Report to:	**Public Board of Directors**	**Agenda item:**	**16**
Date of Meeting:	**1 May 2024**		

Title of Report:	**Year End Update 2023/24**
Status:	**For information**
Board Sponsor:	**Pippa Ross-Smith, Interim Deputy Chief Financial Officer**
Author:	**Pippa Ross-Smith, Interim Deputy Chief Financial Officer** **Tom Williams, Head of Financial Management**
Appendices	**None**

1. Executive Summary of the Report

Overview of financial performance

In 2023/24 the NHS has continued the drive to regain momentum delivering elective services and address waiting times, however industrial action during the year has impacted its ability to fully deliver this, alongside a continued high level of emergency and unplanned care. The impact of this was higher use of short-term staffing options to cover operational areas during industrial action.

At the RUH itself, 2023/24 started with high numbers of patients who although medically fit to be discharged remained in hospital due to a lack of suitable support for them in the community. This led to the need for escalation areas to be created and the loss of the use of elective wards which were needed to accommodate medically sick patients. Since August the Trust has managed to maintain this below an average of 70 patients per day.

Payments to the Trust for patient activity continued to operate on the same block basis introduced in 2021/22 covering the majority of the clinical activity undertaken in the organisation. The incentive funding stream made available to target increasing elective activity and create additional capacity to help reduce waiting lists and minimise very long waits for treatment, also continued into 2023/24.

The Elective Recovery Fund (ERF) allows Trusts to earn additional income for achieving nationally set targets of elective activity which included day case, inpatient and outpatient care. The RUH received £15.8 million through this scheme, of which £3.1m was paid to compensate lost activity incurred through industrial action. This income was used to cover the costs of providing extended services to treat patients. In 2023/24 variable income streams for outpatient diagnostics, chemotherapy and high-cost drugs and devices were introduced for activity and costs above 2022/23 outturn. This additional income helped off-set the higher costs incurred through providing these increases in activity.

£13.4 million of income has also been reported to off-set the NHS Pension liability the Trust is required to recognise in its accounts.

The ICB also made a variation payment of £20.5 million to reallocate the funds that they held in their capacity as Commissioner to each of the Providers as part of a risk share agreement.

Income flows from non-patient care services such as catering, car parking and non-clinical services have continued to increase over the course of the year. There have also been increased cost of sales, such as food prices, to deliver these non-patient services. Surpluses delivered from non-patient care activities are reinvested back within the Trust.

The financial performance of the Group (RUH and Sulis) varied over the period due to the pressures faced within the hospital, with escalation wards that were occupied by patients with no criteria to reside remaining open both before and after funding relating to winter pressures was received.

The Group closed the year with a deficit of £11.9 million. Following the required adjustments for national reporting, the BSW system reported an adjusted position for the Group of £3.5 million deficit. Within this Sulis closed the financial year with a £0.3 million surplus with increases in NHS and private activity.

	2023/24 £000	2022/23 £000
Group surplus for the period from continuing operations as per the Statement of Comprehensive Income	**-8,558**	**2,309**
Impairments	-4,684	-1,810
Revaluations	1,086	9,815
Other reserve movements	-1	-1
Movement in fair value of charitable funds	226	-345
Total comprehensive income for the period	**-11,931**	**9,968**

The Group has faced significant cost pressures over the last few years. These have resulted from insufficient inflation funding, the rising cost of high-cost drugs and other consumables and the increased operational costs to deliver pre-pandemic levels of activity, many of which reflect the national situation within the NHS. The cost of bringing waiting lists back down to pre-pandemic levels, while also managing increasing levels of emergency and urgent care, also remains significant. At the same time, income derived from non-patient care related services, such as car parking and catering, did not recover sufficiently enough to cover the Trust's overheads.

The recovery of elective activity is an area of significant focus across the Trust and the wider BSW system, with detailed plans being outlined for areas needing the most support to reduce waiting lists. National incentive schemes will continue into 2024/25 to support Trusts to deliver as much of this activity as possible.

