

Board of Directors (in public)

Item 3.2a

Subject: Finance Report for the Period Ended 31st August 2025
Date of Meeting: 23rd September 2025
Presented by: James Bradley, Interim Chief Finance Officer
Purpose of Report: To note

BAF Reference	Impact on BAF
BAF 5	The report outlines the Trusts financial performance at Month 5 2025/26. The Trust has achieved a £3,439k surplus in the year to date, a £5k favourable variance against plan.

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 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 checked="" 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

The financial performance for the first five months is a surplus of £3,439k, a £5k favourable variance against plan.

The summary month 5 position is outlined in the table below, and shows the performance with the Hosted Services separately.

M5 LHCH (excl. 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	22,775	22,663	(112)	109,420	108,534	(886)
Total Pay	(10,371)	(10,165)	206	(52,605)	(51,772)	832
Total Non Pay	(11,227)	(11,025)	202	(49,917)	(49,909)	8
Depreciation & Technical (incl. impairments)	(718)	(725)	(7)	(3,579)	(3,339)	240
Surplus / (Deficit)	459	748	289	3,319	3,514	195
Removal of Transactions Relating to Donated Assets and impairments	23	(82)	(105)	115	(74)	(189)
Surplus / (Deficit) on a control total basis	482	666	184	3,434	3,439	5
M5 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	514	475	(38)	2,569	2,312	(257)
Total Pay	(424)	(384)	40	(2,120)	(1,986)	134
Total Non Pay	(89)	(85)	4	(445)	(296)	148
Depreciation & Technical (incl. impairments)	(1)	(6)	(5)	(4)	(30)	(25)
Surplus / (Deficit)	(0)	(0)	0	(0)	0	0
Removal of Transactions Relating to Donated Assets	0	0	0	0	0	0
Surplus / (Deficit) on a control total basis	(0)	(0)	0	(0)	0	0
M5 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	23,289	23,138	(150)	111,989	110,846	(1,143)
Total Pay	(10,795)	(10,549)	246	(54,725)	(53,759)	966
Total Non Pay	(11,316)	(11,110)	206	(50,362)	(50,205)	157
Depreciation & Technical (incl. impairments)	(719)	(731)	(12)	(3,583)	(3,369)	214
Surplus / (Deficit)	459	748	290	3,319	3,514	195
Removal of Transactions Relating to Donated Assets and impairments	23	(82)	(105)	115	(74)	(189)
Surplus / (Deficit) on a control total basis	482	666	184	3,434	3,439	5

The financial performance in August was better than plan, recovering the shortfall from previous months. This has resulted from improved CIP delivery, pay underspends and improvements in income from the Lung Cancer Screening service.

Key issues to note in the month 5 position are as follows:

- Income for English patients continues to be in line with plan for the year-to-date (YTD).
- The income on the Wales contract (excl drugs & devices) was £133k lower than plan in August and is £656k below plan for the YTD. Income from Wales is markedly lower (£1.5m) than last year for both elective and non-elective care.
- Income from the Isle of Man was £72k above plan in month 5 and is £176k above plan for the YTD.
- Income from the Lung Cancer Screening Programme is £61k above plan in August but is £378k behind plan for the YTD.
- Private patient income is £395k below plan YTD. (Surgery is £336k below plan, Clinical Services £20k below plan, Medicine £40k below plan).
- Non patient related income is £225k higher than plan. This includes external radiology scans and other services provided for non-LHCH patients.

- Pay costs were £206k lower than budget in month and £832k year to date, with reductions in both bank and overtime. Vacancies in a number of areas also contributed to the underspend.
- There has been significant progress in CIP delivery in August. However, the largest non-pay pressure continues to be slippage against the Cost Improvement Programme (CIP). The Trust has transacted over £10m of annual CIP against a target of £13.5m. Confirm and Challenge sessions continue to be held with each division and a range of corporate areas.
- A higher cash balance yielded higher than planned interest income.
- At the end of month 5, capital expenditure was £2,215k. Most of the expenditure was utilised on IT digital projects, backlog Maintenance, the theatre ventilation project, and capitalised staff costs.







FORECAST

Each Trust across Cheshire and Merseyside is required to submit a forecast on a monthly basis to the ICB. This models current run-rates with expected changes resulting from CIP delivery, activity changes and other anticipated adjustments. The forecast at month 5 is a likely case of £9m surplus; an adverse variance of £0.6m. This likely case forecast has improved by £0.3m from last month following improved financial performance in month 5.

