTD to FOT

The Trust Board can be assured that the Finance Committee have now received a detailed schedule that demonstrates how the YTD position translates through into the FOT position, with a particular emphasis upon the more material items that are not following the current expenditure trends. The schedule focusses upon those adjustments sub-categorised by i) income, ii) pay, iii) non-pay and iv) finance expenses, and therefore it covers the full spectrum of the SOCI.

4 Cost Improvement Programme delivery

CIP reporting can be summarised by the following tables:

Performance Against CIP Schemes 2018-19: Directorate Summary			Month 6					
	2018-19 Schemes	YTD Plan	YTD Actual	YTD Variance	FOT	FOT Variance to Plan	YTD Actual to Plan %	Forecast to Annual Plan %
1.1 CC&T Directorate Management	3,980,045	1,464,547	1,427,334	-37,213	2,736,037	-1,244,008	-2.54%	-31.26%
1.2 CC&T North	1,325,689	604,736	733,322	128,586	1,616,086	290,397	21.26%	21.91%
1.3 CC&T South	1,170,547	613,558	807,467	193,909	1,502,969	332,422	31.60%	28.40%
1.4 Resilience	2,000	669	8,949	8,280	19,521	17,521	1237.67%	876.05%
1.5 Operations Centre	447,354	141,022	52,643	-88,379	370,155	-77,199	-62.67%	-17.26%
CC&T DIRECTORATE TOTAL	6,925,635	2,824,532	3,029,715	205,183	6,244,768	-680,867	7.26%	-9.83%
2 CEO's Directorate	48,112	14,322	20,373	6,051	26,887	-21,225	42.25%	-44.12%
3 Finance & Resources Directorate	487,086	392,425	553,953	161,528	629,131	142,045	41.16%	29.16%
3a NEASUS	461,777	62,311	46,843	-15,468	402,747	-59,030	-24.82%	-12.78%
4 Medical Directorate	8,000	2,464	16,039	13,575	17,753	9,753	550.93%	121.91%
5 Quality & Safety Directorate	127,000	45,532	77,995	32,463	109,628	-17,372	71.30%	-13.68%
6 Strategy, Transformation & Workforce Directorate	300,000	105,896	131,937	26,041	304,801	4,801	24.59%	1.60%
SUPPORT DIRECTORATES TOTAL	1,431,975	622,950	847,140	224,190	1,490,947	58,972	35.99%	4.12%
Unallocated	0	0	0	0	0	0		
UNALLOCATED TOTAL	0	0	0	0	0	0		
GRAND TOTAL	8,357,610	3,447,482	3,876,855	429,373	7,735,715	-621,895	12.45%	-7.44%

Performance Against CIP Schemes 2018-19: Recurrent vs. Non-Recurrent			Month 6					
	2018-19 Schemes	YTD Plan	YTD Actual	YTD Variance	FOT	FOT Variance to Plan	YTD Actual to Plan %	Forecast to Annual Plan %
Recurrent	7,329,716	3,152,932	3,274,101	121,169	6,567,335	-762,381	3.84%	-10.40%
Non-Recurrent	1,027,894	294,551	602,751	308,200	1,168,380	140,486	104.63%	13.67%
TOTAL CIP PERFORMANCE	8,357,610	3,447,483	3,876,852	429,369	7,735,715	-621,894	12.45%	-7.44%

More detailed reporting is made available to the Transformation Board and internal management teams on a monthly basis. However to summarise, there has been a slight deterioration in the CIP in YTD terms but an improvement in FOT terms, as compared to last month. The FOT savings are now £0.119m higher than last month. The main reasons for this are as follows (as categorised by risk):

- NEW – An additional +£89k depreciation savings are now included, due to the recent review of the capital programme. An additional +£20k has been included re: remaining Corporate Vacancies. However these have been offset by a -£75k reduction in the Hedley Court Dialysis transport contract contribution and a -£65k reduction in the Scheduled care bank savings previously reported upon,

- Unidentified – The final remaining unidentified forecast sum (-£85k within the EOC) has now been removed from the FOT,

- High - Overtime reductions (unscheduled care) – there has been a +£155k favourable movement since last month,

- Medium – Third Party contracts – there has been an adverse movement of -£196k, due to additional forecast expenditure and a -£56k reduction in meal break savings has now been incorporated due to recent expenditure patterns,

- Low – An additional +£300k re: Insurance rebate has been incorporated, and

- Other – smaller net changes totalling +£32k have also been included.

