NHS

Liverpool University Hospitals

NHS Foundation Trust

2019 - 2020

Annual Report

Finance Accounts

2019 - 2020


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Content

Part I

Performance Report

Purpose

This section provides summary information about Aintree University Hospital NHS Foundation Trust from 1 April 2019 to 30 September 2019 and Liverpool University Hospitals NHS FT up to 31 March 2020. This is due to the Trust changing its name but retaining its Foundation Trust status following merger through acquisition of the Royal Liverpool University Hospitals NHS Trust on 1 October 2019.

It includes detail on the individual Trusts purpose, the key risks to the achievement of objectives and how the Trusts have performed during the year.

Chief Executive's statement on Liverpool University Hospitals NHS FT's 2019/20 performance

It has been a landmark year for the Trust. On 1 October 2019, Aintree University Hospital NHS FT (AUHFT) merged with Royal Liverpool and Broadgreen NHS Trust (RLBUHT), though technically and legally the former acquired the latter. Aintree University Hospital NHS FT then changed its name to Liverpool University Hospitals NHS Foundation Trust (LUHFT).

This annual report covers the period 1 April 2019 to 31 March 2020. It describes the activity, operations and finances of what was previously AUHFT for the full year, together with those of what was previously RLBUHT for the period 1 October 2019 to 31 March 2020, as LUHFT.

A key achievement for Aintree University Hospital NHS Foundation Trust this year was the CQC inspection team confirming a rating of "Good" after it was previously rated as "Requires Improvement". This improvement was particularly pleasing given the huge efforts to deliver the merger and justifies our focus on providing exceptional patient care for the population we serve.

The inspectors also described particular schemes which have helped patients as "outstanding" and highlighted the outstanding work of our staff. This is a real achievement, particularly when we consider how busy we are, with higher levels of demand than ever and I couldn't be more proud of our staff and volunteers.

We held our annual 'Proud of Aintree' Excellence Awards in September 2019 at St George's Hall in Liverpool. The awards are an opportunity to recognise and reward teams and individuals who have made an exceptional contribution to the life at Aintree throughout the year. The evening was a reminder of the variety of ways both clinical and non-clinical staff contribute to delivering high quality healthcare to our patients. The Team of the Year award went to the Ambulatory Heart Failure Service which has been labelled as an "outstanding service" by external health bodies and was also presented with a national award for its innovative app-based work with patients.

As chief executive of both AUHFT and LUHFT, it has been a year of immense pride to bring the city's two acute trusts together, realising a system-wide ambition that has been long in the making, with the aim to be more sustainable, clinically led, patient care focused hospitals.

In 2015, NHS Cheshire and Merseyside set out their STP plans which recognised that wide variation in the quality of care exists across Cheshire and Merseyside. They also recognised that the current acute configuration within its footprint was unsustainable, with the number of tertiary providers in Merseyside presenting an atypical challenge as well as an opportunity – as outlined in the Healthy Liverpool Programme. Following on from this, in 2018, Liverpool CCG published "One Liverpool",

the city integrated place based strategic plan 2018-21, with the aim of achieving sustainable and standardised acute and specialist services to improve health outcomes as originally set out in "Healthy Liverpool". NHS Cheshire and Merseyside incorporated the proposed merger of AUHFT and RLBUHT within their plans as a requirement to drive and deliver improved quality of care and changes in existing care models.

Given this backdrop, it was considered to be crucial that healthcare services were optimally configured in the city in order to serve patients with complex and challenging needs. The merger would provide a once in a generation opportunity to reconfigure services in a way that provides the best healthcare services to the city, and as a result improve the quality of care that patients receive and the subsequent outcomes for patients who are treated.

Liverpool University Hospitals NHS Foundation Trust is the newly merged Trust, bringing together around 8,000 staff at AUHFT with over 9,000 staff at RLBUHT to create a combined workforce of over 17,000 staff (c 12,000 Full Time Equivalent/FTE).

The new Trust serves a core population from across Merseyside, as well as providing a range of highly specialist services to a catchment area of more than two million people in the North West region and beyond.

Our hospitals consist of Aintree University Hospital, Broadgreen Hospital, Liverpool University Dental Hospital and the Royal Liverpool University Hospital and each will retain their names which represent proud heritages, but as part of the Liverpool University Hospitals NHS Foundation Trust which reflects a bold and exciting future.

That exciting future will include the completion of the new Royal Liverpool University Hospital. Following the liquidation of Carillion in January 2018, construction on the new hospital was halted for 9 months until RLBUHT were able to terminate the original Private Finance Initiative (PFI) contract. This brought the project under complete public ownership and enabled RLBUHT to appoint Laing O'Rourke as management contractor. Work on the project restarted in November 2018. The Board continues to monitor progress of the construction, via its New Hospital Committee and the Board also receives frequent updates. The cost to completion is under constant review and a capital bid to fund the cost is under development, whilst the Department of Health and Social Care has committed to providing the funds to complete construction work to set the new direction for the organisation saw the initiation of a comprehensive staff engagement

programme to inform and develop a new vision and values for the trust. Over 10,000 comments from staff across the trust were received. The main themes were characterised by; supporting each other, challenging norms and striving to do better and being kind and compassionate. At the end of March these themes were being analysing in more detail to determine our values and behaviours and how we put those into action.

One of the first initiatives launched by the new trust was KnifeSavers, which built on the pre-existing relationships of the city's two Emergency departments working together as part of the Major Trauma Network. This innovative campaign aims to empower and educate the public on how to control life-threatening bleeding from knife wounds. The KnifeSavers team has helped design specialist bleeding control kits which will be placed in targeted locations around the region, starting in Liverpool. The bleeding control kits contain scissors, gloves, tourniquets and trauma dressings as well as military-grade gauze and chest wound sealant.

The campaign has been created with help from victims of knife crime and their families, as well as support from trauma data analysts at the Public Health Institute at Liverpool John Moores University. KnifeSavers is being backed by both Everton and Liverpool Football Clubs. Not long after its creation, the new Trust was under the spotlight of the cameras of BBC Two's award-winning documentary series 'Hospital'. BBC Two's flagship documentary series returned to Merseyside for series five, filming in several trusts in Liverpool. When it aired in January, the series recorded an average of 2.2 million viewers watching each episode and received widespread critical acclaim. We hope this gave an insight into our fabulous staff and the challenges they face and overcome to deliver the compassionate patient care we are so proud of.

This care was recognised by Liverpool City Council who will admit the Trust to the Freedom Roll of Associations and Institutions. It will be an incredible honour to receive the Freedom of the City of Liverpool. This is a testament to the hard work, dedication and service of each of our staff and volunteers committed to delivering outstanding healthcare to our patients. In announcing this proposal, Liverpool City Mayor, Joe Anderson said: 'We owe a huge debt of gratitude to the hard-working and committed staff in our hospitals for helping save lives every day.'

This last statement ever more poignant as together we stand with colleagues throughout the NHS, other key workers and our local population in the fight against Coronavirus.

From the start of 2020, staff across the trust have put in a huge amount of effort into planning and implementing our response to COVID-19. Clinical and non-clinical teams have established new ways of working to keep our patients and one another as safe as possible. Our procurement team have left no stone unturned to ensure supplies of the equipment that staff need. IT have helped establish virtual clinics where possible and support for remote-working rotas. Staff from various non-clinical roles have volunteered to help out their clinical colleagues providing patient facing care.

All of this has been achieved in often extremely challenging circumstances and I have nothing but pride and gratitude for all the amazing work delivered by our Trust, the NHS and all key workers during this time.

This is daunting for all of us, yet each day, what I see across the Trust is the amazing resilience and commitment in caring for our patients.

It is that dedication and resilience that gives me great pride and confidence, that by all pulling together and looking after one another, we will come through this as a stronger team and more able to keep our communities as safe as possible, no matter what the challenge.

I'd like to take this opportunity to express my deepest gratitude and thank each and every one of our staff and volunteers for all their continued dedication. I also want to again express my condolences to those colleagues, who have fallen victim to the virus and sadly passed away in service. You will remain forever in our thanks.

Steve Warburton
Chief Executive
17 July 2020


Adele Keeley-Challoner

Key opportunities for the Trust

Bringing together both Aintree University Hospital NHS FT and the Royal Liverpool and Broadgreen University Hospital NHS Trust as one Trust, we believe, provides an opportunity to improve the quality of services and care for our patients in a number of important ways.

These include:

- Meeting increasing demand for services and managing the need for complex healthcare
- Ensuring all patients have access to the right services when they need them
- Meeting standards set for quality of care
- Delivering services that are value for money
- Ensuring that we continue to provide specialist services and the latest drugs and treatments to the people of Liverpool and Sefton within the area.

The Trust continues to face significant operational and financial pressures but we remain focussed on delivering high quality and safe services whilst also working with our partners to transform delivery of services for patients outside hospital.

Key issues and risks in the delivery of Trust objectives

The key issues and risks facing the Trust in the delivery of its objectives have been assessed and steps taken to mitigate these, which included identifying key drivers of change to support the successful delivery of our objectives.

Aintree University Hospital NHS Foundation Trust (April – Sept 2019)

During the six months from April to September 2019 the Trust was focused on realising the strategic opportunity for merger with the Royal Liverpool and Broadgreen University Hospitals NHS Trust. The expected benefits set out in the business case for merger included greater effectiveness and efficiency for:

- Responding to the changing needs of the population
- Responding to challenges in recruitment and retention of staff
- Meeting quality care standards while treating greater volumes of patients
- Making services consistently available seven days a week
- Maximising research potential
- Addressing fragmentation of services and removing duplication from the system.

In relation to the pursuit of this opportunity, the Trust Board monitored a set of strategic risks relating to the merger. Whilst the merger addressed a number of the risks, others were transferred to the merged Trust to be incorporated into the principal risk register or into the integration programme, as follows:

Strategic merger risk theme	Aspects incorporated into LUH principal risks	Aspects incorporated into Integration Programme
Demand on the workforce	Workforce planning and staffing levels.	Capacity planning relating to integration activities.
Communication of the vision	Staff engagement on values and behaviours which underpin the vision.	Ongoing consultation and communications through reconfiguration phases.
Operational stability	Operational performance and capacity management.	Implementation planning and monitoring.
Resourcing the merger	Not applicable.	Additional capacity requirement.
Financial savings	Realisation of benefits of merger.	Detailed oversight through integration governance arrangements.
Impact of merger programme outcomes	LUH governance structures and forward work plans.	Integration Programme governance structure and reporting.

Liverpool University Hospitals NHS Foundation Trust

A new strategic roadmap for the merged Trust is currently under development and focuses on opportunities through four strategic themes: Great Care, Great People, Great Innovation, and Great Ambitions.

This strategy will drive the organisation through the integration period to 2025 to create a stronger Trust with clear aspirations for excellence in all areas. Some of the specific opportunities that will be pursued to enable transformational change include:

- Integration of services to improve quality of care, patient pathways and experience.
- Improved ability to attract and retain staff and compete for specialist clinical expertise.
- Developing and harnessing a workplace culture and leadership capacity that supports the strategic priorities.
- Leveraging joint research and innovation capability to expand the portfolio of development work and match it to the needs of the local population.
- Future proofing of the organisation through delivering on strategies for long-term financial management, digital technology, estates and sustainability.
- Exploring and developing the potential of partnerships.