The best-case forecast continues to be delivery of the £9.6m planned surplus. The key actions to bridge the gap remain delivery of recurrent CIP, and recovery of income shortfalls.

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 delivered a surplus of £3,439k ytd, which is a favourable variance of £5k.
Income		Trust income (excl. hosted services) is £886k below plan.
Expenditure		Operating expenditure (excl. hosted services) is £841k lower than plan ytd.
CIP		Annual CIP of £10,008k has been transacted against a target of £13,499k.
Capital Expenditure		Capital expenditure for the year-to-date was £2,215k.
Cash		The month 5 cash position is £50.3m.

3. Financial Position as at 31st August 2025 (month 5)

M5 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	260,625	22,775	22,663	(112)	109,420	108,534	(886)
Employee Expenses	(126,121)	(10,371)	(10,165)	206	(52,605)	(51,773)	832
Drugs	(36,940)	(4,009)	(3,948)	61	(15,590)	(15,532)	58
Clinical supplies	(61,384)	(5,452)	(5,390)	61	(27,255)	(26,912)	343
Non Clinical supplies	(5,988)	(519)	(447)	72	(2,531)	(2,157)	373
Total Direct Costs	(230,433)	(20,350)	(19,949)	401	(97,981)	(96,374)	1,606
Gross Surplus	30,192	2,425	2,714	289	11,439	12,159	720
Total Overhead expenses	(12,172)	(1,248)	(1,240)	7	(4,541)	(5,307)	(765)
EBITDA	18,021	1,177	1,474	297	6,898	6,853	(45)
Depreciation & Technical (including impairments)	(8,741)	(718)	(725)	(7)	(3,579)	(3,339)	240
Surplus / (Deficit)	9,279	459	748	289	3,319	3,514	195
Removal of transactions relating to donated assets and impairments	273	23	(82)	(105)	115	(74)	(189)
Surplus / (Deficit) on a control total basis	9,552	482	666	184	3,434	3,439	5

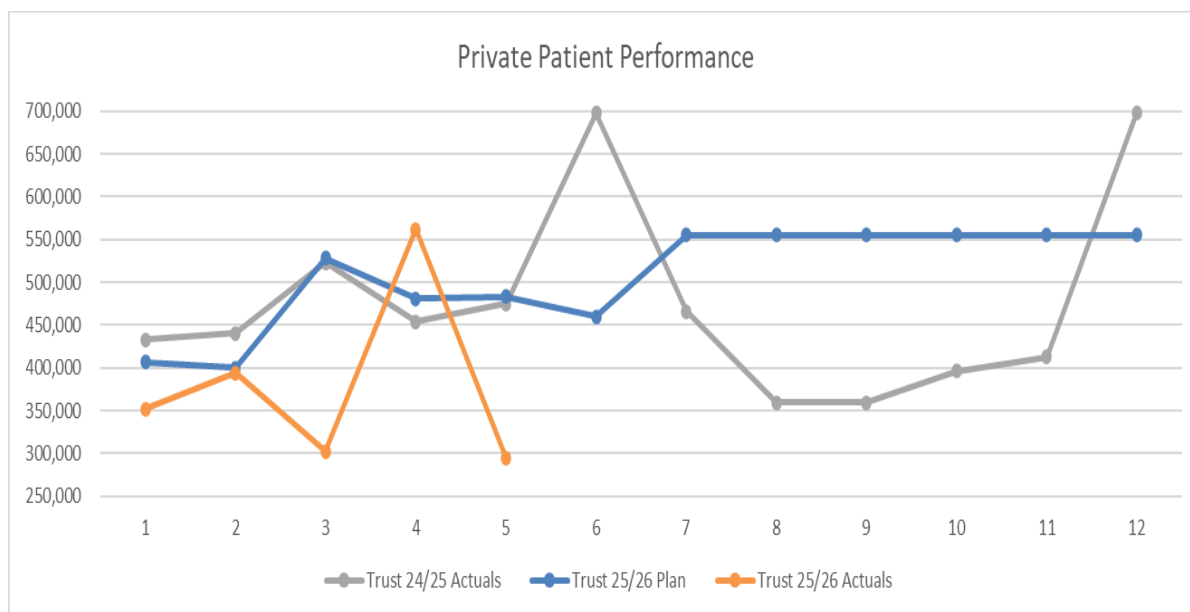
Income

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 are all fixed.

The variable elements of the contract reflect much of the over-performance from last year. In addition, the growth associated with the cath lab 7 business case has now been added to both the Cheshire and Merseyside ICB and Specialised Commissioning contracts. The previously announced income and activity cap has been retracted, but commissioners are expected to actively manage contracts and activity within a constrained financial envelope.