Given the size of the CIP challenge for 2018/19 and the currently predicted shortfall in the FOT, then the CIP performance is still causing considerable concern. This is primarily as a consequence of the over-achievement against a number of the CIP scheme targets plus the new savings schemes identified insufficiently mitigating against the high unidentified sums contained within the initial plan.

There is however some potential for increasing the recorded CIP, as previous and emerging underspends/savings are incorporated into the CIP reporting. Meetings with Trust managers continue with the aim of further increasing the FOT CIP and the finance team continue to review all opportunities for savings within the Trust.

5 Capital Expenditure

5.1 The actual YTD expenditure as at the end of month 06 was £1.125m against the YTD plan of £3.603m. The FOT is £9.783m, which is now £0.039m (0.4%) below the initial annual plan of £9.821m. There has been a review undertaken involving the Director and Deputy Director of Finance since last month, which has now enabled the FOT to be manageable within the original plan sum.

5.2 The following table identifies the YTD and FOT at sub-programme level:

	2018/19 Final Plan £'000	YTD Plan £'000	YTD Actual £'000	Forecast Out-Turn £'000
Vehicles (A&E,RR,PTS,CV)	4,205	1,415	226	4,251
Medical Equipment (inc. Defibrillators)	2,102	1,263	204	2,206
IT Replacement Programme	823	357	340	598
IT Development Schemes	1,141	316	247	1,264
Estates Maintenance/Enhancement	895	184	107	966
Estates Development Schemes	700	50	0	460
Replacement Plant & Machinery	38	18	0	38
Misc/Contingency	-83	0	0	0
Total	**9,821**	**3,603**	**1,125**	**9,783**

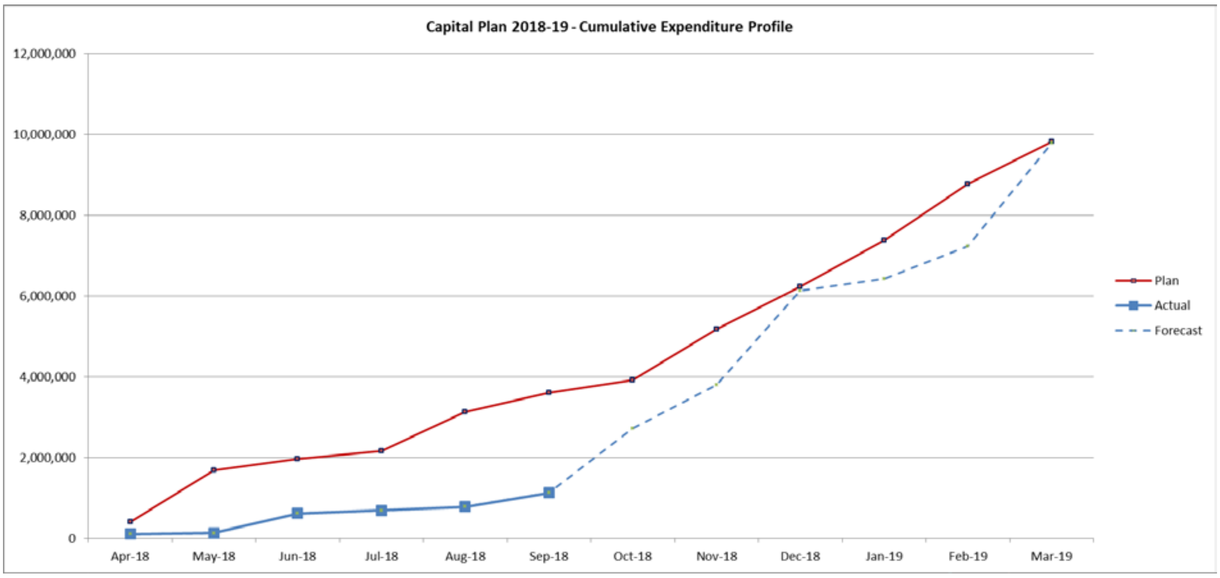
The three main underspending areas to date are as follows:

- Vehicles (£1.189m) including £0.811m relating to slippage in the procurement of the chassis for 44 PTS vehicles, which were originally due to have been available during August 2018. Orders have been placed for the chassis' and the vehicle conversions are still scheduled to be completed before the end of this financial year. The remaining vehicle underspends are due to a number

- Medical Equipment (£1.059m) including £0.931m relating to the planned replacement defibrillators for RRVs, which was originally planned for May 2018, and is now planned for October 2018.

