

## Board of Directors (in Public)

### Item 5.1

**Subject:** Going Concern Report  
**Date of meeting:** 29<sup>th</sup> March 2022  
**Prepared by:** James Bradley, Deputy Chief Finance Officer  
**Presented by:** Karen Edge, Chief Finance Officer  
**Purpose of Report:** For approval

BAF Ref	Impact on BAF
3	None

#### 1) Executive Summary

The Trust Final Accounts will be prepared on a 'Going Concern' basis subject to approval of the Board of Directors. This paper sets out the range of evidence which has been used to assess the Trust's Going Concern position.

The Board of Directors is asked to confirm that:

- they have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future; and
- there are no material uncertainties that cast doubt about our ability to continue as a going concern that require disclosure.

#### 2) Background

The accounting concept of 'going concern' refers to the basis on which an organisation's assets and liabilities are recorded and included in the accounts. If an organisation is a going concern, it is expected to continue to operate and not go out of business or liquidate its assets in the foreseeable future. An organisation that is not a going concern would prepare its accounts on a different basis, reflecting their value on the winding up of the entity. Consequently, assets would likely to be recorded at a much lower break-up value and medium and long-term liabilities would become short term liabilities.

International Financial Reporting Standards (IFRS) require the Trust's Directors to assess and satisfy themselves that it is appropriate to prepare the financial statements on a going concern basis. It is not automatically presumed that Trusts are a going concern.

#### 3) Assessing the Going Concern Position

In assessing whether it is appropriate to prepare the 2021/22 financial statements on a going concern basis, the Trust has considered the following:

- The organisation and its environment
- Applicable financial reporting framework
- The organisation's system of internal control

The Organisation and its Environment		
Area	Trust Position	Evidence
Current economic position	<p>The NHS has continued to face challenging times in 2021/22 in both responding to the pandemic, but also in seeking to address the growth in elective waiting lists.</p> <p>As the NHS moves in to 2022/23, the anticipation is that the pressures of Covid will abate, allowing providers to focus more fully on the elective backlog. In addition, the increase in funding for the NHS seen during the pandemic will be curtailed as it seeks to move closer to the fair shares funding formulas.</p> <p>Despite these financial constraints, the Trust is in a strong position as it moves into the new financial year. The Trust has strong cash balances, and is predicting a surplus position for 2022/23.</p> <p>Additional funding has been announced to address the backlog in waiting lists that have arisen because of the pandemic.</p> <p>The Trust understands that there will need to be a continued focus on productivity and efficiency improvements. The Trust has developed its CIP capability processes in order to help support this requirement, and CIP identification and delivery is underway. The Trust is fully engaged in the Cheshire and Merseyside Health and Social Care transformation plans.</p>	<ul style="list-style-type: none"> <li>• 2022/23 Budget setting</li> <li>• Waiting list recovery plans</li> <li>• CIP planning 2022/23</li> </ul>
Hosted Services	<p>The Trust continues to host the Liverpool Health Partnership, the Innovation Agency and the Liverpool Network Alliance. This has increased the Trust's turnover by circa £8m per annum. This also helps to strengthen relationships with research agencies in line with the Trust's strategy.</p>	<ul style="list-style-type: none"> <li>• Innovations Agency bid document</li> <li>• Liverpool Health Partnership bid document</li> </ul>
Coronavirus	<p>The successful vaccination rollout has significantly improved the situation regarding the Covid pandemic, with reduced hospital admissions and deaths caused by the virus. This has led to the easing of restrictions.</p> <p>The Trust is implementing recovery actions to address waiting lists. Additional funding has been announced for recovery.</p> <p>Despite lower hospital admissions for Covid, infection rates remain high, causing higher than usual sickness rates and operational challenges.</p>	<ul style="list-style-type: none"> <li>• Trust Risk Register</li> <li>• DHSC guidance</li> <li>• Recovery planning</li> </ul>

