

Council of Governors (in Public)

Item 11.1

Subject: Finance Report for the Period Ended 30th June 2024
Date of Meeting: 17th September 2024
Presented by: James Thomson, Chief Finance Officer
Purpose of Report: To note

BAF Reference	Impact on BAF
BAF 5	The report outlines the Trusts financial performance at Month 3 2024/25. The Trust has achieved a £2,188k surplus in the year to date, an adverse variance of £1,129k.

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

1. Executive Summary

The financial performance at the end of quarter one is a surplus of £2,188k. This represents a £1,129k adverse variance to plan.

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

M3 LHCH (excluding 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	19,882	19,561	(320)	60,973	60,278	(695)
Total Pay	(9,166)	(9,220)	(54)	(27,353)	(27,165)	189
Total Non Pay	(8,926)	(8,946)	(20)	(28,288)	(29,107)	(819)
Depreciation & Technical	(671)	(615)	56	(2,014)	(1,841)	172
Surplus / (Deficit)	1,119	780	(339)	3,318	2,165	(1,153)
Removal Transactions Relating to Donated Assets	0	15	15	0	24	24
Surplus / (Deficit) on a control total basis	1,119	795	(324)	3,318	2,188	(1,129)

M3 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	513	468	(46)	1,467	1,345	(122)
Total Pay	(403)	(375)	28	(1,170)	(1,128)	42
Total Non Pay	(107)	(84)	23	(286)	(199)	87
Depreciation & Technical	(4)	(8)	(5)	(11)	(18)	(7)
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)

M3 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	20,395	20,029	(366)	62,440	61,622	(817)
Total Pay	(9,568)	(9,595)	(27)	(28,523)	(28,292)	231
Total Non Pay	(9,033)	(9,031)	3	(28,575)	(29,306)	(731)
Depreciation & Technical	(675)	(623)	51	(2,025)	(1,859)	166
Surplus / (Deficit)	1,119	780	(339)	3,318	2,165	(1,153)
Removal Transactions Relating to Donated Assets	0	15	15	0	24	24
Surplus / (Deficit) on a control total basis	1,119	795	(324)	3,318	2,188	(1,129)

Key issues to note in the month 3 position are as follows:

- English NHS commissioners are following an Aligned Payment and Incentive (API) contract model, with fixed and variable elements. The variable factors include new outpatient attendances, outpatient procedures and daycase/elective care. These come under the Elective Recovery Fund (ERF). The targets for the ERF have been increased in 2024/25, representing a risk to the Trust. This has been raised with the commissioners. Because of the remaining uncertainty, the income from the ICB and NHSE has been matched to plan, with the exception of the under-performance in Surgery (£335k). A contract has not yet been agreed with Welsh commissioners, but this is expected to follow a full cost per case arrangement.
- The Isle of Man and Private Patients income remains on a cost per case arrangement. In June, income from Isle of Man (excluding drugs & devices) was £87k below plan, with a year-to-date under-performance of £91k. The main reason for this underperformance is Critical care and non-elective activity. Private patients' income was £175k above plan in June, with the YTD over-performance at £255k above plan.
- Targeted Lung Health Check (TLHC) scans and health checks was £297k below plan in June with a YTD underperformance of £836k. The plan had assumed the expansion into new areas would commence from April. However, there has been a delay causing an adverse performance against plan. The health checks in new locations commenced in mid-June, with the CT scans expected to start in mid-July.
- Pay spend is £54k higher than plan in June and £189k below plan YTD. June saw a large rise in nurse bank costs, and an overspend in medical staffing partly driven by the costs associated with industrial action.
- The largest non-pay pressure in the month relates to the undelivered Cost Improvement Programme (CIP). The Trust has transacted 50.9% of its target (identified 82.5%). Confirm and Challenge sessions are in place with divisions and corporate departments that have not met delivery and identification milestones by the end of the first quarter.