- £0.069m relates the IT development sub-programme. This variance has reduced by £0.099m since last month, which is reflective of anticipated catch up by the year end.

The following graph shows the revised spend profile against the original plan profile:



5.3 In relation to the current FOT underspend of £0.039m; it is primarily due to the following:

- £0.053m (net) changes as previously reported during Q1, plus the following major changes this quarter:
- Vehicles:
  - £0.473m has been added to the programme in respect of replacing the currently leased CCM vehicles and associated equipment. This decision was taken after undertaking a lease versus buy financial evaluation.
  - £0.067m has been added to the programme as a consequence of converting funds previously set aside for 8 intermediate care vehicles for 6 DCAs instead, which provides a better fit to enable implementation of the ARP by next spring.
  - £0.056m that has had to be absorbed due to price increases for 39 Scheduled Care vehicle chassis'.
  - -£0.464m has been slipped into 2019/20 re: planned DCA refurbishments, therefore delaying these to compensate for the above.
  - -£0.103m has been slipped into 2019/20 re: 2 Scheduled Care minibuses due to be replaced and the planned purchase of bariatric vehicles, again to compensate for the above.
- Equipment: An additional £0.098m for 6 Defibrillators (re: above DCAs)
- Some reconfiguring of the IM&T programme, in support of a re-profiling of the GDE project and some other recent business case approvals.
- A planned underspend of £0.175m re: Strategic Estates Developments.
- And some other smaller movements.

6 Cash Flow/Treasury Management

6.1 Cash Balances were as follows:-

	Actual	**Plan**	**Actual**	**Forecast**
	31 Mar 18	**30 Sep 18**	**30 Sep 18**	**31 Mar 19**
	£m	**£m**	**£m**	**£m**
NEAS Bank Account	9.811	10.327	12.230	8.965
NEASUS Bank Account	0.513	0.527	0.984	0.497
Total	**10.324**	**10.854**	**13.214**	**9.462**

Cash as at 30th September 2018 was £13.214m; this is £2.360m more than the NHSI Plan. This is mainly due to the following factors.

- YTD performance on I&E generating an operating surplus, giving £0.449m cash benefit when adjusting for non-cash items.
- Movements in working capital account for a positive variance of £0.316m. This includes temporary increases in payable balances which will adjust back in October.
- Capital expenditure is currently lower than plan due to slipped vehicle, equipment and IT purchases, it is to be noted that the £0.931m defibrillator purchase is intended to be a finance lease purchase so only the part of the payments are contributing to a cash underspend on capital. Capital creditors have reduced from year-end so the actual impact overall is a £1.597m cash increase to plan for all capital transactions, including finance lease repayments.

The year-end cash position is now forecast at £9.462m, was £8.656m. The increase being reflective of the improvement of the year-end I&E position (£0.300m) and the associated additional PSF income (£0.600m).

6.2 Short Term Cash Position

The trade payables and receivables position:

	31st Mar 2018 £m	**30th Sep 2018 £m**
Payables	0.845	1.210
Receivables	2.621	1.969

6.3 Investments

Investment rates are still negligible in comparison to the interest for keeping the funds within the GBS account. Therefore, there were none carried out in M06 of 2018-19.

6.4 Current Investments – outside of GBS

There are no suitable investment products available in the market that would exceed the 3.5% indirect charge incurred by investing outside of GBS accounts.

6.5 Interest Payable

Interest was payable for the Trust's building and equipment finance leases in M06 of 2018.

6.6 New Borrowing

There was no new borrowing in M06.

6.7 Repayment of existing Borrowing

Repayments related to the Trust's building and equipment finance leases.

