

Board of Directors (in Public)

Item 5.1

Subject: Going Concern Report
Date of meeting: 25th March 2025
Prepared by: Georgina Malone, Head of Financial Services
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'.

Level of Assurance (please tick)		
To be used to provide the Board / Committee with a guide on the extent of assurance and evidence of assurance provided within the report		
Level of Assurance	Description	
High	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.	<input checked="" type="checkbox"/>
Substantial	There is a good system of internal control designed to meet the system objectives, and that controls are generally being applied consistently.	<input type="checkbox"/>
Moderate	There is an adequate system of internal control, however, in some areas weakness in design and/or inconsistent application of controls puts the achievement and some aspects of the system objectives at risk.	<input type="checkbox"/>
Limited	There is a compromised system of internal control as weaknesses in the design and / or inconsistent application of controls puts the achievement of the system objectives at risk.	<input type="checkbox"/>
No	There is an inadequate system of internal control as weaknesses in control, and/or consistent non-compliance with controls could/has resulted in failure to achieve the system objectives.	<input type="checkbox"/>

1) Executive Summary

As in previous years, the Trust's Final Accounts for 2024/25 will be prepared on a 'Going Concern' basis, subject to approval by 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:

- 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.

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 2024/25 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 conditions in 2024/25. 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. It will deliver a large surplus in 2024/25. The Trust has strong cash balances and</p>	<ul style="list-style-type: none">• 2025/26 budget setting• 2024/25 financial reports

	<p>is planning a surplus position for 2025/26.</p> <p>Additional funding for elective recovery remains in place. Although this is now capped, the available funding is still greater than historic levels.</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"> • CIP planning
Hosted Services	<p>The Trust continues to host Health Innovation North West Coast (HINWC).</p> <p>The funding levels have reduced, and the organisation is working closely with the Trust to mitigate any financial risks. Despite the funding reduction in 2024/25, HINWC will deliver a breakeven position for the year.</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> <p>The Trust is scheduled to become part of the University Hospitals of Liverpool Group (UHLG) in 2025/26, but the Trust will remain a separate legal entity, and this will not affect the Going Concern of the organisation.</p>	<ul style="list-style-type: none"> • ICB letters to executives • UHLG governance forums
Applicable Financial Reporting Framework		
Area	Trust Position	Evidence
Financial reporting	<p>The Trust is forecasting a surplus position for 2024/25, and the financial planning for 2025/26 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. £47m at the end of the year. This equates to 37 days operating expenditure liquidity.</p>	<ul style="list-style-type: none"> • Month 11 Forecast • Trust balance sheet • 2025/26 budget setting
Financial planning	<p>The financial planning guidance for 2025/26 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, capped at a level close to 2024/25.</p> <p>The fixed level of funding is expected to mirror the existing block contracts with adjustments made for the national</p>	<ul style="list-style-type: none"> • 2025/26 budget setting • 2025/26 activity and workforce plans

	<p>inflation/efficiency assumptions.</p> <p>The Trust is working actively with the ICB to carry out the financial planning process for 2025/26, central to which is the budget setting, activity planning, workforce plans and CIP.</p>	
Capital Plans	<p>The Capital Plan for 2025/26 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 2025/26. The Trust has sufficient cash resources to finance the planned capital expenditure.</p>	<ul style="list-style-type: none"> 2025/26 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 2024/25, Mersey Internal Audit Agency (MIAA) conducted an annual review of financial systems. This review is ongoing, but no issues have been shared to date. A rating of 'high assurance' was given in 2023/24, 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.</p>	<ul style="list-style-type: none"> MIAA Internal Audit Reports
Financial and Operational Risk Management	<p>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.</p>	<ul style="list-style-type: none"> NHSEI Single Oversight 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) 2024/25, with detailed requirements for Foundation Trusts set out in the NHS Foundation Trust Annual Reporting Manual (ARM) 2024/25. 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 11 March</p>	<ul style="list-style-type: none"> Review of Accounting Policies Audit Committee 11 March 2025

	2025 set out the Trust's Accounting Policies, highlighting any changes since 2023/24.	
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4) Conclusion

It is proposed that the following disclosure is made in the 2024/25 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 2024/25 and a planned revenue surplus position for 2025/26.
- 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.