NHS

Liverpool Heart and Chest Hospital

NHS Foundation Trust

ANNUAL REPORT & ACCOUNTS

2019/20

Inspected and rated Outstanding ☆ CareQuality Commission

Liverpool Heart and Chest Hospital
NHS Foundation Trust

Annual Report and Accounts 2019/20

Presented to Parliament pursuant to Schedule 7, paragraph 25(4) (a) of the National Health Service Act 2006.

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SECTION 1: PERFORMANCE REPORT

This report is prepared in accordance with:

- *sections 414A, 414C and 414D[5] of the Companies Act 2006, as interpreted by the FReM (paragraphs 5.2.6 to 5.2.11). In doing so, foundation trusts must treat themselves as quoted companies. Sections 414A(5) and (6) and 414D(2) do not apply to NHS foundation trusts.*

The accounts have been prepared under a direction issue by NHS Improvement under the National Health Service Act 2006.

Chair and Chief Executive's Foreword

Welcome to our Annual Report and Accounts for 2019/20.

It has been another remarkable year at Liverpool Heart and Chest Hospital. In July 2019, we were delighted to become one of only five NHS providers in the country to be to be rated 'Outstanding' for a second time by the Care Quality Commission (CQC).

Following inspection visits early in 2019, the CQC highlighted that:

- staff cared for patients with compassion
- there was a genuinely open culture in which all safety concerns raised by staff, patients and carers were valued as being integral to learning and improvement
- patients were respected and were empowered as partners in their care, practically and emotionally, by an exceptional and distinctive service
- patients thought that staff went the extra mile and their care and support exceeded their expectations
- there was a proactive approach to understanding the needs and preferences of different groups of people and to delivering care in a way that meets these needs, which was accessible and promoted equality
- the leadership, governance and culture were used to drive and improve the delivery of high quality person centred care
- staff were proud of the organisation as a place to work and spoke highly of the culture

The CQC inspection process was rigorous and rightly challenging. It was therefore hugely rewarding that the dedication and professionalism of every member of staff, who works to provide outstanding levels of patient and family centred care, was recognised nationally.

Our achievements during 2019/20, in the midst of continuing financial, operational and strategic challenges faced by all NHS trusts, were highlighted further with the publication of the new National Guardian's Office Freedom to Speak Up Index. This benchmarking tool, which enables trusts to understand the importance of fostering a positive speaking up culture, showed that LHCH had been ranked the top performing acute specialist trust in the country.

Despite these impressive achievements, the end of the year was overtaken by the arrival of Covid-19. By the end of March 2020, the impact of this worldwide pandemic was beginning to be felt across the country including here at Liverpool Heart and Chest Hospital.

Every member of clinical and non-clinical staff was, and is, extensively involved in planning and preparations on an unprecedented scale, both within the hospital and out in the community, as well as with NHS colleagues across the region, to ensure the continuity of outstanding patient care.

The enormity of the challenge presented by Covid-19 cannot be overstated. However we are confident that our team at LHCH will continue to demonstrate the same outstanding levels of care, compassion, dedication and professionalism that they always have done.

Whilst it is difficult to look ahead and beyond coronavirus, we are excited to be making significant improvements to the quality of our services for patients, most notably with a programme of works to upgrade our catheter laboratories over the next couple of years.

Looking back, we were delighted to be able to install two new state of the art scanners within our Radiology Department in October 2019, increasing the number of CT scanners from one to two, and the number of MRI scanners from two to three.

We must acknowledge, once again, the contribution of our members and the invaluable support of our Governors who give their time voluntarily to raise awareness of the work of the hospital in their constituencies and assist the Board of Directors on a range of issues.

Finally we would like to place on record our sincere thanks to all our volunteers without whom the hospital would not be the same place.

As with coronavirus, we have no doubt that many more challenges lie ahead in 2020/21. However we are equally confident that each one of these challenges will be fully met by our outstanding team at Liverpool Heart and Chest Hospital, as we retain our focus on delivering exceptional patient and family centred care.

Neil Large
Chair, MBE

Jane Tomkinson
Chief Executive, OBE

1.1 Performance Overview

Liverpool Heart and Chest Hospital (LHCH) achieved foundation trust status in 2009, and operates as a public benefit corporation with the Board of Directors accountable to its membership through the Council of Governors, which is elected from public and staff membership along with nominated representatives from key stakeholder organisations.

Our vision is

To be the best – leading and delivering outstanding heart and chest care and research.

Our mission is

Excellent, Compassionate and Safe Care for every patient, every day.

In this report you can read more about how Liverpool Heart and Chest Hospital is developing to ensure a clinically and financially sustainable future for its patient population.

Liverpool Heart and Chest Hospital is one of the largest single site specialist heart and chest hospitals in the UK, providing specialist services in cardiothoracic surgery, cardiology, respiratory medicine including adult cystic fibrosis and diagnostic imaging**.**

The Trust serves a population of 2.8million spanning Merseyside, Cheshire, North Wales and the Isle of Man. The Trust also receives referrals from outside of its core population base for some of its highly specialised services such as aortic surgery, among others.

The Trust has 195 beds.

Activity carried out by the Trust comprises both elective and emergency referrals from surrounding district general hospitals, general practitioners and clinicians from across the country. The Trust's core services are cardiology and chest medicine, cardiac, aortic and thoracic surgery and the provision of community-based care services for chronic long term conditions and screening programmes.

In 2019/20, it treated:

- 2,214 cardiac surgery inpatients
- 8,207 cardiology inpatients
- 710 respiratory inpatients
- 1,332 thoracic surgery inpatients
- 672 other inpatients (including cystic fibrosis)
- 76,437 outpatients

As at 31st March 2020, the Trust employed 1,701 staff of whom 467 were male and 1,234 were female. This includes 24 senior managers – being those persons in in senior positions having authority or responsibility for directing or controlling the major activities of the NHS foundation trust - of whom 13 were male and 11 were female. This also includes the Board of Directors which comprised 7 males and 8 females, of whom 4 were Associate Directors (non-voting).

The Trust aims to provide 'e*xcellent, compassionate and safe care to every patient, every day*' and has firmly embedded the values and behaviours that are expected of all its staff and volunteers.

The vision, '***to be the best***', is underpinned by five strategic objective themes:

- **Quality and Patient Experience**
- **Enhancing Service Delivery, Research & Innovation**
- **Financial Sustainability and Value for Money**
- **Workforce** - the Best NHS Employer with a highly motivated, skilled and effective workforce
- **Partnerships** – developing partnership and collaborative working through health system leadership

Furthermore, the Trust's vision, strategic objectives and all key activities are underpinned by its safety culture, model of Patient and Family Centred Care and its People Strategy – *Team LHCH at its Best*.

The Trust operates in a challenging financial environment and continues to strive to develop a portfolio of services that are clinically and financially sustainable. Demand is increasing due to demographic and lifestyle factors. Heart and lung diseases continue to be amongst the biggest killers in the UK and all business decisions and opportunities are considered in the context of benefits for our patients. The Trust has a strong culture of research, innovation and improvement underpinning its excellent clinical outcomes.

The Trust is a digitally enabled organisation and seeks to improve clinical and operational performance and the patient and family experience. Alongside significant investments in its IT infrastructure, further investments have been made in medical equipment such as two new scanners (CT and MR) and to the estates infrastructure.

The Trust recognises the challenges it is facing but sees opportunities to strengthen its position via extending integrated models of care through collaborative and partnership working. The Trust has developed a long term plan that it continues to execute with success, which will help to ensure that the Trust continues to succeed and that commissioner focus on service quality (national standards, NICE implementation and delivery of the NHS Constitution) remains a key strength.

Within this context, the plan continues to focus on where it is possible to form strong clinical and organisational relationships. There is clear evidence that partnerships enhance the role of the Trust, improve patient care and outcomes at partner Trusts and streamline patient pathways.

Key achievements in 2019/20

- LHCH was rated 'Outstanding' for a second time by the Care Quality Commission in July 2019 – becoming one of only 5 NHS providers in the country to achieve the rating twice.

- LHCH was extensively featured in BBC2's award-winning 'Hospital' documentary series filmed in Liverpool for a second time.

- LHCH ranked top the top performing acute specialist trust in the country for the new National Guardian's Office Freedom to Speak Up Index

- LHCH was rated as one of the best hospitals in the country to receive care and treatment according to the NHS Staff Survey 2019.

- LHCH hosted its eighth biennial Aortic Surgery Symposium in June 2019.

- LHCH announced the launch of a new cardio-oncology service in partnership with the Clatterbridge Cancer Centre in Autumn 2019.

- Dr Sarah Sibley, Respiratory Consultant, was named Physician Associate Supervisor of the Year at the Royal College of Physicians' Faculty of Physician Associates Conference in October 2019.

- Professor Rod Stables, Consultant Cardiologist, was appointed to the role of Clinical Lead for the British Heart Foundation Clinical Research Collaborative in November 2019.

- Julie Tyrer, Tissue Viability Nurse Consultant, was shortlisted for 'Wound Care Nurse of the Year' in the British Journal of Nursing Awards 2020

- LHCH's MINIMISE Moisture campaign was shortlisted for a Patient Safety Innovation Award at the North West Coast Research and Innovation Awards 2020

- LHCH was announced as the new host for the Mary Seacole Local Programme for Cheshire and Merseyside in February 2020.

- All minimum standards of care met or exceeded as defined by the Department of Health.

- LHCH delivered strong performance against financial and operational targets for 2019/20.

Going concern

After making enquiries, the Board of Directors has a reasonable expectation that the NHS foundation trust has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Trust continues to adopt the going concern basis in preparing the accounts.

1.2 Performance Analysis

Activity carried out by the Trust comprises both elective and emergency referrals from surrounding district general hospitals, general practitioners and clinicians from across the country. The Trust's core services are cardiology and chest medicine, cardiac and thoracic surgery and the provision of community-based care services for chronic long term conditions.

Summary

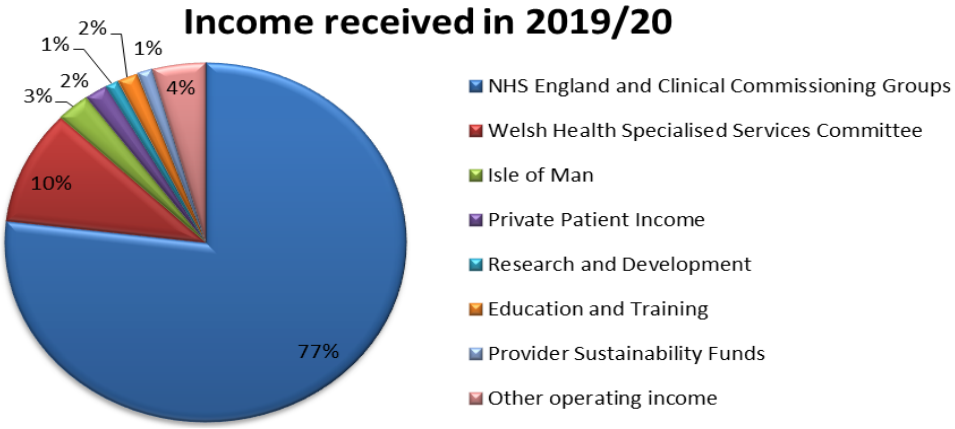
The main headlines of financial performance for the Foundation Trust in 2019/20:

- The operating surplus (after adjusting for impairment charges and non-operating transactions) is a surplus of £3.658m.
- The financial risk rating using NHS Improvement's methodology to assess the level of financial risk is a 1, based on the position as at the end of March 2020.
- The Trust delivered £3.1m savings
- The national crisis surrounding COVID-19 required the trust to implement emergency planning throughout March 2020. The increased costs associated with this response will be fully funded by NHS Improvement. The service changes implemented mid to late March have had little impact on the Trust's financial position, as the main costs were not experience until April 2020 and commissioners agreed to financial positions that allowed for elective activity levels to lower in preparation for the pandemic response.

Overall financial performance for the year is summarised in the table below.

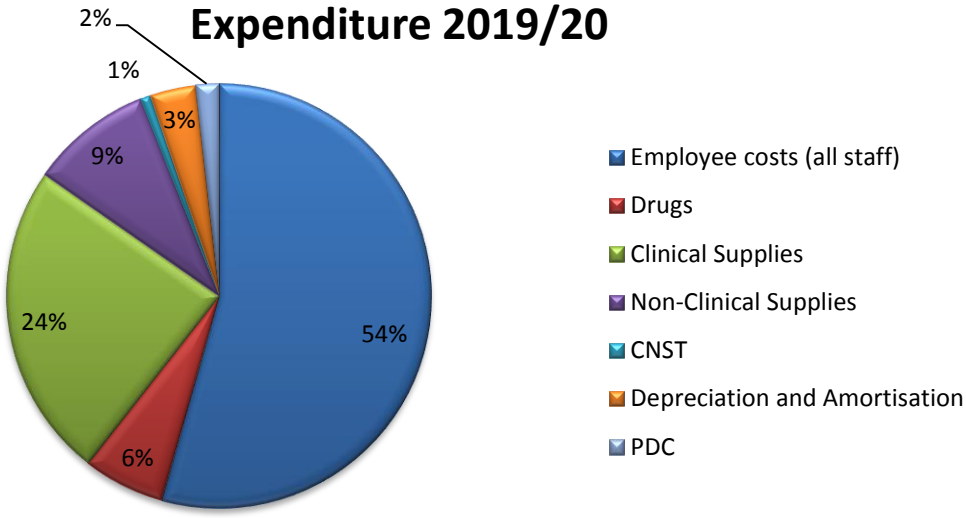
	£m	
	2019/20	**2018/19**
Income from patient care activities	144.7	137.1
Other income	11.0	9.2
Provider sustainability funding	1.9	10.6
Total income	**157.6**	**156.9**
Employee expenses	-88.4	-76.8
Non-pay expenses	-59.4	-57.2
Total expenditure	**-147.8**	**-134.0**
EBITDA	9.8	22.9
Depreciation and Amortisation	-5.4	-4.9
Total interest receivable/(payable)	0.1	0.1
PDC dividends	-2.4	-2.5
Net surplus (as per annual accounts)	2.1	15.5
Normalising adjustments: Net impairments	1.5	1.5
Adjusted financial performance	3.7	17.1

The following pie chart sets out the income received by Liverpool Heart and Chest during the financial year:



In accordance with Section 43 (2A) of the NHS Act 2006 income from the provision of goods and services for the purposes of the health service in England is greater than the income received from the provision of goods and services for any other purpose.

The following pie chart sets out how Liverpool Heart and Chest spent its resources:



Cost Improvement Programme

The Trust had a Cost Improvement Programme target (CIP) of £3.8m or 2.7% of its planned operating expenditure over the period. The actual delivery against this target is set out in the table below:

Performance by Category	Plan	Actual	Variance
	£m		
Income	0.5	0.5	0.0
Pay	1.5	1.0	-0.5
Non Pay	1.8	1.6	-0.2
Total	**3.8**	**3.1**	**-0.7**

The Trust has been actively using benchmarking information to identify and drive CIPs, taking advantage of NHS Improvement's initiatives, such as Model Hospital, Back-office benchmarking and GIRFT (Getting it Right First Time), alongside long-standing reviews such as the National Cardiac Benchmarking Reports.

CIP schemes are identified by Trust Divisions and are subject to review via the Trust Senior Management Team, overseen by the Finance and Improvement Steering Group, reporting to the Operations Board and providing assurance through the Integrated Performance Committee. Quality Impact Assessments are undertaken on all CIP schemes above a *de minimus* value and are reviewed through the Quality Committee to ensure that schemes are not agreed which will have a detrimental effect upon patient safety or quality of care. The Medical Director and Director of Nursing are required to approve all CIP schemes to provide assurance that they will not adversely impact upon patient care.

The Trust remains an active member of the Cheshire and Merseyside Strategic Transformation Plan and is leading the cardiovascular disease (CVD) transformation project across the region. Many of the Trust's efficiency schemes in 2020/21 and beyond will be focussed on pathway redesign over this wider planning footprint.

Capital investments and cash flow

During the 2020/21 financial year, the total capital investment in improving the hospital facilities was £10.278m. The main investments are highlighted below.

- Stage 1 & 2 of the Cath Lab refurbishment programme - £1.1m
- Implementation of new CT and MR Scanners in 2019/20 - £4.8m
- £0.3m for the development of a Private Patients suite.
- £1.0m improvement to Theatre B
- Estates investment of £1.4m including Theatre Air Handling Units, Estates Workshop, Lift replacement programme
- IT investment and network upgrades - £1.0m
- £0.4m on Medical Equipment

After funding the capital programme outlined above, the Trust had a closing cash balance of £32m as at 31st March 2020.

Financing

Under its licence conditions, the Trust's ability to service borrowings is measured through the capital service capacity risk rating, currently a 1. The Capital programme in 2019/20 was funded through internally generated funds only.

Financing activities are managed in accordance with the Trust's approved Treasury Management Policy. During the year, cash investments accrued £168k of interest.

Better Payment Practice Code

The Better Payment Practice Code requires trusts to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later. Performance against this is monitored on a monthly basis and can be seen below.

Year to Date BPCC	19/20	
	Number	£'000
Non NHS		
Total bills paid in the year	33,136	92,561
Total bills paid within target	32,584	91,215
Percentage of bills paid within target	98.3%	98.5%
NHS		
Total bills paid in the year	1,413	13,694
Total bills paid within target	1,387	13,353
Percentage of bills paid within target	98.2%	97.5%
Total		
Total bills paid in the year	34,549	106,255
Total bills paid within target	33,971	104,568
Percentage of bills paid within target	98.3%	98.4%

Impact of COVID-19

The national crisis surrounding COVID-19 required the Trust to implement emergency planning throughout March 2020. The increased costs associated with this will be fully funded by NHS Improvement. The service changes implemented mid to late March have had little impact on the Trust's financial position as most of the expenditure will not be incurred until April 2020 and commissioners upheld year-end agreements that allowed for reductions in elective activity to prepare for the pandemic response.

Conclusion

The Trust has met its externally set financial targets for the year with the achievement of a normalised surplus of £3.658m against its planned surplus of £2.779m (£879k better than plan).

Initial plans for 2020/21 have been reviewed and amended in accordance with the new finance regime introduced as a result of the coronavirus outbreak. This will ensure the Trust maintains a breakeven financial position for the first 4 months of the year. At present the Trust is awaiting confirmation of the finance arrangements following this period. However in the interim it will continue to review and monitor costs ensuring strong financial governance is maintained during this period of uncertainty.

The Trust has completed the year in a good financial position and will continue to build upon this, reviewing the financial plan once longer term funding arrangements have been confirmed. This, together with the progress being made on our efficiency programme, means the Trust is well placed to continue to rise to the financial challenges ahead.

Jane Tomkinson
Chief Executive
22nd June 2020

SECTION 2: ACCOUNTABILITY REPORT

This report is prepared in accordance with:

- Sections 415, 4165 and 418 of the Companies Act 2006 (section 415(4) and (5) and section 418(5) and (6) do not apply to NHS foundation trusts);
- Regulation 10 and Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ("the Regulations")
- Additional disclosures required by the *FReM*
- Additional disclosures required by NHS Improvement

2.1 Directors' Report

This section of the annual report sets out the role and work of the Board of Directors and explains how the Trust is governed.

The Board of Directors

The Board of Directors has collective responsibility for setting the strategic direction and organisational culture; and for the effective stewardship of the Trust's affairs, ensuring that the Trust complies with its licence, constitution, mandated guidance and contractual and statutory duties. The Board must also provide effective leadership of the Trust within a robust framework of internal controls and risk management processes.

The Board approves the Trust's strategic and operational plans, taking into account the views of Governors. It sets the vision, values and standards of conduct and behaviour, ensuring that its obligations to stakeholders, including patients, members and the wider public, are met.

The Board is responsible for ensuring the safety and quality of services, research and education and application of clinical governance standards, including those set by NHS Improvement, the Care Quality Commission, the NHS Litigation Authority and other relevant bodies. The Board has a formal Schedule of Matters Reserved for Board Decisions and a Scheme of Delegation.

The unitary nature of the Board means that Non Executive Directors and Executive Directors share the same liability and same responsibility for Board decisions and the development and delivery of the Trust's strategy and operational plans. The Board delegates operational management to its executive team and has established a Board Committee structure to provide assurances that it is discharging its responsibilities. The formal Schedule of Matters Reserved for the Board also includes decisions reserved for the Council of Governors as set out in statute and within the Trust's constitution.

During the period 1st April 2019 to 31st March 2020, the following were members of the Trust's Board of Directors:

Name / Profile Overview	Title	Notes
Neil Large *Qualified accountant and diverse NHS career spanning 40 years.*	**Chair**	Also Non Executive Director at Christie Hospital NHS FT
Julian Farmer *Qualified accountant with senior level experience as an auditor within the health and local government sectors.*	**Deputy Chair / Senior Independent Director / Non Executive Director / Chair of Audit Committee**	
Dr Nicholas Brooks *Consultant Cardiologist and former president of the British Cardiovascular Society and served on the Council of the Royal College of Physicians*	**Non Executive Director**	
Professor Bob Burgoyne *Emeritus Professor at University of Liverpool with a long career in academia pursuing research in biomedical sciences.*	**Non Executive Director**	
Mark Jones *Senior executive with international career in pharmaceutical industry.*	**Non Executive Director**	
Karen O'Hagan *Senior executive with a successful career in international medical products and technologies. Previous experience as Vice Chair with Liverpool Community Health Trust.*	**Non Executive Director**	Took up post from 1st May 2019.
Marion Savill *Business investor and Board level strategic advisor.*	**Non Executive Director**	Served until 30th April 2019
Jane Tomkinson *Qualified accountant and former Director of Finance positions– NHS England and Countess of Chester NHS Foundation Trust.*	**Chief Executive**	
Dr Raphael Perry *Consultant Interventional Cardiologist of national standing.*	**Medical Director/Deputy Chief Executive**	
Jonathan Develing *Senior level experience at regional and national level in the NHS. Previously Chief Officer at NHS Wirral Clinical Commissioning Group.*	**Director of Strategic Partnerships**	
Sue Pemberton *BSc Hons, Diploma in Professional Nursing Practice; previous nurse leadership roles at LHCH and Salford Royal NHSFT.*	**Director of Nursing and Quality**	
Claire Wilson *Previously Chief Finance Officer at NHS Bury Clinical Commissioning Group with more than 20 years' finance experience*	**Chief Finance Officer**	Served until 31st December 2019
Frankie Morris *Previously Deputy Chief Finance Officer at the Countess of Chester, with extensive finance experience.*	**Acting Chief Finance Officer**	Deputy Director of Finance took up Acting Chief Finance Officer post from 1st January 2020, until 31st March 2020.

How the Board operates

As at 31st March 2020, the Board comprised the Chair, Chief Executive, five independent Non-Executive Directors (one of whom is designated Senior Independent Director) and four Executive Directors. The Board is supported by four additional non-voting directors – the Director of Research and Innovation, Director of Corporate Affairs (also the Company Secretary), the Interim Director of People and Culture and the Chief Operating Officer.

The Trust is committed to having a diverse Board in terms of gender and diversity of experience, skill, knowledge and background and these factors are given careful consideration when making new appointments to the Board. Of the 11 serving members of the Board (voting) at 31st March 2020, 4 are female and 7 are male.

The Board regularly reviews the balance of skills and experience in the context of the operational environment and needs of the organisation. Strong clinical leadership is provided from within the complement of Executive and Non-Executive Directors.

All Directors have full and timely access to relevant information to enable them to discharge their responsibilities.

The Board met nine times during the year and at each meeting Directors received reports on quality and safety, patient experience and care, key performance information, operational activity, financial performance, key risks and strategy. Meetings of the Board are held in public* and the minutes of these meetings along with agendas and papers are published on the Trust's public website.

The Board has in place a dashboard to monitor progress on delivery of strategic objectives and is responsible for approving major capital investments. The Board engages with the Council of Governors, senior clinicians and management, and uses external advisors where necessary. The proceedings at all Board meetings are recorded and a process is in place that allows any director's individual concerns to be noted in the minutes.

Directors are able to seek professional advice and receive training and development at the Trust's expense in discharging their duties. The Directors and Governors have direct access to independent advice from the Company Secretary (Director of Corporate Affairs), who ensures that procedures and applicable regulations are complied with in relation to meetings of the Board of Directors and Council of Governors. The appointment and removal of the Company Secretary is a matter for the full Board in consultation with the Council of Governors.

Outside of the Boardroom, the Directors conduct regular walkabouts to meet informally with staff and patients and to triangulate data received in relation to patient safety and quality of care.

**Except March – see Board meetings and attendance on page 16.*

Balance, completeness and appropriateness

There is a clear division of responsibilities between the Chair and the Chief Executive.

The Chair is responsible for the leadership of the Board of Directors and Council of Governors, ensuring their effectiveness individually, collectively and mutually. The Chair ensures that members of the Board and Council receive accurate and timely information that is relevant and appropriate to their respective needs and responsibilities, whilst also ensuring effective communication with patients, members, staff and other stakeholders. It is the Chair's role to facilitate the effective contribution of all Directors, ensuring that constructive relationships exist between the Board and the Council of Governors.

The Chief Executive is responsible for the performance of the executive team, for the day to day running of the Trust, and for the delivery of approved strategy and plans.

In accordance with the Code of Governance, all Non-Executive Directors are considered to be independent, including the Chair. In line with NHS Improvement's guidance, the term of office of Directors appointed to the antecedent NHS Trust are not considered material in calculation of the length of office served on the Board of the Foundation Trust.

Non-Executive Directors are normally appointed for 3 year terms subject to continued satisfactory performance. After serving two three year terms (6 years in total), careful consideration is given to any further re-appointment in the context of independence and objectivity. Any re-appointment beyond 6 years is on an annual basis and governors must be satisfied that exceptional needs of the Trust (e.g. to maintain continuity of leadership) outweigh any risk around maintaining independence. It is for the Council of Governors to determine the termination of any Non-Executive Director appointment.