6.8 Overall Market Analysis

6.8.1 As expected the Bank of England base rate increased in August 2018 to 0.75%. Further increases in the Base Rate are expected but will be at a gradual pace and to a limited extent. These movements will also depend on a positive resolution to the Brexit negotiations.

6.8.2 Inflation has marginally increased from Q1 and now stands at 2.7%. With the Bank of England target still at 2.0%, it is expected that inflation will remain above target in the near future but returning to this target figure as the base rate increases.

6.9 Better Payment Practice Code Performance

The Better Payment Practice Code performance is as follows:-

	18-19 Number	18-19 £000
Total invoices paid in the year	8,356	33,044
Total invoices paid within target	8,042	32,393
Percentage of invoices paid within target	96.2%	98.0%

This performance was maintained in M06 as concerns over issues with the NEASUS financial ledger were overcome by making manual payments to certain fleet suppliers to prevent accounts being put on stop.

6.10 Treasury Assurances

The committee can be assured that the Trust met the national target of 95% up to M06 of 2018/19 for the BPPC.

The liquidity risk rating was a Level 1 at 30 September 2018 and is planned to remain at that level throughout 2018-19.

7 NHSI 'Use Of Resources' KPI Performance

7.1 Under the Single Oversight Framework (SOF) issued by NHSI, our financial performance is rated against five key metrics and scored from 1 to 4 (a score of 1 signifying the best financial performance). We are monitored against these KPIs by NHSI and poor metric performance increases the risk of intervention from NHSI.

7.2 The following table has been extracted from this month's NHSI Financial Template:

Finance and use of resources rating	03PLANYTD	03ACTYTD	03VARYTD	03PLANCY	03FOTCY	03VARCY
	Plan 30/09/2018 YTD Number	Actual 30/09/2018 YTD Number	Variance 30/09/2018 YTD Number	Plan 31/03/2019 Year ending Number	Forecast 31/03/2019 Year ending Number	Variance 31/03/2019 Year ending Number
Capital service cover rating	1	1		1	1	
Liquidity rating	1	1		1	1	
I&E margin rating	3	2		3	2	
I&E margin: distance from financial plan		1			1	
Agency rating	1	1		1	1	
Risk ratings after overrides		1			1	

It can be seen that the current UOR score is 'one' and that it is anticipated that it will remain so at the end of the financial year.

8 Strategic impact

8.1 Ensuring we deliver on our financial plan deficit and control total for 2018/19 ensures that we continue to make progress towards achieving the financial break-even position that is necessary to return financial stability to NEAS.

8.2 Returning to break-even means reducing costs and/or additional revenue streams by at least £0.712m recurrently from our 2018/19 planned position.

9 Assurances

9.1 This report provides assurance that our financial position is being appropriately monitored and is being reported upon in a timely manner.

9.2 The Board can also be assured that all new proposals for additional external income are costed in line with the Costing and Pricing for bidding for External Contracts Policy, unless specifically advised to the contrary.

9.3 The Board can also be assured that detailed monthly CIP reporting continues via the Transformation Board.

9.4 The Board can also be assured by the number of internal audit reports received earlier this year that provide substantial assurance in relation to our financial reporting systems and processes.

10 Financial Risks

Delivery of our notified financial control total position this year remains dependent on a number of key risks to our current financial position being suitably managed and mitigated. Those risks are shared in detail with the Finance Committee, along with the current mitigating actions being undertaken. Risks are being regularly reviewed as the financial year progresses. For information, three risks have been closed out and one new risk has been added since last month.

11 Recommendations

The Trust Board is recommended to:

- Receive this report and seek clarity on the information reported,
- Ratify the Finance Committee recommendation to accept the ‘2 for 1’ deal as proposed by NHSI, and
- Note that monthly financial reports will continue to be provided to the Trust Board and other internal governance groups.

12 Glossary of terms

To aid understanding and interpretation of this report, please note the following glossary of terms, which will be maintained as new abbreviations emerge.