In the wake of merger, a key challenge is the integration of two organisations to create a single, stronger entity: harnessing the best from both legacy trusts and using an evidence-based approach to drive continuous improvement.

The emergency response to the COVID-19 pandemic will inevitably delay some of the strategic work of the Trust to ensure that resources are adequately deployed to respond to demand and care for our patients with our usual focus on quality and best possible outcomes. COVID-19 is and will be the overriding issue for 2020, presenting additional challenges for prioritising the Trust's resources to meet the significantly increased complexity of demand. The Trust has enacted its business continuity arrangements and has robust plans for responding to the situation as it develops over the coming months.

In the run up to merger, the Shadow Interim Board for the new Trust reviewed the key risks from the two legacy Trusts to identify a set of principal risks aligned to its strategic objectives.

The following table summarises the principal risks that were aligned to the strategic objectives in place from October 2019 to March 2020. The key controls for managing these risks are in the process of being reviewed and harmonised with oversight from the Board through its Board Assurance Framework to ensure that the Trust has a baseline view prior to launching its new strategic framework.

Strategic objective	Risk themes
Deliver outstanding care	Standards of care, learning from incidents, adequate staffing and staff performance, safety and security of hospital premises
Achieve best patient outcomes	Operational capacity, clinical standards and patient outcomes
Promote research and education	Risk themes: meeting training needs and maintaining education standards, safe and effective research, research in partnership, innovation
Deliver sustainable healthcare	Workforce planning, realising benefits of merger, sustainable estate and infrastructure, completion of the new Royal Liverpool University, integrated clinical IT systems, financial management and delivering efficiencies, data and information management
Provide strong system leadership	Corporate social responsibility, partnerships and collaboration, capacity management across the health and social care economy
Be a well-governed and clinically led organisation	Authority and accountability, governance systems, organisational performance, legislative and regulatory compliance, organisational culture and leadership capacity

During the year, the Trust has also closely monitored the risk of Brexit, the potential impact on the UK economy and specifically the implications for the Trust, both in the near term and further out. How the risks were identified and monitored formed part of the Trust's risk management process. The Trust accepted that the effect of an EU exit, and in particular leaving the EU market with no deal, was a significant risk. The potential challenges identified included, delays or failures to procure and receive goods (including drugs) and services, and staffing from the EU. In order to mitigate these risks a number of reviews were undertaken, for example, business continuity plans and review of capacity. Actions required for data protection and a financial impact analysis were also put in place. Government guidance on the planning of a no-deal Brexit informed the Foundation Trust plans.

All risks entered onto the Board Assurance Framework are subject to a robust process of overview and scrutiny which includes; discussions at the relevant Executive led group, the Operational Management Board, the relevant Board Committees and they are also scrutinised by the Trust Board every quarter. Risks relating to completion of the new Royal Liverpool University Hospital are highlighted in the 'risk themes' above and further detail is including in the Chief Executive's Statement and in the Annual Governance Statement.

Priorities over the next 12 months

The Trust's priorities are structured by these four themes:

- Great Care,
- Great People
- Great Innovation
- Great Ambition

The Trust's objectives will be informed by the work undertaken in this interim plan and will be identified using:

- Equality monitoring information
- Feedback from engagement sessions with our patients, staff networks, service users and other stakeholders
- Clever together cultural assessment work
- Staff survey results
- Our assessment and progress against National Frameworks such WRES, WDES and EDS2.

Annual Plan 20/21

In March 2020, the Board approved the Annual Plan for 2020/21, with the caveat that it there was likely to be significant movement against the plan due to Covid-19. It was noted that the plan provided the baseline against which to measure Covid-19 related expenditure.

Services provided by the Trust

Detail on the services provided at our hospitals is available on the Trust's websites. The operational business model is represented through the following services:

- Surgery
- Anaesthetics, Critical Care, Head & Neck and Theatres (ACHT)
- Acute and Emergency Medicine
- Specialist Medicine
- Diagnostics and Support Services

Each division is supported by a Medical Director and a Director of Operations who, in turn report into the Deputy Chief Operating Officer and subsequently the Chief Operating Officer. The governance structure is described in the Annual Governance Statement section of the report.

Performance Overview

The following table represents an overview of the operational performance and activity of the Trust from April 1st, 2019 until March 31st, 2020, incorporating data for Aintree University Hospitals NHS Foundation Trust from April to September and for Liverpool University Hospitals NHS Foundation Trust, following the merger (through technical acquisition) with the Royal Liverpool and Broadgreen University Hospitals NHS Trust on 1 October. Due to the merger occurring mid-way through the financial year, the Trust feels that a comparative performance table from the previous year would not provide a meaningful reading.

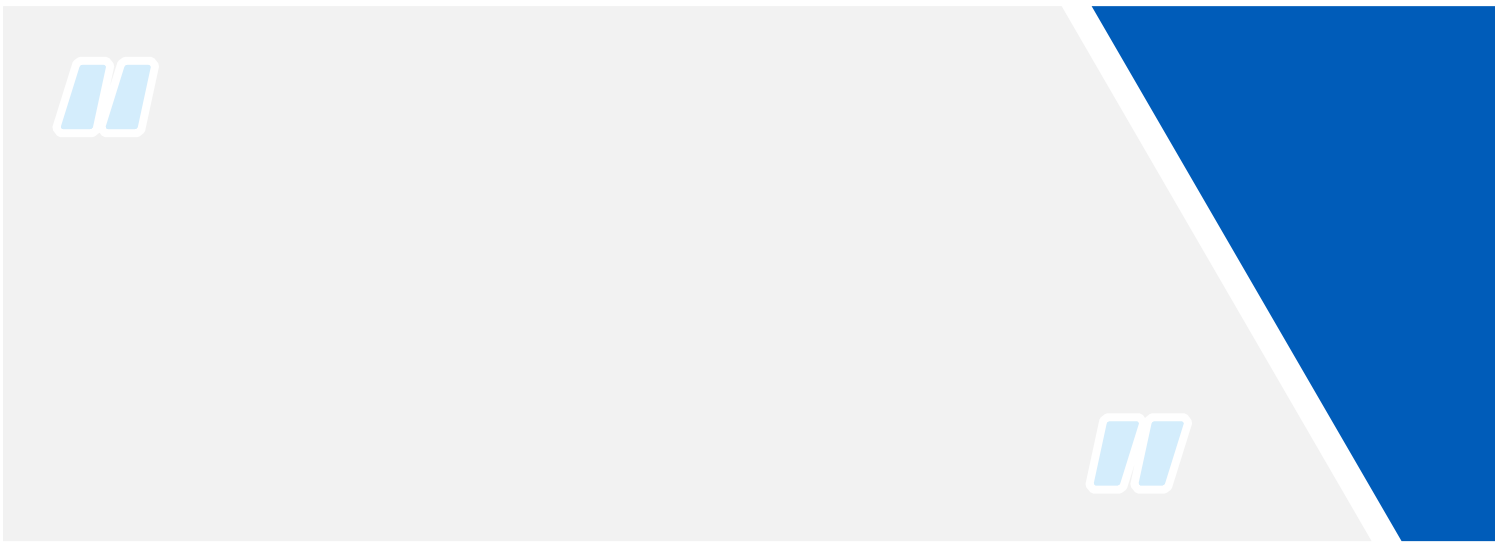
Liverpool University Hospitals NHS FT (LUHFT) & Aintree University Hospitals NHS FT (AUHT)			
Commitment/measure	**National standard**	**AUHT 1 April to 30 Sept 2019**	**LUHFT 1 Oct 2019 to 31 March 2020**
Accident and emergency waiting times:	95% or above	84.90%	83.97%
Patients should be admitted, transferred or discharged with four hours of arrival.			
Referral to treatment waiting times:	92% or above	86.40%	77.26%
Patients should start treatment within 18 weeks of referral			
Cancer treatment waiting times:			
Maximum two week wait for first appointment for patients referred urgently for suspected cancer by a GP	93% or above	91.70%	91.52%
Maximum two week wait for first appointment for patients referred urgently with breast cancer symptoms	93% or above	85.10%	96.26%
Maximum 31 day wait from diagnosis to first definitive treatment for all cancers	96% or above	97.10%	93.46%
Maximum 31 day wait for subsequent surgical treatment	94% or above	94.40%	95.24%
Maximum 31 day wait for subsequent treatment with anti-cancer drugs	98% or above	98.30%	99.66%
Maximum 62 day wait from urgent GP referral to first treatment for cancer	85% or above	67.30%	71.49%
* Maximum 62 day wait for treatment for cancer following a consultant decision to upgrade their priority	85% or above	62.70%	82.92%
Maximum 62 day wait from referral from NHS screening service to first treatment for all cancers	90% or above	83.70%	78.26%
Number of operations cancelled for non-clinical reasons	Less than 0.6% of all operations	0.63%	0.75%
	Number of cancelled ops	153	345
Standardised Hospital Mortality Indicator (SHMI)	100	94.96	101.41
Patients admitted to hospital receiving a risk assessment for Venous Thrombo-Embolism	95%	93.21%	93.57%
Stroke patients spending 90% or more of their spell in hospital on the Stroke Unit	80%	76.30%	75.73%

*Cases of C. difficile per 1,000 bed days	N/A	0.18	0.28
*Patient falls with harm per 1,000 bed days	N/A	1.62	1.65
*Pressure ulcers per 1,000 bed days (hospital acquired)	N/A	0.24	0.32
*Patients who would recommend our outpatient department to friends and family	N/A	95.26%	94.46%
*Inpatients who would recommend our service to friends and family	N/A	94.01%	92.85%
*Patients who would recommend our emergency department to friends and family	N/A	87.58%	80.98%
Emergency and urgent attendances (all types)	N/A	87,861	191,434
Attendances at emergency department (type 1)	N/A	48,705	99,208
Attendances of patients age 75 or over	N/A	9,067	15,323
Admissions from A&E	N/A	22,198	36,150
Inpatients and day cases	N/A	23,446	47,258
Planned procedures	N/A	3,292	6,434
Unplanned procedures	N/A	28,993	50,925
Day case procedures	N/A	20,154	40,824
Outpatient appointments	N/A	200,220	487,800

*There is no national standard for this commitment/measure

Statement on financial year end

The Trust ended the year with a reported surplus of £283.2m. The level of this surplus was due to a gain on acquisition of the assets and liabilities of the Royal Liverpool and Broadgreen University Hospital NHS Trust totalling £292.2m (detailed further in note 30 to the accounts). After adjusting the reported surplus for one-off items including the acquisition and asset impairments, the Trust reported an adjusted financial surplus of £0.05m against the breakeven target set by NHS Improvement. This surplus included receipts for Provider Sustainability Funding (PSF) / Financial Recovery Funding (FRF) of £44.76m (inclusive of a bonus of £9.09m for delivering the financial plan), without this sustainability funding, the underlying position would have been a deficit of £44.71m.