- Drug price inflation is also causing an overspend, particularly in the Medicine division. This is in addition to overspends in clinical consumables in theatres and cath lab, driven by significant overperformance in emergency surgery and inflation.
- High cash balances and increased interest rates are yielding interest payments which are partially offsetting the expenditure overspends.
- At the end of month 3, capital expenditure was £1,596k which primarily relates to backlog maintenance, Cath Lab 7 and the Decant Theatre. The Trust has a capital plan of £7,451k and is forecasting to spend all the allocation by the end of the year.

2. Key Financial Performance Indicators

The Key Performance Indicators (KPI) for the period are set out below:

KPI	RAG rating	Comments
Overall Financial position	●	The Trust has an adverse variance to plan of £1,129k.
Income	●	Trust income (excl. hosted services) was £695k lower than plan.
Expenditure	●	Operating expenditure (excl. hosted services) is £630k higher than plan.
CIP	●	Annual recurrent CIP of £5,418k (50.9%) has been transacted against a target of £10,644k.
Capital Expenditure	●	At the end of month 3, capital expenditure was £1,596k.
Cash	●	The month 3 cash position is £39.3m.

3. Financial Position as at 30th June 2024 (month 3)

M3 Financial Position LHCH (excludes Hosted Services)	Annual Plan £'000	In Month Plan £'000	In Month Actual £'000	In Month Variance £'000	YTD Plan £'000	YTD Actuals £'000	YTD Variance £'000
Total Income	236,600	19,882	19,561	(320)	60,973	60,278	(695)
Employee Expenses	(108,030)	(9,166)	(9,220)	(54)	(27,353)	(27,165)	189
Drugs	(34,291)	(2,666)	(2,721)	(55)	(9,164)	(9,293)	(129)
Clinical supplies	(55,160)	(4,779)	(4,705)	74	(15,118)	(15,448)	(329)
Non Clinical supplies	(8,576)	(814)	(870)	(56)	(2,203)	(2,285)	(82)
Total Direct Costs	(206,056)	(17,424)	(17,515)	(91)	(53,839)	(54,190)	(351)
Gross Surplus	30,544	2,458	2,046	(412)	7,134	6,088	(1,046)
Total Overhead expenses	(8,349)	(668)	(651)	17	(1,803)	(2,082)	(279)
EBITDA	22,195	1,790	1,395	(395)	5,331	4,006	(1,325)
Depreciation & Technical	(8,054)	(671)	(615)	56	(2,014)	(1,841)	172
Surplus / (Deficit)	14,141	1,119	780	(339)	3,318	2,165	(1,153)
Removal of transactions relating to donated assets	0	0	15	15	0	24	24
Surplus / (Deficit) on a control total basis	14,141	1,119	795	(324)	3,318	2,188	(1,129)

Income

The contracts with NHS England (NHSE) and the Integrated Care Board (ICB) continue to follow an Aligned Payment and Incentive (API) model. Elements of the contract are on a fixed basis, with most of planned care on a variable basis. All new outpatient attendances, outpatient procedures and elective/daycase care are paid on a cost per case basis. Outpatient follow-ups, critical care and non-elective activity is all fixed.