The arrangements with Welsh and Isle of Man commissioners continue to follow a full cost-per-case contract model.

Private patient activity is £395k below plan YTD, with under-performance primarily in the surgery division.



Expenditure – pay costs

Pay costs were £206k lower than plan in August 2025 and £832k lower than plan year to date.

Medical staffing has an underspend YTD of £282k. This is due to vacant posts in Medicine and an underspend in R&D. Overspends in Surgery partially offset this underspend.

Nursing is largely in line with budget for the year to date. Costs are expected to rise over the autumn with the recruitment of newly qualified nurses.

Agency costs in the Scientific, Therapeutic & Technical category is largely in theatres and perfusion. The agency spend in non-clinical is for clinical coding, which is planned to cease in October.

Non-clinical staff has an underspend of £680k year to date predominantly due to underspends in the Corporate Division (IT, Strategic Partnerships and Finance) and Medicine Division (Lung Cancer Screening and admin/secretaries).

The vacancy factor within divisional budgets is within the 'other pay costs' category in the tables. This partially offsets the under-spends across the staffing groups resulting from vacancies.

August 2025 LHCH Staffing group (excluding Hosted Services)	In Month Budget £'000	Substantive costs (incl overtime) £'000	Bank £'000	Agency £'000	Overtime £'000	Consultant additional payments £'000	In Month Total spend £'000	In Month Variance £'000
Medical	(3,417)	(3,159)	(54)	(12)		(179)	(3,404)	13
Registered Nursing	(3,576)	(3,381)	(128)	0	(2)		(3,512)	64
Support to clinical staff	(1,245)	(1,100)	(58)	0	(2)		(1,160)	84
Scientific, Therapeutic & Technical	(1,671)	(1,635)	(2)	(33)	(7)		(1,677)	(5)
Non Clinical	(1,980)	(1,832)	(38)	(10)	(4)		(1,885)	94
Other pay costs incl. apprenticeship levy	1,517	1,474					1,474	(44)
	(10,371)	(9,634)	(281)	(55)	(15)	(179)	(10,165)	206

Year to date LHCH Staffing group (excluding Hosted Services)	YTD Budget £'000	Substantive costs (incl overtime) £'000	Bank £'000	Agency £'000	Overtime £'000	Consultant additional payments £'000	YTD Total spend £'000	YTD Variance £'000
Medical	(14,869)	(13,443)	(191)	(12)		(942)	(14,587)	282
Registered Nursing	(15,762)	(15,041)	(692)	(1)	(40)		(15,773)	(11)
Support to clinical staff	(5,469)	(5,072)	(229)	0	(31)		(5,332)	137
Scientific, Therapeutic & Technical	(7,494)	(7,271)	(15)	(147)	(44)		(7,477)	17
Non Clinical	(9,175)	(8,208)	(186)	(72)	(28)		(8,495)	680
Other pay costs incl. apprenticeship levy	163	(109)					(109)	(272)
	(52,605)	(49,144)	(1,313)	(231)	(143)	(942)	(51,772)	832

Agency expenditure remains a national priority, with all providers directed to achieve a 30% reduction compared to 2024/25 levels. In August, agency spend was £55k — an increase on the prior month. This reflects costs for agency perfusionists in Surgery and Clinical Coding in Corporate. While the Trust is currently forecast to be on track with this target by the end of the year, continued elevated spending at this level may pose a risk and will need to be closely monitored.

Workforce headcount continues to be a focus. The Trust's workforce data shown in the table below (including Hosted Services) highlights that the WTE is 64.4 below the plan, predominantly due to NHS infrastructure support (non-clinical), lower than plan bank usage and delays in recruiting to the Lung Cancer Screening service.

The plan includes growth associated with the following:

- the transfer of IT staff from Alder Hey,
- the business case for cath lab 7, and
- the continued expansion of Lung Cancer Screening services.

The workforce plan also reflects a reduction of 40 WTE resulting from the cost improvement programme. This includes a 10 WTE reduction relating to bank and agency WTE.