Going Concern Disclosure

The Trust's Annual Report and Accounts have been prepared on a going concern basis. International Accounting Standard 1 requires the Board to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector, as defined within the Government Financial Reporting Manual (FReM), the anticipated provision for that service in published documents is normally sufficient evidence of going concern.

The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector.

In preparing the financial statements, the Board of Directors has considered the Trust's overall financial position against the requirements of IAS1.

The close of the 2019/20 financial year and the early part of 2020/21 has been overshadowed by the Covid-19 outbreak which has had profound effects upon the operations of health services throughout the UK.

The directors approved the 2020-21 Annual Plan submission to NHSI/Monitor. This plan showed an adjusted Income and Expenditure position of breakeven in 2020-21 which is in line with the control total set by NHSI. The plan includes £64.9m transitional support income and will not require any interim revenue cash loans. This transitional support is only receivable if the Trust meets its agreed control total. The plan contained efficiency targets, including cost improvement plans, amounting to £34.5 million (of which not all have been planned in detail). Having regard to the significant efficiencies achieved over the recent past, this level of cost reduction is considered to be challenging. If these levels of efficiencies are not achieved, the Trust would need to apply to the Department of Health and Social Care or other appropriate regulatory body for additional funding. The extent and nature of the financial support from the Department of Health and Social Care, including whether such support will be forthcoming or sufficient, is currently uncertain, as are any terms and conditions associated with the funding.

The plan also includes capital expenditure of £189.2 million of which the vast majority is to fund the remaining construction of the New Royal Liverpool University Hospital and is funded by DHSC. This funding is included in the 2020/21 Annual Plan and will be provided to the Trust as Public Dividend Capital (PDC).

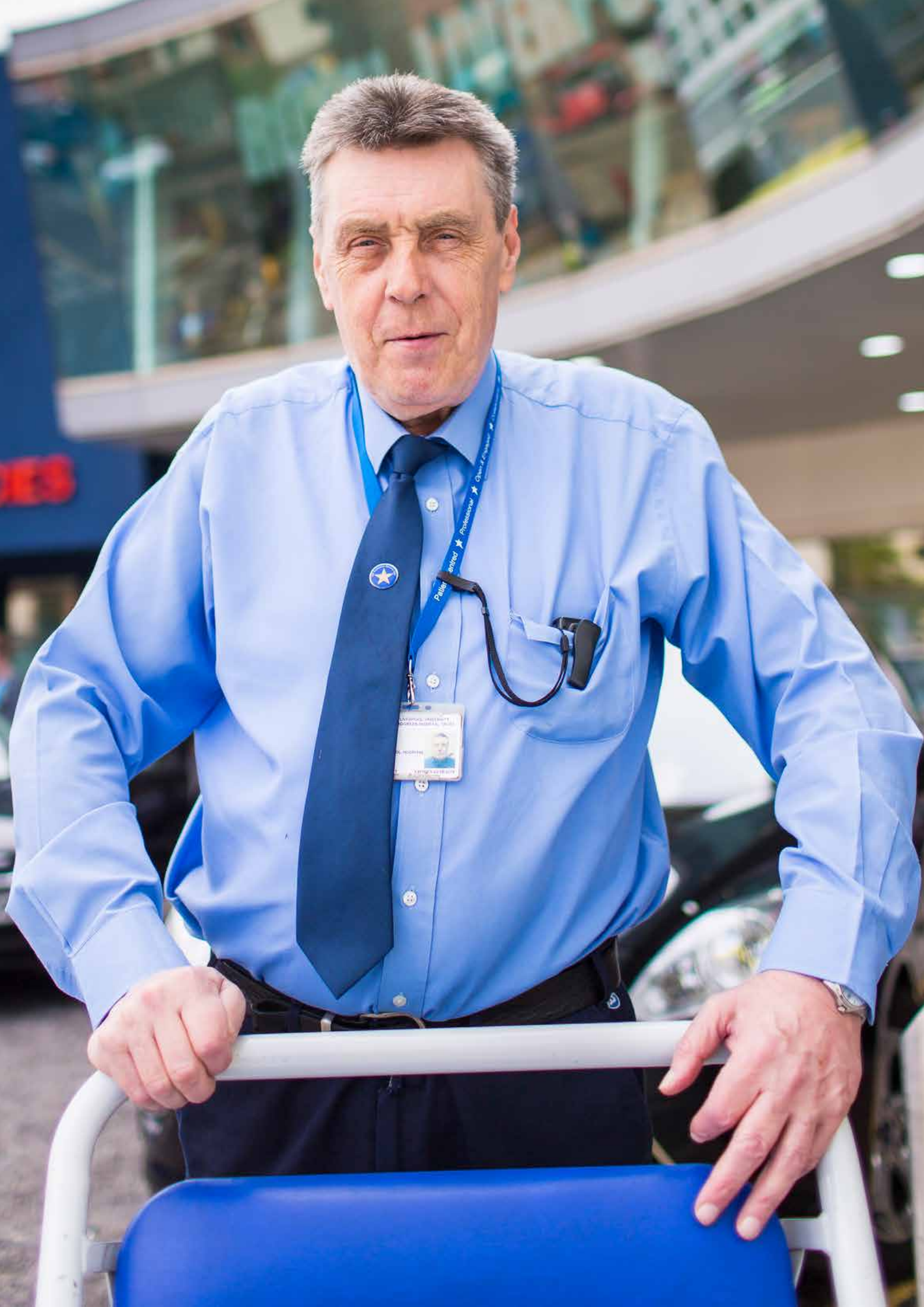
The directors believe that this forward plan provides a realistic assessment of the Trust's position. Income and expenditure budgets have been set on robust and agreed principles, which mean that the Trust should be able to provide high quality healthcare within the resources available, provided the cost saving targets are achieved.

The Trust has a robust governance structure with its Finance & Performance Committee (a sub-Committee of the Board) having the responsibility to monitor financial performance and oversee the necessary corrective action on behalf of and in conjunction with the Board. The Trust recognises there is an urgent need to develop a wider detailed programme for the delivery of the continued cost savings and to derive benefits from the recent organisational changes.

The preparation of the income and expenditure budgets and cash flow statements is predicated on many national and local factors and assumptions regarding both income and expenditure and profiled accordingly. The anticipated level of activity undertaken for its commissioners, and therefore the level of income, is derived after due consideration of a range of factors, including:

- 2019-20 forecast outturn.
- Changes in activity resulting from changes in demographic and demand.
- National Payment by Results rules and regulations.
- Commissioning intentions.
- National tariff prices.
- The impact of Covid-19.

The day to day operations of the Trust are funded from contracts with NHS commissioners. The uncertainty in the current economic climate has been mitigated by agreeing a number of contracts with Clinical Commissioning Groups, Local Authorities and NHS England for a further year and these payments provide a reliable stream of funding minimising the Trust's exposure to liquidity and financing problems.



The anticipated level of expenditure within the approved plan is derived after due consideration of a range of factors, including:

- Pay awards and incremental increases.
- National Insurance and pension contribution changes.
- Inflationary increases for insurance premiums, drugs, utilities and general non-pay.
- Financial consequences of both capital and revenue developments.
- Cost savings requirements.
- Impact of activity levels and commissioning intentions.

Cash flow projections take into account the planned breakeven position, capital expenditure, repayment of Public Dividend Capital, the timings of sustainability funding and movements in working balances. There is no certainty that further cost savings will be identified from service reconfiguration and this indicates the existence of a material uncertainty that may cast doubt about the Trust's ability to continue as a going concern. However, notwithstanding the deficits referred to above, the Trust does not have any evidence indicating that the going concern basis is not appropriate or that there is any prospect of intervention or dissolution within 12 months from the date of approval of these financial statements. In terms of the sustainable provision of services, there has been no indication from the Department of Health that the Trust will not continue to be a going concern. The directors have accordingly prepared the financial statements on a going concern basis.

With the onset of the Covid-19 pandemic, NHSE/I suspended the 2020/21 Operational Planning process and published updated financial guidance in March covering the period April 2020 to July 2020 in response to the pandemic. The key points from the recent financial guidance are:

- That providers will be funded on the 2019/20 forecast outturn (based on the deficit between April 2019 to December 2019) uplifted for the impact of inflation (including pay uplifts and CNST) but excluding the efficiency factor;
- A national top-up payment will be paid to providers where the expenditure in the period is greater than the income received through the first bullet point. This will be calculated as the average monthly expenditure over the period November 2019 to January 2020 uplifted for inflation; and,
- Providers will be able to claim for additional costs where the payments in the first two items do not equal actual costs to reflect genuine reasonable marginal costs due to Covid-19. In effect, the Trust will be funded to break-even in the first four months of the 2020/21 financial year including the

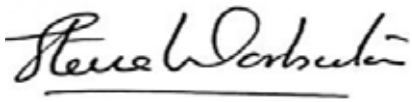
ability to claim all genuine additional costs in relation to Covid-19. In the absence of further financial and operational guidance for the period following July 2020, the Trust has approached budget setting and financial planning by adopting their initial plan as there has been nothing to suggest that this is not achievable.

There will be a reset of the NHS guidance; however as at the time of finalising the financial statements, the impact is unknown. It is unlikely that planning will return on the same basis as pre-Covid-19. There will undoubtedly be a stronger emphasis on collaboration as a STP. The guidance issued by NHSE/I in relation to block contracts and the correspondence indicating the target for the next four years, coupled with the absolute operational needs associated with the treatment of patients during the current outbreak, provide a clear signal (in the absence of a signed 12 month contract), that the Trust will continue to provide services for the foreseeable future.

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHSE/I announced reforms to the NHS Cash Regime for the 2020/21 financial year. During 2020/21, existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow repayment. The affected loans totalling £219,626,000 (£218,489,000 interim loan principal and £1,137,000 interest accrual) as at 31 March 2020 are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

Whilst there are factors in the 2020/21 financial plan that indicate the existence of a material uncertainty which may cast significant doubt about the Trust's ability to continue as a going concern, the Directors, having made appropriate enquiries, still have a reasonable expectation that the Trust will have adequate resources to continue in operational existence for the foreseeable future.

The assurance provided by the immediate continuing provision of healthcare services and improved access to funding through changes in the NHS financing regime further mitigates this material uncertainty. For this reason, the Trust continues to adopt the going concern basis in preparing the accounts and the financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.



Steve Warburton
Chief Executive
17 July 2020

Part II

Accountability Report

Board of Directors

The management of the Trust is overseen by the Board of Directors, in line with the NHS Foundation Trust governance requirements, and is held to account by the Council of Governors to discharge the Trust's accountability to the local population.

The Board of Directors has overall responsibility for strategic development, for ensuring the quality and safety of its services, approving policy, monitoring performance, education, training and research delivered by the Trust; ensuring that the Trust was complying with its licence; ensuring the delivery of effective financial stewardship, high standards of clinical and corporate governance and promoting effective relationships with the local community.

Board Composition

Both the Board of Aintree University Hospitals NHS FT and Liverpool University Hospitals NHS FT are constituted in a way that ensures the non-executive directors remain in the majority. At 30 September 2019 the AUHFT Board comprised five non-executive directors and four executive directors. As at 31 March 2020, the LUHFT Board comprised eight non-executive directors (including the chair) and six executive directors (including the chief executive). Further details are provided elsewhere in the report.