The biographical details of Directors, summarised above, demonstrate the wide range of skills and experience that they bring to the Board. The Board recognises the value of succession planning and the Board's Nominations and Remuneration Committee undertakes an annual process of succession planning review for Board members.

The Trust has a programme of full Board and individual appraisal to support the succession planning process and ensure the stability and effectiveness of the Board in the context of new challenges and the dynamic external environment within which the Trust operates.

Board meetings and attendance

The Board met nine times during the year. Attendance at meetings is recorded below.

Director	30th April 2019	28th May 2019	30th July 2019	24th Sept 2019	26th Nov 2019	3rd Dec 2019	28th Jan 2020	26th Feb 2020	*31st March 2020
Chair									
Neil Large	✓	✓	✓	✓	✓	✓	✓	✓	✓
Chief Executive									
Jane Tomkinson	✓	✓	✓	✓	✓	✓	x	✓	✓
Non Executive Directors									
Nicholas Brooks	✓	✓	✓	✓	✓	✓	x	✓	✓
Bob Burgoyne	✓	✓	✓	✓	✓	✓	✓	✓	✓
Julian Farmer	✓	✓	x	✓	✓	✓	✓	✓	✓
Mark Jones	✓	✓	✓	✓	x	x	✓	✓	✓
Karen O'Hagan		✓	✓	✓	x	x	✓	✓	✓
Marion Savill	✓								
Executive Directors									
Jonathan Develing	✓	✓	x	✓	✓	✓	✓	✓	x
Frankie Morris							✓	✓	✓
Sue Pemberton	✓	✓	✓	✓	✓	x	✓	✓	✓
Raphael Perry	✓	✓	✓	x	✓	x	✓	✓	x
Claire Wilson	x	✓	✓	✓	✓	✓			

**In order to limit the spread of Covid-19, the decision was taken to conduct the 31st March 2020 Board Meeting as an e-meeting. All papers were sent to members electronically with a record of individual contribution sent for completion by each Board attendee and returned to the Director of Corporate Affairs. The Board meeting was then held by video conference, and as a result, members of the public were not able to attend, although the agenda and meeting papers were available from the Trust website.*

Evaluation of Board and Committees

Each Board Committee has undertaken a review of its effectiveness in delivering its terms of reference and these reports were reviewed by the Audit Committee before being reported to the Board. Board members have evaluated the performance and conduct of the Board at the end of each Board meeting and an annual evaluation report completed.

During 2019/20, the Board has undertaken a review of Board competencies in response to the Kark recommendations and used this work to inform its forward plan for Board Development.

The Board designated four full days during the year to work on strategic planning and development and a half day for joint planning work with the Council of Governors.

All Directors received an individual appraisal in 2019/20. In the case of the Chief Executive, this was led by the Chair; for the executive directors, the process was led by the Chief Executive; and for the Non Executive Directors by the Chair. The Chair's appraisal was led by the Senior Independent Director and followed a process approved by the Council of

Governors that involved all Governors and Directors having the opportunity to input relevant feedback.

The Council of Governors has been engaged in reviewing the Chair's appraisal process and aligning this to new national guidance published in September 2019. The new process will be implemented in 2020/21 (for review of 2019/20 performance).

Understanding the views of governors, members and the public

The Board recognises the value and importance of engaging with Governors in order that Governors may properly fulfil their role as a conduit between the Board and the members, public and stakeholders.

The Board and Council of Governors meet regularly and enjoy a strong working relationship. The Chair ensures that each body is kept advised of the other's work and key decisions.

All members of the Board regularly attend Council of Governor meetings (quarterly) and Non Executive Directors present reports on a cyclical basis of the work of the Board's Assurance Committees. A report from the Audit Committee is provided at every meeting of the Council of Governors.

The Council of Governors is provided with a copy of the agenda and minutes of every Board meeting and Governors are always welcome to attend to observe meetings of the Board, which are held in public. Through observation of the Board in action, Governors have opportunity to observe the challenge and scrutiny of reports brought to the Board, helping them to better understand the work of the Board and how it operates.

Prior to every meeting of the Council of Governors, there is an opportunity for Governors to participate in an organised walkabout led by the Chair. This is followed by informal 'development groups' at which Governors divide into three groups, each led by an Executive Director and a Non-Executive Director sponsor, to discuss topical issues relating to either 'quality and experience, 'research and innovation' or 'finance and performance'. These informal sessions also provide opportunity for Governors to prepare further questions for debate at the formal Council of Governors meeting that follows.

At the start of each Council meeting, the Governors receive a patient story and also a short presentation from either a clinical or operational manager on a particular service, in order to enhance Governor understanding and awareness of the services provided by the Trust.

In addition to the Council of Governors meetings, the Chair hosts a quarterly informal lunch meeting, at which Governors are updated on Trust news and have opportunity to network and feedback on any matters they wish to raise. These meetings are followed up with a Chair's Bulletin which is sent to all Governors, ensuring that they are all updated on any communications, news and forthcoming events.

At every Council of Governors meeting, the agenda includes a standing item for Governors to feedback on any networks, events or issues raised by constituency members.

The Trust also organises an annual development day for Governors at which part of the time is allocated to joint working with Directors.

It is through this variety of mechanisms that the Chair ensures strong working relationships and effective flow of communication between the Board and Council, such that the Board is able to understand and take account of the views of Governors, members and the public.

Registers of interests

The Trust maintains a register of interests of Directors and a register of interests of Governors and these are reviewed periodically by the respective bodies to identify any potential conflicts and where such conflicts are material, consider how these are to be managed.

The Trust's Register of Interests is accessible to the public via the Trust's website - www.lhch.nhs.uk/about-lhch/performance-plans-and-publications/

Board committees

The Board has three statutory committees.

1. Audit Committee
2. Charitable Funds Committee
3. Nominations and Remuneration Committees (Executive Directors)

There are three additional assurance committees.

- Quality Committee
- Integrated Performance Committee
- People Committee

Each of the above committees is chaired by an independent Non-Executive Director. The Nominations and Remuneration Committee (Executive Directors) is chaired by the Chair.

A second Nominations and Remuneration Committee (Non-Executive Directors) deals with the nomination and remuneration of Non-Executive Directors and reports to the Council of Governors. This Committee is also chaired by the Chair (or the Deputy Chair when matters pertaining to the tenure or remuneration of the Chair are to be discussed).

A report on the work of the Audit Committee is set out below along with reports on the Nominations and Remuneration Committee (Executives) and Nominations and Remuneration Committee (Non Executives).

Statutory committees: Audit Committee

The Audit Committee is a committee of the Non-Executive Directors (excluding the Chair) and is chaired by Julian Farmer.

The Chair of the Audit Committee reports on the Audit Committee's work to the Council of Governors at each quarterly meeting.

The Committee met on five occasions during 2019/20.

Member	28th May 2019	16th July 2019	8th October 2019	14th January 2020	24th March 2020*
Nicholas Brooks	✓	✓	✓	x	✓
Bob Burgoyne	✓	✓	✓	✓	✓
Julian Farmer	✓	✓	✓	✓	✓
Mark Jones	✓	✓	✓	✓	✓
Karen O'Hagan	✓	✓	✓	✓	✓

**In order to limit the spread of Covid-19 and limit the number of people at the Trust, the decision was taken to conduct the 24th March 2020 as an e-meeting, all papers were sent to members electronically with a record of individual contribution sent for completion by each*

Audit Committee attendee and returned to the Director of Corporate Affairs. All those participating in the e-meeting are recorded as present.

Role of the Audit Committee

The Audit Committee critically reviews the governance and assurance processes upon which the Board of Directors places reliance. All Non-Executive Directors are members of the Audit Committee, reflecting the importance that the Board places on the Audit Committee to enable effective Non Executive challenge, including triangulation of the work of the Board's Assurance Committees (Quality, Integrated Performance and People Committees) across all aspects of the Trust's business.

The way in which the Committee has functioned and supported the Board of Directors at LHCH during 2019/20, by critically reviewing governance and assurance processes on which the Board of Directors place reliance is set out below.

During 2019/20 the Committee has discharged its responsibilities for scrutinising the risks and controls which affect all aspects of the organisation's business.

Principal review areas in 2019/20

The narrative below sets out the principal areas of review and significant issues considered by the Audit Committee during 2019/20 reflecting the key objectives of the committee as set out in its terms of reference.

Internal control and risk management

The Committee having reviewed relevant disclosure statements for 2019/20 and other appropriate independent assurances together with the anticipated receipt of the Head of Internal Audit Opinion, external audit opinion at its May 2020 meeting considers that the draft 2019/20 Annual Governance Statement is consistent with the Committee's view on the Trust's system of internal control. Accordingly the Committee supports the recommendation that the Board of Directors approve of the 2019/20 Annual Governance Statement.

The Trust has continued to further embed the risk management systems in place during 2019/20 and the Board has undertaken a review of its appetite for risk and updated the Risk Management Policy and Board Assurance Framework accordingly. The Datix system is now embedded and has led to improved incident reporting and integration of incidents, claims, complaints and risk management. The Committee reviewed the risk management KPIs in July 2019 and January 2020 and the Risk Management Policy was updated in July 2019 to reflect the Board's review of its appetite for risk.

Following the Well Led Review (March 2017) the Audit Committee has maintained oversight of the development of a new Data Quality Strategy and has strengthened its terms of reference to reflect its responsibility for oversight of data quality assurance.

The Audit Committee has received and reviewed annual reports for 2019/20 from each assurance committee of the Board of Directors (March 2020); these enabled the Audit Committee to test the effectiveness of the Assurance Committees and be satisfied that the assurance mechanisms are fit for purpose in terms of discharging the responsibilities delegated by the Board of Directors. All internal audit recommendations in relation to the effectiveness of the assurance committees have been considered and followed up.

The Committee has continued to reinforce the importance of management follow up in respect of audit work and further improvement is needed in some areas in this respect. A new online tracking system is to be implemented in 2020/21 which will support this process.

The Committee has undertaken an annual comprehensive review of compliance with the provider licence and reviews a quarterly checklist of key provisions to identify any new or emerging licencing risks.

The Committee has identified the need to continue a close focus on data quality assurance going into 2019/20 in light of the informatics review findings, along with new areas highlighted in the latest edition of the Audit Committee Handbook, namely partnership working at scale, cyber security and working with the regulators. The Audit Committee Terms of Reference and annual business cycle have been updated to reflect these areas.

Internal audit

Throughout the year, the Committee has worked effectively with internal audit to ensure that the design and operation of the trust's internal control processes are sufficiently robust.

A comprehensive risk-based programme of internal audits has been carried out and there were four limited assurance opinions issued in 2019/20 relating to Staff Integrity Vetting, Charitable Funds Income & Expenditure, IT Service Continuity and IT Asset Management. The Committee has considered all major findings of internal audit reviews and has given increased focus in 2019/20 to the controls in place to mitigate cyber security threat and in improving management escalation processes to ensure timely implementation of internal audit recommendations. A review of evidence to support provider licence self-certification was undertaken.

The Committee reviewed and approved the internal audit plan and detailed programme of work for 2019/20 at its March 2019 meeting. This included a range of key risks identified through discussion with Management and Executives and review of the Trust's BAF. Reviews were identified across a range of areas, including Financial Performance & Sustainability, Information & Technology, Governance & Leadership, Quality and Workforce.

MIAA has supported the Non-Executive Directors over the year through the provision of networking events, policy advice, and Insight updates.

MIAA routinely reviews the papers received by the Board of Directors and minutes of Board meetings to pick up on areas of potential risk for inclusion in the audit programme.

Anti-fraud

The Committee reviewed and approved the anti-fraud work plan for 2019/20 at its March 2019 meeting, noting coverage across all mandated areas of strategic governance, inform and involve, prevent and deter and hold to account. The Committee also during the course of the year regularly reviewed updates on proactive anti-fraud work – no specific fraud investigations were undertaken in 2019/20.

External audit

The external audit service was last market tested during 2017/18 with a new contract awarded by the Council of Governors to Grant Thornton with effect from October 2017. During this final year of the contract the Audit Committee will consider, in consultation with the Council of Governors, the timing of the next market testing exercise and also consider possibility of extending the current contract for a further one or two years.

The Committee routinely receives a progress report from the external auditor, including an update annual accounts audit timetable and programme of work, updates on key emerging national issues and developments which may be of interest to Committee members alongside a number of challenge questions in respect of these emerging issues which the Committee may wish to consider. It had also received information with regard to the significant strengthening of audit quality assurance that the external auditor had progressed internally and external assurance results have been provided.

Management assurance

The Committee has frequently assessed the adequacy of wider corporate assurance processes as appropriate and has requested and received assurance reports from executives, managers and wider Committee representation throughout the year. These have included: a progress update on PAS and informatics development; reviews of the clinical audit programme and compliance with NICE guidelines; updates on data quality assurance; and a review of management assurances following any limited assurance audit report, including staff integrity vetting and administrative processes for fundraising, prior to approval by the Board of Directors.

Financial assurance - specific significant issues in relation to the financial statements considered by the Audit Committee during 2019/20

The Committee discussed a number of significant accounting issues for the year ended 31st March 2020. These included the following matters:

- Revenue recognition
- Management override of controls
- Introduction of IFRS 16 (Leases) in 2020/21
- Valuation of Land and Buildings
- Ability to meet targets to secure £1.762m Provider Sustainability Fund monies
- Hosted Services
- Going Concern

The first two items represent audit risks, which are inherent to most, if not all, reporting organisations and the Committee was content to rely on the reports of auditors, with no adverse findings arising in relation to the 2019/20 financial statements.

The Committee considered the additional disclosures required by the introduction of IFRS 16 and were content to rely on the additional work to be carried out by auditors in 2020, in readiness for the 2020/21 financial statements. Following Covid-19, the introduction of IFRS 16 has been delayed for one year, also delaying the additional audit work required.

The Trust's land and buildings (including dwellings) at 31st March 2020 are valued at £64.858m, representing a significant balance on the Statement of Financial Position. As discussed in note 1 to the accounts, valuation is an area of critical judgement and estimation uncertainty. The Audit Committee discussed the valuation policy when considering the accounting policies adopted and approved the cycle of revaluation, with a full revaluation every 5 years and a desktop valuation in between. The Committee was content to rely on the workplan set out by the external auditors, which identified additional work required to provide the necessary level of assurance.

The Committee was content to rely on the reports of auditors with respect to the risks associated with the financial targets required to secure the £1.762m PSF monies and the adoption of Liverpool Health Partners as a hosted service from February 2020 onwards.

Going concern was considered at the March Audit Committee and then further reviewed in the March Board of Directors meeting. Additional statements have been provided by NHS England/Improvement to support cashflow forecasting for the next 18 months. The Board confirmed its support to prepare the financial statements on a going concern basis.

During the year, and in addition to the above, the Committee critically addressed the appropriateness of the accounting policies adopted and were satisfied that the policies were reasonable and appropriate.

Other assurance

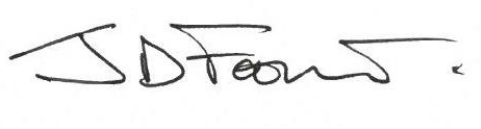
The Committee has routinely received reports on Losses and Special Payments and Single Supplier Tender Waivers.

The Committee has reviewed and updated the Governance Manual including Standing Financial Instructions and Schemes of Delegation and has formally adopted the revised manual. It has also periodically reviewed the Trust's register of external visits.

Members of the Committee have met privately with the internal and external auditors, without the presence of any Trust officer.

Review of the effectiveness and impact of the Audit Committee

The Audit Committee has undertaken its annual self-assessment by self-assessing compliance with selected areas of the Audit Committee checklist, as set out in the Audit Committee handbook. All Audit Committee members completed the checklist and the responses will be used to identify any areas for potential further development.



Julian Farmer
Chair of Audit Committee
22nd June 2020

Statutory committees: Nominations and Remuneration Committees

The Trust has in place two Nominations and Remuneration Committees – one deals with nominations and remuneration for Non-Executive appointments (including the Chair) and the other with nominations and remuneration for Executive appointments.

Nominations and Remuneration Committee (Non-Executive)

Membership: Chaired by the Trust Chair with membership comprising the Deputy Chair and not less than three elected governors from the public constituency.

If the Chair is being appointed, the Committee would comprise the Deputy Chair, one other Non-Executive Director and not less than three elected governors from the public constituency.

During this financial year, the committee met on one occasion to review new national guidance on Chair and NED remuneration and Chair development and appraisal. The following recommendations were made to the Council of Governors.

- On remuneration, there would be no annual inflationary uplifts until April 2021 for NEDs and until April 2022 for the Chair. This was because the rates paid by the Trust were marginally in excess of the new national pay framework. The Deputy Chair / Senior Independent Director would retain his additional allowance (but without inflation) until the end of his term; going forward allowances payable to NEDs would be considered in accordance with the national guidance. The remuneration of any new NEDs would be considered on appointment in the context of the national guidance.
- That the Chair's appraisal process (for annual appraisal of 2019/20 objectives) would be adapted and aligned to new national guidance and objectives for 2020/21 set in accordance with the newly defined chair responsibilities.
- The new framework for Chair Development would be utilised in support of the Chair recruitment process in 2021 such that the Chair role description and person specification would be aligned with the national documentation and adapted as needed to meet prevailing requirements.
- On consideration of NED succession, to support the proposal that the Chair progresses appraisal / aspiration discussions with each NED to inform the succession plan.

Nominations and Remuneration Committee (Executive)

Membership: Chaired by the Trust Chair with all other Non-Executive Directors as members.

The Committee met on four occasions in 2019/20 and conducted the following business.

- Review of Chief Executive and executive team member appraisals.
- Review of Board succession plan.
- Secondment of HR Director and appointment of Interim Director of People and Culture.
- Interim Changes to executive portfolios following changes to Chief Finance Officer and Director of Workforce Development.
- Review of new pensions taxation rules and impact.
- Recruitment to posts of Chief Operating Officer and Director of Research and Innovation.

- Recruitment and remuneration of Chief Finance Officer and Acting Up arrangements from 1/1/20.
- Review of Chief Executive remuneration.
- Approval of inflationary pay awards for executives for 2019/20.

Attendance at Nominations and Remuneration Committee (Executive) in 2019/20:

Member	30th July 2019	24th September 2019	17th December 2019	26th February 2020
Neil Large (Chair)	✓	✓	✓	✓
Nicholas Brooks	✓	✓	✓	✓
Bob Burgoyne	✓	✓	✓	✓
Mark Jones	✓	✓	✓	✓
Julian Farmer	x	✓	✓	✓
Karen O'Hagan	✓	✓	✓	✓

Assurance Committees

Quality Committee

- The Quality Committee is established as an Assurance Committee of the Board of Directors in order to provide the Board with assurances in respect of quality governance.
- It is a Non-Executive Committee.

Integrated Performance Committee

- The Integrated Performance Committee is established as an Assurance Committee of the Board of Directors in order to provide the Board with assurances in respect of the Trust's current and forecast financial and operational performance and its operations in relation to compliance with the licence, regulatory requirements and statutory obligations.
- It is a Non-Executive Committee.

People Committee

- The People Committee is established as an Assurance Committee of the Board of Directors in order to provide the Board with assurance in respect of workforce governance.
- It is a Non-Executive Committee.

NHS Improvement's 'Well Led' Framework

The Trust has arrangements in place to ensure that its services are well-led. Examples include:

- excellent, efficient, compassionate and safe (EECS) programme of continuous assessment
- action plans linked to national inpatient survey and annual NHS staff survey
- mock CQC well-led self-assessment process
- annual Board evaluation and Board Development Plan

The Trust's approach is outlined in more detail in the Code of Governance (section 2.4, pp53) and in the Annual Governance Statement (section 2.7, pp 67-77).

Directors' responsibility for preparing financial statements

The Directors of the Trust are responsible for the preparation of the annual report and accounts. It is their consideration that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the Trust's performance, business model and strategy.

Statement as to disclosure to auditors

In accordance with the requirements of the Companies (Audit, Investigations and Community Enterprise) Act 2004, the Trust confirms that for each individual who was a director at the time that the director's report was approved, that:

- so far as each of the Trust directors is aware, there is no relevant audit information of which the Trust's Auditors are unaware
- each director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information, and to establish that the Trust's Auditor is aware of that information.

For the purposes of this declaration:

- relevant audit information means information needed by the Trust's auditor in connection with preparing their report and that
- each director has made such enquiries of his/her fellow directors and taken such other steps (if any) for that purpose, as are required by his/her duty as a director of the Trust to exercise reasonable care, skill and diligence.

Additional information

The Trust has not made any political donations during the year.

Additional information or statements which fall into other sections within the Annual Report and Accounts are highlighted below:

- A statement that accounting policies for pensions and other retirement benefits are set out in the notes to the accounts and details of senior employees' remuneration can be found below in Part 2; Accountability Report (page 16).
- Details of future developments and strategic direction of the Trust can be found in Part 1; Performance Report (page 6).
- Trust policies on employment and training of disabled persons can be found in the Staff Report within the Accountability Report – Part 2 (page 39).
- Details of the Trust's approach to communications with its employees can be found in the Staff Report within the Accountability Report – Section 2 (page 39).
- Details of the Trust's financial risk management objectives and policies and exposure to price, credit, liquidity and cash flow risk can be found in the notes of the annual accounts.

Related party transactions

The Trust has a number of significant contractual relationships with other NHS organisations which are essential to business. A list of the organisations with whom the Trust holds the largest contracts is included in the accounts.

Income disclosures

The Trust has met the requirement of Section 43 (2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012).

The income from the provision of goods and services for the purposes of the health service in England is greater than its income from the provision of goods and services for any other purpose.

2.2 Remuneration Report

This report to stakeholders:

- sets out The Trust's remuneration policy
- explains the policy under which the chair, executive directors, and non- executive directors were remunerated for the financial period 1 April 2019 to 31 March 2020
- sets out tables of information showing details of the salary and pension interests of all directors for the financial period 1 April 2019 to 31 March 2020.

The Nominations and Remuneration Committee (Executive) is a committee of the Board of Directors. The membership of the Committee comprises the Chair and all Non-Executive Directors. Committee meetings are considered to be quorate when three Non-Executive Directors are present.

All executive directors hold permanent contracts of employment and are subject to six months' notice. All directors participate in an annual appraisal process to set and evaluate performance against agreed objectives. The Trust does not operate a performance related pay scheme.

Salaries for all directors are considered carefully on appointment and approved by the Trust's Nominations and Remuneration Committee. In the case of those salaries greater than £150,000 (pro rata for part time), the Trust takes steps to ensure such remuneration is reasonable and commensurate with the individual's experience and remuneration by way of reference to benchmarking data, and ensuring any inflationary pay awards are consistent with those applicable to all NHS staff.

Salaries and allowances paid for the period ending 31 March 2020 are detailed below:

Single total figure table (Audited)

Year ended 31st March 2020							
Name	Title	Salary (Bands of £5,000)	Taxable Benefits (to nearest £100)	Performance Pay and Bonuses (Bands of £5,000)	Long term Performance Pay and Bonuses (Bands of £5,000)	All Pension Related Benefits (Bands of £2,500)	Total (Bands of £5,000)
		£000's	£'s	£000's	£000's	£000's	£000's
J Tomkinson	Chief Executive	165 - 170	8,400	0	0	0	175 - 180
R Perry	Medical Director/Deputy Chief Executive	165 - 170	0	0	0	0	165 - 170
C Wilson	Chief Finance Officer	95 - 100	0	0	0	0	95 - 100
S Pemberton	Director of Nursing & Quality	125 - 130	0	0	0	57.5 – 60	185 – 190
M Perez-Casal	Director of Research & Innovation	75 - 80	0	0	0	52.5 – 55	130 – 135
H Kendall	Chief Operating Officer	95 - 100	0	0	0	0	95 – 100
J Develing	Director of Strategic Partnerships	125 - 130	0	0	0	0	125 - 130
L Lavan	Director of Corporate Affairs	90 - 95	0	0	0	22.5 – 25	115 – 120
J Twist	Director of Human Resources	90 - 95	0	0	0	2.5 – 5	95 – 100
F Morris	Interim Chief Finance Officer	20 - 25	0	0	0	5 - 7.5	25 – 30
S Hodkinson	Interim Director of People & Culture	45 - 50	0	0	0	25 - 27.5	70 – 75
P Large	Chair	40 - 45	2,000	0	0	0	45 – 50
M Savill	Non-Executive Director	0 - 5	0	0	0	0	0 – 5
M Jones	Non-Executive Director	10 - 15	700	0	0	0	10 – 15
J Farmer	Non-Executive Director	15 - 20	900	0	0	0	15 – 20
N Brooks	Non-Executive Director	10 - 15	1,100	0	0	0	10 – 15
B Burgoyne	Non-Executive Director	10 - 15	0	0	0	0	10 – 15
K O'Hagan	Non-Executive Director	10 - 15	0	0	0	0	10 – 15

- *70% of R Perry's salary is for his work as a Director. The other 30% relates to his medical role.*
- *C Wilson ceased to be an Executive Director on 31/12/2019*
- *J Twist ceased to be an Executive Director on 15/09/2019*
- *M Savill ceased to be a Non-Executive Director on 30/04/2019*
- *S Hodkinson was appointed to the position of Interim Director of People and Culture on 07/10/2019*
- *F Morris was appointed to the position of Interim Chief Finance Officer on 01/01/2020*
- *K O'Hagan was appointed to the position of Non-Executive Director 01/05/2019*

The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

This value derived does not represent an amount that will be received by the individual. It is a calculation that is intended to provide an estimation of the benefit being a member of the pension scheme could provide.
The pension benefit table provides further information on the pension benefits accruing to the individual.