A&E	Accident & Emergency (aka Unscheduled Care)
AACE	Association of Ambulance Chief Executives
ACS	Ambulance Car Service
ADFM	Associate Director of Financial Management
ADFS	Associate Director of Financial Services
A4C	Agenda for Change (NHS pay system)
APP	Advanced Paramedic Practitioner
ARP	Ambulance Response Programme
BPPC	Better Payment Practice Code
CAS	Clinical Assessment Service
CC&T	Clinical Care & Transport (Directorate)
CCG	Clinical Commissioning Group
CCM	Clinical Care Manager
CIP	Cost Improvement Programme
CQUIN	Commissioning for Quality and Innovation
DCA	Double Crewed Ambulance
DDoF	Deputy Director of Finance
DHSC	Department of Health & Social Care
DoF&R	Director of Finance & Resources
ECA/CCA	Emergency / Clinical Care Assistant
ECRs	Extra Contractual Referrals
ECS	Emergency Care Service (aka Unscheduled Care)
ECT	Emergency Care Technician
EOC	Emergency Operations Centre
F&R	Finance & Resources (Directorate)
FOT	Forecast Outturn
FYE	Full Year Effect
GBS	Government Banking Service
GDE	Global Digital Exemplar

HART	Hazardous Area Response Team
HEE	Health Education England
I&E	Income & Expenditure
IM&T	Information Management & Technology
IUC	Integrated Urgent Care
KPI	Key Performance Indicator
NECS	North East Commissioning Support (Unit)
NHS	National Health Service
NHSE	NHS England
NHSI	NHS Improvement
OC	Operations Centre
ONS	Office of National Statistics
ORH	Operational Research in Health Ltd.
PDC	Public Dividend Capital
PDS	Patient Demographic Service
PSF	Provider Sustainability Fund (formerly STF)
PTS	Patient Transport Service (aka Scheduled Care)
PYE	Part Year Effect
Q&S	Quality & Safety (Directorate)
QIA	Quality Impact Assessment
RRV	Rapid Response Vehicle
R&D	Research & Development
SC	Scheduled Care
SOCI	Statement of Comprehensive Income
SOF	Single Oversight Framework
SOFP	Statement of Financial Position
STF	Sustainability & Transformation Fund
ST&W	Strategy, Transformation and Workforce (Directorate)
T&Cs	Terms and Conditions
TUPE	Transfer of Undertakings (Protection of Employment) regulations 2006
UC	Unscheduled Care
UEC	Urgent & Emergency Care
UoR	Use of Resources
USH	Unsocial Hours enhancements
WGA	Whole Government Accounts
WOS	Wholly Owned Subsidiary
YTD	Year to Date

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Last Saved	2018-10-22 11:42:00
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Appendix 1

NEAS NHS FOUNDATION TRUST - STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 30 SEPTEMBER 2018