The Trust has in place a Corporate Governance Framework Manual which identifies certain activities with specific financial limits for approval by the Board and for different levels of key senior management within the Trust as part of the scheme of delegation and the standing financial instructions. Some decisions are delegated to Board committees and these are clearly set out in those committees' terms of reference, which are reviewed regularly by the Board. The Board has the following committees in place:

- Audit
- Quality
- Finance & Performance
- Nominations & Remuneration
- Charitable Funds
- Research, Development & Innovation (established in October 2019)
- Workforce & Education (established in October 2019)
- New Hospital (established in October 2019)

All Directors have full and timely access to relevant information to enable them to discharge their responsibilities. The Board of Directors meets monthly and at each formal meeting reviews the Trust's key performance information, including reports on quality and safety, patient experience and care, operational activity, financial analyses and strategic matters.

The Board of Directors monitors compliance with the Trust's objectives and is responsible for approving major capital investment and any borrowing. It meets with the Trust's Council of Governors, senior clinicians and divisional managers, and uses external advisors to facilitate strategic discussion.

The Board of Directors considers that its composition is appropriate with a balanced spread of expertise to fulfil its function and terms of authorisation, with the Chairman and Non-Executive Directors meeting the independence criteria laid down in the NHS Foundation Trust Code of Governance. The Trust continued to ensure that all Board Directors met the criteria of the Fit and Proper Persons Test. The performance of the Executive Directors is evaluated by the Chief Executive, and that of the Chief Executive and Non-Executive Directors by the Chairman, on an annual basis.

The Trust's Executive Team provides organisational leadership and takes appropriate action to ensure that the Trust delivers its strategic and operational objectives. It maintains arrangements for effective governance throughout the organisation, monitors performance in the delivery of planned results and ensures that corrective action is taken when necessary. The Operational Management Board (OMB) includes senior managers and clinicians in its membership and supports the Chief Executive in providing assurance to the Board of Directors on the direction and operational management of the Trust. The OMB supports the leadership of the Trust in developing the overall strategy and ensuring delivery of strategic objectives and mitigation of risk through a focus on clinical quality, performance and delivery.

Board Appointments

The Trust has a formal, rigorous and transparent procedure for the appointment of directors, both executive and non-executive. Appointments are made on merit, based on objective criteria. Assurances are sought from non-executive director candidates that they have sufficient time to fulfil their duties. Appointments among non-executive directors are staggered over three years to ensure an orderly succession to the Board. Non-Executive Director appointments may be terminated on performance grounds or for contravention of the qualification criteria set out in the Constitution, with the approval of three-quarters of the members of the Council of Governors, or by mutual consent for other reasons. The Trust uses either an external search consultancy or open advertising in relation to board appointments.

Directors' Interests

Under the Trust's Constitution, members of the Trust Board are individually required to declare any interest which may conflict with their appointment as a Director of the Foundation Trust. The Board of Directors annually reviews its Register of Declared Interests. The Directors are required to make known any interest in relation to matters being discussed at a meeting of the Board, and any changes to their declared interests. The Register of Declared Interests for the Board of Directors is held by the Director of Corporate Governance/Trust Secretary and is available for public inspection.

Members of the public can gain access to the Register of Directors' Interests via the Trust's website or by writing, telephoning or emailing the Trust Headquarters:

Liverpool University Hospitals NHS Foundation Trust, Prescot Street, Liverpool, L7 8XP.

Telephone: 0151 706 2000, e-mail: governors@liverpoolft.nhs.uk

Disclosure to Auditors

As far as the Directors are aware, there is no relevant audit information of which the auditors are unaware. The Directors have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Liverpool University Hospitals Board of Directors' Pen Portraits

Committee membership is indicated by the following symbols:

Audit Committee	✶
Quality Committee	❖
Nominations & Remuneration Committee	●
Charitable Funds Committee	▢
Finance & Performance Committee	❍
Workforce & Education Committee	✪
Research, Development & Innovation Committee	✹
New Hospital Committee	♦

The members of the Liverpool University Hospitals NHS Foundation Trust Board as of 31 March 2020 were as follows (NB: changes to the AUHFT board are detailed below, pen portraits for those members who left the board before 31 March 2020 are not included):

Chair: **Sue Musson** ●

Sue Musson became chair of Liverpool University Hospitals NHS Foundation Trust in October 2019. Prior to that, she appointed as chair designate of the interim Board for the merged Trust in July and was chair of the Royal Liverpool and Broadgreen University Hospitals NHS Trust from 1 September 2019 until the merger of the two trusts was completed.

Sue has nearly 25 years' board-level experience as an executive and non-executive director in commercial and public sector organisations, helping them improve their strategy, performance and organisational cultures. She has extensive experience of building local partnerships and of working collaboratively to integrate, develop and improve services.

Chief executive officer:

Steve Warburton ❖ ❍ ♦

Steve Warburton has been chief executive at Aintree University Hospital since 2015, where he was also previously director of finance and deputy chief executive. Steve was appointed chief executive of the interim Board for the merged Trust in July and became chief executive of the Royal Liverpool and Broadgreen University Hospitals NHS Trust in September, prior to being appointed chief executive of Liverpool University Hospitals NHS Foundation Trust following merger in October 2019.

Non-executive directors

Mike Eastwood

(Deputy Chairperson) ❍ ❖ ●

Mike was appointed a non-executive director at Liverpool University Hospitals NHS Foundation Trust on 1 October 2019 – he was previously interim chair and non-executive director at Royal Liverpool and Broadgreen University Hospitals NHS Trust. Mike is currently diocesan secretary (chief executive) of the Diocese of Liverpool as well as the director of operations at Liverpool Cathedral.

He has significant experience of working at director level in the third sector. He currently holds a number of voluntary positions supporting the church and local community development. He has a BA (Hons) in Modern History.

Mike chairs the Finance & Performance Committee and is a member of the committees for Quality and Nominations & Remuneration.

David Fillingham CBE ❖ ❍ ●

David was appointed a non-executive director at Liverpool University Hospitals NHS Foundation Trust on 1 October 2019 – he was previously non-executive director at Aintree University Hospital NHS Foundation Trust. David was also the first chief executive of AQuA (Advancing Quality Alliance) from April 2010 to July 2019. He currently chairs the Trafford Local Care Alliance and Healthier Wigan Partnership.

David joined the NHS in 1989 from a career in manufacturing. He went on to take a number of chief executive posts including Wirral FHSA, St Helens and Knowsley Health Authority, North Staffordshire Hospitals NHS Trust, and Royal Bolton Hospital NHS FT. From 2001 to 2004 David was director of the NHS Modernisation Agency developing new ways of working and promoting leadership development across the NHS as a whole. He was awarded the CBE for this work. David is also a visiting senior fellow at The King's Fund.

David chairs the Quality Committee and is a member of the committees for Finance & Performance and Nominations & Remuneration

Tim Johnston

(Senior Independent Director)

♦ ✪ ●

Tim was appointed a non-executive director at Liverpool University Hospitals NHS Foundation Trust on 1 October 2019 – he was previously non-executive director at Aintree University Hospital NHS Foundation Trust having been appointed to the board in January 2013. He is a graduate economist and a chartered accountant. He is a major shareholder and chairman of AMION Consulting – an economics and business planning consultancy. Tim was previously the national partner in KPMG with responsibility for its Infrastructure and Government line of business. He was also a leading partner in KPMG's national regeneration team. He is also chairman of Langtree Property Partners Ltd, a national commercial property developer and chairs The Big Trust Ltd.

Tim is chair of the New Hospital Committee and a member of the Workforce & Education and Nominations & Remuneration Committees.

Professor Louise Kenny ✹ ❖ ●

Louise is the Executive Pro-Vice Chancellor of the Faculty of Health and Life Sciences at the University of Liverpool and Deputy Chair of the Board of Liverpool Health Partners. Louise was previously a Professor of Obstetrics at University College Cork, Consultant Obstetrician and Gynaecologist at Cork University Maternity Hospital (2006 – 2018) and the founding Director of the Science Foundation Ireland funded Irish Centre for Foetal and Neonatal Translational Research.

Louise is chair of the Research, Development and Innovation Committee and a member of the committees for Quality and Nominations & Remuneration.

Angela Phillips ✪ ✶ ●

Angela was appointed a non-executive director at Liverpool University Hospitals NHS Foundation Trust on 1 October 2019 – she was previously non-executive director at Royal Liverpool and Broadgreen University Hospitals NHS Trust. Angela is a qualified chartered accountant and a senior board member and finance professional with experience in both the public and private sector leading major change projects. Most recently Angela was employed as the Director of Finance at the University of Bradford. She has worked in different roles in NHS commissioning as well as senior roles in a private hospital group.

Angela chairs the committee for Workforce & Education and is a member of the committees for Audit and Nominations & Remuneration.

Mandy Wearne ◻ ❍ ✶ ●

Mandy was appointed a non-executive director at Liverpool University Hospitals NHS Foundation Trust on 1 October 2019 – she was previously non-executive director at Aintree University Hospital NHS Foundation Trust. Mandy set up her own independent company to continue to inspire excellence in the quality of care experience. She has an extensive background in NHS leadership, management, clinical practice and public health, working in a variety of health care settings. She has held a number of executive director roles, including health care strategy, performance, and provider and market development, as well as being policy advisor to the Department of Health (DH) on the development of social value led provider models.

As the first regional director of service experience in England in 2008, she led the DH Patient Experience Policy Programme working on the development of national indicators and a review of the national survey architecture. Acclaimed as a passionate and practical force for change, she was nominated for the NHS Inspiration Leadership Award in 2010. Mandy is committed to supporting NHS leadership and service experience improvement through her role as an executive coach and mentor to many aspiring and future leaders. Mandy chairs the Charitable Funds Committee and is a member of the committees for Finance & Performance, Audit and Nominations & Remuneration.

Neil Willcox ✶ ♦ ●

Neil was appointed a non-executive director at Liverpool University Hospitals NHS Foundation Trust on 1 October 2019 – he was previously non-executive director at Royal Liverpool and Broadgreen University Hospitals NHS Trust. Neil is a chartered accountant. He began work in the private industry before joining an international firm of chartered accountants as an audit senior and manager.

Neil is now the managing director of a software, hosted services and infrastructure company which supports medium and large organisations in the private and public sector. Neil has both executive and non-executive experience; the latter gained in the health sector.

Neil chairs the Audit committee and is a member of the committees for the New Hospital and Nominations & Remuneration.

Executive Directors

Chief Nurse: **Dianne Brown**

Dianne was appointed chief nurse at Liverpool University Hospitals NHS Foundation Trust on 1 October 2019 – she was previously chief nurse at Aintree University Hospital. Dianne trained in the 1980s with Wrightington, Wigan and Leigh NHS Trust and then chose to specialise in women's health, working at Billinge Hospital for 17 years in all areas of women's health.

An experienced board director, Dianne joined Aintree University Hospital in April 2017, following her previous role of director of nursing and midwifery at Liverpool Women's NHS Foundation Trust which she held for three years. She has had a variety of leadership and managerial roles prior to her successful appointment as chief nurse.