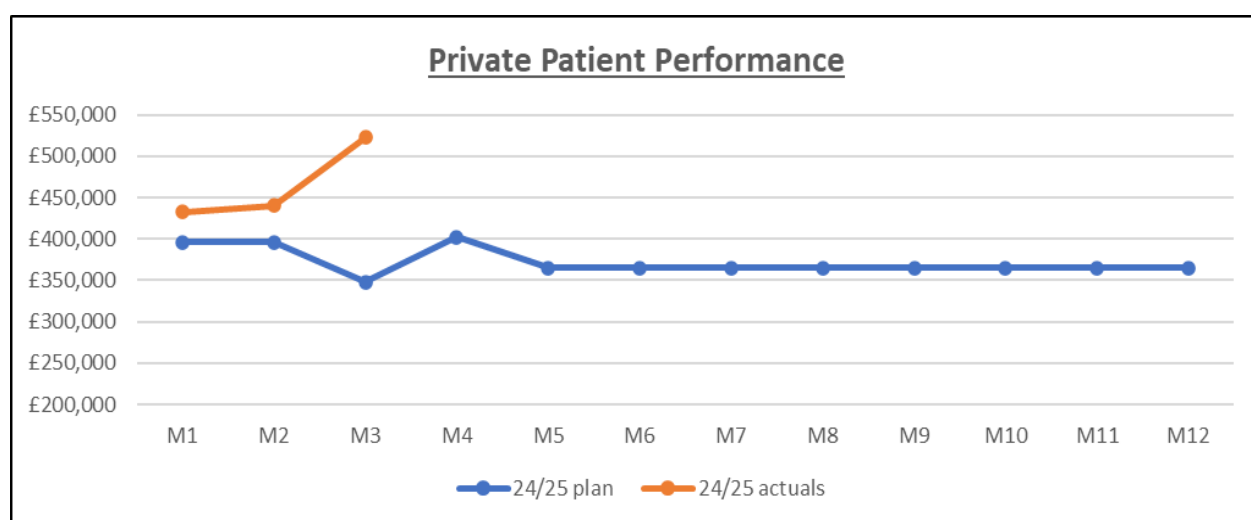
The core contracts have been increased to incentivise elective recovery and address the increased waiting lists since the pandemic. The Elective Recovery Fund (ERF) targets are calculated nationally and have been published recently. The targets have increased in 2024/25. The increased targets make it more difficult to earn the ERF funding, and this represents a risk to the Trust. This risk has been conveyed to local and national commissioners, and the Trust is awaiting a formal response.

The Trust is also undergoing a review of outpatient coding to ensure consistency of coding and reporting. Because of the uncertainty around the ERF targets and the outpatient coding changes, the income has been matched to the plan for NHSE, the ICB and Welsh commissioners, with the exception of the current level of under-performance against the surgical elective plan (£335k) and passthrough drugs and devices.

The contract with Wales has yet to be agreed, but it is increasingly likely that this will revert to a full cost per case arrangement if the parties cannot agree suitable baselines for the fixed element of an API contract. Although a full variable contract presents risks to the Trust, activity and referrals from Wales have grown in recent years.

For 2024/25, the Isle of Man continues to be on a full cost per case contract and was £86k below the plan (excluding drugs and devices) in June 2024, with a year-to-date underperformance of £91k. The in-month underperformance is due Critical care and non-elective activity.

Private patient income was £175k above plan in month and above plan year to date by £255k. All divisions are overperforming year to date.



Expenditure

Pay costs are £54k higher than plan in June and £189k lower than plan for the year to date. June saw a large rise in nurse bank costs, and an overspend in medical staffing partly driven by the costs associated with industrial action.

There continues to be some areas of pay overspend, most notably driven by premium spend for medical staff (e.g. to cover sickness or gaps in rotas).

The budgetary spend position by staffing groups is outlined in the table below. Bank, agency, overtime, and Waiting List Initiative (WLI) spend by category is also given (see appendix 5 for further information).

June 2024 LHCH Staffing group (excluding Hosted Services)	In Month Budget £'000	Substantive costs (incl overtime) £'000	Bank £'000	Agency £'000	Overtime £'000	WLI £'000	In Month Total spend £'000	In Month Variance £'000
Medical	(2,586)	(2,353)	(46)	0		(224)	(2,623)	(37)
Registered Nursing	(2,755)	(2,617)	(190)	14	(8)		(2,802)	(46)
Support to clinical staff	(1,020)	(916)	(63)	0	(8)		(987)	33
Scientific, Therapeutic & Technical	(1,390)	(1,287)	(2)	(58)	(6)		(1,353)	37
Non Clinical	(1,266)	(1,163)	(48)	0	(9)		(1,221)	45
Other pay costs incl. apprenticeship levy	(149)	(235)					(235)	(86)
	(9,166)	(8,571)	(350)	(44)	(31)	(224)	(9,220)	(54)

