

Council of Governors

Item 10.2

Subject: Finance Report for the Period Ended 31st December 2023
Date of Meeting: 5th March 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 9 2023/24. The Trust achieved a £8,472k surplus in the year to date, a favourable variance of £1,104k.

Level of assurance (please tick one) <i>To be used when the content of the report provides evidence of assurance</i>					
<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 3 is a surplus of £8,472k. This represents a £1,104k positive variance to plan.

The summary month 9 position is outlined in the table below and shows the performance with the Hosted Services separately.

M9 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	19,256	19,624	368	173,947	174,436	489
Total Pay	(8,868)	(8,802)	66	(80,472)	(80,160)	312
Total Non Pay	(8,804)	(9,085)	(281)	(79,213)	(80,033)	(820)
Depreciation & Technical	(766)	(585)	181	(6,894)	(5,537)	1,357
Surplus / (Deficit)	819	1,152	333	7,368	8,705	1,338
Removal Transactions Relating to Donated Assets	0	14	14	0	(233)	(233)
Surplus / (Deficit) on a control total basis	819	1,166	348	7,368	8,472	1,104

M9 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	624	507	(117)	5,822	4,976	(846)
Total Pay	(293)	(180)	113	(2,841)	(2,225)	616
Total Non Pay	(325)	(322)	2	(2,918)	(2,684)	233
Depreciation & Technical	(7)	(5)	2	(63)	(66)	(3)
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)

M9 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	19,881	20,131	251	179,769	179,412	(357)
Total Pay	(9,161)	(8,982)	179	(83,313)	(82,386)	928
Total Non Pay	(9,128)	(9,407)	(279)	(82,131)	(82,718)	(587)
Depreciation & Technical	(773)	(590)	183	(6,957)	(5,603)	1,354
Surplus / (Deficit)	819	1,152	333	7,368	8,705	1,338
Removal Transactions Relating to Donated Assets	0	14	14	0	(233)	(233)
Surplus / (Deficit) on a control total basis	819	1,166	348	7,368	8,472	1,104

Key issues to note in the month 9 position are as follows:







- Trust income from NHS and Welsh commissioners follows 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 has announced a number of adjustments to the contract to take account of the industrial action up to November. This reduced the elective activity target by 4% and moves it to the fixed contract. This has been reflected in the plan. To date, the Trust is £539k below this revised plan, with significant under-performance in specialised surgical activity being partially offset by higher than planned outpatient attendances and medicine elective activity.
- The Isle of Man and Private Patients income remains on a cost per case arrangement for 2023/24. In December 2023, income from Isle of Man activity (excluding drugs & devices) was £9k above plan, with a year-to-date under-performance of £360k.
- Private patients' income was £34k above plan in December, with the YTD over-performance now at £459k above plan.
- The income associated with Targeted Lung Health Checks continues to exceed planned levels, with a year-to-date over-performance of £315k.
- Income associated with the secondments to the Countess of Chester have led to an improved income position throughout the year.
- Pay spend was lower than budget in December, with underspends against nearly all staff groups.
- The largest non-pay pressure in the year to date relates to the undelivered Cost Improvement Programme (CIP). The Trust has identified 85% of the total CIP target.
- High cash balances and increased interest rates are yielding interest payments which are partially offsetting the expenditure overspends.
- Capital expenditure up to month 9 was £3,462k, which primarily relates to the Cath Lab project and agreed high risk maintenance schemes. The ICB approved a £4m

increase to the Trust's capital allocation to fund the cath lab 7 project. The total capital envelope now stands at £10,111k, and the Trust is on course to spend its full capital allocation.

- **Forecast** – The Trust has revised its year end forecast following announcement by the Government of the support relating to industrial action. This reduced the elective activity target, moving a further 2% to the fixed element of the contract. The Divisional forecasts were also reviewed as the ICB sought further improvement to the forecasts to mitigate the significant financial risks across the system. Following this review, the Trust committed to an improved forecast of £11,074k surplus (a £1,250k improvement). In addition, some non-recurrent ICB funding has been returned to the ICB (a further £1,250k). The Trust is on course to deliver this improved forecast.

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 a positive variance to plan of £1,104k.
Income		Trust income (excl. hosted services) is £489k ahead of plan for the year. There are risks associated with elective activity.
Expenditure		Operating expenditure (excl. hosted services) is £508k higher than plan.
CIP		Recurrent CIP of £5,017k (85%) has been identified against a target of £5,904k.
Capital Expenditure		At the end of month 9, capital expenditure was £3,462k.
Cash		The Trust had cash balances of £43.5m at the end of December 2023.

3 Conclusion

After three quarters of the year, the Trust has delivered a surplus of £8,472k. This is £1,104k ahead of the original plan. In a recent forecast exercise carried out across the NHS, the Trust committed to an improved surplus of £11,074k, and it remains on track to deliver this improved position.

The focus is now on closing out the year successfully and on improving the exit run rate so that the Trust enters the new financial year in as strong a position as possible.

The key risks to achieving this remain the undelivered CIP, and the under-performance in the specialised surgical activity. These risks are being managed through recovery plans that are monitored regularly.

4 Recommendation

The Council of Governors is asked to:

- NOTE the financial position of the Trust for the month ending 31st December 2023.