(Audited)

Year ended 31st March 2019							
Name	Title	Salary (Bands of £5,000)	Taxable Benefits (to nearest £100)	Performance related bonuses (Bands of £5,000)	Long term Performance related Bonuses (Bands of £5,000)	All Pension Related Benefits (Bands of £2,500)	Total (Bands of £5,000)
		£000's	£'s	£000's	£000's	£000's	£000's
J Tomkinson	Chief Executive Officer	160 - 165	7,800	0	0	0	170 - 175
R Perry	Deputy Chief Executive and Medical Director	160 - 165	0	0	0	0	160 - 165
C Wilson	Chief Finance Officer	120 - 125	0	0	0	0	120 - 125
S Pemberton	Director of Nursing & Quality	120 - 125	0	0	0	5.0 - 7.5	125 - 130
M Jackson	Director of Research & Informatics	75 - 80	0	0	0	0	75 - 80
T Wilding	Director of Strategic Partnerships & Chief Operating Officer	75 - 80	0	0	0	2.5 - 5	80 -85
J Develing	Director of Strategic Partnerships	30 - 35	0	0	0	0	30 - 35
L Lavan	Director of Corporate Affairs	90 - 95	0	0	0	50 - 52.5	140 - 145
J Twist	Director of Human Resources	90 - 95	1,700	0	0	52.5 - 55	145 - 150
P N Large	Chair	40 - 45	2,800	0	0	0	45 - 50
M Savill	Non-Executive Director	10 - 15	0	0	0	0	10 - 15
M Jones	Non-Executive Director	10 - 15	600	0	0	0	10 - 15
J Farmer	Non-Executive Director	15 - 20	900	0	0	0	15 - 20
N Brooks	Non-Executive Director	10 - 15	1,200	0	0	0	10 - 15
K Morris	Non-Executive Director	10 - 15	0	0	0	0	10 - 15
D Sinclair	Non-Executive Director	0 - 5	0	0	0	0	0 - 5

- *70% of R Perry's salary is for his work as a Director. The other 30% relates to his medical role.*
- *T Wilding ceased to be an Executive Director on 01/01/2019*
- *M Jackson ceased to be an Executive Director 31/03/2019*
- *D Sinclair ceased to be a Non-Executive Director on 30/04/2018*
- *J Develing was appointed to the position of Director of Strategic Partnerships on 01/01/2019*
- *K Morris was appointed to the position of Non-Executive Director 01/05/2019*

Pension Benefits (Audited)

Note: Due to a change in indexation methodology for public sector pension schemes, from August 2019 the method used by NHS Pensions to calculate CETV values was updated. The CETV values at 31 March 2019 and 31 March 2020 may have been calculated using different methodologies, and this change may have impacted the real increase in CETV figure.

The benefits and related CETVs do not allow for any potential adjustment arising from the McCloud judgement

2019/20

Name and Title	Real increase in Pension at pension age (bands of £2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at age at 31st March 2020 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31st March 2020 (bands of £5,000)	Cash Equivalent Transfer Value at 1 April 2019	Real Increase in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2020	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	£000
S Pemberton - Director of Nursing and Quality	2.5 - 5	10 - 12.5	45 - 50	140 - 145	926	94	1,019	0
M Perez-Casal - Director of Research and Innovation	2.5 - 5	2.5 - 5	25 - 30	60 - 65	468	66	533	0
J Develing - Director of Strategic Partnerships	0	0	45 - 50	140 - 145	1,231	0	0	0
L Lavan - Director of Corporate Affairs	0 - 2.5	0	30 - 35	85 - 90	677	42	719	0
J Twist - Director of Human Resources	0 - 2.5	0 - 2.5	35 - 40	85 - 90	624	3	686	0
F Morris - Interim Chief Finance Officer	0 - 2.5	0 - 2.5	15 - 20	25 - 30	221	3	244	0
S Hodkinson - Interim Director of People and Culture	0 - 2.5	0 - 2.5	20 - 25	40 - 45	297	19	350	0

- *J Twist ceased to be an Executive Director on 15/09/2019*
- *S Hodkinson was appointed to the position of Interim Director of People and Culture on 07/10/2019*
- *F Morris was appointed to the position of Interim Chief Finance Officer on 01/01/2020*
- *In accordance with the GAM, negative values are substituted with a zero*
- *Where members left the scheme on or before 31/3/2019 there will be no in-scheme revalued benefits*
- *Where members have reached retirement age, there will be no in-scheme revalued benefits*

2018/19 (Audited)

Name and Title	Real increase in Pension at pension age (bands of £2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at age at 31st March 2019 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31st March 2019 (bands of £5,000)	Cash Equivalent Transfer Value at 1 April 2018	Real Increase /(decrease) in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2019	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	£000
J Tomkinson - Chief Executive	0	0	65 - 70	195 - 200	1,422	88	1,510	0
C Wilson - Chief Finance Officer	0	0	30 - 35	75 - 80	446	64	510	0
S Pemberton - Director of Nursing and Quality	0 - 2.5	2.5 - 5	40 - 45	125 - 130	789	115	904	0
M Jackson - Associate Director of Research and Informatics	0	0	30 - 35	90 - 95	719	0	707	0
T Wilding - Chief Operating Officer	0 - 2.5	0	20 - 25	40 - 45	343	28	395	0
L Lavan - Director of Corporate Affairs	2.5 - 5	2.5 - 5	30 - 35	80 - 85	551	111	662	0
J Develing - Director of Strategic Partnerships	0	0	45 - 50	145 - 150	1,054	20	1,202	0
J Twist - Director of Human Resources	2.5 - 5	2.5 - 5	30 - 35	80 - 85	496	114	610	0

- *T Wilding ceased to be an Executive Director on 01/01/2019*
- *M Jackson ceased to be an Executive Director 31/03/2019*
- *J Develing was appointed to the position of Director of Strategic Partnerships on 01/01/2019*
- *In accordance with the GAM, negative values are substituted with a zero*

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members' accrued benefits and any contingent spouse's pension payable from the scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Pay Multiples (audited)

The HM Treasury FReM requires disclosure of the median remuneration of the reporting entity's staff and the ratio between this and the mid-point of the banded remuneration of the highest paid Director (as defined as a Senior Manager in paragraph 2.30 and paragraphs 2.47 to 2.51), whether or not this is the Accounting Officer or Chief Executive. The calculation is based on full-time equivalent staff of the reporting entity at the reporting period end date on an annualised basis.

The remuneration of the median salary and multiple to the highest paid employee of the Trust for 2019/20 and the prior year comparative is provided below:

	2019/20	2018/19
Band of highest paid Director's remuneration (£'000)	177.5	167.5
Median Pay (£)	30,875	29,047
Ratio	6.0	6.0

The banded remuneration of the highest paid director in the Trust in the financial year 2019/20 was £177.5k (2018/19 £167.5k). This was 6 times (2018/19, 6 times) the median remuneration of the workforce, which was £31k, (2017/18 £29k). The median remuneration of the workforce for 2019/20 has remained consistent with 2018/19.

In 2019/20, nil (2018/19, 4) employees received remuneration in excess of the highest paid director. Remuneration ranged from £16k to £261k (2018/19 £16k to £208k)

Total remuneration includes salary, non-consolidated performance related pay, benefits in kind as well as severance payments. It does not include pension related benefits, employer pension contributions and the cash equivalent transfer value of pensions.

The Trust employs two executives, the Chief Executive, and the Medical Director who are paid more than £150,000. The Chief Executive's remuneration was considered carefully on appointment and referenced to benchmarking data. She accepted the position on the same level of remuneration as her previous post and is paid at a level that is commensurate with her skills and experience. Since her appointment, her level of remuneration has been uplifted only by inflationary pay awards consistent with those applicable to all NHS staff. The Medical Director is an Interventional Cardiologist of national standing and holds regional and national responsibilities as the Cheshire & Merseyside Cardiac Network Clinical Lead, the Deanery Training Programme Director and is part of the RCP National Specialist Advisory Committee. He is also deputy chair of the Cheshire and Mersey cardiac cross cutting theme

of the five year forward view, is a case assessor for the GMC and leads on mortality reduction and infection control and prevention.

Expenses of the Directors

In 2019/20 the total number of directors in office was 18 (2018/19, 16). The number of directors receiving expenses in the reporting period was 11 (2018/19, 11). The aggregate sum of expenses paid to these directors in the reporting period was £9,700 (2018/19, £9,300).

Expenses of the Governors

In 2019/20 the total number of governors in office was 25 (2018/19, 28). The number of governors receiving expenses in the reporting period was 8(2018/19, 14). The aggregate sum of expenses paid to these governors in the reporting period was £3,700 (2018/19, £4,800).

Jane Tomkinson
Chief Executive
Date: 22nd June 2020

2.3 Staff Report

Workforce key performance indicators

At 31st March 2020, the workforce key performance indicators were as follows:

- Sickness absence was 0.8% above target.
- Turnover (all leavers) is 13.45% which is above target by 3.45%.
- Voluntary turnover is 10.69% which is above target by 0.69%.
- Appraisal completions are 90.4%* which exceeded the Trust target of 90% (*based on appraisal period ending September 2019).
- Mandatory training at 31/03/20 was 92.3% which is 2.7% below the target of 95%.

The Trust continues to work with staff to develop health and wellbeing initiatives and supports managers to engage more effectively with their staff as teams and individuals.

2019/20 data

Key Performance Indicators	Sickness Absence	Turnover (All)	Voluntary Turnover	Mandatory Training	Appraisal
Actual	4.2%	13.45%	10.69%	90.4%	92.3%
Target	3.4%	10%	10%	95%	90%

2019/20 sickness absence data

The Trust's sickness absence data is reported here:
https://digital.nhs.uk/dataand-information/publications/statistical/nhs-sickness-absence-rates

Male and female staffing figures

The table below shows the breakdown of male and female Trust staff as at 31st March 2020:

As at 31st March 2020	Male	Female	Total
Board of Directors:			
Non-Executive Directors	5	1	6
Executive Directors (voting)	2	3	5
Associate Directors (non-voting)	0	4	4
Senior Managers	13	11	24
Trust Employees	448	1,214	1662
Total Staffing			1,701

Workforce profile

The workforce profile broadly reflects that of the local population demographics, which is categorised by low levels of racial and ethnic diversity.

These populations contain a predominately white, British population, with a small percentage of Asian, black and mixed ethnic minority populations living in catchment areas for Liverpool Heart and Chest Hospital services and employment opportunities.

Age Profile

	31/03/20		31/03/19	
Age Band	**Heads**	**%**	**Heads**	**%**
16-20	6	0.35%	8	0.49%
21-25	112	6.58%	101	6.15%
26-30	227	13.35%	216	13.15%
31-35	221	12.99%	206	12.54%
36-40	203	11.93%	196	11.93%
41-45	210	12.35%	202	12.29%
46-50	194	11.41%	200	12.17%
51-55	214	12.58%	229	13.94%
56-60	193	11.35%	181	11.02%
61-65	85	5.00%	76	4.63%
66-70	25	1.47%	20	1.22%
71+	11	0.65%	8	0.49%
Total	**1701**	**100.00 %**	**1643**	**100.00%**

Gender Profile

	31/03/20		31/03/19	
Gender	**Heads**	**%**	**Heads**	**%**
Female	1234	72.55 %	1206	73.40 %
Male	430	27.45 %	437	26.60 %
Total	**1701**	**100.00 %**	**1643**	**100.00 %**

** Transgender not recorded*

Disability Profile

	31/03/20		31/03/19	
Disability	**Heads**	**%**	**Heads**	**%**
No	1276	75.01%	1188	72.31 %
Not Declared	81	4.76%	67	4.08 %
Undefined	297	17.46%	342	20.81 %
Yes	47	2.76%	46	2.80 %
Total	**1701**	**100.00 %**	**1643**	**100.00 %**

Religion Profile

	31/03/20		31/03/19	
Religion	**Heads**	**%**	**Heads**	**%**
Atheism	163	9.58%	145	8.83 %
Buddhism	17	1.00%	17	1.03 %
Christianity	870	51.15%	890	54.17 %
Hinduism	26	1.53%	30	1.83 %
I do not wish to disclose my religion/belief	203	11.93%	187	11.38 %
Islam	28	1.65%	20	1.22 %
Judaism	1	0.06%	1	0.06 %
Other	79	4.64%	80	4.87 %
Sikhism	10	0.59%	9	0.55 %
Undefined	304	17.87%	264	16.06 %
Total	**1701**	**100.00%**	**1643**	**100.00 %**

Sexual Orientation Profile

	31/03/20		31/03/19	
Sexual Orientation	**Heads**	**%**	**Heads**	**%**
Bisexual	8	0.47%	6	0.37%
Gay or Lesbian	24	1.41%	21	1.28 %
Heterosexual or Straight	1190	69.96%	1185	72.12 %
I do not wish to disclose my sexual orientation	177	10.41%	165	10.04 %
Undefined	302	17.75%	266	16 %
Total	**1701**	**100.00%**	**1643**	**100.00 %**

Ethnicity Profile

	31/03/20		31/03/19	
Ethnic Origin	**Heads**	**%**	**Heads**	**%**
A White - British	1398	82.19%	1358	82.65 %
B White - Irish	33	1.94%	36	2.19 %
C White - Any other White background	57	3.35%	42	2.56 %
D Mixed - White & Black Caribbean	3	0.18%	1	0.06 %
E Mixed - White & Black African	3	0.18%	3	0.18 %
F Mixed - White & Asian	6	0.35%	4	0.24 %
G Mixed - Any other mixed background	4	0.24%	5	0.30 %
H Asian or Asian British - Indian	105	6.17%	113	6.88 %
J Asian or Asian British - Pakistani	10	0.59%	11	0.67 %
L Asian or Asian British - Any other Asian background	14	0.82%	13	0.79 %
M Black or Black British - Caribbean	2	0.12%	3	0.18 %
N Black or Black British - African	13	0.76%	9	0.55 %
P Black or Black British - Any other Black background	3	0.18%	2	0.12 %
R Chinese	11	0.65%	12	0.73 %
S Any Other Ethnic Group	18	1.06%	15	0.91 %
Undefined	14	0.82%	5	0.30 %
Z Not Stated	7	0.41%	11	0.67 %
Total	**1701**	**100.00%**	**1643**	**100.00 %**

The Trust has a Recruitment and Selection Policy which aims to ensure compliance with current legislation for employing staff in accordance with the Equality Act, Immigration Rules and the Disclosure and Barring Service (as applicable). Recruitment and selection training is available for managers via the Leadership Development Programme and regular support, advice and guidance is provided to recruiting managers by the Resourcing Team.

The Trust is positive about employing people with disabilities and promotes the “Disability Confident Employer” and is committed to supporting staff to gain access to employment and maintain employment. As such all applicants who declare that they have a disability and who meet the essential criteria for a post are shortlisted and invited to interview.

Support for staff who become disabled is provided under the Trust’s Management of Attendance Policy and Performance Capability Policy.

Where medical advice recommends temporary or permanent changes, such as reduced hours, lighter duties or alternative shift patterns, managers are required to consider flexible solutions to enable the employee to continue in their present role. Where service requirements prevent such changes being made, every effort is made to redeploy staff to more suitable roles within the Trust. Redeployment may be on a temporary basis, to facilitate

and support the employee to return to their substantive role, or on a permanent basis depending on the circumstances. Suitability for redeployment is determined based on meeting the minimum criteria of the job description/person specification for the new role. It is Trust policy that individuals cannot be rejected for redeployment because of their sickness record or current health.

With regard to performance issues, the requirements of the Performance Capability Policy include:

- detailed assessment of all job applicants against the requirements of the role and the person specification
- ensuring all new employees receive a proper induction to the Trust along with local orientation to the relevant ward or department
- provision of initial and on-going job training; setting realistic standards with regard to required level of performance and making reasonable adjustments as appropriate.

Employees are kept informed of their progress and are provided with required training to equip them to carry out their duties, as determined in personal development plans through the appraisal process.

Both of these Trust policies are supplemented by managers' toolkits which provide further advice and guidance in relation to disabled employees.

Communicating with staff

Team Brief

- The Team Brief approach to encourage staff involvement was further embedded throughout the Trust in 2019/20, with parts of Team Brief being delivered by staff from across the organisation. This included the 'Your Chance to Shine', 'Organisational Learning' and 'Quality Improvement' segments to engage staff from all areas in identifying and showcasing achievements, whilst also celebrating innovation and service improvements and sharing best practice with colleagues.

Corporate hotboards

- Following feedback received from members of staff across the Trust, especially ward-based staff and those in support service functions, that they were not able to routinely access important corporate news, highly visible corporate information boards continued to be used to share key corporate messages on a monthly basis, in wards and departments.

Weekly bulletin

- Staff across the Trust receive a weekly e-bulletin with a round-up of corporate information, including workforce news, information governance updates, policy and procedure changes, as well as other operational issues.

Screensavers

- All computer screens across the Trust receive weekly screensavers as a way of highlighting clear and simple key messages to staff in corporate and clinical areas.

These could include achievements, safety campaigns, national initiatives, CQC related information.

Engaging with staff

During 2019/20 the following schemes have taken place linked to staff engagement:

Junior Doctor Forum

- This was created after receiving feedback from junior doctors and it has been running quarterly. It is a good opportunity for doctors to bring up issues about their training and their pastoral needs. The forum has been a success, and it continues. Following recommendations from Health Education England (HEE) regarding *Improving the Working Lives of Junior Doctors*, the Junior Doctor Forum recently approved spend of the BMA Rest and Facilities Charter funding of £63,000.
- A Guardian of Safe Working is now embedded as part of the new junior doctor national terms and conditions. Just one exception has been received since its introduction.

Equality groups

- The Trust has an internal BAME Group which meets quarterly and feeds into the Equality and Inclusion Steering Group, which also meets quarterly. The Trust is working with other local trusts and national networks to provide more opportunity for our staff to access larger network groups including LGBT, BAME, Women's and Disability

Introduction and establishment of human factor training and simulation in Cath Labs

- Feedback from staff in this area highlighted the appetite for more human factors and simulation training opportunities. This has now been established and delivered in collaboration with the Cheshire and Merseyside Simulation Centre.

Introduction of the Leadership Strategy Inclusive of Talent Management Plan

- Following staff feedback through the national staff survey, the Trust developed a plan for the introduction of a talent management/succession planning as part of our Leadership Strategy to identify individuals to be the leaders of tomorrow. Although in its infancy, the talent management plan identified a number of staff by their scoring at appraisal and aspirational conversation then being put forward being put forward for further training and development opportunities, based on their career ambitions.

Partnership with Edge Hill University

- With the reduction of continuing professional development (CPD) allocations from HEE, the Trust maintains and develops its partnership with Edge Hill University, ensuring that professionally registered staff have access to academic programmes. The partnership with Edge Hill University has also allowed the development of bespoke training for LHCH staff, an example of this being the clinical supervision training, delivered on site by the University staff.

Postgraduate certificates

- The new postgraduate certificate in advance cardiothoracic care commenced in February 2020.

Leadership and management

- With the introduction of the new Leadership Strategy, a leadership and management programme has been established covering a range of sessions including recruitment, management of staff, difficult conversations, workload management and other aspects suggested by staff.
- Staff are given the opportunity to undertake a 360 feedback with the NHS Leadership Academy
- The Trust was successful in its bid to host the Mary Seacole local programme for Cheshire and Merseyside. The licence to host this programme commenced on the 14th February 2020 and will allow LHCH to support the leadership academy to develop new leaders within the NHS. This follows the successful delivery of two internal cohorts over the last two years.
- There are participants on other NHS Leadership Academy programmes including the Elizabeth Garrett Anderson programme, The Nye Bevan programme and the Aspirant Executives programme. All new registrants are encouraged to undertake the Edward Jenner programme for newly qualified healthcare professionals.
- Development of Essential Coaching Conversations session in collaboration with Liverpool Women's Hospital, to be delivered across both trusts.

Clinical leaders

- Continued development of clinical leads via tailored leadership sessions and leadership development sessions provided to the regional cohort of Physician Associates.

Partnership Forum

- The Trust has a Partnership Forum, which is established as a sub-committee of the Workforce Development Group. It provides a forum for partnership working between management and staff representatives on matters relating to staff employed by the Trust. The primary objective of the Forum is to provide a structure for engagement, consultation and negotiation, as appropriate, between management and trade unions/professional bodies, related to the management of staff in the provision of services with the objective of delivering the Trust mission and its people strategy, Team LHCH at its best.

Trade Union Facility Time 1 April 2019 to 31 March 2020	
Employees in the organisation	
	1,501 to 5,000 employees
Trade union representatives and full-time equivalents	
Trade union representatives:	6
FTE trade union representatives:	5.89
Percentage of working hours spent on facility time	
0% of working hours:	2 representatives
1 to 50% of working hours:	4 representatives
51 to 99% of working hours:	0 representatives
100% of working hours:	0 representatives
Total pay bill and facility time costs	
Total pay bill:	£88,697,000
Total cost of facility time:	£5,271.91
Percentage of pay spent on facility time:	0.01%
Paid trade union activities	
Hours spent on paid facility time:	83
Hours spent on paid trade union activities:	333.5
Percentage of total paid facility time hours spent on paid TU activities:	19.93%

Local Negotiating Committee

- For medical staff, the Trust also has an established Local Negotiating Committee. Similar to the Staff Partnership Forum, this Committee provides a forum for engagement, consultation, negotiation and partnership working between management and staff side representative with regard to matters specifically relating to medical staff working in the Trust.

Formal/informal consultation

- Other formal/informal consultation takes place on specific issues for example where organisational change is occurring. The Trust is committed to ensuring full and early consultation with employees and their representatives in accordance with its Organisational Change Policy. Where it is anticipated that organisational change is necessary, consultation begins at the earliest opportunity to minimise disruption and uncertainty, with particular attention given to those employees directly affected by the proposed change. Where jobs are at risk, consultation includes consideration of ways of avoiding job losses, minimising the numbers of employees affected and mitigating the consequences of any potential redundancies.

Speaking Up

- There are a number of Trust policies and avenues that provides employees with the information on how to raise matters of concern. These include Freedom to Speak Up Guardian (FTSUG) and Champions, grievance policy, bullying and harassment policy, HR and Staff Side, Duty of Candour, Datix. There is a training programme

which covers the application of these policies and there is regular communication sent to all. The FTSUG is visible throughout the Trust and attends a number of key forums. This is complemented by executive and non-executive walkabouts and a daily corporate huddle led by the Chief Executive.

Health and wellbeing

- The Health and Wellbeing (H&WB) Group is very active and has representatives from across all staff groups and has an action plan with a series of planned activities including quarterly open days. The H&WB Group launched a new strategy in 2019/20, and hosted a number of campaigns, including hydration awareness and mental health awareness.

Health and safety performance and occupational health

The Trust has a contract with Team Prevent for the provision of its Occupational Health Service. This contract provides services including:

- pre-placement health assessments
- immunisations
- inoculation injury management
- advice on attendance management, case conferences, ill health retirement, lifestyle health assessments, specific health surveillance, and night-worker health assessment.

Occupational health staff are in attendance at the Trust's Health & Safety meetings, Infection Prevention meetings, Health & Wellbeing meetings as well as attending health and wellbeing events for staff. A monthly activity and performance report are provided and monitored against determined key performance indicators.

The Trust's employee assistance contract, facilitated by Mersey Care NHS Foundation Trust, allows staff 24/7 telephone access to a team of advisors who can support them with guidance on all matters in relation to their health and wellbeing, including face to face counselling. Mersey Care is also involved in health and wellbeing meetings and events for staff including provision of Mental Health Awareness Training for managers and Resilience Training. In addition, a series of resilience training master classes have been provided throughout the year.

The Health & Safety Committee meets on a quarterly basis. In January 2019, it reviewed its work against the terms of reference. Achievements made against the terms of reference show positive results, evidencing that the Health & Safety Committee has operated effectively and in accordance with its terms of reference.

Awareness raising in relation to health and safety has continued, with an ongoing inspection regime being conducted annually to highlight any areas of weakness in clinical and non-clinical areas.

Staff policies and actions applied during the financial year

The Trust has an annual policy schedule which ensures all staff policies are reviewed in a timely manner.

All policies are reviewed in conjunction with staff side and management consultation ensuring compliance with appropriate legislation and best practice as part of the consultation process. All staff policies are ratified via the LNC and Partnership (where appropriate), which acts on delegated responsibility from the People Committee.

The following policies have been reviewed and/or developed in 2019/20:

- Study and Professional Leave for Medical staff
- Pension Contribution Alternative Reward Policy
- Agenda For Change Pay Progression Policy

All policies are subject to Equality Impact Analysis to provide a robust approach to ensuring all Trust strategies, policies and practices treat people fairly and do not undermine their rights. As a result the Trust can demonstrate how it is fulfilling its duties and obligations under the Equality Act 2010 and the Public Sector Equality Duty.

Information on policies and procedures with respect to countering fraud and corruption

The Trust has an Anti-Fraud, Bribery and Corruption Policy and Procedure.

This policy is produced by the Anti-Fraud Specialist (AFS) and is intended as both a guide for all employees on the counter fraud, bribery and corruption activities being undertaken within the Trust and NHS. It also informs all Trust staff of roles and responsibilities, and how to report any concerns or suspicions. It incorporates codes of conduct and individual responsibilities.

Summary of performance – NHS Staff Survey results 2019

The NHS staff survey is conducted annually. From 2018 onwards, the results from questions are grouped to give scores in ten indicators. The indicator scores are based on a score out of 10 for certain questions with the indicator score being the average of those.

The response rate for the 2019 survey amongst trust staff was 64% (2018 - 59%). Scores for each indicator together with that of the **survey benchmarking group** (Acute Specialist Trusts) are presented below.

	2019/20		2018/19		2017/18	
	Trust	Benchmarking Group	Trust	Benchmarking Group	Trust	Benchmarking Group
Equality, Diversity and Inclusion	9.4	9.2	9.4	9.3	9.4	9.3
Health and wellbeing	6.5	6.3	6.6	6.3	6.6	6.3
Immediate Managers	7.4	7.1	7.3	7.0	7.3	6.9
Morale	6.5	6.4	6.4	6.3		
Quality of appraisal	6.2	5.8	6.2	5.7	6.0	5.5
Quality of care	8.1	7.9	8.1	7.8	8.2	7.7
Safe environment – bullying and harassment	8.7	8.3	8.8	8.2	8.9	8.4
Safe environment – violence	9.7	9.8	9.7	9.7	9.6	9.7
Safety culture	7.5	7.0	7.6	6.9	7.4	6.9
Staff engagement	7.6	7.5	7.7	7.4	7.5	7.4
Team working	7.1	6.9	-	-	-	-

The results are very positive and show us performing, as one of the best acute specialist organisations in 5 of the 10 themes, above average in 5 of the remaining.