June 2024 LHCH Staffing group (excluding Hosted Services)	YTD Budget £'000	costs (incl overtime) £'000	Bank £'000	Agency £'000	Overtime £'000	WLI £'000	YTD Total spend £'000	YTD Variance £'000
Medical	(7,601)	(6,926)	(156)	0		(580)	(7,663)	(62)
Registered Nursing	(8,234)	(7,824)	(379)	12	(25)		(8,215)	19
Support to clinical staff	(3,038)	(2,728)	(161)	0	(28)		(2,917)	120
Scientific, Therapeutic & Technical	(4,158)	(3,851)	(7)	(195)	(11)		(4,064)	94
Non Clinical	(3,779)	(3,455)	(140)	0	(30)		(3,625)	154
Other pay costs incl. apprenticeship levy	(543)	(680)					(680)	(137)
	(27,353)	(25,465)	(843)	(182)	(94)	(580)	(27,165)	189

The overspend in medical staffing is within Anaesthesia and cardiac surgery, driven in part by premium payments to cover gaps in the rota, sickness and industrial action in June.

Agency spend continues to be an area of focus nationally, with all providers instructed to spend no more than 3.2% of their pay costs on agency staffing. The Trust's agency spend in June is £44k and £182k YTD, and represents under 1% of the total pay costs, well within the national limits.

There continues to be a cost pressure in theatres resulting from agency and bank staff covering supernumerary staff. The training period for new staff is long, resulting in high agency use for a prolonged period. These costs are expected to reduce in future months, but high emergency activity levels are also contributing to the overspend in theatres.

There is a focus nationally on the workforce numbers. This has been triggered by a significant increase in Whole-Time Equivalents (WTE) across the NHS in recent years, without a commensurate increase in activity. There have also been concerns over the national increase in non-clinical roles.

The Trust's workforce data (shown in the table below includes Hosted Services) highlights that the WTE have remained relatively stable. However, there has been an increase in bank usage in SICU (due to increase in acuity and maternity leave) and Theatres due to high levels of supernumerary staff.

The Trust's workforce plan shows a reduction of 20 WTE in non-clinical roles. This is an estimate of the number of posts required to deliver the pay reduction target given by the ICB. This reduction is planned to start in the second half of the year. WTE trends and the plan v actual for month 3 is detailed in the table below. The table shows that actual WTEs are within planned levels. The numbers of substantive staff are very stable over the first quarter, but there has been a jump in bank use in June.

Substantive	2024/25 Submitted Plan	2024/25 M3	Variance to Plan	2024/25 M1	2024/25 M2	2024/25 M3
Medical	195.89	186.75	9.14	183.21	186.75	186.75
Registered Nursing	628.08	610.60	17.48	617.49	613.63	610.60
Scientific, Therapeutic & Technical	267.14	282.19	(15.05)	285.39	283.19	282.19
Support to clinical staff	261.07	255.40	5.67	251.99	254.14	255.40
NHS infrastructure support	478.48	472.85	5.63	468.56	469.77	472.85
TOTAL WTE Substantive Staff	1,830.66	1,807.79	22.87	1,806.64	1,807.48	1,807.79
Bank	59.68	82.48	(22.80)	58.14	66.08	82.48
Agency	9.94	7.76	2.18	9.62	6.80	7.76
TOTAL WTE	1,900.28	1,898.03	2.25	1,874.40	1,880.36	1,898.03

The key variances in non-pay spend categories are outlined below:

- Unachieved CIP – £144k in June 2024 and £836k YTD.
- The cost of clinical consumables has been significantly higher than budget for the first quarter of the year. This is in both cath labs and theatres. Activity levels have been high, particularly for emergency surgery which has significant over-performance, but remains on a block income arrangement for English commissioners. Further review of the data is underway to understand other drivers of the overspend (e.g. inflationary pressures, stock management issues). This is offset in month by £92k resulting from a credit note relating to charges from previous years.
- Drugs inflation has been funded from reserves, but recent drug price increases within the Medicine division are significant and exceed the risk reserve set aside for that purpose.