Applicable Financial Reporting Framework		
Area	Trust Position	Evidence
Financial reporting	<p>The Trust is forecasting a breakeven position for 2021/22, and the budget setting for 2022/23 indicates a surplus position, contingent on high levels of elective recovery funding. Financial performance is monitored monthly and remedial actions can be implemented to address areas of overspend.</p> <p>Cash balances are anticipated to be approx. £40m at the end of the year.</p>	<ul style="list-style-type: none"> <li>• Month 11 Forecast</li> <li>• Trust balance sheet</li> <li>• 2022/23 budget setting</li> </ul>
Financial planning	<p>The financial planning guidance for 2022/23 introduces an Aligned Payment and Incentive contract with commissioners. This outlines a fixed level of funding to deliver an agreed activity level, with variable funding primarily linked to elective recovery.</p> <p>The fixed level of funding mirrors the existing block contracts with adjustments made for the national inflation/efficiency assumptions and historic growth applied to the specialised commissioning contract. The Trust has carried out the budget setting and CIP planning for 2022/23. A budget is in place for 2022/23. This is overlaid with recovery plans to ensure that waiting lists and backlogs can be addressed.</p>	<ul style="list-style-type: none"> <li>• 2022/23 budget setting</li> </ul>
Capital Plans	<p>The Capital Plan for 2022/23 is prepared in conjunction with the Integrated Care System (ICS) across Cheshire and Merseyside. The ICS has a capital funding allocation and plans in aggregate across all providers cannot exceed this allocation.</p> <p>The Trust has prepared capital plans for next year and there is a process of prioritisation across the ICS to determine how much of the Trust's plans can be actioned in 2022/23. The Trust has sufficient cash resources to finance the plans.</p>	<ul style="list-style-type: none"> <li>• 2022/23 Capital Plan</li> </ul>
The Organisation's System of Internal Control		
Area	Trust Position	Evidence
Contingent Liabilities	<p>The Trust is not aware of any significant contingent liabilities which could undermine the financial health of the Trust or impact on its ability to remain a going concern. There are currently no significant</p>	

	legal, environmental or service liability issues which would give rise to a contingent liability. The Trust continues to provide for potential liabilities on a prudent basis in line with accounting standards.	
Internal Audit Reports	During 2021/22, Mersey Internal Audit Agency (MIAA) conducted an annual review of financial systems. A rating of 'high assurance' was given, indicating that there is a strong system of internal control which has been effectively designed to meet the system objectives, and that controls are consistently applied in all areas reviewed. The same assurance rating was also given for a Budgetary Control / Management Reporting.	<ul style="list-style-type: none"> <li>• MIAA Internal Audit Reports</li> </ul>
Financial and Operational Risk Management	The Trust has maintained its categorisation of Segment 1 under the Single Oversight Framework throughout the period and significant financial risks have been considered by the Audit Committee. The Trust has considered counter-party risks arising from key suppliers and commissioners and no risks have been identified which could impede the Trust's ability to operate as a going concern.	<ul style="list-style-type: none"> <li>• NHSI Single Oversight Framework as reported in the monthly Finance Board Report</li> </ul>
Review of Accounting Standards	<p>The Accounts for Liverpool Heart and Chest are prepared in accordance with the Department of Health and Social Care General Accounting Manual (GAM) 2021/22, with detailed requirements for Foundation Trusts set out in the NHS Foundation Trust Annual Reporting Manual (ARM) 2021/22. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury.</p> <p>The paper presented to the Audit Committee on 22<sup>nd</sup> March sets out the Trust's Accounting Policies, highlighting any changes since 2020/21.</p>	<ul style="list-style-type: none"> <li>• Review of Accounting Policies Audit Committee 22<sup>nd</sup> March 2022</li> </ul>

#### **4) Conclusion**

It is proposed that the following disclosure is made in the 2021/22 financial statements:

After making enquiries, the directors have a reasonable expectation that the services provided by the NHS foundation trust will continue to be provided by the public sector for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the accounts, following the definition of going concern in the public sector adopted by HM Treasury's Financial Reporting Manual.

The main factors in reaching this conclusion were:

- The Trust's latest position is a breakeven position for 2021/22 and a surplus position for 2022/23.
- Projected cash balances are sufficient to sustain the investment programme and meet short term operating costs
- The Trust has sufficient cash headroom to support its plans;
- There is no expectation for short term loans or overdraft facilities
- Auditors' opinions have provided assurance as to the accuracy and reliability of the Trust's financial systems and the robustness of the internal controls.

#### **5) Recommendation**

The Board of Directors is asked to confirm that:

(a) They have a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future; and

(b) There are no material uncertainties that cast doubt about our ability to continue as a going concern that require disclosure.