Compared to other Acute Specialist Trusts who were contracted with Picker LHCH was:

- Significantly better than average for 39 questions
- No significant difference for 51 questions
- Significantly worse than average on 0 questions

LHCH scores highest specialist Trust nationally:

- Staff are able to deliver the care to which they aspire.
- Staff are enthusiastic about their job.
- Time passes quickly when you are working.
- The team I work in has a set of shared objectives.
- The support staff members get from work colleagues.
- Staff having the adequate, materials supplies and equipment to do their work.
- My immediate manager encourages me at work.

- My immediate manager can be counted on to help me with a difficult task at work.
- My immediate manager gives me clear feedback on my work.
- My immediate manager is supportive in a personal crisis.
- Communication between senior managers and staff is effective.
- Senior managers try to involve staff in important decisions. Senior managers act on staff feedback.
- In the last 12 months, have you personally experienced physical violence at work from managers?
- In the last 12 months how many times have you personally experienced harassment, bullying or abuse at
- work from patients, their relatives or other members of the public?
- In the last 12 months have you seen any errors, near misses, or incidents that could have hurt patients?
- My organisation encourages us to report errors, near misses or incidents.
- When incidents are reported, the organisation takes action to ensure that they do not happen again.
- If you were concerned about unsafe clinical practice, would you know how to report it?
- I feel secure in raising concerns.
- I am confident my organisation would address my concerns.
- My organisation acts on concerns raised by patients.

In conclusion the results are really positive and it is pleasing to see the improvements that have been made since the 2018 survey. In particular with our targeted areas of work of FTSU, Delirium and Service Improvement have seen the desired effect with staff being more involved in decision making, an improvement in reduction in violence reported, staff thinking about leaving the organisation.

Further analysis of the results will be on-going. Divisions and Departments are provided with a suite of reports and are asked to identify areas for improvement for supported action planning. A number of actions will also be undertaken as part of the Leadership, Equality and Inclusion, Retention and Health and Wellbeing action plans.

Staff Friends and Family Test

The Friends and Family Test (FFT) for Staff is a national feedback tool which allows staff to feedback on NHS services based on recent experience. The Staff FFT is conducted on a quarterly basis (except for the quarter when the Staff Survey is running). There is no set criterion for how many staff should be asked in each quarter, simply a requirement that all staff should be asked at least once over the year. The Trust opens the survey for all staff to complete for each of the three quarters.

For national feedback, staff are asked to respond to two questions. The '*Care'* question asks how likely staff are to recommend the NHS services they work in to friends and family who need treatment or care. The *'Work'* question asks how likely staff would be to recommend the NHS service they work in to friends and family as a place to work. Staff are given a 6-point scale from which they can respond to each question.

LHCH scores are shown below, plotted alongside the National Staff Survey results:

"How likely are you to recommend the organisation to friends and family as a place to work?"

2016/17			2016	2017/18			2017	2018/19			2018	2019/20			2019
FFT Q4	FFT Q1	FFT Q2	Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey
66%	70%	70%	73%	64%	73%	71%	74%	769	74%	76%	76%	76%	76%	76%	76%

"How likely are you to recommend the organisation to friends and family if they needed care or treatment?"

2016/17			2016	2017/18			2017	2018/19			2018	2019/20			2019
FFT Q4	FFT Q1	FFT Q2	Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey
97%	95%	95%	95%	96%	95%	96%	93%	96%	97%	97%	95%	94%	94%	94%	94%

Corporate social responsibility

As well as providing specialist healthcare services, Liverpool Heart and Chest Hospital is committed to its wider social responsibilities as a major local organisation and believes that investing in its local community enhances its reputation as an employer of choice, helping to achieve its vision to 'be the best'.

The Trust offers a variety of opportunities for community engagement as follows:

Volunteering

- A well-established volunteers' programme is in place offering opportunities for the local community to become involved in meeting and greeting, showing patients and visitors to departments, as well as visiting patients.

Work experience programme

- The Trust normally takes 40 - 50 placements per year from local schools.

Access to Medicine

- A bespoke programme offering AS level students an opportunity to shadow a medic during summer holidays with a 2 day introduction to the specialist nature of LHCH, which supports their entry application into Medical School.

Medicine taster day

- Offered for AS level students considering medicine as a career in conjunction with Social Mobility Foundation.

Links with higher education providers

- The Trust actively engages with local universities and offers placements to students across nursing, physiology, physiotherapy, radiology and theatres.

Patient and family involvement

- The Trust puts the patient and their family at the heart of everything it does and has a dedicated Customer Care Team that proactively encourages feedback and holds engagement sessions with past and present patients and their families.

Dementia Action Alliance Liverpool

- The Trust has provided dementia friends training to its local community, working alongside Dementia Action Alliance Liverpool to support their work in making Liverpool a dementia friendly community.

Work with schools

- The Trust has supported local school open days with career open days and interviewing/CV skills, paid internships and career coaching.

Traineeships

- Traineeships have been developed for young people between the ages of 16 and 24 years. Working with a local college these young people are given training to help them be work ready, and to develop their Math's and English skills often gaining qualifications in these areas. A work placement of two days a week is offered alongside this college training. Candidates are supported by the teams in which they work and by a member of the education team. Pastoral care has been part of the support offered as many of these young people have come from difficult backgrounds, often with little support. Several of the young people that have been through this programme have gained places on further programmes, either apprenticeships or the next level up or have accessed bank work.
- Pre-employment programme is offered to people 25 years and over, many of whom have had previous difficulties due to mental health issues, long term sickness or absence from work. This group of people is supported on a three day week work placement and access training on resilience, interview skills, work presence, and other appropriate subjects.
- A review of educational roles is currently underway to ensure support can continue for all vocational pathways.

Analysis of staffing costs and numbers

Table 1: Staff Costs (audited)				2019/20		2018/19
	Permanent	Other	Total	Total
	£000	£000	£000	£000
Salaries and wages	68,686	1,635	**70,320**	62,861
Social security costs	6,158	-	**6,158**	5,801
Apprenticeship levy	297	-	**297**	276
Employer's contributions to NHS pension scheme	10,020	-	**10,020**	6,596
Pension cost - other	-	-	**-**	-
Other post employment benefits	-	-	**-**	-
Other employment benefits	-	-	**-**	-
Termination benefits	-	-	**-**	5
Temporary staff	-	1,901	**1,901**	1,427
Total gross staff costs	**85,161**	**3,536**	**88,697**	**76,966**
Recoveries in respect of seconded staff	-	-	**-**	-
Total staff costs	**85,161**	**3,536**	**88,697**	**76,966**
Of which				
Costs capitalised as part of assets	303	-	**303**	138

Table 2: Average number of employees (WTE basis) (audited)	19/20	19/20	2019/20	2018/19
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical and dental	115	3	**118**	**157**
Administration and estates	419	22	**441**	**339**
Healthcare assistants and other support staff	198	16	**214**	**291**
Nursing, midwifery and health visiting staff	541	15	**556**	**573**
Scientific, therapeutic and technical staff	259	7	**266**	**268**
Healthcare science staff	73	-	**-**	**-**
Other	1	-	**1**	**4**
Total average numbers	**1,533**	**63**	**1,596**	**1,632**
Of which:				
Number of employees (WTE) engaged on capital projects	6	-	**6**	**6**

Table 3: Reporting of compensation schemes - exit packages 2019/20 (audited)

Exit package cost band (including any special payment element)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	Number	Cost	Number	Cost	Number	Cost
		£000		£000		£000
<£10,000	-	-	-	-	-	-
£10,001 - £25,000	-	-	-	-	-	-
£25,001 - 50,000	-	-	-	-	-	-
£50,001 - £100,000	-	-	1	58	1	58
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
>£200,000	-	-	-	-	-	-
Total	-	-	1	58	1	58

Table 4: Reporting of compensation schemes - exit packages 2018/19 (audited)

Exit package cost band (including any special payment element)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages	
	Number	Cost	Number	Cost	Number	Cost
		£000		£000		£000
<£10,000	1	5	-	-	1	5
£10,001 - £25,000	-	-	-	-	-	-
£25,001 - 50,000	-	-	-	-	-	-
£50,001 - £100,000	-	-	-	-	-	-
£100,001 - £150,000	-	-	-	-	-	-
£150,001 - £200,000	-	-	-	-	-	-
>£200,000	-	-	-	-	-	-
Total	1	5	-	-	1	5

Table 5: Exit packages: other (non-compulsory) departure payments (audited)	2018/19		2019/20	
	Payments agreed	Total value of agreements	Payments agreed	Total value of agreements
	Number	£000	Number	£000
Voluntary redundancies including early retirement contractual costs	-	-	-	-
Mutually agreed resignations (MARS) contractual costs			-	-
Early retirements in the efficiency of the service contractual costs	-	-	-	-
Contractual payments in lieu of notice	-	-	-	-
Exit payments following Employment Tribunals or court orders	-	-	1	58
Non-contractual payments requiring HMT approval	-	-	-	-
Total	**-**	**-**	**1**	**58**
Of which:				
Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months' of their annual salary	-	-	-	-

Table 6: For all off-payroll engagements as of 31st Mar 2020, for more than £245 per day and that last for longer than six months	2019/20
	Number of engagements
Number of existing engagements as of 31st Mar 2019	-
Of which:	
Number that have existed for less than one year at the time of reporting	-
Number that have existed for between one and two years at the time of reporting	-
Number that have existed for between two and three years at the time of reporting	-
Number that have existed for between three and four years at the time of reporting	-
Number that have existed for four or more years at the time of reporting	-

Table 7: For all new off-payroll engagements, or those that reached six months in duration, between 1st Apr 2019 and 31st Mar 2020, for more than £245 per day and that last for longer than six months	2019/20
	Number of new engagements
Number of new engagements, or those that reached six months in duration between 1st Apr 2019 and 31st Mar 2020	-
Number of the above which include contractual clauses giving the trust the right to request assurance in relation to income tax and national insurance obligations	-
Number for whom assurance has been requested	-
Of which:	
Number for whom assurance has been received	-
Number for whom assurance has not been received	-
Number that have been terminated as a result of assurance not being received	-

Table 8: For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 Apr 2019 and 31 Mar 2020	2019/20
	Number of engagements
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
Number of individuals that have been deemed "board members and/or senior officials with significant financial responsibility". This figure must include both off-payroll and on-payroll engagements.	9

Expenditure on consultancy – awaiting figures from finance colleagues

Total expenditure during 2019/20 on consultancy has totalled £614k.

Gender pay gap

Information on the Trust's gender pay gap can be found on the Trust's website:
https://www.lhch.nhs.uk/media/7110/gender-pay-gap-31032019.pdf

Alternatively please visit the Cabinet Office website:
https://gender-pay-gap.service.gov.uk/employer/drdLA1ch

2.4 Disclosures set out in the NHS Foundation Trust Code of Governance

Compliance with the Code of Governance

Liverpool Heart and Chest Hospital NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance ('The Code') on a 'comply or explain basis'. The NHS Foundation Trust Code of Governance, most recently revised in July 2014 is based upon the principles of the UK Corporate Governance Code issued in 2012.

During 2019/20, the Board of Directors has maintained governance policies and processes that reflect the principles of the Code, shown below.

- A clear vision, underpinned by strategic objectives and operational plan.
- A Corporate Governance Manual which includes the constitution and procedures by which the Board of Directors and Council of Governors operate; the Scheme of Reservation and Delegation, the Board Committee structure and associated Terms of Reference, Standing Financial Instructions and key corporate policies.
- At least half the Board of Directors, excluding the Chair, comprises independent non-executive directors.
- The appointment of a Senior Independent Director.
- Regular private meetings between the Chair and non-executive directors.
- Robust annual appraisal process for the Chair and non-executive directors that has been developed and approved by the Council of Governors.
- Robust recruitment process for the appointment of non-executive Directors.
- Induction process for Non-executive and Executive Directors.
- Comprehensive induction programme and ongoing training programme for Governors.
- Annual review of non-executive director independence.
- Annual review of compliance with Fit and Proper Persons' criteria for all Directors.
- Publicly accessible Register of Interests for Directors, Governors and senior staff;
- Senior Governor appointed.
- Provision of Board minutes and summaries of the Board's private business to governors.
- Effective infrastructure to support the Council of Governors including sub committees, interest groups and informal meetings with the Chair.
- Process for annual evaluation of the Council of Governors and for setting key objectives / priority areas for the following year.
- Membership Strategy with KPIs and engagement plan reported to the Council of Governors.
- Two Nominations and Remuneration Committees for executive and non-executive appointments / remuneration respectively – in the case of non-executive appointments / remuneration recommendations are made to the Council of Governors for approval.
- High quality reports to the Board of Directors and Council of Governors.
- Board evaluation and development plan.
- Codes of Conduct for Governors and for Directors.

- Going concern report.
- Robust Audit Committee arrangements.
- Governor-led appointment process for external auditor.
- Freedom to Speak Up (Raising Concerns) Policy.
- Anti-fraud policy and plan.

The Board of Directors conducts an annual review of the Code of Governance to monitor compliance and identify areas for further development.

The Board has confirmed that, with the exception of the following two provisions, the Trust has complied with the provisions of the Code in 2019/20.

Liverpool Heart and Chest Hospital departed from:

i) Provision which states:

'BoD evaluation should be externally facilitated at least every 3 years. The evaluation needs to be carried out against the board leadership and governance framework set out by Monitor. The external facilitator should be identified in the annual report and a statement made as to whether they have any other connection to the trust'

The Board commissioned an independent evaluation against the Monitor framework in March 2017, and therefore a further review was due in March 2020. The Board gave careful consideration to this requirement and decided that commissioning an external review in 2019/20 did not offer best use of Trust resources given the assurance received following the CQC's assessment of the Well led criteria as 'outstanding' in the summer of 2019. The Board also responded following the publication of the Kark recommendations by asking MIAA to facilitate a review of the Board's core skills and competencies and utilising this work to inform the Board Development Plan for 2020/21. The Board determined that it would consider the timing of a second comprehensive independent review in Quarter 4 of 2020/21.

ii) Provision B.7.1 which states:

'Any term beyond six years (e.g. two three year terms) for a non-executive director should be subject to particularly rigorous review, and should take into account the need for progressive refreshing of the Board. Non-executive directors may, in exceptional circumstances, serve longer than six years (e.g. two three year terms following authorisation of the NHS Foundation trust) but this should be subject to annual re-appointment. Serving more than six years could be relevant to the determination of a non-executive's independence.'

The Chair was re-appointed by the Council of Governors (September 2019) for a final term ending 31st March 2022, at which point he will have served on the Board of the foundation trust for almost thirteen years.

The Board has determined that the Chair continues to be independent and there is clear evidence of continued challenge. The Chair has no material conflicts of interest and maintains a clear boundary between personal and professional relationships. There has been a consistent turnover of non-executive directors, bringing collective challenge and fresh perspective to the Board. There was a change of Senior Independent Director in 2019 and

focus on the Board succession plan. Specifically, there is a robust succession plan in place to support the appointment of a new chair with effect from 1st April 2022 and work has already progressed to identify and cultivate potential candidates.

The Council of Governor's decision to continue the Chair's tenure took account of the Chair's outstanding contribution and performance; and as the Board has seen a refresh of non-executive directors, the re-appointment of the Chair would provide ongoing stability during a challenging operational period within a rapidly changing external environment.

The Council of Governors also recognised the Chair's specific experience and personal networks in the context of the Trust's wider systems leadership role within Cheshire and Merseyside and more locally, the Liverpool health system.

Membership

The Trust is committed to ensuring that members are representative of the population it serves. Anyone living in England and Wales over the age of 16 is eligible to become a public member. The public constituency is divided into four geographical areas.

- Merseyside (Districts of Knowsley, Liverpool, Sefton, St Helens and Wirral, including all electoral wards in those districts)
- Cheshire (Districts of Chester, Congleton, Crewe and Nantwich, Ellesmere Port and Neston, Macclesfield, Vale Royal, Warrington and Halton, including all electoral wards in those districts)
- North Wales (Districts of Conwy, Denbighshire, Flintshire, Gwynedd, Isle of Anglesey and Wrexham, including all electoral wards in those districts)
- Rest of England and Wales

Staff membership is open to anyone who is employed by the Trust under a contract of employment which has no fixed term, or who has been continuously employed by the Trust under a contract of employment for at least 12 months. The Trust operates an 'opt out' basis.

The staff constituency is divided into four classes to reflect the workforce.

- Registered and Non-Registered Nurses (being health care assistants or their equivalent and student nurses)
- Non Clinical Staff
- Allied Healthcare Professionals, Technical and Scientific Staff
- Registered Medical Practitioners

To date no members of staff have opted out of membership.

Membership strategy

The Trust believes that its membership makes a real contribution to improving the health of the local communities and our emphasis is on encouraging an active and engaged membership, as well as continuing to engage with members of the public.

The Council of Governors is responsible for reviewing, contributing to and supporting the Membership Strategy and making recommendations to the Board of Directors, for approval of revisions to the strategy. The implementation of the Membership Strategy is monitored by the Membership and Communications Sub Committee of the Council of Governors, which is chaired by an elected public governor.

The membership plans are to:

- support greater engagement with the general public as well as membership delivering the Trust's mission to provide excellent, compassionate and safe care for patients and population
- continue to build a membership that is representative of the demographics of its patient population, whilst also being mindful of the public population
- continually increase the quality of engagement and participation through the involvement of members and members of the public in all sectors of the communities

served - specifically seeking feedback from recent patients and families in order to ensure a balanced perspective in delivering our goals

- communicate with members in accordance with their personal involvement preferences. This will ensure that the Trust achieves effective membership communications whilst achieving value for money.

The Trust's membership strategy is to maintain a minimum of 8,500 public members and to focus on retention and engagement of members via active targeted recruitment to manage the small turnover rate of members. The strategy strives to increase representation in relation to age profile, ethnicity, gender and demographics across the patient and public population.

During the year, the communications, recruitment and engagement plan was reviewed by the Membership and Communications Sub Committee. This plan incorporates a *calendar of events delivered across the Trust's membership catchment area - Merseyside, North Wales, Cheshire and Rest of England and Wales.

Governors are encouraged to engage with their own constituencies, including any community groups with whom they are personally involved. This engagement is supported by the Trust's Membership Office which helps to facilitate opportunities for such activities. For example, the Trust has continued to provide a series of highly successful and popular health awareness events at which clinical specialists have hosted talks and discussion in local community settings. These events have also been advertised to members of the community in order to encourage engagement between Governors and members of the public.

In addition, Governors attend regular *patient and family listening events which provide further opportunity for effective engagement.

It is through these activities that Governors canvass the views of members and the public in order to inform the Trust's forward plans, including its objectives, priorities and strategy. These views are communicated to the Board at quarterly Council of Governor meetings, strategic workshop and at the annual Joint Board and Governor Development Day.

In order to manage its turnover and to improve representation, Governors attended a number of recruitment events throughout the year. This is in addition to ongoing recruitment of members as part of our hospital volunteer scheme. These aim to target those areas illustrated in the Membership Strategy as being under represented, being mindful of both the Trust's patient population and the general population of areas served. For public members, these include geographical areas of Merseyside and Cheshire along with an age range of 50-59 years old and those under 60 to attract a younger membership.

**Due to the Covid-19 pandemic, a decision was taken in March 2020 to suspend the programme of community membership engagement events as well as the patient and family listening events.*

Membership profile

Constituency			
Public Area	**As at 31st March 2019**	**As at 31st March 2020**	**Increase/ Decrease**
Cheshire	2,278	2,243	-35
Merseyside	4,740	4,799	+59
North Wales	1,721	1,648	-73
Rest of England and Wales	811	806	-5
Total - Public Constituency	**9,550**	**9.496**	**-54**
Staff Constituency	1,582	1,663	+81

Members who wish to contact their elected Governor to raise an issue with the Board of Directors, or members of the public who wish to become members, should contact:

Membership Office
Liverpool Heart and Chest Hospital NHS Foundation Trust
Thomas Drive
Liverpool
L14 3PE
Tel: 0151 600 1410
Email: membership.office@lhch.nhs.uk

Council of Governors

Role and composition:

The Council of Governors has responsibility for representing the interests of the members, partner organisations and members of the public in discharging its statutory duties which are:

- to appoint and, if appropriate, remove the Chair
- to appoint and, if appropriate, remove the other Non Executive Directors
- to decide the remuneration and allowances, and other terms and conditions of office, of the Chair and other Non Executive Directors
- to approve the appointment of the Chief Executive
- to appoint and, if appropriate, remove the auditor
- to receive the annual report and accounts and any report on these provided by the auditor
- to hold the Non Executive Directors, individually and collectively, to account for the performance of the Board of Directors
- to feedback information about the Trust, its vision and its performance to the constituencies and partner organisations that elected or nominated them, along with members of the public
- to approve 'significant transactions'
- approve an application by the Trust to enter into a merger, acquisition, separation or dissolution
- decide whether the Trust's non-NHS work would significantly interfere with its principal purpose, which is to provide goods and services for the health service in England, or performing its other functions
- approve amendments to the Trust's constitution.

The Council of Governors comprises 25 governors of whom:

- **14 are elected by the public from 4 defined classes** – Merseyside (6 seats), Cheshire (4 seats), North Wales (3 seats) and the Rest of England and Wales (1 seat)
- **7 are elected by staff from 4 defined classes** – Registered and Non-Registered Nurses (3 seats), Non Clinical (2 seats), Allied Healthcare Professionals, Technical and Scientific (1 seat) and Registered Medical Practitioners (1 seat)
- **4 have been nominated from partner organisations** (1 seat each from the following):
    - Liverpool John Moores University (LJMU)
    - Friends of Robert Owen House (FROH), Isle of Man
    - Liverpool City Council (LCC)
    - University of Liverpool (UOL)

At the Council of Governors and Board of Directors joint development day, held on 5th November 2019, governors evaluated the performance of the Council of Governors and identified actions and objectives for the next 12 months. This was also an opportunity for the Council of Governors to engage with the Board of Directors and contribute to the setting of the Trust's strategic objectives and planning.

The names of those who have served as governor in 2019/20 are listed in the attendance report at the end of this section.

Governors serve a term of office of three years and are eligible to re-stand should they offer themselves and are successful for re-election or re-nomination (they may not hold office for more than nine consecutive years). However, governors will cease to hold office if they no longer reside within the area of their constituency (public governors), are no longer employed by the Trust (staff governors) or are no longer supported in office by the organisation that they represent (nominated governors).

Governor development:

The Trust provides many opportunities for governors to be actively involved and this work makes a real difference to our patients and the wider community.

Work undertaken by the Trust during 2019/20

- Provided a local induction pack for every new governor on appointment at an initial induction meeting with Chair and Director of Corporate Affairs.
- Provided an annual induction day for new governors and for existing governors who would like a refresher (externally facilitated).
- Provided an annual Governor Development Day, part of which is dedicated to joint work with the Board.
- Provided access to the FTN's *Govern Well* Programme.
- Provided access to MIAA Learning Series workshops.
- Provided access to the NW Governors Forum.
- Provided opportunity for a governor to attend the NHS Providers Annual Conference 'Governor Focus'.
- Provided presentations at CoG meetings to brief governors on aspects of services provided by the Trust as requested.
- Provided resources and supported governors to deliver a programme of member engagement events and newsletters.
- Published specific public and staff governor pre-election material for prospective governors clarifying the role and skills and time commitment required.
- Provided opportunity for governors to participate in regular patient and family feedback events and also to support the annual PLACE assessment process.
- Provided opportunity for governor walkabouts with Chair.
- Provided quarterly Chair's lunch meeting for informal discussion with Chair.
- Worked with governors to review the Council of Governors infrastructure, evaluated ways of working and refreshed membership, format and topic of governor development groups to incorporate finance and performance, research and innovation and quality and patient experience, enabling governors to discuss these areas with executive and Non Executive Directors.
- Continued to run and support the Membership and Communication Sub Committee which offers governors opportunity shape and implement the Trust's membership strategy.

- Supported governor members of the NRC to review the NED succession plan, recruitment and appointment of two Non Executive Directors and manage re-appointment of the Chair.
- Updated the governor skills audit.

Elections

The Board of Directors can confirm that elections for Public and Staff Governors held in 2019/20 were conducted in accordance with the election rules as stated in the Trust's constitution.

Constituency/Class	No. of seats	Governors elected	Term Length
Staff			
Registered and Non registered nurses (Election contested)	2	Sharon Faulkner Charlie Cowburn	3
Registered Medical Practitioners (Election uncontested)	1	Rebecca Dobson	3

Governor attendance at Council of Governor meetings 2019/20

Between 1st April 2019 and 31st March 2020 the Council of Governors' met formally on four occasions.

The following tables provide the attendance at each Council of Governors meeting held in public. The meetings were also attended by Executive and Non Executive Directors.