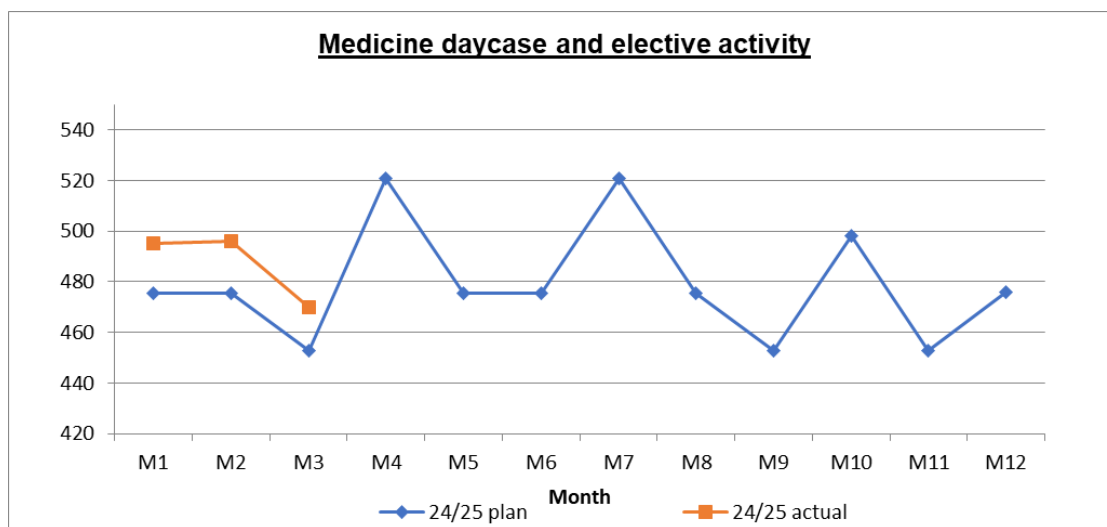
4. Divisional Performance

		IN MONTH Jun-2024			YTD Jun-2024		
		Plan £000	Actual £000	Variance £000	Plan £000	Actual £000	Variance £000
Medicine Division	Income	5,881	5,812	(69)	17,941	17,391	(550)
	Pay	(3,260)	(3,243)	16	(9,738)	(9,612)	126
	Non Pay	(5,575)	(5,685)	(110)	(18,847)	(19,425)	(578)
	Contribution	(2,954)	(3,116)	(163)	(10,643)	(11,646)	(1,002)
Surgery Division	Income	4,567	4,320	(247)	13,348	13,043	(305)
	Pay	(1,945)	(1,942)	3	(5,605)	(5,719)	(113)
	Non Pay	(1,242)	(1,332)	(89)	(3,380)	(3,941)	(561)
	Contribution	1,380	1,047	(334)	4,363	3,384	(980)
Clinical Services Division	Income	2,113	2,097	(16)	6,276	6,386	110
	Pay	(2,639)	(2,678)	(39)	(7,921)	(7,811)	110
	Non Pay	(599)	(546)	53	(1,672)	(1,787)	(114)
	Contribution	(1,124)	(1,127)	(3)	(3,317)	(3,211)	105
Corporate Division	Income	408	402	(5)	1,070	1,058	(13)
	Pay	(990)	(995)	(5)	(2,995)	(2,955)	40
	Non Pay	(1,636)	(1,683)	(47)	(4,283)	(4,518)	(235)
	Contribution	(2,218)	(2,276)	(57)	(6,208)	(6,416)	(208)

Medicine

The Medicine Division is reporting a £163k adverse variance for June and £1,002k adverse variance YTD.

In June, overall elective activity is 104% above their activity plan and casemix is 106%.



Income - Private patient activity was £103k above plan for June and £155k above plan for the year to date.

