

Board of Directors (in Public)

Item 5.2

Subject: Going Concern Report
Date of meeting: Tuesday 30th March 2021
Prepared by: James Bradley, Deputy Chief Finance Officer
 Laura Hunter-Cross, Head of Financial Services
Presented by: Karen Edge, Chief Finance Officer
Purpose of Report: For Approval

BAF Ref	Impact on BAF
IV1	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 be 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 2020/21 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 faced very challenging times in 2020/21 in responding to the pandemic. Despite the strain on the NHS as a whole, resources have been directed to Trusts to ensure that funding was in place to meet this challenge. There is a degree of uncertainty in the financial framework for the NHS in 2021/22, but a rollover of existing arrangements is in place for the first six months to allow time for the contracting and planning round.</p> <p>Despite the uncertainty, the Trust has continued with the internal budget setting and CIP planning process. The Trust has strong cash balances, and is predicting a breakeven position for 2020/21. 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 likely be low growth in funding, and this will mean 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"> • 2021/22 Budget setting • Waiting list recovery plans • CIP planning 2021/22
Hosted Services	<p>The trust has been successful in the tender to provide hosted services for 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"> • Innovations Agency bid document • Liverpool Health Partnership bid document
Brexit	<p>The UK has implemented the Brexit agreement, and the Trust has not experienced significant issues in either cost increases or supply of equipment/consumables. Any continued impact is being monitored both nationally and locally.</p>	<ul style="list-style-type: none"> • Trust Risk register
Coronavirus	<p>The pandemic continues to cause great disruption globally and has caused delays in provision of non-Covid healthcare.</p> <p>The impact of the winter lockdown and success of the vaccination programme have resulted in significantly lower levels of Covid hospitalisations and the Trust is implementing recovery actions to address waiting lists. Additional funding has been announced for recovery.</p> <p>A roadmap out of lockdown has been announced and remains on</p>	<ul style="list-style-type: none"> • Trust Risk Register • DHSC guidance • Recovery planning • Vaccination programme and government roadmap

	course, but there is still a high level of risk and uncertainty. Funding for the NHS has been protected and prioritised thorough the pandemic.	
Applicable Financial Reporting Framework		
Area	Trust Position	Evidence
Financial reporting	The Trust is forecasting a breakeven position for 2020/21, and the budget setting for 2021/22 also indicates a breakeven position, albeit with a high level of risk due to uncertainty over the financial framework. Financial performance is monitored monthly and remedial actions can be implemented to address areas of overspend. Cash balances are anticipated to be approx. £35m at the end of the year.	<ul style="list-style-type: none"> • Month 11 Forecast • Trust balance sheet • 2021/22 budget setting
Financial planning	<p>The formal contracting and Operational Planning for 2021/22 has been suspended by the DHSC. The existing block contract arrangements will continue for the first half of 2021/22, and the contracting and planning round will cover months 7-12. Planning guidance is expected on 26 March 2021.</p> <p>Despite the absence of planning guidance the Trust has continued with budget setting and CIP planning for 2021/22. A budget is in place for 2021/22. This is overlaid with recovery plans to ensure that waiting lists and backlogs can be addressed.</p>	<ul style="list-style-type: none"> • 2021/22 budget setting
Income & Contracts	The contracting round for 2021/22 has been paused, and will be restarted for months 7-12 of next year. The existing block contract arrangements will continue for the first half of next year.	<ul style="list-style-type: none"> • 2021/22 budget setting
Capital Plans	<p>The Capital Plan for 2021/22 has been prepared and submitted to the Board for approval.</p> <p>Capital planning / resourcing is now conducted at a system level, and so may require reduction following a system wide prioritisation process.</p> <p>The plan presented to the Board addresses the critical estates and digital infrastructure requirements and replacement equipment needs. It is well within the Trust's cash limits.</p>	<ul style="list-style-type: none"> • 2021/22 Capital Plan

The Organisation's System of Internal Control		
Area	Trust Position	Evidence
Contingent Liabilities	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 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 2020/21, Mersey Internal Audit Agency (MIAA) conducted an annual review of financial systems. A rating of 'high assurance' was given. This means that whilst there are some weaknesses in the design and/or operation of controls which could impair the achievement of objectives of the system, the impact would be minimal or they would be unlikely to occur.	<ul style="list-style-type: none"> • MIAA Internal Audit Reports
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"> • NHSI Single Oversight Framework as reported in the monthly Finance Board Report
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) 2020/21, with detailed requirements for Foundation Trusts set out in the NHS Foundation Trust Annual Reporting Manual (ARM) 2020/21. 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 23rd March sets out the Trust's Accounting Policies, highlighting any changes since 2019/20.</p>	<ul style="list-style-type: none"> • Review of Accounting Policies Audit Committee 23rd March 2021

4) Conclusion

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

The Board of Directors has a reasonable expectation that the Trust has adequate resources to continue in operational existence for the foreseeable future. They have identified no material uncertainties that cast significant doubt on the Trust's ability to continue as a going concern. For this reason, they continue to adopt the going concern basis in preparing the accounts.

The main factors in reaching this conclusion were:

- The Trust's latest position is a breakeven position for 2020/21 and a budgetary breakeven position for 2021/22.
- 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.