

Board of Directors (in Public)

Item 5.3

Subject: Going Concern Report
Date of meeting: 9th April 2024
Presented by: James Thomson, Chief Finance Officer
Purpose of Report: For approval

BAF Ref	Impact on BAF
BAF 7	A statement on the Trusts position as a 'going concern'.

1) Executive Summary

As in previous years, the Trust's Final Accounts for 2023/24 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.

The going concern position is tested by the external audit to provide assurance on the Trust's assessment of the issue. The outcome of this will be presented and considered to the Audit Committee.

3) Assessing the Going Concern Position

In assessing whether it is appropriate to prepare the 2023/24 financial statements on a going concern basis, the Trust has considered the following:

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

The Organisation and its Environment		
Area	Trust Position	Evidence
Current economic position and operating environment	<p>The NHS has continued to face challenging times in 2023/24. The elective recovery process has been disrupted by ongoing industrial action. Inflation has also led to increased costs for all Trusts.</p> <p>Despite these challenges, the Trust is in a robust position as it moves into the next financial year. The Trust has strong cash balances and is planning a surplus position for 2024/25.</p> <p>Additional funding for elective recovery remains in place.</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 to help support this requirement, and CIP identification and delivery is underway. The Trust is fully engaged in system-wide strategic initiatives.</p>	<ul style="list-style-type: none"> • 2024/25 Budget setting • Waiting list recovery plans • CIP planning
Hosted Services	<p>The Trust continues to host a number of regional organisations.</p> <p>The scope of Liverpool Health Partnership was reduced and transferred to Liverpool University Teaching Hospital Foundation Trust.</p> <p>The national review of Academic Health Science Networks concluded and the Health Innovation North West Coast continued to be hosted by the Trust. The funding levels have reduced, and the organisation is working closely with the Trust to mitigate any financial risks.</p>	<ul style="list-style-type: none"> • Health Innovation North West Coast on-going finance, risks and governance meetings.
System Working	<p>The Trust is a key provider in the Cheshire and Merseyside system, and recognises that the financial position of the system is a key consideration in planning. The Trust's historic and planned surplus contributes positively to the system. It is not currently part of any financial recovery process.</p>	<ul style="list-style-type: none"> • ICB letters to executives

Applicable Financial Reporting Framework		
Area	Trust Position	Evidence
Financial reporting	<p>The Trust is forecasting a surplus position for 2023/24, and the financial planning for 2024/25 is underway with on-going discussions with commissioners. Financial performance is monitored monthly and remedial actions implemented to address areas of overspend.</p> <p>Cash balances are anticipated to be approx. £45m at the end of the year. This equates to 27 days operating expenditure liquidity.</p>	<ul style="list-style-type: none"> Month 11 Forecast Trust balance sheet 2024/25 budget setting
Financial planning	<p>The financial planning guidance for 2024/25 requires the use of the Aligned Payment and Incentive (API) 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.</p> <p>The Trust is working actively with the ICB to carry out the financial planning process for 2024/25, central to which is the budget setting, activity planning, workforce plans and CIP.</p>	<ul style="list-style-type: none"> 2024/25 budget setting 2024/25 activity and workforce plans
Capital Plans	<p>The Capital Plan for 2024/25 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 2024/25. The Trust has sufficient cash resources to finance the planned capital expenditure.</p>	<ul style="list-style-type: none"> 2024/25 Capital Plan
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 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.</p>	<ul style="list-style-type: none"> External Audit review
Internal Audit Reports	<p>During 2023/24, 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.</p>	<ul style="list-style-type: none"> MIAA Internal Audit Reports
Financial and Operational	<p>The Trust has maintained its categorisation of Segment 1 under the Single Oversight Framework throughout the period</p>	<ul style="list-style-type: none"> NHSEI Single Oversight

Risk Management	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.	Framework
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) 2023/24, with detailed requirements for Foundation Trusts set out in the NHS Foundation Trust Annual Reporting Manual (ARM) 2023/24. 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 12th March 2024 set out the Trust's Accounting Policies, highlighting any changes since 2022/23.</p>	<ul style="list-style-type: none"> Review of Accounting Policies Audit Committee 21st March 2024

4) Conclusion

It is proposed that the following disclosure is made in the 2023/24 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 forecast is a surplus position for 2023/24 and a planned revenue surplus position for 2024/25.
- Projected cash balances are sufficient to fund the capital programme and meet 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
- b) There are no material uncertainties that cast doubt about our ability to continue as a going concern that require disclosure.