Income for the Targeted Lung Health Check (TLHC) programme was £297k below plan in June and £836k below plan year to date. It continues to be the main driver of the income underperformance. The plan had assumed the phase 4 expansion would start in April, but it has been delayed, causing an adverse performance. Health checks have now commenced, with the CT scans scheduled to start in mid-July.

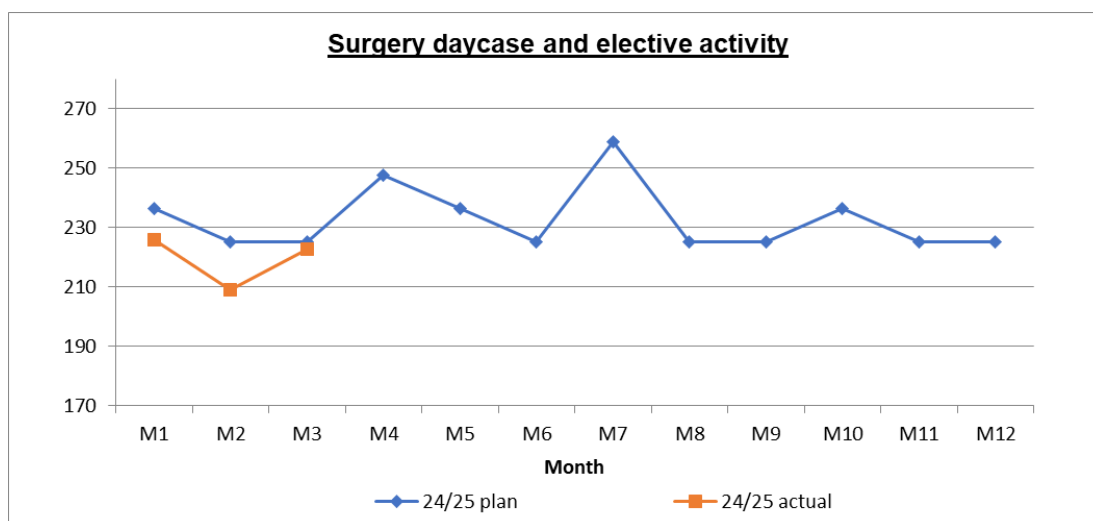
There are some underspends associated with the delay in phase 4 TLHC expansion contributing to pay and non-pay underspends, with a £545k net adverse variance.

The non-pay budgetary pressure is caused by CIP slippage (£91k in month and £324k YTD), higher than planned consumables spend predominantly in cath labs and an increase in drugs spend.

Surgery

The Surgery Division is reporting a £334k adverse variance for June and £980k adverse variance YTD.

In June, overall elective and daycase activity was 99% of plan and casemix 94% of plan.



Income – the majority of the £305k underperformance relates to elective and IOM underperformance. This masks the true extent of activity delivery by the Division, which has seen more than £1,200k over-performance associated with emergency activity.

However, this is on a block contract for English commissioners so does not show in the division's financial performance.

Pay costs are broadly in line in month but remain above plan YTD with overspends in medical staffing and theatres. High medical bank spend, WLIs (related to sickness cover) and industrial action have contributed to the overspend. The theatres agency costs have been partially funded from reserves as a recognised cost pressure on a non-recurrent basis.

The non-pay overspend is caused by slippage on CIP delivery £25k in month and £200k YTD and high spend on theatre consumables predominantly linked to an increase in non-elective activity.

Clinical Services

Clinical Services was consistent with its budget in June and has reported a favourable £105k variance for the year to date.

Income – the division reported an underperformance in June of £16k due to Isle of Man activity. However, year to date income has a favourable variable of £110k mainly due to overperformance in Provider-to-Provider Radiology scans (£147k) and Private patients (£34k).

Pay costs are above plan in June due an overspend in anaesthesia relating to additional sessions for WLI, sickness and industrial action. YTD pay costs remain below plan due to vacancies in other staffing groups.

Non pay is below plan in month due to a credit note of £92k relating to point of care testing, this is offset by CIP slippage £27k in month and £198k YTD.