Medical Director: **Dr Tristan Cope**

Tristan was appointed medical director at Liverpool University Hospitals NHS Foundation Trust on 1 October 2019 – he was previously medical director at Aintree University Hospital from April 2017. He graduated from Aberdeen University in 1992 and subsequently trained in anaesthesia and intensive care medicine in North Wales and Merseyside.

He was appointed as a consultant in anaesthesia and critical care at Aintree in 2001 and has held positions as clinical director of critical care, clinical director of anaesthesia, director of the Cheshire and Mersey Simulation Centre, clinical head of division of surgery and most recently deputy medical director. Tristan received a master's degree in medical leadership from Birkbeck, University of London. In addition to his duties as medical director, Tristan continues to work part time as a consultant in critical care medicine.

Chief People Officer:

Debbie Herring

Debbie was appointed chief people officer at Liverpool University Hospitals NHS Foundation Trust on 1 October 2019 – she was previously executive director of workforce and deputy chief executive at the Royal Liverpool and Broadgreen University Hospitals NHS Trust (RLBUHT).

Debbie has held various senior roles in the NHS including; director of strategy and development at Alder Hey Children's Hospital, director of strategy, HR and organisational development at Liverpool Heart and Chest Hospital, director of HR and organisational development at Aintree University Hospital and director of HR and organisational development at the Countess of Chester Hospital. She is also the vice chair of NHS Employers' policy board and chair of NHS Providers HR Directors Network.

Interim Chief Finance Officer:

Ian Jones

Ian became interim Chief Finance Officer at Liverpool University Hospitals NHS Foundation Trust on 1 October 2019 having previously been Director of Finance & Business Services at Aintree University Hospital from December 2015 and the Deputy Director of Finance. He is a qualified Chartered Accountant, having trained with a major national firm, before moving into the NHS in 1993.

Chief Operating Officer:

Beth Weston

Beth was appointed chief operating officer at Liverpool University Hospitals NHS Foundation Trust on 1 October 2019 – she was previously chief operating officer at Aintree University Hospital. Beth joined Aintree University Hospital in April 2015 and was appointed acting chief operating officer in October 2017 before becoming substantive on 1 February 2019. Beth previously worked at Central Manchester University Hospitals NHS Foundation Trust for 12 years and has a Masters in Managing Healthcare Organisations.

	Date of Appointment	Current Office Expires
Non-Executive Directors		
Sue Musson (Chair) *	1 October 2019	31 March 2023
Mike Eastwood **	1 October 2019	31 March 2020
David Fillingham **	1 October 2019	31 March 2020
Tim Johnston **	1 October 2019	31 March 2020
Louise Kenny **	1 October 2019	31 March 2020
Angela Phillips **	1 October 2019	31 March 2020
Mandy Wearne **	1 October 2019	31 March 2020
Neil Willcox **	1 October 2019	31 March 2020

Notes:

- * The position of Chair was made substantive following approval by the Council of Governors at its meeting on 29 January 2020 with a three-year term of office commencing on 1 February 2020
- ** Interim arrangements were in place for the Non-Executive Directors of LUH between October 2019 and March 2020 pending a formal recruitment process being undertaken for substantive NED appointments to commence on 1 April 2020.

The Council of Governors approved appointments of the interim non-executive directors on 12 March 2020. Mike Eastwood, Tim Johnston and Louise Kenny have been re-appointed for 3 years. Neil Willcox and Mandy Wearne have been re-appointed for 2 years. Angela Phillips and David Fillingham have been re-appointed for 6 and 3 months respectively to enable an external recruitment process to take place.

	Title	Date of Appointment
Executive Directors		
Steve Warburton	Chief Executive	1 October 2019
Dianne Brown	Chief Nurse	1 October 2019
Tristan Cope	Medical Director	1 October 2019
Debbie Herring	Chief People Officer	1 October 2019
Ian Jones	Interim Chief Finance Officer ***	1 October 2019
Beth Weston	Chief Operating Officer	1 October 2019

Table: LUH Board Members' Terms of Office

Notes:

- *** relinquished the position on 31 March 2020 (the new Chief Finance Officer commenced office on 1 April 2020)

Changes to AUHFT Board Membership during 2019/20

There were a number of changes to the former AUHFT Trust Board prior to the merger with the Royal Liverpool & Broadgreen University Hospitals NHS Trust on 1 October 2019. These are as follows:

- Dr Neil Goodwin, CBE, stepped down as Chairman with effect from 30 September 2019
- Kevan Ryan stepped down as a Non-Executive Director with effect from 30 September 2019
- Angie Smithson, Deputy Chief Executive/Integration Director, left the Trust on31 Aug 2019
- Ruth Hoyte, Director of Human Resources and Organisational Development, left the Trust on 4 July 2019

The following individuals joined the Trust Board when it was established for Liverpool University Hospitals NHS Foundation Trust on 1 October 2019:

Non-Executive Directors

- Sue Musson (chair)
- Mike Eastwood
- Louise Kenny
- Angela Phillips
- Neil Willcox

Executive Directors

- Debbie Herring – Chief People Officer

The following individual joined the Liverpool University Hospitals NHS Foundation Trust after the reporting period of this Annual Report and Accounts:

- Rob Forster – Chief Finance Officer (commenced office on 1 April 2020)

Appointment and Removal of the Trust's Chair and Non-Executive Directors

Under the Trust Constitution, the Council of Governors has the power to appoint and remove the Chair and the Non-Executives Directors of the Trust. Removal of the Chair or a Non-Executive Director requires the approval of three quarters of the members of the Council of Governors voting in person at a meeting of the Council of Governors.

At its meeting on 29 January 2020, the Council of Governors formally approved the appointment of Sue Musson as Chair of the Trust for a three-year term of office commencing on 1 February 2020.

The Council of Governors established a Nominations & Remuneration Committee in March 2020. Appointments of the interim NEDs were approved by the Council of Governors on 12 March.

Governance and Organisational Arrangements

Corporate governance relates to the processes, customs, policies, laws, and institutions which have an impact on the way an organisation is controlled. An important theme of corporate governance is the nature and extent of accountability of people in the business, and mechanisms that try to decrease the risks. This section details the organisational arrangements in place to deliver good corporate governance.

Council of Governors

The Trust's relationship with its Governors, and through them with its members, is constructive and useful. It provides valuable public accountability for the work of the Trust.

The Council of Governors and the Board of Directors have a clear understanding of the roles and responsibilities of each party in accordance with the Constitution. The Board of Directors' role is to manage the business of the Trust and the Council of Governors is responsible for representing the interests of public and staff members, and local partner organisations in the governance of the Trust. Amongst other statutory duties, the Council of Governors holds the non-executive directors to account for the performance of the Board of Directors and appoints the Chairman and Non-Executive Directors (NEDs), and the Trust's external auditors. The Council of Governors also approves the appointment of the Chief Executive, the remuneration and terms of office of the Chairman and Non-Executive Directors, receives the Trust's annual report and accounts and gives views and advice on the forward plans of the Trust. The Trust's Constitution details the process to be adopted should there be any disagreement between the Council of Governors and the Board of Directors and how this would be resolved.

During 2019/20, the NEDs continued with the practice of giving presentations to the Council of Governors. This year, the focus has been on the top priorities, key issues and assurance they have received on the Trust's financial and operational performance, quality and safety and audit committee activity. Updates are also provided at formal Council meetings on the Trust's strategic direction and activity by the Chairman and Chief Executive. This provides Governors with the opportunity to hold the NEDs to account for the performance of the Board, and to seek further advice and clarification, if required. This approach also assists Governors in their appraisal of the NEDs.

The Governors have input into the Annual Business Plan through discussions with the Trust on the priorities for development and improvement of the organisation, as seen by their constituencies and partner organisations. This information impacts positively and materially on the preparation of the Trust's Annual Business Plan. Each year, the Governors and members are presented with the Annual Report and Accounts and the Annual Plan at the annual members' meeting. Governors are also involved in reviewing the Quality Account providing feedback on its content and contributing to the statement from the Lead Governor on governor activity and involvement during the year in support of the Trust's quality improvements.

AUHFT Council of Governors

The Aintree University Hospital NHS Foundation Trust's Council of Governors consisted of the Chairman of the Trust and 21 elected and appointed Governors.

All elected governors have a three-year term of office. All Governors terms of office ended on the date of merger, 1st October 2019, at which point they could apply to become Governors of the merged organisation Liverpool University Hospitals NHS Foundation Trust.

AUHFT Elected Governors			
Public Governors	**Term of Office** *or until merger	**Expiry Date** *date of merger	**Attendance at Council of Governors Meetings**
Sharon Bird	3 years*	1st October 2019	5/5
Mike Bowker	3 years*	1st October 2019	1/5
Elaine Carter	3 years*	1st October 2019	2/5
Rob Cannon	3 years*	1st October 2019	5/5
Jennifer Ensor	3 years*	1st October 2019	4/5
Jim Ford	3 years*	1st October 2019	5/5
Ray Humphreys	3 years*	1st October 2019	4/5
Colin Maher	3 years*	1st October 2019	1/5
Rose Milnes	3 years*	1st October 2019	3/5
Andrew Moran	3 years*	1st October 2019	5/5
Raj Mungur	3 years*	1st October 2019	3/5
Terry Owen	3 years*	1st October 2019	4/5
Pamela Peel-Reade	3 years*	1st October 2019	2/5
Anne Trevor	3 years*	Resigned, 27 September 2019	2/5
AUHFT Elected Governors			
Staff Governors	**Term of Office**	**Expiry Date**	**Attendance at Council of Governors Meetings**
Sally Aindow (Nursing)	3 years*	1st October 2019	2/5
Andrea Connolly (AHP / Scientists)	3 years*	1st October 2019	5/5
Kerry McManus (All Other Staff)	3 years*	1st October 2019	3/5
Andrew Swift (Medical)	3 years*	1st October 2019	2/5
AUHFT Appointed Governors			
Liz Cooper (Edge Hill University)	3 years*	1st October 2019	3/5
Professor Terry Jones (University of Liverpool)	3 years*	Resigned 29 September 2019	2/5
Paulette Lappin (Sefton MBC)	3 years*	1st October 2019	3/5

Table: Composition of the AUHFT Council of Governors

Pamela Peel-Reade was Lead Governor of Aintree University Hospital NHS Foundation Trust.

For a period of time during 2019/20 Deputy Lead Governor Sharon Bird stepped up into the role of Lead Governor, whilst Pamela Peele-Reed took a break from her duties.

LUHFT Council of Governors

Elections for appointment as an elected governor of LUHFT were undertaken during October to March 2019 with the successful candidates taking up office from 2nd December 2019. The elections were administered by Electoral Reform Services in accordance with the model election rules in the Trust's Constitution.

The Liverpool University Hospitals NHS Foundation Trust's Council of Governors consists of the Chairman of the Trust and 31 elected and appointed Governors.