Governor Name	Council of Governor Meeting Dates 2019/20			
	4th June 2019	23rd Sept 2019	3rd Dec 2019	3rd March 2020
Public Constituency				
Merseyside				
Rachel Glynn Williams	x	✓	x	✓
Trevor Wooding (Senior Governor)	✓	✓	✓	✓
Dorothy Burgess	✓	x	✓	✓
Elaine Holme	✓	✓	x	✓
Ruth Rogers	x	✓	✓	✓
John Black	x	x	x	
Terence Comerford				✓
Cheshire				
Lindsey Van Der Westhuizen	x	✓	✓	✓
Allan Pemberton	✓	✓	✓	✓

Governor Name	Council of Governor Meeting Dates 2019/20			
	4th June 2019	23rd Sept 2019	3rd Dec 2019	3rd March 2020
Mark Allen	✓	x	✓	x
Peter Brandon	x	✓	x	✓
North Wales				
Joan Burgen	✓	✓	✓	✓
Dusty Rhodes	✓	✓	✓	✓
Ron Smith	✓	x	✓	
Peter Wareham				✓
Rest of England and Wales				
Lynne Addison	✓	✓	✓	✓
Staff Constituency				
Registered Nurses and Non-Registered Nurses				
Lynn Trayer-Dowell	✓	✓	x	✓
Charles Cowburn	x	✓	✓	✓
Sandra Wilson	✓	x		
Sharon Faulkner			✓	✓
Non Clinical				
Sharon Hindley	✓	✓	✓	x
Matt Greene	✓	x	x	
Allied Health Professionals, Technical and Scientific				
Dorothy Price	✓	✓	✓	✓
Registered Medical Practitioners				
Caroline McCann	✓			
Rebecca Dobson			✓	✓
Nominated Governors:				
Ian Jones *(Liverpool John Moores University)*	✓	✓	✓	x
Wendy Caulfied *(Friends of Robert Owen House)*	✓	✓	✓	✓
Cllr Sharon Connor *(Liverpool City Council)*	x	x	x	x
Hollie Swann (University of Liverpool)			✓	x
Board Members in attendance:				
Neil Large	✓	✓	✓	✓
Jane Tomkinson	x	✓	✓	✓
Sue Pemberton	✓	✓	x	✓
Raphael Perry	x	x	x	✓
Claire Wilson	✓	✓	✓	
Frankie Morris				x

Governor Name	Council of Governor Meeting Dates 2019/20			
	4th June 2019	23rd Sept 2019	3rd Dec 2019	3rd March 2020
Jonathan Develing	✓	✓	✓	✓
Nicholas Brooks	x	✓	✓	x
Julian Farmer	✓	✓	✓	✓
Mark Jones	x	✓	x	✓
Karen O'Hagan	✓	✓	x	✓
Bob Burgoyne	✓	✓	✓	✓

2.5 NHS Oversight Framework

The Trust is regulated by NHS Improvement. NHS improvement's Single Oversight Framework provides the framework for overseeing providers and identifying potential support needs. The framework looks at five themes:

- Quality of care
- Finance and use of resources
- Operational performance
- Strategic Change
- Leadership and improvement capability (well-led)

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum autonomy. A Foundation Trust will only be in segments 3 or 4 where it has been found to be in breach or suspected breach of its licence.

Liverpool Heart and Chest Hospital has been assessed as being **segment 1**. This is defined as being those providers who are lowest risk and who are given maximum autonomy with no potential support needs identified.

The Trust's Finance and Use of Resources score for the period ending 31st March 2020 is a 1 overall (on a scale of 1 to 4, where 1 reflects the strongest performance) and is set out in the table below.

Area	Metric	Definition	2019/20	2018/19
Financial Sustainability	Capital Service Capacity	Degree to which the provider's generated income covers its financial obligations	1	1
	Liquidity (Days)	Days of operating costs held in cash or cash-equivalent forms, including wholly committee lines of credit available for drawdown	1	1
Financial Efficiency	I & E margin	I & E surplus of deficit/total revenue	1	1
Financial Controls	Distance from financial plan	Year to date (YTD) actual I&E surplus/ deficit in comparison to YTD plan I & E surplus/deficit	1	1
	Agency Spend	Distance from provider's cap	1	1
Overall Finance and Use of Resources Rating			**1**	**1**

There has been no requirement for formal intervention by NHS Improvement during the year.

2.6 Statement of Accounting Officer Responsibilities

Statement of the chief executive's responsibilities as the accounting officer of Liverpool Heart and Chest Hospital NHS Foundation Trust.

The NHS Act 2006 states that the chief executive is the accounting officer of the NHS foundation trust. The relevant responsibilities of the accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the NHS Foundation Trust Accounting Officer Memorandum issued by NHS Improvement.

NHS Improvement, in exercise of the powers conferred on Monitor by the NHS Act 2006, has given Accounts Directions which require Liverpool Heart and Chest Hospital NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis required by those Directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Liverpool Heart and Chest Hospital NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Department of Health and Social Care Group Accounting Manual and in particular to:

- observe the Accounts Direction issued by NHS Improvement, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the NHS Foundation Trust Annual Reporting Manual (and the Department of Health and Social Care Group Accounting Manual) have been followed, and disclose and explain any material departures in the financial statements
- ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance
- confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS foundation trust’s performance, business model and strategy and
- prepare the financial statements on a going concern basis.

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS foundation trust and to enable him/her to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS foundation trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As far as I am aware, there is no relevant audit information of which the foundation trust’s auditors are unaware, and I have taken all the steps that I ought to have taken

to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in the *NHS Foundation Trust Accounting Officer Memorandum*.

Jane Tomkinson
Chief Executive
22nd June 2020

2.7 Annual Governance Statement

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS foundation trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS foundation trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the *NHS Foundation Trust Accounting Officer Memorandum*.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Liverpool Heart and Chest Hospital NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Liverpool Heart and Chest Hospital NHS Foundation Trust for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

I am accountable for risk management across all organisational, financial and clinical activities. I have delegated responsibility for risk management to the Director of Research and Innovation, who acts as the Chief Risk Officer. During 2019/20 the Chief Risk Officer has provided oversight to implementation of the Risk Management Policy which is now fully embedded and complemented with DATIX, an electronic system to support incident and risk management and reporting and a bespoke software solution for the management of risk registers in accordance with the policy. Comprehensive risk management training has been provided at all levels of the organisation to provide our people with the skills to assess, describe, control, escalate and report risks from Ward to Board. This approach was assured during the year as part of internal audit programme.

Risk management training is delivered via corporate and local induction programmes for new staff and thereafter by participation in mandatory training. The Trust's line management arrangements are designed to support staff and managers to manage risks and advice and guidance is available to all staff from the risk management team.

The Trust has mechanisms in place to act upon alerts and recommendations made by central bodies such as the National Patient Safety Agency (NPSA), the Central Alerting System (CAS) and the Health and Safety Executive (HSE).

The Chief Risk Officer also leads the Trust-wide effort on organisational learning, which seeks to ensure the cascade and implementation of learning from the Trust's own experiences and those of other organisations. This has resulted in the development of an

organisational learning policy. Key features associated with this include reporting improvements as a consequence of experiences to the Operational Board, thereby providing the opportunity for all to learn, together with robust follow up of improvements to ensure sustainability. In addition a quarterly organisational learning forum is in place for senior clinical staff to share and cascade lessons learned.

In response to the increasing spread of the Covid-19 pandemic, the Trust instigated its emergency planning processes and command and control structures in March 2020. New governance structures, with 'Gold', 'Silver' and 'Bronze' Command, enable the Trust to respond quickly and appropriately to ensure patient and staff safety.

In line with national guidance received in the 'reducing the burden letter' from NHS England on 28th March 2020, the Trust streamlined many of its governance processes, freeing up capacity and resources to be able to manage the Trust's response to the pandemic.

The Trust is now focusing on the recovery phase and will adapt as required to ensure routine treatment for elective patients resume and outpatient care increases as soon as it is safe to do so.

Key in-year risks

i) Compliance with provider licence condition 4 (FT governance) – the Trust has continued to manage operational risks this year arising from the increasing acuity of patients, a growing proportion of non-elective work and a shortage of skilled staff available to recruit. In addition the Trust supported system-wide winter pressures through provision of increased bed capacity to alleviate pressures on the acute hospital sector. These factors have presented challenges in relation to RTT compliance and diagnostic waiting times. The Trust breached the RTT target in November and December 2019 but demonstrated good recovery from January 2020 and predicted compliance for Quarter four which was then influenced by Covid-19 in March 2020. Diagnostic waiting times have exceeded the target throughout 2019/20 but investment in increased capacity has supported an improvement trajectory which was to return to compliance by the end of June 2020. This position has subsequently changed due to the Covid-19 pandemic.

ii) The Trust has identified risks associated with the estate, including the resilience of the ageing electrical infrastructure and electrical capacity to meet future demands associated with capital developments and plant replacement. A business case will be considered by the Board to mitigate these risks in 2020/21.

iii) The Trust experienced a payroll fraud as a result of a spear-phishing attack. Awareness raising for staff has been increased and ESR controls strengthened to mitigate the risk of a similar repeat attack.

iv) The Trust has received four 'limited' assurance reports from internal audit in 2019/20. In each case, management had directed audit resource to these areas in order to identify opportunity to strengthen internal controls. The first audit related to administrative processes to support fundraising and these have now

been reviewed, strengthened and documented. The second related to the pre-employment staff integrity vetting - the management response and action plan was considered by the Audit Committee in January 2020. The third related to IT Service Continuity and the fourth concerned IT Asset Management. The management responses to the IT audits will be finalised in early 2020/21.

v) There have been seven serious incidents, including one 'never event' in 2019/20, three of these serious incidents resulted in "no harm". All have been subject to full root cause analysis, identification and cascade of organisational learning and duty of candour applied as appropriate:

1. Major IT downtime across the Trust which resulted in delays of some clinical procedures and outpatients appointments.
2. Premature discharge of a patient home; the patient suffered cardiac arrest without fatal consequences.
3. A number of drugs missing in the critical care area, no impact on patient care or safety.
4. Misfiling of diagnostic result by external provider which resulted in a delay to treatment for a patient.
5. Delay of reporting of a CT scan for a patient who suffered a stroke, this delay resulted on a delay in treatment.
6. 'Never Event' – mislabelling of X-Ray resulted on patient receiving a drain insertion on the wrong side.
7. Patient discharged prematurely following angioplasty (catheterisation to treat the cause of a heart attack) and subsequently died. The case was fully investigated and the cause of death was found not to be directly attributable to the premature discharge; however learning was identified and shared throughout the Trust.

vi) During the year the Trust has continued its work to further improve safety through a focus on the management of sepsis, safe medications, minimising moisture lesions, falls reduction and timeliness of mortality reviews.

vii) Whilst the Trust maintains its strong track record for financial performance the Trust's underlying financial position and forward plan for 2020/21 remains challenging.

The risk and control framework

Risk Management is embedded in all activities of the organisation. Examples include:

- Application of the organisation-wide risk management assessment and control system for Quality Impact Assessments prior to implementation of any cost improvement scheme. Assurance on this process is received by the Quality Committee.
- Comprehensive annual proactive risk analysis undertaken by the Executive Team to ensure all possible risks likely to affect the Trust are considered (rather than those facing the Trust at the present time).
- Ongoing focus and improvement in incident reporting which is now embedded within the Trust's safety surveillance process.

Each department within the Trust has its own electronic risk register, which is integrated with all others such that the identification of a high scoring risk automatically appears in the relevant Divisional (scores above 8) or Corporate (scores above 10) risk register. Registers are available to staff in 'edit' (management staff) and 'read only' (all staff) modes to ensure complete visibility and transparency across the Trust.

Risks are categorised according to a 5x5 scoring matrix; comprehensive training on how to articulate risks together with identifying and applying relevant controls has been provided. Where risks are high scoring, the Chief Risk Officer meets with the relevant manager to ensure consistency in scoring and offer advice in risk management.

The organisational appetite for risk has been set by the Board, and is embedded in the risk register structures. This results in the acceptance of risks when appetite thresholds are reached or exceeded.

The DATIX risk management system has brought many benefits, including universal electronic incident reporting, integration of incidents, claims and complaints and vastly improved risk management reporting, and is now fully embedded.

The Audit Committee monitors the effectiveness of the risk management policy through regular review of KPIs set out in a Risk Management dashboard.

When things do go wrong, staff are encouraged to report incidents, whether or not there was any consequence, in order that opportunity for learning can be captured. Public stakeholders are involved in managing risks where there is an impact on them. For example, when a serious incident is investigated, members of the Trust speak to, and where possible, meet with those affected. The Trust follows a clear policy on being open and works to ensure that the duty of candour is adhered to. Relevant feedback from discussions and dialogue with stakeholders is considered and a final copy of the investigation report is shared, providing further opportunity for comment.

Quality governance is embedded within the Divisional structures, with monthly reporting to the Operational Board, where quality performance is reviewed. Cross-organisational quality initiatives are monitored and managed through a combined divisional quality governance meeting, the Quality and Patient & Family Experience Committee. A formal Board Assurance Committee for Quality meets quarterly and receives assurances from this Committee on progress with all of the Trust's quality initiatives.

Compliance with CQC registration requirements are regularly tested through implementation of the Trust's own 'Excellent, Efficient, Compassionate, Safe' (EECS) framework. This bespoke assessment tool relies upon the integration of quality performance data, together with direct observation of clinical practice and the experiences of patients from each clinical area of the Trust. Work is underway to rollout this process to non-clinical areas. The result is a stratified performance score, the value of which determines the requirement for the frequency of re-inspections. Assurance is enhanced through regular walkarounds conducted by members of the Board and Governors.

The Trust has undertaken a comprehensive audit of the controls in place to prevent cyber incidents and ensure a speedy and seamless recovery. A number of improvements have now been implemented and the Trust has an ongoing programme of cyber improvements which are managed by a dedicated Cyber Security and Information Governance Working Group. The Audit Committee has received an assurance report on cyber security, and has included oversight of cyber security controls within its terms of reference.

The Board's assurance committee structure comprises the Quality Committee, Integrated Performance Committee and People Committee. All three assurance committees comprise Non Executive Directors and enable effective challenge of assurances to support delivery of the Trust's strategic objectives and regulatory compliance. The Trust's Operational Board is chaired by the Chief Executive and comprises all members of the executive team, the three Divisional Triumvirate Leadership Teams (Associate Medical Directors, Heads of Nursing and Divisional Heads of Operations); the Chief Information Officer and the Clinical Lead for Research and Innovation. The Operational Board is accountable for all aspects of delivery and operational performance and reports routinely to the Board of Directors. The governance structure facilitates a clear distinction between assurance (non-executive led) and performance management (executive led). An annual review of the Trust's governance arrangements was undertaken in 2019/20, together with follow up work undertaken by the internal auditors in relation to the Well Led Review and the trust's corporate governance arrangements. The CQC rated the Trust as 'outstanding' for a second time, both for 'Well Led' and 'Overall' (July 2019).

The Board has set aside dedicated time within its annual business cycle to focus on strategic planning and Board development. The Well Led review noted examples of outstanding practice in relation to strategic grip and system participation and leadership. The membership of the executive team has been strengthened in in the last two years to allow dedicated focus on wider systems work by the Director of Strategic Partnerships.

A comprehensive review of compliance with the provider licence is undertaken annually and reported to the Audit Committee; this is supplemented by use of a quarterly checklist to test compliance with key provisions on a quarterly basis. The Audit Committee has recognised this process as a valuable source of assurance to inform the Annual Governance Statement.

In relation to oversight of the Trust's performance, the Board receives an integrated performance report at every meeting and exception reports with action plans are provided for any areas which are off target. This report is supplemented with issues raised by the Assurance Committees, reports from Operational Board and 'softer' intelligence gained from walkabouts and observation. The Board frequently receives presentations from clinical and non-clinical leaders to enable it to focus on key areas for development and learning and every Board meeting begins with a patient story.

The Board Assurance Framework (BAF) is used as a tool to prioritise the Board's time through documentation of the principal risks to strategic objectives and regulatory compliance, identification of controls and assurances and actions needed to address any gaps. There is a clear process for regularly reviewing and updating the BAF and the BAF drives the Board's agenda and business cycle. All Board and Committee papers are referenced to the BAF to enable any changes in risks or gaps in assurance to be highlighted.

Each of the Assurance Committees reports on BAF key issues to the Board and this informs regular review of the BAF. The Trust has consistently achieved a positive internal audit opinion in relation to its BAF processes: ***The organisation's Assurance Framework is structured to meet the NHS requirements, is visibly used by the Board and clearly reflects the risks discussed by the Board.*** This statement has again been confirmed for 2019/20.

The Board assures itself of the validity of its corporate governance statement through:

- alignment of Board business cycle to the assurances required to support the Board declarations
- annual review of the effectiveness of the Assurance Committees, led by the Audit Committee
- incorporating within the internal audit programme an annual review of the sufficiency and quality of evidence brought to the Board and its Committees throughout the year to support the corporate governance statement.

A brief description of the Trust's major risks is set out below.

Future risks

i) Delivery of the 2020/21 Financial Plan

Whist the Trust has delivered the Control Total set for 2019/20, there remain significant risks to delivering a sustainable financial plan, primarily in relation to:

- Maintaining elective activity levels
- CIP delivery
- Magnitude of essential capital replacement requirements
- Recruiting staff in key shortage areas

ii) Impact of external environment

The external environment continues to change a rapid pace and the Board continues to ring-fence time for strategic planning and work with external commentators. The Board remains mindful of its wider catchment population and will continue to consider all service changes in the context of benefits to patients.

The Trust continues to work with partners across the Liverpool health economy and has helped shape the Liverpool Integrated Care Partnership strategy `One Liverpool`.

The Trust has joint appointments with all local hospitals and has entered into new partnerships with local tertiary hospitals so as to plan more integrated delivery of services. One such example of this is the North West congenital heart disease service.

The Trust continues to provide leadership of the Cheshire and Merseyside CVD Board aligning for the first time cardiovascular disease, stroke and respiratory care across the whole pathway from prevention, detection to effective treatment. The Trust also supports the Cheshire and Merseyside Prevention Board as the Director of Strategic Partnerships undertakes the senior leadership role for this work stream.

With extensive clinical and managerial engagement the Trust has developed a new strategic plan for the next five years carefully considering its role within a changing system and the complexity of caring for patients across such a significant geography.

The Trust strategy "Patients, Partnerships and Populations" demonstrates our conviction in providing outstanding care for patients within the hospital, to work, with partners outside of the hospital and to put prevention at the forefront of our intent in caring for the wider population.

The Board will retain its focus on its preparedness, response and recovery to the Covid-19 pandemic outbreak.

iii) Workforce

Throughout 2019/20, the Trust has had in place an overarching "Team LHCH at its Best" Framework supported by a number of strategic plans; Workforce Plan, Retention, Equality and Inclusion, Health and Wellbeing and Leadership, Education & Development. The NHS People Plan will be released in 2020/21 and the Trust will need to ensure its emerging "Developing People" Strategy focuses on the successful delivery of these plans and others to support all staff. This is critical to ensuring the mitigation of its workforce risks, particularly in relation to attracting, developing and retaining staff, especially in relation to the impact of national shortages of key staffing groups; being an inclusive employer and enabling LHCH to be the best place to work for everyone.

The Trust continues to work with partners to support the review of efficiencies and where possible, opportunities for collaboration to support our patients and staff. The Trust will continue to focus on how it engages with staff around the change process and mitigates against impact on staff experience.

The Board has continued to receive monthly staffing reports providing assurance on safe staffing in line with National Quality Board guidance, with an annual staffing review presented to the People Committee.

iv) Delivery of targets

Delivery of targets will continue to be a challenge particularly in light of the Covid-19 pandemic. Prior to the pandemic, the Trust's operational plan provided the planned capacity to deliver against elective waiting time standards as well as accommodating increases in patient complexity and acuity. As part of planning to accommodate Covid-19 patients for the foreseeable future, the Trust will model and develop plans to work through the backlog of patients accumulated whilst elective activity was suspended and return to a compliant elective waiting time position at the earliest opportunity. This will also be the case for performance against the diagnostic waiting time standard.

The Trust has strong and robust governance around the monitoring and management of its performance which remain in place. In light of the Covid-19 pandemic the Trust is looking at the recovery phrase and how internal processes will be adapted to take on board the learning from Covid-19. Furthermore the Trust will plan ways of returning elective waiting times as the pandemic allows and will monitor Covid and non-Covid

related performance on a weekly basis to ensure visibility of waiting times and waiting list performance.

The foundation trust is fully compliant with the registration requirements of the Care Quality Commission and is rated outstanding.

The foundation trust has published ***on its website*** an up-to-date register of interests***, including gifts and hospitality,*** for decision-making staff ***(as defined by the trust with reference to the guidance)*** within the past twelve months as required by the *Managing Conflicts of Interest in the NHS*22 guidance.

As an employer with staff entitled to membership of the NHS Pension Scheme, control measures are in place to ensure all employer obligations contained within the Scheme regulations are complied with. This includes ensuring that deductions from salary, employer's contributions and payments into the Scheme are in accordance with the Scheme rules, and that member Pension Scheme records are accurately updated in accordance with the timescales detailed in the Regulations.

Control measures are in place to ensure that all the organisation's obligations under equality, diversity and human rights legislation are complied with.

The foundation trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

Review of economy, efficiency and effectiveness of the use of resources

The financial plan is approved by the Board and submitted to NHS Improvement (NHSI). The plan, including forward projections, is monitored in detail by the Integrated Performance Committee, a formal Assurance Committee of the Board. The Integrated Performance Committee also monitors productivity and has reviewed the range of KPIs during the course of 2019/20. The Board itself reviews a report on financial performance provided by the Chief Finance Officer including key performance indicators and NHSI metrics at each Board meeting. The Trust's resources are managed within the framework set by the Governance Manual, which includes Standing Financial Instructions. Financial governance arrangements are supported by internal and external audit to ensure economic, efficient and effective use of resources.

The financial plan is developed through a robust process of 'confirm and challenge' meetings with divisions and departments to ensure best use of resources. All cost improvement plans are risk assessed for deliverability and potential impact on patient safety through an Executive led review process. The Finance and Improvement Steering Group reports to the Operational Board on CIP delivery and productivity and identifies where there is further scope to improve. The outcome of the quality impact assessments is reported to the Integrated Performance Committee, Quality Committee and Board of Directors as part of the sign off of annual plans.

Information governance

Information governance risks are managed as part of the processes described above and assessed using the Data Security and Protection Toolkit.

The Trust Data Security and Protection Toolkit Assessment for 2019/20 was submitted with all mandatory standards met within all assertions. The Trust received independent assurance from Mersey internal Audit Agency obtaining a 'substantial' assurance opinion demonstrating the Trust has a good system of internal control and the controls are applied consistently. The Trust confirms there have been zero serious information governance incidents classified level 2 or above. Information governance risks are managed as part of the Trust risk management framework and assessed using the Data Security and Protection Toolkit.

Data quality and governance

The Director of Nursing and Quality leads on the development, implementation and monitoring of the Trust's Quality Strategy, supported by the Medical Director, Divisional Heads of Operations, Informatics team and other teams as required.

During the year, all quality data is reviewed by the Quality Committee as part of a quality dashboard and is derived from a comprehensive Quality Strategy, approved by the Board of Directors. The Quality Committee reports regularly to the Board via a 'BAF Key Issues Report'.

Each year, including for 2019/20, the Trust's quality priorities are informed by discussions and feedback with stakeholders (governors, patients, commissioners, Healthwatch and the local authority), on what is important to them and how the Trust can improve the quality and safety of services for our patients and their families.

Implementation of the Quality Strategy and Organisational Learning Policy supports delivery of the Trust's key objective to provide high quality and safe care. At the centre of these strategies is an ambition to continually improve the quality of service, including staff consistently demonstrating their compassion, confidence and skills to champion the delivery of safe and effective care. The Organisational Learning Policy focuses on how the Trust learns from all available information and feedback about services; this sharing learning and good practice is monitored through the Quality Committee and communicated widely across the Trust through Divisional Governance structures. The Trust's Executive Team receives a weekly 'Harms Report' and the Council of Governors reviews the quality dashboard on a quarterly basis.

There are systems in place within the Trust to review and monitor performance and quality of care through performance dashboards at ward, service, divisional and Board level with a wide range of information available across the whole Trust. The Quality Committee makes use of a bespoke clinical quality dashboard to monitor the performance of the key indicators set out in the Quality Improvement Strategy. The use of electronic monitors at the entrance to all wards displays quality data and staffing levels to inform patients and families and to provide confidence around quality and safety.

The Trust has in place a dedicated 18 week validation team working alongside operational managers and consultants to routinely cleanse and validate waiting time data. The process is reviewed periodically as part of the Trust's internal audit programme.

The Trust also undertakes regular reviews of all policies to ensure safe and effective care for all its patients.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee and quality committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The Board has reviewed its assurance processes and the Board Assurance Framework provides me with an overview of the internal control environment and evidence of the effectiveness of the controls that manage the risks to the organisation achieving its principal objectives.

The Audit Committee reviews the effectiveness of internal control through delivery of the internal audit plan and by undertaking a rolling programme of reviews of the Board's Assurance Committees.

The Chair of the Audit Committee has provided me with an annual report of the work of the Audit Committee that supports my opinion that there are effective processes in place for maintaining and reviewing the effectiveness of internal control.

The Head of Internal Audit has also provided me with a 'substantial assurance' opinion on the effectiveness of the systems of internal control. The opinion is based on a review of the Board Assurance Framework, outcomes of risk based reviews and follow-up of previous recommendations.

I have been advised on the implications of the results of my review of the effectiveness of the system of internal control by the Board and its Standing Committees. A plan to address weaknesses and ensure continuous improvement of the system is in place.

Processes are well established and ensure regular review of systems and action plans on the effectiveness of the systems of internal control through:

- Board review of Board Assurance Framework through key issues reports from Assurance Committees and formal quarterly BAF review
- Audit Committee scrutiny of controls in place

- Audit Committee consideration (standing item on agenda) of issues which could impact upon the Annual Governance Statement
- Review of serious incidents and learning by the standing committees,
- Review of clinical audit, patient survey and staff survey information
- Assurance Committee review of compliance with CQC standards
- Internal audits of effectiveness of systems of internal control.

Conclusion

There were no significant control issues identified in 2019/20, however during the year the Trust has actively addressed the actions and organisational learning arising from the reported serious incidents and has maintained an active oversight of the effectiveness of controls in place to mitigate the risk of harm and ensure delivery of operational targets.