Corporate

Corporate Services is reporting a £57k adverse variance for May and an YTD adverse variance of £208k.

Income is largely consistent with the budget.

Pay costs are broadly consistent with the plan, with a small underspend resulting from vacancies. The non-pay overspend results from CIP slippage and overspends in tissue viability and estates (repairs and maintenance).

5. CIP Performance

The Trust's CIP target for the year is £10,644. The Divisional target is £4,811m, with £5,833k attributed to central Trust-wide schemes. The undelivered CIP of £911k from 2023/24 (which was delivered through non-recurrent means) was added to the in-year target.

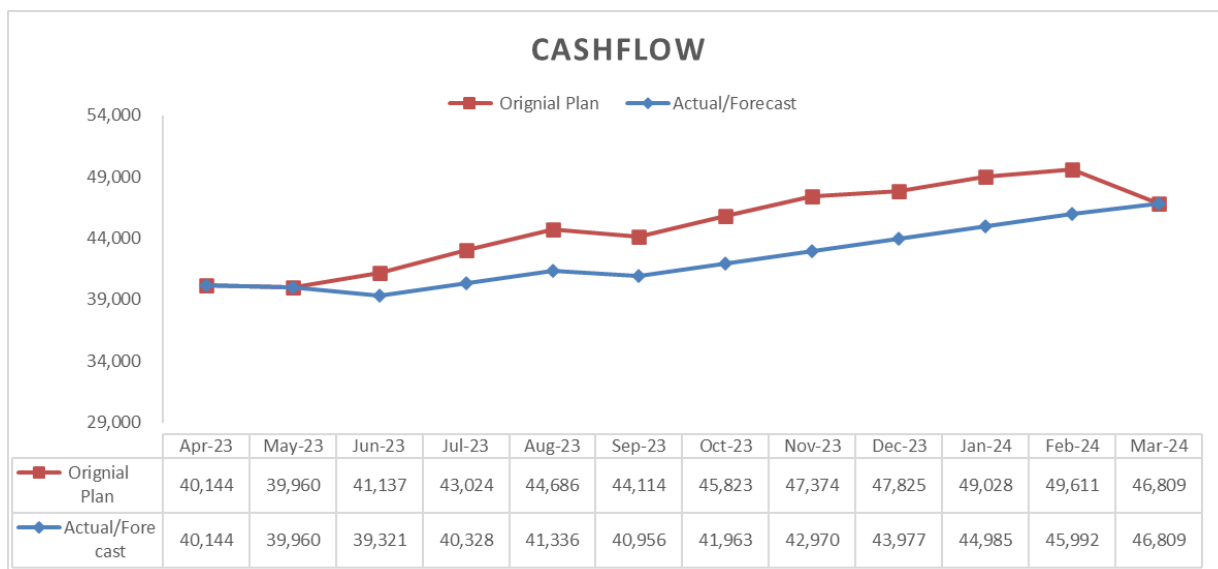
The table below shows the performance of each division against the CIP target for 2024/25. At the end of the first quarter, 50.9% of the CIP target has been delivered recurrently, with 82.5% identified; an improvement of £639k from the previous month.

The undelivered CIP represents the single largest expenditure pressure. Confirm and Challenge sessions continue to be held with each clinical division and high-risk corporate area. Each division will need to expedite the identification and delivery of CIP schemes as the new financial year progresses.

June 2024				Part Year Effect (2024/25)		Full Year Effect (2025/26)			
Divisional Area	2024/25 Target £'000	C/F 2023/24 £'000	Total CIP £'000	Delivered (Transacted)	Identified	Delivered (Transacted)	Identified	Deliver (Transacted) %	Identified %
Corporate	744	165	909	429	398	429	398	47.2%	43.8%
Clinical Services	759	588	1,347	563	836	563	1,016	41.8%	75.4%
Medicine	1,247	158	1,405	300	790	313	803	22.3%	57.2%
Surgery	1,150	0	1,150	348	732	348	732	30.3%	63.7%
Divisional Total	3,900	911	4,811	1,639	2,756	1,653	2,949	34.3%	61.3%
Central schemes (incl. interest)	5,833		5,833	3,765	5,833	3,765	5,833	64.5%	100.0%
Trust Total	9,733	911	10,644	5,404	8,589	5,418	8,782	50.9%	82.5%

6 Cash Balance

The month 3 cash position is £39.3m. Appendix 2 shows the statement of cash flows.