	Term of Office	Term Ends	Attendance at Council of Governors Meetings
Public: City Region North			
Mr Robert Cannon	3 years	2nd Dec 2022	2/2
Mr Paul Denny	2 years	2nd Dec 2021	1/2
Mr Ray Humphreys	2 years	2nd Dec 2021	2/2
Mrs Juliette Kumar	3 years	2nd Dec 2022	½
Mr Andrew Moran	3 years	2nd Dec 2022	2/2
Mrs Irene Taylor	3 years	2nd Dec 2022	½
Ms Anne Trevor	2 years	2nd Dec 2021	2/2
Public: City Region South			
Mrs Dorcas Olanike Akeju, OBE	3 years	2nd Dec 2022	2/2
Mr Gerard Ashley	2 years	2nd Dec 2021	2/2
Mrs Alison Cohen	3 years	2nd Dec 2022	½
Mrs Sheila Coleman	3 years	2nd Dec 2022	2/2
Mr Kieran Harrison-Foulkes	3 years	2nd Dec 2022	½
Mr John Lloyd-Jones	2 years	2nd Dec 2021	2/2
Mrs Doreen Schlechte	**2** years	2nd Dec 2021	**2/2**
Public: North West England and North Wales			
Mr David Blanchflower	1 Year - uncontested	2nd Dec 2020	½
Mrs Alison Child	1 Year - uncontested	2nd Dec 2020	1/2
Staff: Allied Health Professionals, Scientists and Technicians			
Mrs Fiona Daglish	3 years	2nd Dec 2022	2/2
Mrs Sarah Dyson	2 years	2nd Dec 2021	1/2
Staff: Medical Practitioners and Dentists			
Dr Bhavna Kalpesh Pandya	3 years	2nd Dec 2022	0/2
Dr Emma Walker	2 years	2nd Dec 2021	2/2
Staff: Nursing			
Ms Tracy Greenwood	2 years	2nd Dec 2021	2/2
Mr Peter Halliday	3 years	2nd Dec 2022	½
Staff: Other Non-clinical Staff			
Miss Angela McShane	2 years	2nd Dec 2021	2/2
Mrs Joanne Pepper	3 years	2nd Dec 2022	2/2
Appointed Governors			
Professor Raphaela Kane Liverpool John Moores University	3 years	2nd Dec 2022	1/2
Professor Graham Kemp University of Liverpool	3 years	2nd Dec 2022	2/2
Kathryn Drury, Edge Hill University	3 years	2nd Dec 2022	0/2

Councillor Gordon Friel Sefton Council	3 years	2nd Dec 2022	1/2
Cllr Linda Mooney Knowsley Council	3 years	2nd Dec 2022	1/2
Val O'Donnell YPAS	3 years	2nd Dec 2022	0/2
Roz Gladden Liverpool City Council	3 years	2nd Dec 2022	0/2

Table: Composition of the LUHFT Council of Governors

At the 12 March 2020 Council of Governors meeting the Council approved the process for appointing their Lead and Deputy Lead Governors. Following the meeting 3 expressions of interest we received, 2 for the position of Lead Governor and one for the position of Deputy Lead Governor. Elections took place for the position of Lead and deputy Lead Governor, votes were counted by the Trust Secretary.

Andrew Moran was elected as Lead Governor, and Doreen Schlechte was elected as Deputy Lead Governor both for a term of 1 year.

Members of the public can gain access to the Register of Governors' Interests on the Trust's website or by writing, telephoning or emailing the Trust Headquarters:

Liverpool University Hospitals NHS Foundation Trust, Prescot Street, Liverpool, L7 8XP.
Telephone: 0151 529 2243, e-mail: governors@liverpoolft.nhs.uk

Nominations Committee

The AUHFT Council of Governors' Nominations Committee did not meet in 2019/20, in light of the anticipated merger. The LUHFT Nomination & Remuneration Committee was established and met in March 2020.

Membership & Engagement Committee

The Trust aims to build a successful Membership Scheme as an integral part of its vision to be a leading provider of the highest quality health care. The Council of Governors has a Membership & Engagement Committee (the Committee) to lead the process of developing and implementing the Membership Scheme and ensure a representative membership. The AUH Committee had adopted a strategy of membership engagement as well as targeted recruitment, predominantly aimed at low represented groups.

During 2019/20, the Committee supported by the Trust, considered governor engagement with members in general terms and how this could be improved through the use of the membership stand in locations within the hospital. Its purpose was to engage with and obtain the views from members and the general public about the governor role and the services provided by the hospital as well as to recruit new members through this interaction.

The Committee members were also involved in the Task and Finish groups to develop the criteria for membership constituencies for the merged organisation.

The Membership & Engagement Committee for LUHFT, had not yet been established at 31st March 2020, though expressions of interest had been received from a number of governors and plans for the Committee were in place for the first meeting to be scheduled in the first quarter of 2020/21. It would be the task for this Committee to develop and approve the LUH membership and engagement strategy, with a view to encouraging all Governors to participate in membership engagement.

In September 2019, the Trust moved to a new membership database provider Civica, as part of this a thorough review of the public membership database was conducted, which resulted in the expiry of some memberships.

Members of AUHFT automatically had their membership transferred over to LUHFT on the 1st October 2019. Members of RLBUHT were sent a letter asking them to register as a member AUHFT prior to merger as it was not in line with the General Data Protection Regulation for the Trust to simply transfer their membership as RLBUHT was not a Foundation Trust.

AUHFT members as of 30 September 2019, by constituency	
Public	8,397
Allied Health Professionals/Scientists	707
All Other Staff	2875
Medical Staff	486
Nursing Staff	1,430
Staff total	**5,498**
Total membership (public and staff)	**13,895**

Table: Membership Numbers (30 September 2019)

LUHFT members as of 31 March 2020, by constituency	
Public	8,549
Allied Health Professionals/Scientists	2,013
All Other Staff	6,029
Medical Staff	1,367
Nursing Staff	3,415
Staff total	12,824
Total membership (public and staff)	**21,373**

Table: Membership Numbers (31 March 2020)

The Trust's Constitution includes the eligibility requirements for staff and identifies the boundaries for public membership.

The Membership Strategy once approved will be available on request. Members of the public wishing to contact Governors can do so by writing, telephoning or emailing the Corporate Governance Team:

Liverpool University Hospital NHS Foundation Trust, Lower Lane, Liverpool, L9 7AL
Telephone: 0151 529 4766; e-mail: governors@liverpoolft.nhs.uk

Liverpool University Hospitals Board & Board Committees

Table: AUHFT & LUHFT Board & Board Committees' Attendance

Member	Board of Directors	Committees								Council of Governors
		Audit	Nomination & Remuneration	Quality	Finance & Performance	Charitable Funds	Research, Development & Innovation 1/10/19	Workforce & Education 1/10/19	New Hospital 1/10/19	
Sue Musson (from 01.10.19)	5/5		3/3	4/5						
Neil Goodwin (to 30.09.19)	4/4		2/2							3/3
Dianne Brown	9/10			8/11		0/1		0/2		
Tristan Cope	8/10			9/11	2/5	0/1[1]	1/2	0/2		
Michael Eastwood (from 01.10.19)	5/5		3/3	4/5	6/6					1/1
David Fillingham	10/10		5/5	9/11	9/11					
Debbie Herring (from 01.10.19)	5/5			5/5				2/2		
Ruth Hoyte (to 04.07.19)	1/2			2/3	1/1					1/1
Tim Johnston	10/10	1/1	5/5		5/5	3/3		2/2	4/4	
Ian Jones	10/10				10/11	5/5	0/2		4/4	
Louise Kenny (from 01.10.19)	5/5		2/2	0/5			2/2			
Angela Phillips (from 01.10.19)	5/5	1/2	2/3					2/2		
Kevan Ryan (to 30.09.19)	5/5	3/3	1/1	6/6		3/3		2/2		1/1
Angie Smithson (to 31.08.19)	4/4									1/1
Steve Warburton	10/10			4/11	7/11				4/4	
Mandy Wearne	10/10	2/2	6/6	4/6	2/6	2/2				
Beth Weston	9/10			8/11	4/6			1/2	4/4	
Neil Willcox (from 01.10.19)	5/5	5/5	3/3						4/4	

Care Quality Commission Registration (CQC)

The Trust is required to register with the CQC and its current registration status is registered without conditions for the Health and Social Care Act 2008. The foundation trust is fully compliant with the registration requirements of the Care Quality Commission. It monitors this compliance by mapping the fundamental standards/CQC domains through the Trust-wide Executive-Led Groups' Terms of Reference, progress and audit reports providing assurance and other methods such as the revised Aintree Assessment & Accreditation (AAA) Framework.

The Trust maintains a strong focus on integrated quality, operational and financial governance, the requirement for which is identified in NHSI's Well Led Framework. We recognise that this provides the necessary structure for our services to be well-led and to be able to demonstrate strong leadership, system-working and quality improvement within a positive culture focussed on patient safety.

An overview of the most recent CQC reports on the two legacy trusts is provided below:

Aintree University Hospital NHS Foundation Trust (AUHFT)

AUHFT were subject to an inspection by the Care Quality Commission from 14 May to 20 June 2019. Following the inspection, the CQC gave the Trust an overall rating of "Good" with the rating of the Well Led domain increasing to that of "Good "

The report highlighted the following:

- An experienced leadership team with the skills, abilities, and commitment to provide high-quality services. They recognised the training needs of managers and worked to provide development opportunities for the future of the organisation.
- The Trust had a vision and strategy for what it wanted to achieve and staff in services were aware of the vision and strategies in place.
- Managers across services promoted a positive culture that promoted and valued staff, creating a sense of common purpose based on shared values.
- The Trust was aware there were still challenges and what action was required. Staff apologised when things went wrong.
- Services were committed to continually learning and improving services.
- The Trust had a systematic and effective approach for identifying and responding to risks across services. The trust collaborated with partner organisations to help improve services for patients.
- The Trust was committed to improving service

The Royal Liverpool and Broadgreen University Hospitals Trust

The Royal Liverpool and Broadgreen University Hospitals Trust was inspected by the Care Quality Commission from 15 January to 17 January 2019, therefore falls outside the scope of this report. However, it is prudent to note that the Trust were rated as "Requires Improvement" in both the overall score and the well led domain, whilst the categories of Safe and Effective were rated as "Good" and Caring was rated as "Outstanding".

Liverpool University Hospitals NHS Foundation Trust

LUHFT carries forward the CQC rating from AUHFT of 'Good'. The Trust Board receives regular reports which provide updates on the merged action plan following inspections undertaken by the Care Quality Commission (CQC) at both former Trusts in 2019.

The action plan is being monitored as one Trust-wide action plan whilst still retaining the originating site of the recommendation. A regulatory compliance group is in place and met on 31January 2020. Meetings are planned to be monthly or more frequently going forward and will monitor performance against the action plan.

Across both reports there were 17 actions LUHFT must take to comply with its legal obligations and a further 56 recommendations as to action the Trust should take. At the end of November 2019 there were 193 individual actions devised to address the recommendations from CQC. A further three have been added since the end of November 2019 but two were closed as not currently achievable, leaving a total of 194 individual actions.