Jane Tomkinson
Chief Executive
Date: 22nd June 2020

SECTION 3: ANNUAL ACCOUNTS

Liverpool Heart and Chest Hospital NHS Foundation Trust
Annual Report and Accounts 2019/20

These accounts are prepared in accordance with paragraphs 24 and 25 of Schedule 7 to the NHS Act 2006 and are presented to Parliament pursuant to Schedule 7, paragraph 25 (4) (a) of the National Health Service Act 2006.

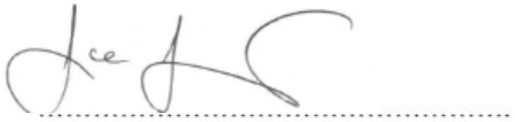
Liverpool Heart and Chest Hospital NHS Foundation Trust

Annual accounts for the year ended 31st March 2020

Foreword to the accounts

Liverpool Heart and Chest Hospital NHS Foundation Trust

These accounts, for the year ended 31 March 2020, have been prepared by Liverpool Heart and Chest Hospital NHS Foundation Trust in accordance with paragraphs 24 & 25 of Schedule 7 within the National Health Service Act 2006.

Signed 

Name **Jane Tomkinson**
Job title **Chief Executive**
Date **22nd June 2020**

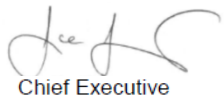
Statement of Comprehensive Income

	Note	2019/20 £000	2018/19 £000
Operating income from patient care activities	3	144,710	137,102
Other operating income	4	12,922	19,813
Operating expenses	6, 8	(153,185)	(138,939)
Operating surplus/(deficit) from continuing operations		**4,447**	**17,976**
Finance income	11	169	85
Finance expenses	12	(33)	(19)
PDC dividends payable		(2,446)	(2,499)
Net finance costs		**(2,310)**	**(2,434)**
Other gains / (losses)	13	-	6
Share of profit / (losses) of associates / joint arrangements	20	(4)	(1)
Gains / (losses) arising from transfers by absorption	41	-	-
Corporation tax expense		-	-
Surplus / (deficit) for the year from continuing operations		**2,133**	**15,547**
Surplus / (deficit) on discontinued operations and the gain / (loss) on disposal of discontinued operations	15	**-**	**-**
Surplus / (deficit) for the year		**2,133**	**15,547**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	(854)	(12,165)
Revaluations	18	1,173	3,040
Share of comprehensive income from associates and joint ventures	20	-	-
Fair value gains / (losses) on equity instruments designated at fair value through OCI	21	-	-
Other recognised gains and losses		-	-
Remeasurements of the net defined benefit pension scheme liability / asset	36	-	-
Gain / (loss) arising from on transfers by modified absorption	41	-	-
Other reserve movements		-	-
May be reclassified to income and expenditure when certain conditions are met:			
Fair value gains/(losses) on financial assets mandated at fair value through OCI	21	-	-
Recycling gains/(losses) on disposal of financial assets mandated at fair value through OCI	13	-	-
Foreign exchange gains / (losses) recognised directly in OCI		-	-
Total comprehensive income / (expense) for the period		**2,452**	**6,423**

Statement of Financial Position

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Intangible assets	15	502	654
Property, plant and equipment	16	86,668	82,846
Investment property	19	-	-
Investments in associates and joint ventures	20	44	48
Other investments / financial assets	21	-	-
Receivables	23	-	-
Other assets	24	-	-
Total non-current assets		**87,214**	**83,547**
Current assets			
Inventories	22	3,094	3,413
Receivables	23	11,275	16,205
Other investments / financial assets	21	-	-
Other assets	24	-	-
Non-current assets for sale and assets in disposal groups	25	-	-
Cash and cash equivalents	26	30,249	17,724
Total current assets		**44,618**	**37,343**
Current liabilities			
Trade and other payables	27	(21,984)	(18,068)
Borrowings	29	(321)	(226)
Other financial liabilities	30	-	-
Provisions	32	(1,358)	(667)
Other liabilities	28	(1,125)	(977)
Liabilities in disposal groups	25	-	-
Total current liabilities		**(24,788)**	**(19,938)**
Total assets less current liabilities		**107,044**	**100,952**
Non-current liabilities			
Trade and other payables	27	-	-
Borrowings	29	(2,537)	(16)
Other financial liabilities	30	-	-
Provisions	32	(1,181)	(126)
Other liabilities	28	(81)	(81)
Total non-current liabilities		**(3,799)**	**(223)**
Total assets employed		**103,245**	**100,729**
Financed by			
Public dividend capital		64,218	64,154
Revaluation reserve		11,595	11,293
Financial assets reserve		-	-
Other reserves		-	-
Merger reserve		-	-
Income and expenditure reserve		27,431	25,281
Total taxpayers' equity		**103,245**	**100,729**

The notes on pages **93 to 134** form part of these accounts.



Name
Position Chief Executive
Date 22nd June 2020

Statement of Changes in Equity for the year ended 31 March 2020

	Public dividend capital	Revaluation reserve	Financial assets reserve	Other reserves	Merger reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**64,154**	**11,293**	**-**	**-**	**-**	**25,281**	**100,729**
Surplus/(deficit) for the year	-	-	-	-	-	2,133	**2,133**
Gain/(loss) arising from transfers by mofieid absorption	-	-	-	-	-	-	**-**
Transfers by absorption: transfers between reserves	-	-	-	-	-	-	**-**
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits	-	-	-	-	-	-	**-**
Other transfers between reserves	-	-	-	-	-	-	**-**
Impairments	-	(854)	-	-	-	-	**(854)**
Revaluations	-	1,173	-	-	-	-	**1,173**
Transfer to retained earnings on disposal of assets	-	-	-	-	-	-	**-**
Share of comprehensive income from associates and joint ventures	-	-	-	-	-	-	**-**
Fair value gains/(losses) on financial assets mandated at fair value through OCI	-	-	-	-	-	-	**-**
Fair value gains/(losses) on equity instruments designated at fair value through OCI	-	-	-	-	-	-	**-**
Recycling gains/(losses) on disposal of financial assets mandated at fair value through OCI	-	-	-	-	-	-	**-**
Foreign exchange gains/(losses) recognised directly through OCI	-	-	-	-	-	-	**-**
Other recognised gains and losses	-	(17)	-	-	-	17	**-**
Remeasurements of the defined net benefit pension scheme liability/asset	-	-	-	-	-	-	**-**
Public dividend capital received	64	-	-	-	-	-	**64**
Public dividend capital repaid	-	-	-	-	-	-	**-**
Public dividend capital written off	-	-	-	-	-	-	**-**
Other movements in public dividend capital in year	-	-	-	-	-	-	**-**
Other reserve movements	-	-	-	-	-	-	**-**
Taxpayers' and others' equity at 31 March 2020	**64,218**	**11,595**	**-**	**-**	**-**	**27,431**	**103,245**

Statement of Changes in Equity for the year ended 31 March 2019

	Public dividend capital	Revaluation reserve	Financial assets reserve	Other reserves	Merger reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**64,142**	**20,436**	**-**	**-**	**-**	**9,716**	**94,294**
Prior period adjustment	-	-	-	-	-	-	-
Taxpayers' and others' equity at 1 April 2018 - restated	**64,142**	**20,436**	**-**	**-**	**-**	**9,716**	**94,294**
Impact of implementing IFRS 15 on 1 April 2018	-	-	-	-	-	-	-
Impact of implementing IFRS 9 on 1 April 2018	-	-	-	-	-	-	-
Surplus/(deficit) for the year	-	-	-	-	-	15,547	**15,547**
Transfers by absorption: transfers between reserves	-	-	-	-	-	-	-
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits	-	-	-	-	-	-	-
Other transfers between reserves	-	(18)	-	-	-	18	-
Impairments	-	(12,165)	-	-	-	-	**(12,165)**
Revaluations	-	3,040	-	-	-	-	**3,040**
Transfer to retained earnings on disposal of assets	-	-	-	-	-	-	-
Share of comprehensive income from associates and joint ventures	-	-	-	-	-	-	-
Fair value gains/(losses) on financial assets mandated at fair value through OCI	-	-	-	-	-	-	-
Fair value gains/(losses) on equity instruments designated at fair value through OCI	-	-	-	-	-	-	-
Recycling gains/(losses) on disposal of financial assets mandated at fair value through OCI	-	-	-	-	-	-	-
Foreign exchange gains/(losses) recognised directly through OCI	-	-	-	-	-	-	-
Other recognised gains and losses	-	-	-	-	-	-	-
Remeasurements of the defined net benefit pension scheme liability/asset	-	-	-	-	-	-	-
Public dividend capital received	12	-	-	-	-	-	**12**
Public dividend capital repaid	-	-	-	-	-	-	-
Public dividend capital written off	-	-	-	-	-	-	-
Other movements in public dividend capital in year	-	-	-	-	-	-	-
Other reserve movements	-	-	-	-	-	-	-
Taxpayers' and others' equity at 31 March 2019	**64,154**	**11,293**	**-**	**-**	**-**	**25,281**	**100,729**

Information on reserves

Public dividend capital
Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. Additional PDC may also be issued to trusts by the Department of Health and Social Care. A charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as the public dividend capital dividend.

Revaluation reserve
Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are recognised in operating income. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

Income and expenditure reserve
The balance of this reserve is the accumulated surpluses and deficits of the Trust.

Statement of Cash Flows

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus / (deficit)		4,447	17,976
Non-cash income and expense:			
Depreciation and amortisation	6.1	5,402	4,891
Net impairments	7	1,525	1,596
Income recognised in respect of capital donations	4	(32)	(26)
Amortisation of PFI deferred credit		-	-
Non-cash movements in on-SoFP pension liability		-	-
(Increase) / decrease in receivables and other assets		5,219	(4,477)
(Increase) / decrease in inventories		319	1,037
Increase / (decrease) in payables and other liabilities		6,620	(108)
Increase / (decrease) in provisions		1,746	76
Other movements in operating cash flows		(1)	1
Net cash flows from / (used in) operating activities		**25,246**	**20,965**
Cash flows from investing activities			
Interest received		169	85
Purchase of intangible assets		-	(82)
Purchase of PPE and investment property		(10,003)	(7,352)
Sales of PPE and investment property		-	21
Receipt of cash donations to purchase assets		32	26
Net cash flows from / (used in) investing activities		**(9,802)**	**(7,303)**
Cash flows from financing activities			
Public dividend capital received		64	12
Movement on other loans		(6)	(7)
Capital element of finance lease rental payments		(209)	(404)
Other interest		(5)	(4)
Interest paid on finance lease liabilities		(28)	(15)
PDC dividend (paid) / refunded		(2,735)	(2,985)
Net cash flows from / (used in) financing activities		**(2,919)**	**(3,403)**
Increase / (decrease) in cash and cash equivalents		**12,525**	**10,259**
Cash and cash equivalents at 1 April - brought forward		**17,724**	**7,465**
Prior period adjustments			-
Cash and cash equivalents at 1 April - restated		**17,724**	**7,465**
Cash and cash equivalents transferred under absorption accounting	41	-	-
Unrealised gains / (losses) on foreign exchange		-	-
Cash and cash equivalents at 31 March	26.1	**30,249**	**17,724**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2019/20 issued by the Department of Health and Social Care. 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, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts

Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

Note 1.2 Going concern

The annual report and accounts have been prepared on a going concern basis.
The going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the foundation trust to continue as a going concern.

The current changes to the NHS Financial architecture (ie block contracts for the first four months of 2020/21) have been put in place to provide financial stability while the Trust responds to the CoVID pandemic. These changes are not considered to create any material uncertainty over the Trust's ability to continue as a going concern.

Note 1.3 Interests in other entities

NHS Charitable Fund

These accounts are for Liverpool Heart and Chest NHS Foundation Trust alone.The Foundation Trust is the corporate trustee to the Liverpool Heart & Chest NHS Charitable Fund. The Foundation Trust has assessed its relationship to the Charitable Fund and determined it to be a subsidiary because the Trust is exposed to, or has rights to, variable returns and other benefits for itself, patients and staff from its involvement with the Charitable Fund and has the ability to affect those returns and other benefits through its power over the Fund.

The Charitable Fund's statutory accounts are prepared to 31 March in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Financial Reporting Standard (FRS) 102. please refer to the seperate Trustees' Report and Accounts for this charity. However, the transactions are immaterial in the context of the group and the transactions have not been consolidated in 2019/20. Details of the transactions with the charity are included in the related parties note.

Joint ventures

Joint ventures are arrangements in which the Trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method.

Since November 2011, the Trust has participated in a joint venture with Royal Brompton & Harefield NHS Foundation Trust. The Joint Venture established by the partners is a company limited by guarantee "The Institute of Cardiovascular Medicine Science Ltd" (ICMS). Draft accounts of the company have been prepared for the year ended 31st March 2020 and the results are reflected in the accounts of the group in this financial year.

The Trust is now hosting Liverpool Health Partnerships from 1st February 2020. Liverpool Health Partners was a orginally a company limited by guarantee, supported by Liverpool University. It is no longer a company limited by guarantee and has now been fully absorbed into the ledger of the Trust.

Note 1.4 Revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete.This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

Revenue is recognised to the extent that collection of consideration is probable. Where contract challenges from commissioners are expected to be upheld, the Trust reflects this in the transaction price and derecognises the relevant portion of income.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

Revenue from Private Patients
A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it.

Education and Training
A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is Health Education England

Provider Sustainability Fund (PSF) and Financial Recovery Fund (FRF)
The PSF and FRF enable providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

Note 1.5 Other forms of income

Grants and donations
Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure.

Apprenticeship service income
The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider from the Trust's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Other
Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Note 1.6 Expenditure on employee benefits

Short-term employee benefits
Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry-forward leave into the following period.

Pension costs
NHS Pension Scheme
Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. The scheme are not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they are defined contribution schemes.

Employer's pension cost contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the trust commits itself to the retirement, regardless of the method of payment.

Note 1.7 Expenditure on other goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

Note 1.8 Discontinued operations

Discontinued operations occur where activities either cease without transfer to another entity, or transfer to an entity outside of the boundary of Whole of Government Accounts, such as private or voluntary sectors. Such activities are accounted for in accordance with IFRS 5. Activities that are transferred to other bodies within the boundary of Whole of Government Accounts are 'machinery of government changes' and treated as continuing operations.

Note 1.9 Property, plant and equipment

Recognition
Property, plant and equipment is capitalised where:

- it is held for use in delivering services or for administrative purposes
- it is probable that future economic benefits will flow to, or service potential be provided to, the trust
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably
- the item has cost of at least £5,000, or
- collectively, a number of items have a cost of at least £5,000 and individually have cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control, or
- items form part of the intial equipping and setting up cost of a new building, ward or unit, irrespective of their own individual or collective cost.

Where a large asset, for example a building, includes Plant and Equipment with significantly different asset lives, then these assets are treated as separate assets and depreciated over their own useful lives.

Subsequent expenditure
Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Measurement
Valuation
All property, plant and equipment assets are measured initially at cost, representing the costs directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management.

All assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements of the services being provided.

Valuers Cushman & Wakefield have been appointed by LHCH to revalue trust land and buildings. They have provided a desktop review as at the 31st March 2020.

The valuation exercise was carried out in March 2020 with a valuation date of 31 March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19. Their report states:

'As at the valuation date, we consider that we can attach less weight to previous market evidence and published build cost information for comparison purposes, to inform opinions of value. Indeed, the current response to COVID 19 means that we are faced with an unprecedented set of circumstances on which to base a judgement. Our valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this property under frequent review.
For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. This clause is a disclosure, not a disclaimer. It is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case.'

The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees. Assets are revalued and depreciation commences when the assets are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

Depreciation
Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

Property, plant and equipment which has been reclassified as 'held for sale' cease to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

Revaluation gains and losses
Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating income.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Impairments

In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.
Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

De-recognition

Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:
• the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
• the sale must be highly probable ie:
- management are committed to a plan to sell the asset
- an active programme has begun to find a buyer and complete the sale
- the asset is being actively marketed at a reasonable price
- the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
- the actions needed to complete the plan indicate it is unlikely that the plan will be abandoned or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's useful life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Donated and grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

Useful lives of property, plant and equipment

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives are shown in the table below:

	Min life Years	Max life Years
Land	n/a	n/a
Buildings, excluding dwellings	11	50
Dwellings	30	50
Plant & machinery	7	10
Information technology	4	8
Furniture & fittings	7	10

Finance-leased assets (including land) are depreciated over the shorter of the useful life or the lease term, unless the trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

Note 1.10 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance which are capable of being sold separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only where it is probable that future economic benefits will flow to, or service potential be provided to, the trust and where the cost of the asset can be measured reliably.

Internally generated intangible assets

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised.

Expenditure on development is capitalised only where all of the following can be demonstrated:
- the project is technically feasible to the point of completion and will result in an intangible asset for sale or use
- the trust intends to complete the asset and sell or use it
- the trust has the ability to sell or use the asset
- how the intangible asset will generate probable future economic or service delivery benefits, eg, the presence of a market for it or its output, or where it is to be used for internal use, the usefulness of the asset;
- adequate financial, technical and other resources are available to the trust to complete the development and sell or use the asset and
- the trust can measure reliably the expenses attributable to the asset during development.

Software

Software which is integral to the operation of hardware, eg an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware, eg application software, is capitalised as an intangible asset.

Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 of IFRS 5.

Intangible assets held for sale are measured at the lower of their carrying amount or "fair value less costs to sell".

Amortisation

Intangible assets are amortised over their expected useful lives in a manner consistent with the consumption of economic or service delivery benefits.

Useful economic life of intangible assets

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives are shown in the table below:

	Min life Years	Max life Years
Software licences	2	10

Note 1.11 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method,

Note 1.12 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of the Trust's cash management. Cash, bank and overdraft balances are recorded at current values.

Note 1.13 Financial assets and financial liabilities

Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

Classification and measurement

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

Financial assets are classified as subsequently measured at amortised cost and fair value through income and expenditure.

Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense.

Financial assets and financial liabilities at fair value through income and expenditure

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or at fair value through other comprehensive income. This category also includes financial assets and liabilities acquired principally for the purpose of selling in the short term (held for trading) and derivatives. Derivatives which are embedded in other contracts, but which are separable from the host contract are measured within this category. Movements in the fair value of financial assets and liabilities in this category are recognised as gains or losses in the Statement of Comprehensive income.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

For non-NHS receivables we determine expected credit loss by reviewing the age of the debt. For NHS receivables expected credit losses are not normally recognised in this way, IFRS 15 applies.

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

Derecognition

Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired or the Trust has transferred substantially all the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Note 1.14 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

The trust as a lessee

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for an item of property plant and equipment.

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the Statement of Comprehensive Income.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially in other liabilities on the statement of financial position and subsequently as a reduction of rentals on a straight-line basis over the lease term. Contingent rentals are recognised as an expense in the period in which they are incurred.

Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

Note 1.15 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the discount rates published and mandated by HM Treasury.

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.5% in real terms.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed at note 34.2 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

The trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trust pays an annual contribution to NHS Resolution and in return receives assistance with the costs of claims arising. The annual membership contributions, and any excesses payable in respect of particular claims are charged to operating expenses when the liability arises.

Note 1.16 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 35 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 35, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

• possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or

• present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.17 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

The Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated and grant funded assets,
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

Note 1.18 Value added tax

Most of the activities of the trust are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

Note 1.19 Corporation tax

Liverpool Heart & Chest Hospital NHS Foundation Trust is a Health Service body within the meaning of the S519A ICTA 1988 and accordingly is exempt from taxation in respect of income and capital gains within categories covered by this. There is a power for the treasury to dis-apply the exemption in relation to the specified activities of a Foundation Trust (S159A (3) to (8) ICTA 1988). Accordingly, the trust is potentially within the scope of Corporation Tax, but there is no tax liability arising in respect of the current financial year.

Note 1.20 Foreign exchange

The functional and presentational currency of the trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

• monetary items are translated at the spot exchange rate on 31 March 20
• non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction and
• non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

Note 1.21 Third party assets

Assets belonging to third parties in which the Trust has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts. However, they are disclosed in a separate note to the accounts in accordance with the requirements of HM Treasury's *FReM*.

Note 1.22 Losses and special payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled. Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis.

The losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.23 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

Note 1.24 Early adoption of standards, amendments and interpretations
No new accounting standards or revisions to existing standards have been early adopted in 2019/20.

Note 1.25 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases
IFRS 16 Leases will replace *IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The trust will apply this definition to new leases only and will grandfather its assessments made under the old standards of whether existing contracts contain a lease.

On transition to IFRS 16 on 1 April 2021, the trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate (1.27%). The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. No adjustments will be made on 1 April 2020 for existing finance leases.

For leases commencing in 2021/22, the trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

The trust has estimated the impact of applying IFRS 16 in 2021/22 on the opening statement of financial position and the in-year impact on the statement of comprehensive income and capital additions as follows:

	£000
Estimated impact on 1 April 2021 statement of financial position	
Additional right of use assets recognised for existing operating leases	-
Additional lease obligations recognised for existing operating leases	-
Changes to other statement of financial position line items	7,378
Net impact on net assets on 1 April 2021	**7,378**
Estimated in-year impact in 2021/22	
Additional depreciation on right of use assets	-
Additional finance costs on lease liabilities	-
Lease rentals no longer charged to operating expenditure	(727)
Other impact on income / expenditure	(99)
Estimated impact on surplus / deficit in 2021/22	**(826)**
Estimated increase in capital additions for new leases commencing in 2021/22	**(41)**

Of the £7,378k changes to other statement of financial position line items £6,966k relates to rental property and room hire agreements and £412k relates to Machinery and equipment from embedded leases. One embedded contract is not yet signed. An assumption has been made that this will be likely due to the current embedded agreement coming to an end in December 2020 and the contract being ready for signature.

Other standards, amendments and interpretations
IFRS17
The effective date for IFRS17 is now 2023/24. Work has not yet started on understanding its impact in the NHS.

Note 1.26 Critical judgements in applying accounting policies
The following are the judgements, apart from those involving estimations (see below) that management has made in the process of applying the trust accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

Asset lives and residual values

Property, plant and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation and maintenance programmes are taken into account. Residual values assessments consider issues such as the remaining life of the asset and projected disposal value.

Impairment of Assets

At each balance sheet date, the Trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually. The impairment value recognised in the year ending 31st March 2019 is disclosed at note 6.

Note 1.27 Sources of estimation uncertainty

The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

The valuation exercise was carried out in March 2020 with a valuation date of 31st March 2020. In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 (Red Book), the valuer has declared a "material valuation uncertainty" in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19. The valuers have provided additional clarification that the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. This clause is a disclosure, not a disclaimer. It is used in order to be clear and transparent with all parties, in a professional manner that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

Note 2 Operating Segments

The activities of the Foundation Trust are all healthcare-related and treated as a single segment for the purpose of the accounts. The Foundation Trust's total revenue for the year ended 31 March 2020 was £157,632m of which 87% related to patient care activities for which NHS England and Clinical Commissioning Groups account for 75% of the revenue.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4

Note 3.1 Income from patient care activities (by nature)	2019/20 £000	2018/19 £000
Acute services		
Elective income	42,444	41,559
Non elective income	32,629	28,818
First outpatient income	6,046	4,273
Follow up outpatient income	4,624	4,067
High cost drugs income from commissioners (excluding pass-through costs)	7,362	5,761
Other NHS clinical income	40,569	43,257
Community services		
Community services income from CCGs and NHS England	5,055	4,347
All services		
Private patient income	2,944	3,188
Agenda for Change pay award central funding*		965
Additional pension contribution central funding**	3,037	
Other clinical income	-	867
Total income from activities	**144,710**	**137,102**

*Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff for individual services.

**The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2019/20 £000	2018/19 £000
NHS England	97,914	90,541
Clinical commissioning groups	23,865	23,002
Department of Health and Social Care	-	981
Other NHS providers	39	-
NHS other	-	-
Local authorities	-	-
Non-NHS: private patients	3,017	3,172
Non-NHS: overseas patients (chargeable to patient)	66	52
Injury cost recovery scheme	-	-
Non NHS: other	19,809	19,354
Total income from activities	**144,710**	**137,102**
Of which:		
Related to continuing operations	144,710	137,102
Related to discontinued operations	-	-

Note 3.3 Overseas visitors (relating to patients charged directly by the provider)

	2019/20	2018/19
	£000	£000
Income recognised this year	66	52
Cash payments received in-year	51	20
Amounts added to provision for impairment of receivables	-	32
Amounts written off in-year	18	-

Note 4 Other operating income

	2019/20			2018/19		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	1,672	-	**1,672**	1,892	-	**1,892**
Education and training	2,569	-	**2,569**	2,594	-	**2,594**
Non-patient care services to other bodies	5,284		**5,284**	3,833		**3,833**
Provider sustainability fund (PSF)	1,927		**1,927**	10,626		**10,626**
Receipt of capital grants and donations		32	**32**		26	**26**
Charitable and other contributions to expenditure		-	**-**		71	**71**
Other income	1,438	-	**1,438**	771	-	**771**
Total other operating income	**12,891**	**32**	**12,922**	**19,716**	**97**	**19,813**
Of which:						
Related to continuing operations			**12,922**			**19,813**
Related to discontinued operations			**-**			**-**

Note 5.1 Additional information on contract revenue (IFRS 15) recognised in the period

	2019/20	2018/19
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	1,033	854

Note 5.2 Income from activities arising from commissioner requested services

Under the terms of its provider licence, the trust is required to analyse the level of income from activities that has arisen from commissioner requested and non-commissioner requested services. Commissioner requested services are defined in the provider licence and are services that commissioners believe would need to be protected in the event of provider failure. This information is provided in the table below:

	2019/20	2018/19
	£000	£000
Income from services designated as commissioner requested services	137,172	132,842
Income from services not designated as commissioner requested services	7,538	4,260
Total	**144,710**	**137,102**

Note 6.1 Operating expenses

	2019/20 £000	2018/19 £000
Purchase of healthcare from NHS and DHSC bodies	-	-
Purchase of healthcare from non-NHS and non-DHSC bodies	-	-
Purchase of social care	-	-
Staff and executive directors costs	86,157	75,061
Remuneration of non-executive directors	134	122
Supplies and services - clinical (excluding drugs costs)	33,295	34,145
Supplies and services - general	3,677	3,140
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	10,242	8,746
Inventories written down	-	-
Consultancy costs	838	401
Establishment	1,949	1,496
Premises	4,488	3,713
Transport (including patient travel)	461	268
Depreciation on property, plant and equipment	5,250	4,735
Amortisation on intangible assets	152	156
Net impairments	1,525	1,596
Movement in credit loss allowance: contract receivables / contract assets	195	675
Movement in credit loss allowance: all other receivables and investments	-	-
Increase/(decrease) in other provisions	1	85
Change in provisions discount rate(s)	8	(2)
Audit fees payable to the external auditor		
audit services- statutory audit	60	54
other auditor remuneration (external auditor only)	5	5
Internal audit costs	33	84
Clinical negligence	1,003	1,129
Legal fees	118	17
Insurance	167	179
Research and development	1,817	1,794
Education and training	1,042	855
Rentals under operating leases	356	364
Early retirements	-	-
Redundancy	-	-
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	-	-
Charges to operating expenditure for off-SoFP PFI / LIFT schemes	-	-
Car parking & security	-	-
Hospitality	-	-
Losses, ex gratia & special payments	82	25
Grossing up consortium arrangements	-	-
Other services, eg external payroll	-	-
Other	128	96
Total	**153,185**	**138,939**
Of which:		
Related to continuing operations	153,185	138,939
Related to discontinued operations	-	-

Note 6.2 Other auditor remuneration

	2019/20 £000	2018/19 £000
Other auditor remuneration paid to the external auditor:		
1. Audit of accounts of any associate of the trust	-	-
2. Audit-related assurance services	5	5
3. Taxation compliance services	-	-
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	-	-
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	-	-
Total	**5**	**5**

Note 6.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2m (2018/19: £2m).