7 Debtors and Creditors

- Better Payment Practice Code (BPPC):** The Trust is measured on its performance against the Better Payment Practice Code (BPPC), which assesses the number and value of invoices paid within 30 days, the target for which is 95%. Overall, the Trust is performing at 97.0% for the number of invoices paid and 97.1% for the value of invoices paid.
- Debtors:** The total outstanding aged debt as of 30th June 2024 is £4.10m, a decrease of £0.29 from the previous month and summarised in the three tables below.

NHS Debtors over £250k

Debtor	Total Debt	Debt < 90 Days		Debt > 90 days	
	£000's	£000's	£000's	Number	Number
DEBTORS >£250k	663	315	348	68	42
OTHER DEBTORS <£250k	382	319	64	45	20
TOTAL	1,045	633	412	113	62

Total NHS debt is £1.04m, which decreased by £0.68m compared to May. This is mainly because Liverpool University Hospitals NHS Foundation Trust Debt decreased by £0.11m in June and NHS England decreased by £0.36m. The debtors over £250k

consists of £0.38m invoices to LUHFT and £0.27 to Manchester University Hospitals. The finance team continues to pursue the debt over 90 days.

Non-NHS Debtors over £250k

Debtor	Total Debt	Debt < 90 Days	Debt > 90 days	Total Debt	Debt < 90 Days	Debt > 90 days
	£000's	£000's	£000's	Number	Number	Number
MANX CARE	848	848	-	1	1	-
AXA PPP HEALTHCARE	460	265	195	248	135	113
BUPA	275	151	124	187	109	78
OTHER DEBTORS <£250k	1,308	596	712	856	340	516
TOTAL	2,891	1,860	1,031	1,292	585	707

Non-NHS Debt has increased by £0.52m when compared to May 2024. This is mainly because Manx Care increased by £0.46m and AXA PPP Healthcare increased by £0.21m. The other debtors over 90 days are mainly made up of Aviva and Cobalt Health. All balances are being actively managed.

Hosted Services

Debtor	Total Debt	Debt < 90 Days	Debt > 90 days	Total Debt	Debt < 90 Days	Debt > 90 days
	£000's	£000's	£000's	Number	Number	Number
OTHER DEBTORS <£250k	173	31	142	11	3	8
TOTAL	173	31	142	11	3	8

Debt relating to hosted services is £0.173k (M02 24/25 £0.305m).

8 Capital

At the end of month 3, capital expenditure was £1,596k which primarily relates to backlog maintenance, Cath Lab 7 and the Decant Theatre.

The Trust has a capital plan of £7,461k and is forecasting to spend all of the allocation by the end of the year.

A breakdown of capital spend by scheme is outlined in Appendix 3.

9 Conclusion

The Trust's planned surplus for the year is £14.1m in response to the stretch target given by the ICB.

At the end of quarter one, the Trust has an adverse variance of £1,129k. The primary reasons for this are slippage against the CIP plan, delays to the expansion of the Targeted Lung Health Check programme and overspends in a number of areas, predominantly theatres, cath labs and drugs. Emergency pressures are driving higher spend levels, but the block contract for non-elective care means that there is no growth in income to support it.

The financial pressure caused by the delay in TLHC expansion is a temporary one, with the programme due to start in June. However, the Trust needs to expedite CIP delivery in all divisions, review all areas of budgetary overspend, and develop mitigations to offset them.

10 Recommendation

The Council of Governors is asked to:

- NOTE the financial position of the Trust for the year ending 30th June 2024.