Dimensions
HOLOGIC
NHS

Quality Governance

The Board is committed to quality governance and ensures that the combination of structures and processes at Board level and below supports quality performance throughout the Trust. The Board's Quality Committee ensures oversight of clinical risks and provides assurance to the Board on the quality of clinical care. To do this, it reviews serious incidents and receives assurances on the linkages with key areas such as complaints and claims. It also monitors compliance with CQC standards.

The Trust uses the Datix system to ensure that risk management is embedded within the organisation and to register all incidents, complaints and claims. The system creates regular reports for key staff and for the groups responsible for governance and quality both divisionally and at Trust level. The Trust has appropriate policies and procedures in place to support quality governance. Appropriate training is provided both at induction and at regular, planned intervals, depending on assessment of need and in a targeted manner.

All methods of feedback, whether they be incidents, complaints, claims, inquests, formal reviews or informal patient feedback are closely analysed thematically by the Trust. This enables the Trust to identify lessons that can be learnt, change practice where necessary and to improve controls that are in place. This process is enhanced by external benchmarking, internal audit and participating in peer review. The Chief Nurse leads in ensuring that learning is shared across Aintree from these activities including through a number of staff fora.

The Estates & Facilities Directorate develops reviews and implements the Trust's health and safety policies and leads the Trust in meeting internal and external requirements set to keep patients, staff and visitors safe. Monitoring of health and safety related non-clinical incidents was carried out throughout the year and identifiable trends as well as Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) incidents investigated and acted upon.

Further assurance of our systems and processes has been gained from internal assessments and internal audit. We produce an annual Quality Account, led by the Chief Nurse, which includes the quality objectives set to improve patient safety, experience and outcomes. In light of the Covid-19 pandemic, NHS England and NHS Improvement have made changes to the manual for the Annual Report that mean a Quality Account is not contained within this report. While primary legislation continues to require Trust to prepare a quality account for each financial year, the amended regulations mean there is no fixed deadline by which providers must publish their 2019/20 quality account. NHS England and NHS Improvement recommendation that trusts provide a quality account by 15 December 2020 and the Trust is working to this timescale.

The Trust was successful in securing additional funding from NHS Digital and used this money to further strengthen our cyber security stance and improve the IT systems and processes in place. The Audit Committee has monitored the progress made during the year and will continue to do so during 2020/21.

The merged Trust intends to provide a single toolkit compliance return. To enable a single toolkit compliance return for the merged Trust, internal auditors undertook a review of previous audit work across the legacy trusts and an overall assurance level of significant was provided.

The Trust encourages staff to report incidents, whether they result in a compliance issue or whether they could result in an issue, regardless of the severity of each incident, to support learning. Incidents may be reported anonymously or in person and feedback is provided to ensure there is demonstrable evidence of change and action. This feedback mechanism also allows us to thank staff who have reported incidents for giving us the chance to learn.

AUHFT intensified its efforts in this regard during the year, recording the 10th largest increase in incident reporting nationally. This has been due in large part to the Trust's 'Safety First' work which identifies the importance of being an organisation that learns and an organisation that has safety as its first priority. The project has seen AUHFT appoint incident investigation support officers, a ground-breaking post for healthcare that ensures consistency in investigation and application of human factors and models from industry to our investigation reports.

Better Payment Practice Code

The Trust endeavours to pay its suppliers within 30 days of receipt of goods or a valid invoice (whichever is later) in line with the Better Payment Practice Code and monitors performance against this target.

	2019/20 Number	2019/20 £000	2018/19 Number	2018/19 £000
Non NHS				
Total invoices paid in the year	171,423	475,099	70,031	160,507
Total invoices paid within target	91,219	309,080	57,417	127,245
Percentage of invoices paid within target	53.2%	65.1%	82.0%	79.3%
NHS				
Total invoices paid in the year	7,314	176,834	2,460	79,538
Total invoices paid within target	3,358	143,023	1,679	64,844
Percentage of invoices paid within target	45.9%	80.9%	68.3%	81.5%
TOTAL				
Total invoices paid in the year	178,737	651,933	72,491	240,045
Total invoices paid within target	94,577	452,103	59,096	192,089
Percentage of invoices paid within target	52.9%	69.3%	81.5%	80.0%

No interest was due or paid to suppliers under the Late Payment of Commercial Debts (Interest) Act 1998 NB. Figures above take into account merging two different positions mid-year, following merger of Aintree University Hospital Foundation Trust and Royal Liverpool and Broadgreen University Hospitals NHS Trust.

Political donations

The Trust did not receive any political donations during the reporting period or in the previous financial year.

Disclosures relating to the Well-Led framework

The section in the Directors Report relating to the Care Quality Commission inspection details the findings of the Well Led inspection.

Neither Aintree University Hospital NHS Foundation Trust nor Liverpool University Hospitals NHS Foundation Trust undertook a self-assessment against the NHSI Well Led requirements during 2019/2020.

There are no material inconsistencies between the AGS, corporate Governance Statement and the CQC report.

Patient Care

The clinical service design principles for the Trust are noted below:

- Movement of patients between sites needs to be avoided wherever possible on the basis that it offers poor patent experience, increases length of stay and costs. .
- Outpatients are best managed locally.
- Single on-call rotas are required to avoid duplication of processes and better utilise capacity.
- Clinical teams should operate single services, delivered across hospital sites, central where necessary and local where possible.
- Care will be standardised within a service, reducing unwarranted variation wherever possible, in order to embrace best practice and evidence-based approaches and innovations.
- Teaching, training and research activities will be maximised to support continuous service improvement and recruitment of the highest quality staff.
- Opportunities for patients to enter clinical trials will be maximised.
- A&E services will be retained on existing sites

New and significantly revised services

A significant part of the reporting year has been focussed on ensuring that all services are prepared are for the efficient merger of the organisations without compromise the quality of patient care.

The merger has resulted in a review of all services provided by the organisation and where services are clearly duplicated such as complaints, the organisational structures have been, or are planned to be merged and subsequently underpinned by the relevant policies and procedures. Other services will form part of a larger review which will be undertaken at scale and over time.

Performance against key health targets as agreed with local commissioners, together with details of other key quality improvements

There are key performance measures the Trust is legally obliged to report upon both locally to its commissioners and nationally to other external bodies. These derive from the NHS England national standard contract, Commissioning for Quality and Innovation (CQUIN) and locally agreed measures with our local Clinical Commissioning Group (CCGs).

Key performance indicators (KPI) include performance against key areas including the following (not exhaustive) -

- Emergency department performance
- Undertaking assessments against specific diagnoses
- Healthcare associated infections
- Serious incidents and never events

To help the Trust understand how well it is performing, the Trust measures its effectiveness in delivering its priorities by monitoring and reporting performance data in three areas:-

- National Quality Standards
- Local outcome measures
- Financial performance

The Trust's business intelligence function provides management information for performance reporting both internally and externally. Bi-monthly Clinical Quality and Performance meetings are held with the local Clinical Commissioning Groups to discuss performance as above. Quarterly CQUIN performance is also discussed.

Performance is managed through the Trust's operational management arrangements with assurance provided through the committees and exception reporting is provided to Board. Where required, risk management is applied to areas where the Trust is not meeting specific KPIs or outcomes with exception reporting through the operational meetings, through to the committees and the Board.

The Trust has continued to implement its equality, diversity and inclusion objectives working in conjunction with the CCG and other services across

Merseyside to improve health inequalities across our local communities. To ensure patients' needs were being met, the Trust aimed to improve its methods of patient and public engagement and to actively seek views of patients, carers and the wider community in the design and delivery of its services. This involves regular focus groups being undertaken and their findings fed back to improve quality of care.

Complaints

Following merger the Trust has combined the complaints Policy and processes. Further work is being undertaken to complete the review, and to ensure that a responsive and agile approach to the management of patient and family concerns is maintained.

Stakeholder Relations:

The Liverpool University Hospitals NHS FT has a broad network of stakeholders, some are mentioned below:

- North Mersey Stroke Strategic Group
- Liverpool Provide Alliance
- Liverpool strategy Partnership
- North west Genomics Strat Partnership Board
- C & M trauma and critical care operation a delivery network
- Liverpool Health Partners

The Trust has maintained frequent engagement with the health oversight and scrutiny committees at local councils covering its main patient population and membership base. In particular Liverpool City and Sefton councils, where the Chief Executive has updated these committees on progress with the new Royal Liverpool University Hospital, merger and the Trust's preparedness for Covid-19.

During 2019/20, there have been a number of projects where the Trust engaged with and involved patients, carers and relatives.

These included:

Patient Voice in Quality Improvement Projects

Patient and Family Voice has been embedded as an essential criteria in all service improvement projects as part of the Trust's evidence based co-design approach to quality improvement methodology. Patient and family voice must be evidenced at each stage of service improvement projects to design, monitor and evaluate how projects meet the needs of patients and families. Successful projects include the same day ambulatory care pathway for the Frailty Assessment Unit, the Non-Invasive Ventilation (NIV) transformation project and the pathway for patients transferring from NWAS to the Accident and Emergency Department.

Patient and Family Voice in Service Integration

There has been extensive engagement with communities, patient groups, charities, partner organisations and Healthwatch in designing, reviewing and evaluating the integration of services across the city. This engagement has been embedded into the formal consultation process with patient and family voice incorporated into evaluation of patient benefits of all service integration projects.

Patient and Family Experience Plan

During 2019/20, the Patient Experience Team progressed the Patient and Family Experience Plan through co-ordinated engagement with patients, families, carers, visitors and key stakeholders through various routes such as surveys, engagement sessions and focus groups to identify the factors that contribute to a positive patient and family experience. The learning from this work has been used to inform the Quality Strategy that will be developed and implemented in 2020/21.

Additionally, the Trust has achieved the following:

It was one of 13 organisations nationally to receive a gold award under the Ministry of Defence Employer Recognition Scheme for its service personnel such as reservists, cadets and volunteers. The Trust recognised the benefits that serving personnel, veterans and military families bring to the workforce. The Trusts HR policies allow flexibility for both Reservists and Cadet Force Adult Volunteers for training requirements and deployment and we work with the Career Transition Partnership to support the employment of service leavers.

It became the first Merseyside NHS organisation to sign up to the Rainbow Badge scheme for staff to pledge their support for LGBT+ communities

During the period to September 2019, for the first time, the Trust joined forces with other NHS colleagues across the region to march at Liverpool Pride.

Fees, charges and income generation

Events after the Reporting Period

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS Cash Regime for the 2020/21 financial year. During 2020/21, existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Reporting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £219,626,000 (£218,489,000 interim loan principal and £1,137,000 interest accrual) as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

There were no further material events between the report period and submission of the final 2019/20 accounts.

Joint Ventures and Subsidiary Companies

In July 2007, the Trust established a wholly owned subsidiary company called Aintree Healthcare Limited. The purpose of this company is to provide community healthcare projects. As of 31 March 2020, the company had not commenced trading.

Accounting Policies

The Trust's significant accounting policies are set out in Note 1 in the Notes to the Accounts of the full accounts included in this report. There were no material changes made to the accounting policies and all of the changes implemented were in line with the Department of Health Group Accounting Manual (DH GAM).

Accounting policies for pensions and other retirement benefits are set out in a note to the accounts (Note 1.5) and details of senior employees' remuneration can be found in the Remuneration Report.