Note 7 Impairment of assets

	2019/20 £000	2018/19 £000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	-	-
Over specification of assets	-	-
Abandonment of assets in course of construction	-	-
Unforeseen obsolescence	-	-
Loss as a result of catastrophe	-	-
Changes in market price	1,525	1,596
Other	-	-
Total net impairments charged to operating surplus / deficit	**1,525**	**1,596**
Impairments charged to the revaluation reserve	854	12,165
Total net impairments	**2,379**	**13,761**

Impairments charged to the revaluation reserve have resulted from the annual revaluation of the oganisations land and buildings.

Note 8 Employee benefits

	2019/20 Total £000	2018/19 Total £000
Salaries and wages	70,320	62,861
Social security costs	6,158	5,801
Apprenticeship levy	297	276
Employer's contributions to NHS pensions	10,020	6,596
Pension cost - other	-	-
Other post employment benefits	-	-
Other employment benefits	-	-
Termination benefits	-	5
Temporary staff (including agency)	1,901	1,427
Total gross staff costs	**88,697**	**76,966**
Recoveries in respect of seconded staff	-	-
Total staff costs	**88,697**	**76,966**
Of which		
Costs capitalised as part of assets	303	138

Note 8.1 Retirements due to ill-health

During 2019/20 there was 1 early retirement from the trust agreed on the grounds of ill-health (3 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is £41k (£110k in 2018/19).

These estimated costs are calculated on an average basis and will be borne by the NHS Pension Scheme.

Note 9 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that scheme for the accounting period.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that "the period between formal valuations shall be four years, with approximate assessments in intervening years". An outline of these follows:

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

The latest assessment of the liabilities of the scheme is contained in the report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the schemes (taking into account recent demographic experience), and to recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019. The employer contribution rate for 2019/20 is 20.6%.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

Note 10 Operating leases

Note 10.1 Liverpool Heart and Chest Hospital NHS Foundation Trust as a lessor

The Foundation trust does not have operating leases as a lessor.

Note 10.2 Liverpool Heart and Chest Hospital NHS Foundation Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where Liverpool Heart and Chest Hospital NHS Foundation Trust is the lessee.

The Foundation Trust make payments under leases as follows:-
Photocopiers under a lease agreement expiring in 2023/2024.
Portakabins under a lease agreement expiring in 2024/25.
The Foundation Trust makes land lease payments to the Liverpool University Hospitals Foundation Trust in respect of the land it occupies at the Broadgreen site. Whilst the arrangement with Liverpool University Hospitals Foundation Trust falls within the definition of an operating lease, the term of the arrangement for future years has not yet been agreed. Consequently, the table below does not include future minimum lease payments for this arrangement.

	2019/20 £000	2018/19 £000
Operating lease expense		
Minimum lease payments	356	364
Contingent rents	-	-
Less sublease payments received	-	-
Total	**356**	**364**

	31 March 2020 £000	31 March 2019 £000
Future minimum lease payments due:		
- not later than one year;	269	378
- later than one year and not later than five years;	506	43
- later than five years.	-	97
Total	**775**	**518**
Future minimum sublease payments to be received	-	-

Note 11 Finance income

Finance income represents interest received on assets and investments in the period.

	2019/20 £000	2018/19 £000
Interest on bank accounts	169	85
Interest income on finance leases	-	-
Interest on other investments / financial assets	-	-
Other finance income	-	-
Total finance income	**169**	**85**

Note 12.1 Finance expenditure

Finance expenditure represents interest and other charges involved in the borrowing of money or asset financing.

	2019/20 £000	2018/19 £000
Interest expense:		
Loans from the Department of Health and Social Care	-	-
Other loans	-	-
Overdrafts	5	4
Finance leases	28	15
Interest on late payment of commercial debt	-	-
Main finance costs on PFI and LIFT schemes obligations	-	-
Contingent finance costs on PFI and LIFT scheme obligations	-	-
Total interest expense	**33**	**19**
Unwinding of discount on provisions	-	-
Other finance costs	-	-
Total finance costs	**33**	**19**

Note 12.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2019/20 £000	2018/19 £000
Total liability accruing in year under this legislation as a result of late payments	-	-
Amounts included within interest payable arising from claims made under this legislation	-	-
Compensation paid to cover debt recovery costs under this legislation	-	-

Note 13 Other gains / (losses)

	2019/20 £000	2018/19 £000
Gains on disposal of assets	-	6
Losses on disposal of assets	-	-
Total gains / (losses) on disposal of assets	**-**	**6**
Gains / (losses) on foreign exchange	-	-
Fair value gains / (losses) on investment properties	-	-
Fair value gains / (losses) on financial assets / investments	-	-
Fair value gains / (losses) on financial liabilities	-	-
Recycling gains / (losses) on disposal of financial assets mandated as fair value through OCI	-	-
Other gains / (losses)	-	-
Total other gains / (losses)	**-**	**6**

Note 14 Discontinued operations

The Foundation Trust did not discontinue any operations during the year ended 31 March 2020.

Note 15.1 Intangible assets - 2019/20

	Software licences	Licences & trademarks	Patents	Internally generated information technology	Development expenditure	Goodwill	Websites	Intangible assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2019 - brought forward	1,820	-	-	-	-	-	-	-	1,820
Transfers by absorption	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Valuation / gross cost at 31 March 2020	1,820	-	-	-	-	-	-	-	1,820
Amortisation at 1 April 2019 - brought forward	1,166	-	-	-	-	-	-	-	1,166
Transfers by absorption	-	-	-	-	-	-	-	-	-
Provided during the year	152	-	-	-	-	-	-	-	152
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Amortisation at 31 March 2020	1,318	-	-	-	-	-	-	-	1,318
Net book value at 31 March 2020	502	-	-	-	-	-	-	-	502
Net book value at 1 April 2019	654	-	-	-	-	-	-	-	654

Note 15.2 Intangible assets - 2018/19

	Software licences	Licences & trademarks	Patents	Internally generated information technology	Development expenditure	Goodwill	Websites	Intangible assets under construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	**1,738**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,738**
Prior period adjustments	-	-	-	-	-	-	-	-	-
Valuation / gross cost at 1 April 2018 - restated	**1,738**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,738**
Transfers by absorption	-	-	-	-	-	-	-	-	-
Additions	82	-	-	-	-	-	-	-	**82**
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Valuation / gross cost at 31 March 2019	**1,820**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,820**
Amortisation at 1 April 2018 - as previously stated	**1,010**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,010**
Prior period adjustments	-	-	-	-	-	-	-	-	-
Amortisation at 1 April 2018 - restated	**1,010**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,010**
Transfers by absorption	-	-	-	-	-	-	-	-	-
Provided during the year	156	-	-	-	-	-	-	-	**156**
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Amortisation at 31 March 2019	**1,166**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,166**
Net book value at 31 March 2019	**654**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**654**
Net book value at 1 April 2018	**728**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**728**

Note 16.1 Property, plant and equipment - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019 - brought forward	**1,750**	**59,347**	**791**	**2,389**	**32,516**	**-**	**18,446**	**2,445**
Transfers by absorption	-	-	-	-	-	-	-	-
Additions	-	4,039	32	835	4,355	-	996	21
Impairments	-	(2,499)	(31)	-	-	-	-	-
Reversals of impairments	-	151	-	-	-	-	-	-
Revaluations	-	(355)	16	-	-	-	-	-
Reclassifications	84	1,540	(7)	(2,389)	707	-	-	65
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	(207)	-	-	-
Valuation/gross cost at 31 March 2020	**1,834**	**62,223**	**801**	**835**	**37,371**	**-**	**19,442**	**2,530**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**-**	**(0)**	**-**	**20,889**	**-**	**11,597**	**2,351**
Transfers by absorption	-	-	-	-	-	-	-	-
Provided during the year	-	1,494	19	-	1,946	-	1,732	60
Impairments	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-
Revaluations	-	(1,494)	(19)	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	(207)	-	-	-
Accumulated depreciation at 31 March 2020	**-**	**-**	**(0)**	**-**	**22,628**	**-**	**13,329**	**2,411**
Net book value at 31 March 2020	**1,834**	**62,223**	**801**	**835**	**14,743**	**-**	**6,113**	**119**
Net book value at 1 April 2019	**1,750**	**59,347**	**791**	**2,389**	**11,627**	**-**	**6,848**	**94**

Note 16.2 Property, plant and equipment - 2018/19 restated

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	**2,850**	**67,760**	**1,263**	**47**	**28,744**	**-**	**17,333**	**2,445**
Prior period adjustments	-	-	-	-	-	-	-	-
Valuation / gross cost at 1 April 2018 - restated	**2,850**	**67,760**	**1,263**	**47**	**28,744**	**-**	**17,333**	**2,445**
Transfers by absorption	-	-	-	-	-	-	-	-
Additions	-	2,309	-	2,342	4,033	-	1,113	-
Impairments	(1,100)	(13,526)	(471)	-	-	-	-	-
Reversals of impairments	-	1,336	-	-	-	-	-	-
Revaluations	-	1,468	(1)	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	(261)	-	-	-
Valuation/gross cost at 31 March 2019	**1,750**	**59,347**	**791**	**2,389**	**32,516**	**-**	**18,446**	**2,445**
Accumulated depreciation at 1 April 2018 - as previously stated	**-**	**102**	**3**	**-**	**19,456**	**-**	**10,064**	**2,301**
Prior period adjustments	-	-	-	-	-	-	-	-
Accumulated depreciation at 1 April 2018 - restated	**-**	**102**	**3**	**-**	**19,456**	**-**	**10,064**	**2,301**
Transfers by absorption	-	-	-	-	-	-	-	-
Provided during the year	-	1,449	20	-	1,683	-	1,534	50
Impairments	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-
Revaluations	-	(1,551)	(23)	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	(250)	-	-	-
Accumulated depreciation at 31 March 2019	**-**	**-**	**(0)**	**-**	**20,889**	**-**	**11,597**	**2,351**
Net book value at 31 March 2019	**1,750**	**59,347**	**791**	**2,389**	**11,627**	**-**	**6,848**	**94**
Net book value at 1 April 2018	**2,850**	**67,658**	**1,260**	**47**	**9,288**	**-**	**7,269**	**144**

Note 16.3 Property, plant and equipment financing - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020								
Owned - purchased	1,834	61,586	377	835	11,979	-	5,658	114
Finance leased	-	-	-	-	2,663	-	452	-
On-SoFP PFI contracts and other service concession arrangements	-	-	-	-	-	-	-	-
Off-SoFP PFI residual interests	-	-	-	-	-	-	-	-
Owned - government granted	-	-	-	-	-	-	-	-
Owned - donated	-	637	424	-	101	-	3	5
NBV total at 31 March 2020	**1,834**	**62,223**	**801**	**835**	**14,743**	**-**	**6,113**	**119**

Note 16.4 Property, plant and equipment financing - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings
	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019								
Owned - purchased	1,750	58,663	366	2,389	11,507	-	6,270	85
Finance leased	-	-	-	-	-	-	574	-
On-SoFP PFI contracts and other service concession arrangements	-	-	-	-	-	-	-	-
Off-SoFP PFI residual interests	-	-	-	-	-	-	-	-
Owned - government granted	-	-	-	-	-	-	-	-
Owned - donated	-	684	425	-	120	-	4	9
NBV total at 31 March 2019	**1,750**	**59,347**	**791**	**2,389**	**11,627**	**-**	**6,848**	**94**

Note 17 Donations of property, plant and equipment

During the year there were donations of £32K received from the Liverpool Heart & Chest Hospital Charity to fund the specific purchase of capital property, plant and equipment. This was spent on repairs to the roof of Robert Owen House.

There is no difference between the cash provided and the fair value of the assets purchased.

Note 18 Revaluations of property, plant and equipment

Professional valuations are carried out by the Cushman & Wakefield. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS). Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. The Trust has had its land and buildings revalued using depreciated replacement cost on a modern equivilant asset basis as 31st March 2020.

Note 19.1 Investment Property

The Foundation Trust does not hold any investment property.

Note 19.2 Investment property income and expenses

The Foundation Trust does not hold any investment property.

Note 20 Investments in associates and joint ventures

	2019/20	2018/19
	£000	£000
Carrying value at 1 April - brought forward	**48**	**49**
Prior period adjustments		-
Carrying value at 1 April - restated	**48**	**49**
Transfers by absorption	-	-
Acquisitions in year	-	-
Share of profit / (loss)	(4)	(1)
Net impairments	-	-
Transfers to / from assets held for sale	-	-
Disbursements / dividends received	-	-
Disposals	-	-
Share of Other Comprehensive Income	-	-
Other equity movements	-	-
Carrying value at 31 March	**44**	**48**

Note 21 Disclosure of interests in other entities

Liverpool Heart and Chest Hospital Foundation Trust is the Trustee of the Liverpool Heart and Chest Charity.

Note 22 Inventories

	31 March 2020 £000	31 March 2019 £000
Drugs	497	496
Work In progress	-	-
Consumables	2,597	2,917
Energy	-	-
Other	-	-
Total inventories	**3,094**	**3,413**
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £29,216k (2018/19: £32,168k). Write-down of inventories recognised as expenses for the year were £0k (2018/19: £0k).

The Trust was unable to carry out physical stock takes at the year end as a result of COVID 19. Stock values have been estimated based utilising values generated from the electronic system throughout the Trust.

Note 23.1 Receivables

	31 March 2020 £000	31 March 2019 £000
Current		
Contract receivables	11,102	17,238
Contract assets	-	-
Capital receivables	-	-
Allowance for impaired contract receivables / assets	(2,636)	(3,026)
Allowance for other impaired receivables	-	-
Deposits and advances	-	-
Prepayments (non-PFI)	400	1,013
PFI prepayments - capital contributions	-	-
PFI lifecycle prepayments	-	-
Interest receivable	-	-
Finance lease receivables	-	-
PDC dividend receivable	530	241
VAT receivable	216	278
Corporation and other taxes receivable	-	-
Other receivables	1,664	461
Total current receivables	**11,275**	**16,205**
Of which receivable from NHS and DHSC group bodies:		
Current	9,570	15,517

Note 23.2 Allowances for credit losses

	2019/20		2018/19	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 April - brought forward	**3,026**	**-**	**-**	**2,006**
Prior period adjustments			-	-
Allowances as at 1 April - restated	**3,026**	**-**	**-**	**2,006**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018			2,006	(2,006)
Transfers by absorption	**-**	**-**	-	-
New allowances arising	4,638	-	2,344	-
Changes in existing allowances	(3,760)	-	-	-
Reversals of allowances	(683)	-	(1,669)	-
Utilisation of allowances (write offs)	(585)	-	345	-
Changes arising following modification of contractual cash flows	-	-	-	-
Foreign exchange and other changes	-	-	-	-
Allowances as at 31 Mar 2020	**2,636**	**-**	**3,026**	**-**

Note 23.3 Exposure to credit risk

The trust is not exposed to material financial credit risk.

Note 24 Other assets

The Foundation Trust did not hold any other Financial Assets at 31 March 2020 (2019: nil)

Note 25.1 Non-current assets held for sale and assets in disposal groups

	2019/20	2018/19
	£000	£000
NBV of non-current assets for sale and assets in disposal groups at 1 April	**-**	**3**
Prior period adjustment		-
NBV of non-current assets for sale and assets in disposal groups at 1 April - restated	**-**	**3**
Transfers by absorption	-	-
Assets classified as available for sale in the year	-	-
Assets sold in year	-	(3)
Impairment of assets held for sale	-	-
Reversal of impairment of assets held for sale	-	-
Assets no longer classified as held for sale, for reasons other than sale	-	-
NBV of non-current assets for sale and assets in disposal groups at 31 March	**-**	**-**

Non-current assets held for sale include several items of medical equipment currently being marketed on behalf of the Trust by Avensys Medical Ltd. All AHFS are held at the lower of their carrying value at the time of transfer, and their estimated realisable value. Depreciation is no longer charged following reclassification to AHFS.

Note 25.2 Liabilities in disposal groups

There are no disposal groups.

Note 26.1 Cash and cash equivalents movements

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	2019/20 £000	2018/19 £000
At 1 April	**17,724**	**7,465**
Prior period adjustments		-
At 1 April (restated)	**17,724**	**7,465**
Transfers by absorption	-	-
Net change in year	12,525	10,259
At 31 March	**30,249**	**17,724**
Broken down into:		
Cash at commercial banks and in hand	8	7
Cash with the Government Banking Service	30,242	17,717
Deposits with the National Loan Fund	-	-
Other current investments	-	-
Total cash and cash equivalents as in SoFP	**30,249**	**17,724**
Bank overdrafts (GBS and commercial banks)	-	-
Drawdown in committed facility	-	-
Total cash and cash equivalents as in SoCF	**30,249**	**17,724**

Note 26.2 Third party assets held by the Trust

There are no third party assets held by the Trust.

Note 27.1 Trade and other payables

	31 March 2020 £000	31 March 2019 £000
Current		
Trade payables	6,041	4,128
Capital payables	1,044	3,516
Accruals	10,252	6,660
Receipts in advance and payments on account	-	-
PFI lifecycle replacement received in advance	-	-
Social security costs	1,045	946
VAT payables	-	-
Other taxes payable	988	828
PDC dividend payable	-	0
Other payables	2,613	1,990
Total current trade and other payables	**21,984**	**18,068**
Of which payables from NHS and DHSC group bodies:		
Current	3,812	4,032

Note 28 Other liabilities

	31 March 2020 £000	31 March 2019 £000
Current		
Deferred income: contract liabilities	1,125	977
Deferred grants	-	-
Deferred PFI credits / income	-	-
Lease incentives	-	-
Other deferred income	-	-
Total other current liabilities	**1,125**	**977**
Non-current		
Deferred income: contract liabilities	81	81
Deferred grants	-	-
Deferred PFI credits / income	-	-
Lease incentives	-	-
Other deferred income	-	-
Net pension scheme liability	-	-
Total other non-current liabilities	**81**	**81**

Note 29.1 Borrowings

	31 March 2020 £000	31 March 2019 £000
Current		
Bank overdrafts	-	-
Drawdown in committed facility	-	-
Loans from DHSC	-	-
Other loans	6	6
Obligations under finance leases	315	220
Obligations under PFI, LIFT or other service concession contracts	-	-
Total current borrowings	**321**	**226**
Non-current		
Loans from DHSC	-	-
Other loans	10	16
Obligations under finance leases	2,527	-
Obligations under PFI, LIFT or other service concession contracts	-	-
Total non-current borrowings	**2,537**	**16**

Note 29.2 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC	Other loans	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000	£000
Carrying value at 1 April 2019	**-**	**23**	**220**	**-**	**243**
Cash movements:					
Financing cash flows - payments and receipts of principal	-	(6)	(209)	-	**(215)**
Financing cash flows - payments of interest	-	-	(28)	-	**(28)**
Non-cash movements:					
Transfers by absorption	-	-	-	-	**-**
Additions	-	-	2,945	-	**2,945**
Application of effective interest rate	-	-	28	-	**28**
Change in effective interest rate	-	-	-	-	**-**
Changes in fair value	-	-	-	-	**-**
Early terminations	-	-	-	-	**-**
Other changes	-	-	(114)	-	**(114)**
Carrying value at 31 March 2020	**-**	**17**	**2,842**	**-**	**2,859**

Note 29.3 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC	Other loans	Finance leases	PFI and LIFT schemes	Total
	£000	£000	£000	£000	£000
Carrying value at 1 April 2018	**-**	**30**	**624**	**-**	**654**
Prior period adjustment	-	-	-	-	-
Carrying value at 1 April 2018 - restated	**-**	**30**	**624**	**-**	**654**
Cash movements:					
Financing cash flows - payments and receipts of principal	-	(7)	(404)	-	**(411)**
Financing cash flows - payments of interest	-	-	(15)	-	**(15)**
Non-cash movements:					
Impact of implementing IFRS 9 on 1 April 2018	-	-	-	-	**-**
Transfers by absorption	-	-	-	-	**-**
Additions	-	-	-	-	**-**
Application of effective interest rate	-	-	15	-	**15**
Change in effective interest rate	-	-	-	-	**-**
Changes in fair value	-	-	-	-	**-**
Early terminations	-	-	-	-	**-**
Other changes	-	-	-	-	**-**
Carrying value at 31 March 2019	**-**	**23**	**220**	**-**	**243**

Note 30 Other financial liabilities

There are no other financial liabilities

Note 31 Finance leases

Note 31.1 Liverpool Heart and Chest Hospital NHS Foundation Trust as a lessor

Future lease receipts due under finance lease agreements where the Trust is the lessor:
The Foundation Trust does not have finance leases as a lessor.

Note 31.2 Liverpool Heart and Chest Hospital NHS Foundation Trust as a lessee

Obligations under finance leases where the Trust is the lessee.

	31 March 2020 £000	31 March 2019 £000
Gross lease liabilities	**2,842**	**220**
of which liabilities are due:		
- not later than one year;	315	220
- later than one year and not later than five years;	1,434	-
- later than five years.	1,093	-
Finance charges allocated to future periods	-	-
Net lease liabilities	**2,842**	**220**
of which payable:		
- not later than one year;	315	220
- later than one year and not later than five years;	1,434	-
- later than five years.	1,093	-
Total of future minimum sublease payments to be received at the reporting date	-	-
Contingent rent recognised as expense in the period	-	-

In 2016/17 the Trust entered into a finance lease arrangement with CISCO Finance Ltd in order to secure an updated IT Network system at a capital cost of £845k. The lease term is complete and at the end of the period ownership of the asset was be transferred to the Trust.

In 2019/20 the Trust entered into a finance lease arrangement with Siemens Healthcare Limited in order to purchase a CT scanner and a MRI scanner at a capital cost of £2,751k. The lease term is for eight years and at the end of the period ownership can be transferred to the Trust. Transfer can take place by the trust arranging to aquire the asset at the net book value.

The lessor has the benefit of the residual value of the assets as these assets are returned at the end of the lease agreement. The lease agreements require the Foundation Trust to maintain assets to a good standard and they have to be returned to the lessor in a reasonable condition. This risk is managed by the Foundation Trust, through Insurance cover and Maintenance Contracts.

There are no contingent rent arrangements within any of these lease agreements

Note 32.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Re-structuring	Equal Pay (including Agenda for Change)	Redundancy	Other	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2019	**-**	**133**	**30**	**-**	**-**	**-**	**630**	**793**
Transfers by absorption	-	-	-	-	-	-	-	-
Change in the discount rate	-	**8**	-	-	-	-	-	**8**
Arising during the year	-	-	**38**	-	-	**1,062**	**724**	**1,824**
Utilised during the year	-	(7)	(5)	-	-	-	(27)	**(39)**
Reclassified to liabilities held in disposal groups	-	-	-	-	-	-	-	-
Reversed unused	-	**(8)**	**(39)**	-	-	-	-	**(47)**
Unwinding of discount	-	-	-	-	-	-	-	-
At 31 March 2020	**-**	**126**	**24**	**-**	**-**	**1,062**	**1,327**	**2,539**
Expected timing of cash flows:								
- not later than one year;	-	7	24	-	-	-	**1,327**	**1,358**
- later than one year and not later than five years;	-	28	-	-	-	-	**-**	**28**
- later than five years.	-	91	0	-	-	1,062	**(0)**	**1,153**
Total	**-**	**126**	**24**	**-**	**-**	**1,062**	**1,327**	**2,539**

The Foundation Trust has total provisions as at 31st March 2020 of £2,539k . The redundancy provision relates to Liverpool Health Partners, Other provisions of £1,327k includes provisions for payments relating to European Working Time Directive, "Dudley" holiday pay, Pension recycling payments, land charges and Commissioner challenges. .

Note 32.2 Clinical negligence liabilities

At 31 March 2020, £2,805k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Liverpool Heart and Chest Hospital NHS Foundation Trust (31 March 2019: £1,401k).

