

## Council of Governors

### Item 12.2

**Subject:** Finance Report for the Period Ended 31<sup>st</sup> July 2023  
**Date of Meeting:** 19<sup>th</sup> September 2023  
**Presented by:** Karen Edge, Chief Finance Officer  
**Purpose of Report:** To note

BAF Reference	Impact on BAF
BAF 7	The report outlines the Trusts financial performance at Month 4 2023/24 financial year. The Trust achieved a £3,111k surplus in the year to date, an adverse variance of £164k.

<b>Level of assurance (please tick one)</b> <i>To be used when the content of the report provides evidence of assurance</i>				
<input checked="" type="checkbox"/> <b>Acceptable assurance</b> Controls are suitably designed, with evidence of them being consistently applied and effective in practice	<input type="checkbox"/> <b>Partial assurance</b> Controls are still maturing – evidence shows that further action is required to improve their effectiveness	<input type="checkbox"/> <b>Low assurance</b> Evidence indicates poor effectiveness of controls		

### 1. Summary Financial Position

The financial performance for the first four months of the year is a surplus of £3,111k. This represents a £164k adverse variance to plan.

The summary month 4 position is outlined in the table below and shows the performance with the Hosted Services separately.

M4 LHCH (exclusing Hosted Services)	In Month Plan £'000	In Month Actual £'000	In Month Variance £'000	YTD Plan £'000	YTD Actuals £'000	YTD Variance £'000
Total Income	19,129	19,148	18	74,749	74,863	114
Total Pay	(8,634)	(8,571)	63	(34,796)	(34,759)	37
Total Non Pay	(8,912)	(8,965)	(54)	(33,618)	(34,338)	(721)
Depreciation & Technical	(765)	(662)	103	(3,060)	(2,711)	349
Surplus / (Deficit)	819	949	130	3,274	3,054	(220)
Removal Transactions Relating to Donated Assets	0	14	14	0	57	57
Surplus / (Deficit) on a control total basis	819	964	145	3,274	3,111	(164)

M4 Hosted Services	In Month Plan £'000	In Month Actual £'000	In Month Variance £'000	YTD Plan £'000	YTD Actuals £'000	YTD Variance £'000
Total Income	748	720	(27)	2,616	2,413	(202)
Total Pay	(301)	(303)	(2)	(1,297)	(1,195)	102
Total Non Pay	(439)	(409)	30	(1,290)	(1,185)	105
Depreciation & Technical	(7)	(8)	(1)	(28)	(33)	(5)
Surplus / (Deficit)	0	0	(0)	0	0	(0)
Removal Transactions Relating to Donated Assets	0	0	0	0	0	0
Surplus / (Deficit) on a control total basis	0	0	(0)	0	0	(0)

M4 Total Trust	In Month Plan £'000	In Month Actual £'000	In Month Variance £'000	YTD Plan £'000	YTD Actuals £'000	YTD Variance £'000
Total Income	19,877	19,868	(9)	77,364	77,276	(88)
Total Pay	(8,935)	(8,873)	62	(36,094)	(35,954)	139
Total Non Pay	(9,351)	(9,374)	(24)	(34,908)	(35,524)	(615)
Depreciation & Technical	(772)	(670)	102	(3,088)	(2,744)	344
Surplus / (Deficit)	819	949	130	3,274	3,054	(220)
Removal Transactions Relating to Donated Assets	0	14	14	0	57	57
Surplus / (Deficit) on a control total basis	819	964	145	3,274	3,111	(164)

Key issues to note in the month 4 position are as follows:

- Trust income for NHS and Welsh commissioned services is consistent with the plan. English commissioners are following an Aligned Payment and Incentive (API) contract model, with fixed and variable elements. The variable factors include new outpatient attendances and daycase/elective care.
- NHS England have announced an adjustment to the contract to take account of the industrial action. This will increase the block element, reducing the variable target. At the time of reporting, this had not been quantified and built into the month 4 position and the Trust has reported achievement of plan as instructed whilst awaiting further guidance. However, the Trust has managed the impact of industrial action on variable income upto this point in time.
- The Isle of Man and Private Patients income remains on a cost per case arrangement for 2023/24. In July 2023, income from Isle of Man activity (excluding drugs & devices) was £4k lower than planned levels (Year to Date (YTD) - £156k under-performance).
- Private patients' income was £24k lower than plan, with the YTD over-performance now at £160k above plan.
- Pay spend was lower than budget in July. The overspend against medical staff (resulting from industrial action) was offset by underspends in all other staff groups. Nurse bank and agency spend continued to be within planned levels.
- The largest non-pay pressure in July relates to the undelivered Cost Improvement Programme (CIP). The Trust has identified 78.8% of the CIP target, but only 40.1% has been transacted to date.
- High cash balances and increased interest rates are yielding interest payments which are partially offsetting the expenditure overspends.

- Capital expenditure was £640k, which primarily relates to the Cath Lab project and agreed high risk maintenance schemes. The YTD capital expenditure has decreased this month, thanks to VAT recovery relating to 22/23 being transacted in month. In 23/24 the ICB have approved a capital envelope of £6,111k.
- **Forecast** – The Trust continues to forecast achievement of the financial plan by the year end. The key risks to this are non-delivery of the CIP, the ongoing challenges associated with industrial action and the impact of inflation. The Trust continues to monitor the impact of these risks and prepare plans to mitigate them.

## 2 Conclusion

In the first four months of the year, the Trust delivered a surplus of £3,111k. This is £164k worse than the plan, but the last three months have shown marginal recovery.

The key risks to achieving the plan are undelivered CIP, achieving the income/activity plans in elective care with the known uptick in industrial action and the risks associated with inflation.

## 3 Recommendation

The Council of Governors is asked to:

- NOTE the financial position of the Trust for the month ending 31<sup>st</sup> July 2023.