Substantive	2025/26 Submitted Plan	2025/26 M5	Variance to Plan
Medical	198.4	193.5	4.9
Registered Nursing	655.4	640.4	15.0
Scientific, Therapeutic & Technical	275.0	276.4	- 1.4
Support to clinical staff	262.7	250.9	11.9
NHS infrastructure support	564.1	538.7	25.4
TOTAL WTE Substantive Staff	1,955.6	1,899.8	55.8
Bank	66.6	58.3	8.3
Agency	5.7	5.5	0.2
TOTAL WTE	2,027.9	1,963.6	64.4

2025/26 M1	2025/26 M2	2025/26 M3	2025/26 M4	2025/26 M5
197.5	197.4	196.1	189.7	193.5
646.3	645.8	643.9	641.7	640.4
273.7	273.9	273.8	274.3	276.4
253.5	253.2	248.9	252.9	250.9
547.0	546.4	547.4	542.1	538.7
1,918.0	1,916.8	1,910.1	1,900.6	1,899.8
45.9	59.4	60.4	59.7	58.3
5.7	4.7	4.3	3.1	5.5
1,969.6	1,980.9	1,974.8	1,963.5	1,963.6

Expenditure – Non-pay costs

The key variance in non-pay spend categories is unachieved CIP, resulting from slippage in the first quarter. This is partially offset by bringing forward non-recurrent actions. The CIP target remains the most significant risk to the financial position in 2025/26.

Other non-pay spend categories are largely within budget.

4. Underlying financial position

The Trust financial plan is to exit this year with an underlying surplus of £3.2m. This is derived by taking the non-recurrent actions away from the £9.6m surplus plan.

To achieve the year-to-date financial plan, the Trust has implemented a number of non-recurrent initiatives. These are detailed in the table below. After adjusting for these one-off actions, the Trust's underlying financial position reflects a £102k surplus. Delivery of the income plan and strengthened CIP performance will be essential to maintain and build on this underlying surplus position.

	Year to date		
	Plan	Actual	Variance
	£000	£000	£000
M5 ytd position	3,434	3,439	5
Non-recurrent CIP	(1,039)	(1,372)	(333)
Non-recurrent mitigations - planned	(972)	(1,362)	(390)
Unplanned non-recurrent mitigations	0	(846)	(846)
Non-recurrent costs	0	243	243
M5 underlying position	1,423	102	(1,321)

5. CIP Performance

The Trust's CIP target for the year is £13,499k. The Divisional target is £8,600k, with £4,899k attributed to central Trust-wide schemes.

The table below shows the performance of each division against the CIP target for 2025/26. At the end of month 5, £10,008k of in-year CIP has been transacted (74% of the target). Against the recurrent target, 64.2% of the CIP target has been transacted, with 119.2% recurrently identified. The undelivered CIP represents the single largest expenditure pressure. Confirm and Challenge sessions are held with each clinical division and high-risk corporate area.

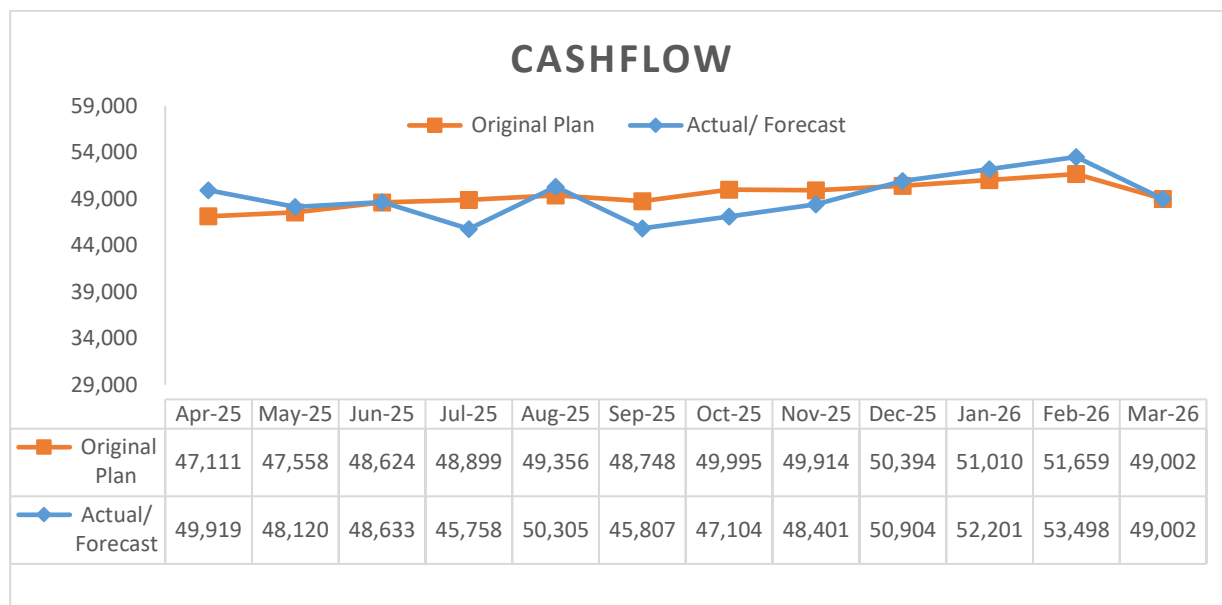
Aug 25				Part Year Effect (2025/26)				Full Year Effect (2026/27)			
Divisional Area	2025/26 Target £'000	C/F 2024/25 £'000	Total CIP £'000	Delivered (Transacted)	Identified	Delivered (Transacted) %	Identified %	Delivered (Transacted)	Identified	Delivered (Transacted) %	Identified %
Corporate	1,279	305	1,584	636	1,238	40.2%	78.2%	610	1,641	38.5%	103.6%
Clinical Services	2,208	0	2,208	1,533	1,725	69.4%	78.1%	1,689	2,059	76.5%	93.2%
Medicine	2,470	145	2,615	1,822	2,111	69.7%	80.7%	1,613	2,608	61.7%	99.7%
Surgery	1,963	230	2,193	701	1,648	31.9%	75.1%	1,065	2,441	48.6%	111.3%
Divisional Total	7,920	680	8,600	4,692	6,722	54.6%	78.2%	4,978	8,749	57.9%	101.7%
Central Schemes - recurrent	1,524		1,524	1,524	3,319	100.0%	217.8%	1,524	3,319	100.0%	217.8%
Central schemes - non-recurrent	3,375		3,375	3,793	4,029	112.4%	119.4%	0	0	0.0%	0.0%
Trust Total	12,819	680	13,499	10,008	14,070	74.1%	104.2%	6,502	12,069	64.2%	119.2%