	NHSI PLAN							
	NHSI Annual Plan £'000	YTD NHSI Plan £'000	YTD Actual £'000	YTD Variance to NHSI Plan £'000	Realistic Mar-19 £'000	FOT Variance to NHSI Plan £'000	Previous Month FOT £'000	Movement from Previous Month FOT to Current FOT £'000
INCOME								
Operating income from patient care activities								
A&E income	79,296	39,648	39,650	2	79,299	3	79,302	-3
PTS income	24,260	12,139	12,381	242	25,600	1,340	25,514	86
Other income	18,813	9,261	9,363	102	18,865	52	18,802	62
sub-total NHS Ambulance Clinical Income	**122,369**	**61,048**	**61,394**	**346**	**123,765**	**1,396**	**123,619**	**145**
Private patient income	30	16	2	-14	19	-11	19	-1
Other clinical income	2,431	1,319	1,752	433	4,439	2,008	3,893	546
total Operating income from patient care activities	**124,830**	**62,383**	**63,148**	**765**	**128,223**	**3,393**	**127,532**	**691**
Other Operating Income								
Research and development	185	102	75	-27	184	-1	184	0
Education and training	1,641	854	680	-174	1,649	8	1,867	-218
Non-patient care services to other WGA bodies	0	0	0	0	0	0	0	0
Non-patient care services to other Non WGA bodies	833	364	322	-42	787	-46	787	0
Sustainability and Transformation Fund (STF)	1,003	351	351	0	1,603	600	1,003	600
Income in respect of employee benefits accounted on a gross basis	88	46	112	66	248	160	150	98
Rental revenue from finance leases	0	0	0	0	0	0	0	0
Rental revenue from operating leases	85	42	44	2	88	3	85	3
Other Income - Operating	676	337	267	-70	949	273	649	300
sub-total Other Operating Income	**4,511**	**2,096**	**1,852**	**-244**	**5,508**	**997**	**4,725**	**783**
TOTAL INCOME	**129,341**	**64,479**	**64,999**	**520**	**133,731**	**4,390**	**132,257**	**1,474**
OPERATING EXPENDITURE								
Employee Expenses:								
Staff and executive directors costs	-91,592	-44,991	-45,477	-486	-93,682	-2,090	-93,878	196
Research and development - staff costs	-198	-108	-74	34	-210	-12	-215	5
Education and training - staff costs	-1,252	-627	-598	29	-1,278	-26	-1,290	12
Redundancy costs - staff costs	0	0	0	0	0	0	0	0
sub-total Employee Benefit Expenses	**-93,042**	**-45,726**	**-46,150**	**-424**	**-95,170**	**-2,128**	**-95,383**	**213**
Other Operating Expenses								
Purchase of healthcare from non-NHS and non-DHSC group bodies	-2,512	-1,611	-1,821	-210	-3,369	-857	-3,198	-171
Non-executive directors	-148	-75	-68	7	-141	7	-146	5
Supplies and services – clinical (excluding drugs costs)	-1,986	-1,011	-799	212	-1,743	243	-1,677	-66
Supplies and services - general	-1,374	-706	-697	9	-1,510	-136	-1,453	-57
Drugs costs (drug inventory consumed and purchase of non-inventory d	-336	-172	-161	11	-353	-17	-356	3
Consultancy	-3	0	0	0	-3	0	-3	0
Establishment	-6,996	-4,100	-3,928	172	-7,094	-98	-7,100	6
Premises - business rates payable to local authorities	-520	-261	-261	0	-522	-2	-522	0
Premises - other	-1,520	-722	-717	5	-1,520	0	-1,515	-5
Transport	-9,598	-4,799	-5,172	-373	-10,421	-823	-10,347	-74
Depreciation	-6,672	-3,174	-3,022	152	-6,479	193	-6,569	90
Amortisation	-251	-129	-126	3	-251	0	-251	0
Impairments net of (reversals)	-229	0	0	0	-222	7	-222	0
Audit fees and other auditor remuneration	-131	-66	-72	-6	-134	-3	-134	0
Clinical negligence	-578	-288	-286	2	-578	0	-578	0
Research and development - non-staff	-33	-18	-4	14	-23	10	-22	-1
Education and training - non-staff	-992	-532	-344	188	-1,293	-301	-983	-310
Operating lease expenditure	-964	-483	-459	24	-1,020	-56	-1,019	-1
Other	-1,361	-450	-152	298	-918	443	-709	-209
sub-total Other Operating Expenses	**-36,204**	**-18,597**	**-18,089**	**508**	**-37,596**	**-1,392**	**-36,804**	**-792**
TOTAL OPERATING EXPENDITURE	**-129,246**	**-64,323**	**-64,239**	**84**	**-132,765**	**-3,519**	**-132,187**	**-578**
OPERATING SURPLUS/(DEFICIT)	**95**	**156**	**761**	**605**	**966**	**871**	**70**	**896**
FINANCE COSTS								
Finance income	80	60	36	-24	111	31	105	6
Finance expense	-200	-101	-71	30	-198	2	-197	-1
PDC dividends payable/refundable	-975	-487	-488	-1	-975	0	-975	0
NET FINANCE COSTS	**-1,095**	**-528**	**-523**	**5**	**-1,062**	**33**	**-1067**	**5**
Other gains/(losses) including disposal of assets	75	35	27	-8	78	3	78.4	0
Corporation tax expense	-16	0	0	0	-16	0	-16	0
SURPLUS/(DEFICIT) FOR THE PERIOD/YEAR	**-941**	**-337**	**264**	**601**	**-34**	**907**	**-935**	**900**
Add back all I&E impairments/(reversals)	229	0	0	0	222	-7	222.4	0
Remove impact of 1718 STF post accounts reallocation				0		0		0
Adjusted financial performance surplus/(deficit)	**-712**	**-337**	**264**	**601**	**188**	**900**	**-712**	**900**