Capital investment

The Group invested £34.1 million in infrastructure, equipment, information technology and projects during 2023/24, (£47.7 million in 2022/23). Separately, the Group also recognised capital assets of £4.0 million related to leases which are now capitalised in line with accounting standards. Therefore, total capital invested for 2023/24 was £38.1 million.

The total programme was funded through a combination of internally generated cash and I&E surpluses, charitable donations, and significant additional public dividend capital (PDC) from the Department of Health and Social Care.

PDC funding was provided for the Cancer Centre project. In addition, external support was also made available for projects to support additional elective capacity, community diagnostics and digital diagnostics. The Trust also received PDC funding for the System-wide electronic patient record system.

The capital programme has continued to seek to achieve a balance between maintaining and replenishing the asset infrastructure, reducing risk, and improving patient experience, within the context of significantly constrained capital funding and increased demand.

Significant in-year programmes included expenditure of:

- £6.2 million on various estates schemes including the single ITU project, day assessment unit works, works to support additional bed capacity and significant risks in critical infrastructure backlog expenditure.
- £6.6 million on the Cancer Centre, which includes the main Kier related works and enabling works.
- £7.6 million to support Community Diagnostics and the Sulis Orthopaedic Elective Centre (SEOC).
- £5.3 million on the digital programme, including additional investment in hardware to support changes in working practices, clinical systems, and infrastructure support as well as investment in cyber security. This included investment towards the BSW single electronic patient record system.
- £6.7 million on medical equipment, including Cath Lab replacement and theatre and diagnostic equipment. Within this, £3.8 million related to the purchase of a new robot and replacement Gamma Camera which were funded through charitable donations.
- £1.2 million for a ward project to support additional bed capacity and elective recovery.
- £0.5 million related to capital investment in Sulis Hospital which included X-ray equipment.
- £4.0 million which relates to right of use leases which are now required to be capitalised across the Group following changes in accounting standard.

These are capitalised costs only.

<u>Capital Impairments</u>
The Trust had capital impairments totalling £2.5 million of which £2.2 million related to an impairment on property valuation and £0.3 million capital asset impairments (£1.3 million in 2022/23).

<u>Going Concern disclosure</u>
After making enquiries, the Directors have a reasonable expectation that the services provided by the Group will continue to be provided by the public sector for the foreseeable future.

The definition of going concern in the public sector adopted by HM Treasury's Financial Reporting Manual is "The anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern." For this reason, the Directors have adopted the going concern basis in preparing the accounts.

2.	Recommendations (Note, Approve, Discuss)
It is recommended that the Finance and Performance Committee • Note the delivery of the year end position for 2023/24.	

3.	Legal / Regulatory Implications
Not achieving financial duties will impact on the ability for the Trust to secure the economy, efficiency and effectiveness in its use of resources.	

4.	Risk (Threats or opportunities, link to a risk on the Risk Register, Board Assurance Framework etc.)
In line with the Risk Assessment Framework: The Trust fails to deliver its financial plan which leads to the Trust having a Single Oversight Framework rating of three or higher, representing a material level of financial risk. This results in a lack of confidence from the Trust's commissioners and the regulator and increases the level of scrutiny which utilises significant resources and can damage the reputation of the Trust.	

5.	Resources Implications (Financial / staffing)
Not Applicable	

6.	Equality and Diversity
It is important that delivery of a financial plan enables health inequalities to be addressed.	

7.	References to previous reports
Monthly Finance Reports have been included in the Integrated Performance Reports throughout 2023/24.	

8.	Freedom of Information
Public	

9.	Sustainability
Further opportunities to improve sustainability should be pursued to contribute towards the Finance Improvement Programme	

10.	Digital
Digital requirements are contained within the Income and Expenditure position and the Capital report for the year.	