The Trust has identified four cross-divisional schemes to target high opportunity areas. Each scheme has a project team, and progress is reported through the Performance Improvement Board.

In year CIP delivery has increased by £1,930k in month 5.

6 Cash Balance

The Month 5 cash position is £50.3m. The Statement of Cash Flows is shown in Appendix 2. The trust continues to hold sufficient cash balances to meet payment obligations as they fall due. There is an ongoing piece of work at System and LAASP level to review cash balances and opportunities for organisations to support those with extremely challenging liquidity issues.



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 97.96% for the number of invoices paid and 99.37% for the value of invoices paid.
- Debtors:** The total outstanding aged debt as of 31 August 2025 is £4.7m, a decrease of £2.4m 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	730	90	640	60	17
OTHER DEBTORS <£250k	284	191	93	58	34
TOTAL	1,015	281	734	118	51

Total NHS debt is £1m, a reduction when compared to July 2025. This is mainly because debts with Manchester University NHS Foundation Trust decreased in July. 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	1,468	1,468	-	1	1	-
COBALT HEALTH	426	426	-	3	3	-
OTHER DEBTORS <£250k	1,694	732	962	1,077	479	598
TOTAL	3,587	2,625	962	1,081	483	598

Non-NHS Debt has decreased by £1.7m when compared to July 2025. The main debts over 90 days relate mainly to private companies including insurance companies. There are ongoing discussions to recover the debt.

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	72	52	20	14	6	8
TOTAL	72	52	20	14	6	8

Debt relating to hosted services is £71.6k (M04 25/26 £92.0k).

8 Capital

At the end of month 5, capital expenditure was £2,215k. Most of the expenditure was utilised on IT Digital, Backlog Maintenance, the Theatre Ventilation project and Capitalised Staff costs. A breakdown of capital spend by scheme is outlined in Appendix 3.

9 Conclusion

The Trust has recovered the shortfall in financial performance from the first quarter of the year and is now reporting a favourable variance of £5k. This has resulted from improved CIP delivery, increased income from the Lung Cancer service and a reduction in pay spend.

The Trust has had to rely on non-recurrent actions to achieve the reported position, particularly in the first two months of the year. The Trust is reporting a small underlying surplus, but not to the level planned. Recovering the underlying position will be dependent on delivering recurrent savings. Each division continues to participate in CIP confirm and challenge sessions, and there has been continual and marked progress in CIP delivery in each of the last three months.

Income and activity delivery is also an area of concern, with private patients and income from Welsh commissioners continuing to report an adverse variance for the year to date.

10 Recommendation

The Board of Directors is asked to:

- NOTE the financial position of the Trust for the period ending 31st August 2025.