Note 33 Contingent assets and liabilities

	31 March 2020 £000	31 March 2019 £000
Value of contingent liabilities		
NHS Resolution legal claims	(10)	(10)
Employment tribunal and other employee related litigation	-	-
Redundancy	-	-
Other	-	-
Gross value of contingent liabilities	**(10)**	**(10)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(10)**	**(10)**
Net value of contingent assets	**-**	**-**

Note 34 Contractual capital commitments

	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	1,118	5,278
Intangible assets	-	-
Total	**1,118**	**5,278**

Note 35 Other financial commitments

The Trust is committed to making payments under non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangement), analysed by the period during which the payment is made:

	31 March 2020 £000	31 March 2019 £000
not later than 1 year	832	763
after 1 year and not later than 5 years	1,752	788
paid thereafter	-	-
Total	**2,584**	**1,551**

Other Financial Commitments is a 5 year contract for patient catering services.

Note 36 Defined benefit pension schemes

The Foundation Trust did not operate a separare defined benefit pension scheme for the year ended 31 March 2020 (2019: nil)

Note 37 Financial instruments

Note 37.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Foundation Trust has with Clinical Commissioning Groups (CCG's) and NHS England and the way CCG's and NHS England are financed, The Foundation Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Foundation Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

The Foundation Trust's treasury management operations are carried out by the finance department, within parameters defined formally within the Foundation Trust's Standing Financial Instructions and policies agreed by the Board of Directors. The Foundation Trust's treasury activity is subject to review by the Trust's internal auditors.

Currency Risk
The Trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The Trust has no overseas operations, but does rely on a US company to provide the consumables for the Surgical robot. The Trust therefore has some exposure to currency rate fluctuations, but these are not considered material.

Interest Rate Risk
The Trust has minimal borrowings. These are based on rates of interest fixed at the time of entering into the lease agreements. The Trust funds its capital programme from internally generated funds, therefore does not have any other loans and so is not exposed to any interest rate risk

Credit Risk
The majority of the Trust's income comes from contracts with other public sector bodies. The Trust has low exposure to credit risk. The maximum exposures as at 31st March 2019 are in receivables from customers, as disclosed in the Trade and other receivables note.

Liquidity Risk
The Trust's operating costs are incurred under contracts with CCGs and NHS England, which are financed from resources voted annually by Parliament. The Trust finances its capital expenditure from internally generated funds. The Trust is not, therefore, exposed to significant liquidity risks.

Note 37.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2020	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
Trade and other receivables excluding non financial assets	12,766	-	-	**12,766**
Other investments / financial assets	44	-	-	**44**
Cash and cash equivalents	30,249	-	-	**30,249**
Total at 31 March 2020	**43,059**	-	-	**43,059**

Carrying values of financial assets as at 31 March 2019	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
Trade and other receivables excluding non financial assets	14,584	-	-	**14,584**
Other investments / financial assets	47	-	-	**47**
Cash and cash equivalents	17,724	-	-	**17,724**
Total at 31 March 2019	**32,356**	-	-	**32,356**

Note 37.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Loans from the Department of Health and Social Care	-	-	-
Obligations under finance leases	2,842	-	**2,842**
Obligations under PFI, LIFT and other service concession contracts	-	-	-
Other borrowings	17	-	**17**
Trade and other payables excluding non financial liabilities	19,951	-	**19,951**
Other financial liabilities	-	-	-
Provisions under contract	-	-	-
Total at 31 March 2020	**22,810**	-	**22,810**

Carrying values of financial liabilities as at 31 March 2019	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Loans from the Department of Health and Social Care	-	-	-
Obligations under finance leases	220	-	**220**
Obligations under PFI, LIFT and other service concession contracts	-	-	-
Other borrowings	23	-	**23**
Trade and other payables excluding non financial liabilities	16,042	-	**16,042**
Other financial liabilities	-	-	-
Provisions under contract	-	-	-
Total at 31 March 2019	**16,285**	-	**16,285**

Note 37.4 Maturity of financial liabilities

	31 March 2020 £000	31 March 2019 £000
In one year or less	20,273	16,285
In more than one year but not more than two years	1,445	-
In more than two years but not more than five years	1,092	-
In more than five years	-	-
Total	**22,810**	**16,285**

Note 37.5 Fair values of financial assets and liabilities

The trust has used book value (carrying value) as an approximation of fair value.

Note 38 Losses and special payments

	2019/20		2018/19	
	Total number of cases Number	Total value of cases £000	Total number of cases Number	Total value of cases £000
Losses				
Cash losses	-	-	33	25
Fruitless payments	-	-	-	-
Bad debts and claims abandoned	215	506	291	95
Stores losses and damage to property	3	17	-	-
Total losses	**218**	**523**	**324**	**120**
Special payments				
Compensation under court order or legally binding arbitration award	-	-	-	-
Extra-contractual payments	-	-	-	-
Ex-gratia payments	3	7	2	1
Special severance payments	-	-	-	-
Extra-statutory and extra-regulatory payments	1	58	-	-
Total special payments	**4**	**65**	**2**	**1**
Total losses and special payments	**222**	**588**	**326**	**121**
Compensation payments received		-		-

Note 39 Gifts

The Foundation Trust received no material gifts during the year ended 31 March 2020 (31 March 2019: nil)

Note 40 Related parties

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Liverpool Heart and Chest Hospital NHS Foundation Trust.
The Department of Health is regarded as a related party. During the year Liverpool Heart and Chest Hospital NHS Foundation Trust have had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. The principal entities are:

NHS England
Welsh Health Specialised Services Committee
NHS Liverpool CCG
NHS Knowsley CCG
Department of Health and Social Care - Isle of Man
Health Education England
NHS Wirral CCG
NHS Improvement
Royal Liverpool and Broadgreen University Hospitals NHS Foundation Trust
NHS Southport and Formby CCG
NHS West Cheshire CCG
NHS St Helens CCG
Mersey Care NHS Trust
St Helens and Knowsley Teaching Hospitals NHS Trust
Liverpool Heart and Chest Hospital Charity
Liverpool University Hospitals NHS Foundation Trust

Note 41 Transfers by absorption

There were no transfers by absorption in the Financial Statements of the Foundation trust for the year ended 31 March 2020.

Note 42 Prior period adjustments

The valuation report for Land and Buildings as at the 31.3.19 carried out by Cushman & Wakefield contained a typographical error that indicated the values were exclusive of VAT. For the 2018/19 financial statements VAT was added to the valuation provided. This error was identified during the 2019/20 audit and confirmed by Cushman and Wakefield. Additional analytical review of the valuation was carried out to provide robust assurance that the valuation is accurately reflected in the financial statements and a Prior Period Adjustment to the 2018/19 financial statements has been carried out.

		Original 31st March 2019	Revised 31st March 2019	Change
Property, plant and equipment		92,861	82,846	-10,015
Revaluation reserve		21,259	11,293	-9,966
Income and expenditure reserve		25,330	25,281	-49

Note 43 Events after the reporting date

Liverpool Heart and Chest has taken over the hosting of the Innovation Agency from 1st April 2020. The Innovation Agency is the Academic Health Science Network for the North West. Their aim is to spread innovation at pace and scale across health and social care. The organisation was previously hosted by Lancashire and South Cumbria Care NHS Foundation Trust. The organisation has a turnover of £7.4m and over 60 staff, which will be reflected in the Trust's accounts in 2020/21.

Covid – 19 – to support the NHS's response to COVID-19, the financial architecture of the NHS has changed, with all trusts given sufficient funding to break even in the first 4 months of 2020-21. The financial architecture beyond July 2020 has not yet been confirmed.

Independent auditor's report to the Council of Governors of Liverpool Heart and Chest NHS Foundation Trust

Report on the Audit of the Financial Statements

Qualified opinion

Our opinion on the financial statements is modified

We have audited the financial statements of Liverpool Heart and Chest NHS Foundation Trust (the 'Trust') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the Accounts Directions issued under the National Service Act 2006, the NHS foundation trust annual reporting manual 2019/20 and the Department of Health and Social Care Group Accounting Manual 2019 to 2020.

In our opinion, except for the possible effects of the matter described in the basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2020 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2019 to 2020; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for qualified opinion

Due to the national lockdown arising from the Covid-19 pandemic the Trust did not count all its physical inventories. We were unable to obtain sufficient appropriate audit evidence regarding the inventory quantities held at 31 March 2020, which have a carrying amount in the Statement of Financial Position of £3,094,000, by performing other audit procedures. Related balances such as drug costs and consumables may be materially misstated for the same reason.

Consequently we were unable to determine whether any adjustment to these amounts were necessary. In addition, were any adjustments to these amounts to be required, the Annual Report would also need to be amended.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the Accounting Officer and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Trust's future operational arrangements.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Trust's future operational arrangements. However, no audit should be expected to predict the unknowable factors or all possible future implications for an entity associated with these particular events.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Accounting Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Accounting Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Trust's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

In our evaluation of the Accounting Officer's conclusions, and in accordance with the expectation set out within the Department of Health and Social Care Group Accounting Manual 2019 to 2020 that the Trust's financial statements shall be prepared on a going concern basis, we considered the risks associated with the Trust's operating activities, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit. We analysed how those risks might affect the Trust's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Trust will continue in operation.

Grant Thornton

Overview of our audit approach

Financial statements audit

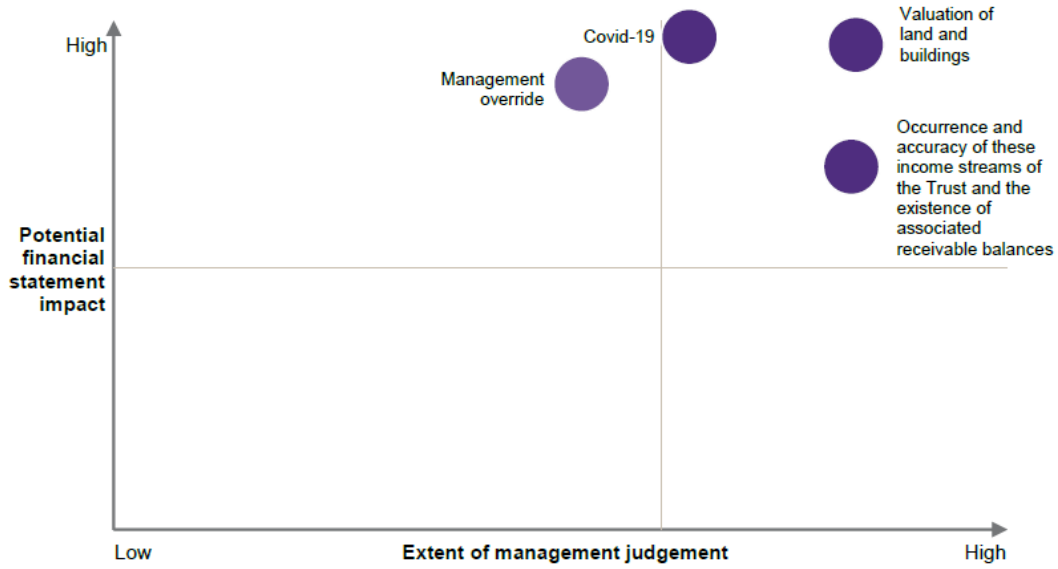
- Overall materiality: £2,777,000, which represents 2% of the Trust's gross operating costs (consisting of operating expenses and finance expenses);
- Key audit matters were identified as:
  - Valuation of land and buildings
  - Occurrence and accuracy of these income streams of the Trust and the existence of associated receivable balances
  - COVID-19
- We have tested on a sample basis the Trust's material income and expenditure streams and assets and liabilities, covering 99% of the Trust's income, 98% of the Trust's expenditure, 99% of the Trust's assets and 87% of the Trust's liabilities

Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

- We identified one significant risk in respect of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources (see Report on other legal and regulatory requirements section).

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the basis for qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key Audit Matter	How the matter was addressed in the audit
Risk 1 Valuation of land and buildings The Trust regularly re-values its land and buildings to ensure that the carrying value is not materially different from current value. This represents a significant estimate by management in the accounts. The valuation of land and buildings is based on key accounting estimates which are sensitive to changes in assumptions and market conditions. Management engage the services of a qualified valuer, who is a Regulated Member of the Royal Institute of Chartered Surveyors (RICS), to estimate the current value of its land and buildings. A full desktop valuation of land and buildings was carried out as at 31 March 2020. The effects of the COVID-19 virus will affect the work carried out by the Trust's valuer in a variety of ways. Inspecting properties could prove difficult and access to evidential data, such as values of comparable assets may be less freely available. RICS Regulated Members have therefore been considering whether a material uncertainty declaration is now appropriate in their reports. Its purpose is to ensure that any client relying upon the valuation report understands that it has been prepared under extraordinary circumstances. In their 2019/20 valuation report the Trust's valuer Cushman and Wakefield included a material uncertainty	Our audit work included, but was not restricted to: • evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work • evaluate the competence, capabilities and objectivity of the valuation expert • write to the valuer to confirm the basis on which the valuation was carried out • challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding • test a sample of revaluations made during the year to see if they had been input correctly into the Trust's asset register • evaluate the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value

Key Audit Matter	How the matter was addressed in the audit
and this was disclosed in note 1.9 to the financial statements. When making its own judgements, the Trust was aware that the RICS has issued a valuation practice notice which gives guidance to valuers where a valuer declares a material uncertainty attached to a valuation in light of the impact of COVID-19 on markets. Therefore, the Trust was aware of the greater uncertainty in land and buildings valuation as at 31 March 2020. We therefore identified valuation of land and buildings as a significant risk for our group audit purposes. This is considered as one of the most significant assessed risks of material misstatement, and a key audit matter.	• follow up the VAT issue identified in 2018/19 to ensure asset valuations have been correctly brought forward and all transactions accounted for in line with guidance The Trust's accounting policy on the valuation of land and buildings is shown in note 1.9 to the financial statements and related disclosures are included in note 16. **Key observations** We obtained sufficient audit assurance to conclude that: • the basis of the valuation of land and buildings was appropriate, • the assumptions and processes used by management in determining the estimate of valuation of property were reasonable, • VAT had been double counted on land and buildings in 2019/20 and in 2018/19. A prior period adjustment has been made to correct 2018/19 and the values for 2019/20 have also been amended to correct this. Following the amendment, we are satisfied that the valuation of land and buildings disclosed in the financial statements is reasonable. • we emphasise that the Trust has disclosed an estimation uncertainty related to the year-end valuations of land and buildings in note 1.9 to the financial statements
Risk 2 Occurrence and accuracy of these income streams of the Trust and the existence of associated receivable balances Trusts are facing significant external pressure to restrain budget overspends and meet externally set financial targets, coupled with increasing patient demand and cost pressures. In this environment, we have considered the r risk that income may be misstated due to the improper recognition of revenue. The Trust's significant income streams are operating income from patient care activities and other operating income. The Trust recognises income from patient care activities during the year based on the completion of these activities. This includes block contracts, which are agreed in advance at a fixed price, and non-block contract income. Patient care activities provided that are additional to those incorporated in the block contract with commissioners (contract variations), are subject to verification and agreement of the completed activity by commissioners. There is a risk that income is recognised in the financial statements for these additional services that is not subsequently agreed to by the commissioners. Due to the nature of block contracts we have not identified a significant risk of material misstatement in relation to block contracts. The Trust also receives other operating income which is predominantly in respect of non-patient care services to other bodies and Provider Sustainability Funding (PSF). The risk around other operating income is related to the improper recognition of revenue. We therefore identified the occurrence and accuracy of non-block contract patient care income and other operating income and the existence of associated receivable balances as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • evaluate the Trust's accounting policy for recognition of income from patient care activities and other operating revenue for appropriateness and compliance with the DHSC Group Accounting Manual 2029/20 • update our understanding of the Trust's system for accounting for income from patient care and other operating revenue, and evaluate the design of the associated controls <u>In respect of Patient Care Income</u> • using the DHSC mismatch report, we will investigate unmatched revenue and receivable balances over the NAO £0.3m threshold, corroborating the unmatched balances used by the Trust to supporting evidence; • agree, on a sample basis, income from contract variations and year end receivables to signed contract variations, invoices or other supporting evidence such as correspondence from the Trust's commissioners • evaluate the Trust's estimates and the judgments made by management with regard to corroborating evidence in order to arrive at the total income from contract variations recorded in the financial statements. <u>In respect of Other Operating Revenue</u> • agree, on a sample basis, income and year end receivables from other operating revenue to

Key Audit Matter	How the matter was addressed in the audit
	invoices and cash payment or other supporting evidence • Provider Sustainability Funding – agree income recognised in Q1 – Q3 to NHS Improvement notifications and obtain supporting evidence that confirms the Trust has met NHS Improvement requirements for recognising Q4 income. The Trust's accounting policy on occurrence and accuracy of these income streams of the Trust and the existence of associated receivable balances is shown in notes 1.4 and 1.5 to the financial statements and related disclosures are included in notes 3 and 4. **Key observations** We obtained sufficient audit evidence to conclude that: • the Trust's accounting policies for revenue recognition are in accordance with the Department of Health and Social Care group accounting manual 2019/20 and have been properly applied; and • non-block contract patient care income and other operating income and associated receivable balances are not materially misstated.
Risk 3 COVID-19 The global outbreak of the Covid-19 virus pandemic has led to unprecedented uncertainty for all organisations, requiring urgent business continuity arrangements to be implemented. We expect current circumstances will have an impact on the production and audit of the financial statements for the year ended 31 March 2020, including and not limited to; • Remote working arrangements and redeployment of staff to critical front line duties may impact on the quality and timing of the production of the financial statements, and the evidence we can obtain through physical observation • Volatility of financial and property markets will increase the uncertainty of assumptions applied by management to asset valuation and receivable recovery estimates, and the reliability of evidence we can obtain to corroborate management estimates • Financial uncertainty will require management to reconsider financial forecasts supporting their going concern assessment and whether material uncertainties have arisen; and • Disclosures within the financial statements will require significant revision to reflect the unprecedented situation and its impact on the preparation of the financial statements as at 31 March 2020 in accordance with IAS1.	Our audit work included, but was not restricted to: • Documenting and understanding the implications that the Covid-19 pandemic has had on the Trust's ability to prepare the financial statements and updates to financial forecasts • Liaison with other audit suppliers, regulators and government departments to co-ordinate practical cross sector responses to issues as and when they arise. We have evaluated: • the adequacy of the disclosures in the financial statements relating to the impact of the Covid-19 pandemic. • whether sufficient audit evidence can be obtained in the absence of physical verification of assets through remote technology • whether sufficient audit evidence can be obtained to corroborate significant management estimates such as asset valuations and recovery of receivable balances . • management's assumptions that underpin the revised financial forecasts and the impact on management's going concern assessment. **Key observations** We obtained sufficient audit assurance to conclude that: • The Trust's disclosures are in line with the DHSC guidance relating to the impact of the COVID-19 pandemic

Key Audit Matter	How the matter was addressed in the audit
We therefore identified COVID-19 as a significant risk, which was one of the most significant assessed risks of material misstatement.	• Financial forecasts and the cashflow analysis of the Trust supports the ability for the Trust to prepare the accounts on a going concern basis, and • The inclusion of a material uncertainty regarding to the valuation of the Trust's property, plant and equipment has been emphasised as a Key Audit Matter as detailed in risk 1 above.

Our application of materiality

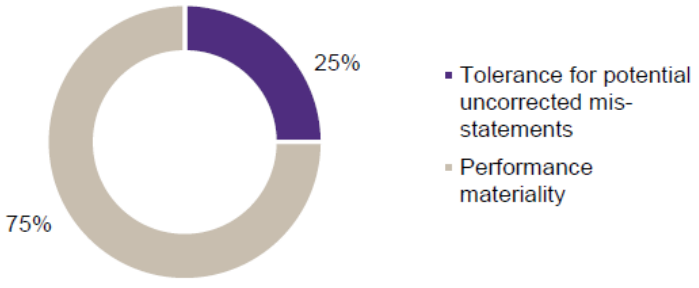
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality Measure	Trust
Financial statements as a whole	£2,777,000 which is 2% of the Trust's gross operating costs. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how the Trust has expended its revenue and other funding. Materiality for the current year is at the same percentage level of gross operating costs as we determined for the year ended 31 March 2019 as we did not identify any significant changes in the Trust or the environment in which it operates.
Performance materiality used to drive the extent of our testing	**75%** of financial statement materiality
Specific materiality	Disclosures of senior manager remuneration in the Remuneration Report £20,000 due to the sensitive nature of these disclosures. Related party transactions materiality based on whether transactions are material to either party.
Communication of misstatements to the Audit Committee	£138,000and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – Trust



An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the Trust's business, its environment and risk profile and in particular included:

- Obtaining supporting evidence, on a sample basis, all of the Trust's material income streams covering 99% of the Trust's income;
- Obtaining supporting evidence, on a sample basis, 98% of the Trust's operating expenses;

- Obtaining supporting evidence, on a sample basis, 99% of the Trust's assets including property plant and equipment and 87% of the Trust's liabilities

There were no changes in the scope of the current year audit from the scope of the prior year

Other information

The Accounting Officer is responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

As described in the basis for qualified opinion section of our report, we were unable to obtain sufficient appropriate audit evidence regarding the inventory quantities, which have a carrying amount in the Statement of Financial Position of £3,094,000 at 31 March 2020, and related balances. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

In this context, we have nothing to report in regard to our responsibility to specifically address the following items in the other information and to report as uncorrected material misstatements of the other information where we conclude that those items meet the following conditions:

- Fair, balanced and understandable set out on page 31 in accordance with provision C.1.1 of the NHS Foundation Trust Code of Governance – the statement given by the directors that they consider the Annual Report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for patients, regulators and other stakeholders to assess the Trust's performance, business model and strategy, is materially inconsistent with our knowledge of the Trust obtained in the audit; or
- Audit committee reporting set out on pages 23 to 28 in accordance with provision C.3.9 of the NHS Foundation Trust Code of Governance – the section describing the work of the Audit committee does not appropriately address matters communicated by us to the Audit committee.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not meet the disclosure requirements set out in the NHS foundation trust annual reporting manual 2019/20 or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Our opinion on other matters required by the Code of Audit Practice is unmodified

In our opinion:

- the parts of the Remuneration Report and the Staff Report to be audited have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the NHS foundation trust annual reporting manual 2019/20 and the requirements of the National Health Service Act 2006; and
- except for the possible effects of the matter described in the basis for qualified opinion section of our report, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust gained through our work in relation to the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information

published together with the financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under Schedule 10 (3) of the National Health Service Act 2006 in the course of, or at the conclusion of the audit; or
- we refer a matter to the regulator under Schedule 10 (6) of the National Health Service Act 2006 because we have reason to believe that the Trust, or a director or officer of the Trust, is about to make, or has made, a decision which involves or would involve the incurring of expenditure that was unlawful, or is about to take, or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.

We have nothing to report in respect of the above matters.

Responsibilities of the Accounting Officer and Those Charged with Governance for the financial statements

As explained more fully in the Statement of the Accounting Officer responsibilities as the accounting officer, set out on pages 70 to 71, the Chief Executive, is responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions included in the NHS foundation trust annual reporting manual 2019/20, for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accounting Officer is responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer has been informed by the relevant national body of the intention to dissolve the Trust without the transfer of the Trust's services to another public sector entity.

The Audit Committee is Those Charged with Governance. Those charged with governance are responsible for overseeing the Trust's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – Conclusion on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception - Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We have nothing to report in respect of the above matter.

Significant risks

Under the Code of Audit Practice, we are required to report on how our work addressed the significant risks we identified in forming our conclusion on the adequacy of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. Significant risks are those risks that in our view had the potential to cause us to reach an inappropriate conclusion on the audited body's arrangements. The table below sets out the significant risks we have identified. These significant risks were addressed in the context of our conclusion on the Trust's arrangements as a whole, and in forming our conclusion thereon, and we do not provide a separate opinion on these risks.

Significant risks	How the matter was addressed in the audit
Risk 1 Financial sustainability The Trust continues to operate under significant financial pressures and da financial plan in place to deliver the agreed target of £2.839m surplus. This surplus position included £1.762m of Provider Sustainability Funding (PSF) which is national funding received on the condition of delivering the financial plan each quarter. The overall risk for the Trust is around the ability to meet its targets to achieve PSF support funding.	Our audit work included, but was not restricted to: • reviewing the Trust's arrangements for updating, agreeing and monitoring its sustainability and operational plans, and for communicating key findings and actions to be taken as reported to the Board. • meeting with officers to discuss the Trust's progress against its control total and savings plans. • maintaining a monitoring brief on the outturn for 2019/20 in comparison with its budget and forecast performance for the year and assess the reasonableness of its financial plans for 2020/21. **Key findings** For 2019/20 the Trust agreed a target delivery of a £2.839m surplus and delivered this. The Trust's control total was a £1.077m surplus which if met would mean the Trust would receive £1.762m FRF (formally PSF). The Trust achieved a surplus of £1.80m so received the FRF and also received in 2019/20 an additional payment of £165k PSF from reallocation of 18/19 PSF monies. The Trust also achieved £3.1m of savings against a target of £3.8m. The Board received the financial plan for 20/21 on 31 March 2020.This has been superseded by the COVID-19 arrangements put into place by NHSI/DHSC. These arrangements currently confirm funding for April - July 2020 via a block payment. Arrangements for the remainder of the year have not yet been confirmed, however the Trust has completed a cash flow forecast to June 2021 which takes account of the potential impact of funding arrangements.

Responsibilities of the Accounting Officer

The Accounting Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

Auditor's responsibilities for the review of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under paragraph 1 of Schedule 10 of the National Health Service Act 2006 to be satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, as to whether in all significant respects, the Trust had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020, and to report by exception where we are not satisfied.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of Liverpool Heart and Chest Hospital NHS Foundation Trust in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice.

Use of our report

This report is made solely to the Council of Governors of the Trust, as a body, in accordance with Schedule 10 of the National Health Service Act 2006. Our audit work has been undertaken so that we might state to the Trust's Council of Governors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's Council of Governors, as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Dossett

Paul Dossett, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Bishopsgate
23 June 2020