Compliance with HM Treasury Policy

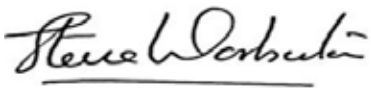
Liverpool University Hospitals NHS Foundation Trust has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information Guidance.

Compliance with Income Sources Restriction

Liverpool University Hospital NHS Foundation Trust has complied with Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social Care Act 2012) which requires that the income from the provision of goods and services for the purposes of the health service in England must be greater than its income from the provision of goods and services for any other purposes.

Other income received by the Trust in 2019/20 has had no adverse impact on the delivery of our services. The Trust is, therefore, compliant with Section 43(3A) of the NHS Act 2006.

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



Steve Warburton
Chief Executive
17 July 2020

Remuneration Report

Annual Statement on Remuneration.

Senior Managers Remuneration Policy

In September 2019 the Nomination and Remuneration Committee approved a pay framework for those employed on Very Senior Managers (VSM) contracts and terms and conditions. This framework complies with NHS Improvement's national guidance and sets out a formal and transparent process for benchmarking and agreeing Executive Director and VSM level pay. The principles in this framework have been followed in agreeing the remuneration of all Executive Directors and Very Senior Managers in Liverpool University Hospitals NHS Foundation Trust.

The Trust commissioned Korn Ferry, an independent consultancy, to advise the Trust on senior manager's remuneration, recognising Korn Ferry's expertise in national pay frameworks. Employees pay and conditions are set within the national Agenda for Change ('A4C') framework. Korn Ferry provided advice on senior manager remuneration, taking into account the A4C framework. The Trust paid Korn Ferry £10,200 (inclusive of VAT) for their services.

Service contract obligations

Appointments to Executive Director posts are made in open competition and can only be terminated by resolution of the Board other than in cases of normal resignation. Directors hold permanent contracts with a standard six-month period of notice. Non-Executive Directors are appointed for a period of three years and can only be removed in accordance with Monitor's Code of Governance.

Loss of office

The Trust's normal disciplinary policies apply to Executive Directors, including the sanction of instant dismissal for gross misconduct. The Trust's redundancy policy is consistent with NHS redundancy terms for all staff. In the eventuality of a senior manager's loss of office, the Chief Executive (for executive directors) or the Chairman (for the Chief Executive) may alter, postpone or disallow any individual payment they deem appropriate. These actions must be supported by the Remuneration Committee.

Remuneration

Details of remuneration are set out in the tables overleaf and have been subject to audit. The tables include the following:

- salaries and fees - annual basic pay
- taxable benefits – additional tax benefits
- pension-related benefits – the annual increase in pension entitlement, determined in accordance with the HM Revenue and Customs method.

The Remuneration Committee met six times during the year. The purview of the committee includes Executive Directors and the first line of management below.

The role and function of the Remuneration Committee is detailed in section on compliance within the Code of Governance below. The purpose of the Remuneration Policy is to remunerate senior managers at a rate sufficient to attract and retain them, whilst avoiding excessive payments in accordance with national guidance issued in 2018 by NHS Improvement.

On the recommendation of the Remuneration Committee, the Trust retained independent advice on executive pay from Korn Ferry. The committee was satisfied that Korn Ferry was independent since it operates at arms-length to the Trust, on a commercial basis and is a recognised advisor to the sector.

The Trust's Remuneration Committee considered each of the proposed salaries for the Executive Directors at the time of their appointment. The Trust can demonstrate that it reviews remuneration on a regular basis and, where new appointments are to be made, takes into account national benchmarking when setting remuneration levels.

The Remuneration Committee also took into account the Trust's Equality Strategy, which is published on the Trust's website.

The Trust does not have a Performance Related Pay policy, so performance-related bonuses are not applicable, nor are recruitment and retention premia applied to senior management roles.

Senior managers paid more than £150,000

Two of LUHFT's Executive Directors are paid more than £150,000, the threshold considered a suitable benchmark for NHS foundation trusts – these are the Chief Executive, and Medical Director (who also held the same posts at AUHFT). The Trust can demonstrate that it reviews remuneration on a regular basis and, where new appointments are to be made, takes into account national benchmarking when setting remuneration levels.

For the Chief Executive and Medical Director, the salary levels applied were benchmarked against the median range, using the Capita NHS Foundation Trust Board Remuneration Report February 2014.

The banded remuneration of the highest paid director in the Trust in the financial year 2019/20 was £207,500 (2018/19, £177,500). This was 6.9 times (2018/19, 6.6) the median remuneration of the workforce, which was £30,112 (2018/19, £26,988) as audited by PricewaterhouseCoopers LLP.

In 2019/20, 10 (2018/19, 19), employees received remuneration in excess of the highest-paid director. Remuneration of these employees ranged from £211k to £290k (2018/19: £176k – £339k). Total remuneration includes salary, and, if appropriate, would include non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Expenses

No Governors claimed expenses during the 19-20 year. A list of Governors is provided in the report.10/18 directors submitted expense claims in 2019/20. The total amount of expenses paid to directors in 2019/20 was £5,027.

In 2018/19, £62 was paid in expenses to Governors and £3,499 was paid in expenses to directors.

Salary and Pension Entitlements of Senior Managers (Audited by PricewaterhouseCoopers LLP)

A) Remuneration 2019/20

	Salary and Fees (bands of £5000)	All Taxable Benefits (Rounded to the nearest £100)	Annual Performance Related Bonuses (in bands of £5000)	Long Term Performance Related Bonuses (in bands of £5000)	All Pension Related Benefits (bands of £2500)	Total (bands of £5000)
	£000		£000	£000	£000	£000
Goodwin N, Chair (to 30 September 2019)	20-25	0	0	0	0	20-25
Musson S,[1] Chair (from 1 October 2019)	30-35	0	0	0	0	30-35
Johnston T, Non-Executive Director	10-15	0	0	0	0	10-15
Wearne M, Non-Executive Director	10-15	0	0	0	0	10-15
Fillingham D, Non-Executive Director	10-15	0	0	0	0	10-15
Ryan K, Non-Executive Director (to 30 September 2019)	5-10	0	0	0	0	5-10
Willcox N, Non-Executive Director (from 1 October 2019)	5-10	0	0	0	0	5-10
Eastwood M, Non-Executive Director (from 1 October 2019)	5-10	0	0	0	0	5-10
Phillips A, Non-Executive Director (from 1 October 2019)	5-10	0	0	0	0	5-10
Kenny L, Non-Executive Director (from 1 October 2019)	5-10	0	0	0	0	5-10
Warburton S, Chief Executive	205-210	500	0	0	115-117.5	320-325
Jones I, Interim Chief Finance Officer (to 31 March 2020)	130-135	0	0	0	27.5-30	160-165
Cope T,[2] Medical Director	185-190	0	0	0	150-152.5	335-340
Smithson A, Deputy Chief Executive/Integration Director (to 31 August 2019)	60-65	0	0	0	45-47.5	110-115
Brown D, Chief Nurse	135-140	0	0	0	0	135-140
Hoyte R, Director of HR & OD (to 12 July 2019)	35-40	1,800	0	0	0	35-40
Weston B, Chief Operating Officer	140-145	0	0	0	120-122.5	265-270
Herring D, Chief People Officer (from 1 October 2019)	65-70	5,600	0	0	37.5-40	110-115

[1] S Musson's remuneration includes £4k relating to her role as chair designate during the period 1 July 2019 to 30 August 2019, prior to being appointed chair.

[2] The clinical element to T Cope's role equates to £24k

B) Remuneration 2018/19

	Salary and Fees (bands of £5000)	All Taxable Benefits (Rounded to the near-est £100)	Annual Performance Related Bonuses (in bands of £5000)	Long Term Performance Related Bonuses (in bands of £5000)	All Pension Related Benefits (bands of £2500)	Total (bands of £5000)
	£000	£000	£000	£000	£000	£000
Goodwin N, Chairman	40-45	0	0	0	0	40-45
Clague J, Non-Executive Director	10-15	0	0	0	0	10-15
Johnston T, Non-Executive Director	10-15	0	0	0	0	10-15
Wearne M, Non-Executive Director	10-15	0	0	0	0	10-15
Fillingham D, Non-Executive Director	10-15	0	0	0	0	10-15
Ryan K, Non-Executive Director	10-15	0	0	0	0	10-15
Warburton S, Chief Executive	175-180	0	0	0	52.5-55	225-230
Jones I, Director of Finance & Business Services	125-130	0	0	0	32.5-35	160-165
Cope T,[3] Medical Director	165-170	0	0	0	17.5-20	185-190
Smithson A, Deputy Chief Executive/Integration Director	150-155	0	0	0	47.5-50	200-205
Brown D, Chief Nurse	130-135	0	0	0	30-32.5	160-165
Hoyte R, Director of HR & OD	100-105	0	0	0	15-17.5	115-120
Weston B, Chief Operating Officer	120-125	0	0	0	25-27.5	150-155

C) Pension Benefits (Audited by PricewaterhouseCoopers LLP)

"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."

[3] The clinical element to T Cope's role equates to £28k

	Real Increase in Pension at age 60 (bands of £2500)	Total Accrued Pension at age 60 at 31 March 2020 (bands of £5000)	Real Increase in related lump sum at age 60 (bands of £2500)	Related lump sum at age 60 at 31 March 2020 (bands of £5000)	Cash Equivalent Transfer Value at 31 March 2020 (To nearest £1000)	Cash Equivalent Transfer Value at 31 March 2019 (To nearest £1000)	Real Increase / (Decrease) in Cash Equivalent Transfer Value (To nearest £1000)	Employers Contribution to Stakeholder Pension (To nearest £100)
	£000	£000	£000	£000	£000	£000	£000	£
Warburton S, Chief Executive	5-7.5	70-75	7.5-10	170-175	1,533	1,296	207	0
Jones I, Interim Chief Finance Officer	0-2.5	40-45	0	90-95	824	756	50	0
Cope T, Medical Director	7.5-10	50-55	15-17.5	115-120	956	775	162	0
Smithson A, Deputy Chief Executive/ Integration Director	5-7.5	65-70	7.5-10	165-170	1,343	1,192	123	0
Brown D, Chief Nurse						578		
Hoyte R, Director of HR & OD						799		
Weston B, Chief Operating Officer	5-7.5	40-45	10-12.5	90-95	713	584	115	0
Herring D, Chief People Officer	2.5-5	50-55	2.5-5	125-130	1,054	938	94	0

As Non-Executive members do not receive pensionable remuneration, there are no entries in respect of pensions for Non-Executive members.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accumulated benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme.

They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real Increase in CETV - This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. The CETV values at 31 March 2019 and 31 March 2020 may have been calculated using different methodologies, any change could have impacted the real increase in CETV figures. Where an employee has held a post with the Trust for part of the year, the real increase in CETV is calculated on a pro rata basis.

NHS Pensions are still assessing the impact of the McCloud judgement in relation to changes to benefits in the NHS 2015 scheme. The benefits and related CETVs disclosed do not allow for any potential future adjustments that may arise from this judgement.

Steve Warburton
Chief Executive
17 July 2020

Staff Report

Staff Report

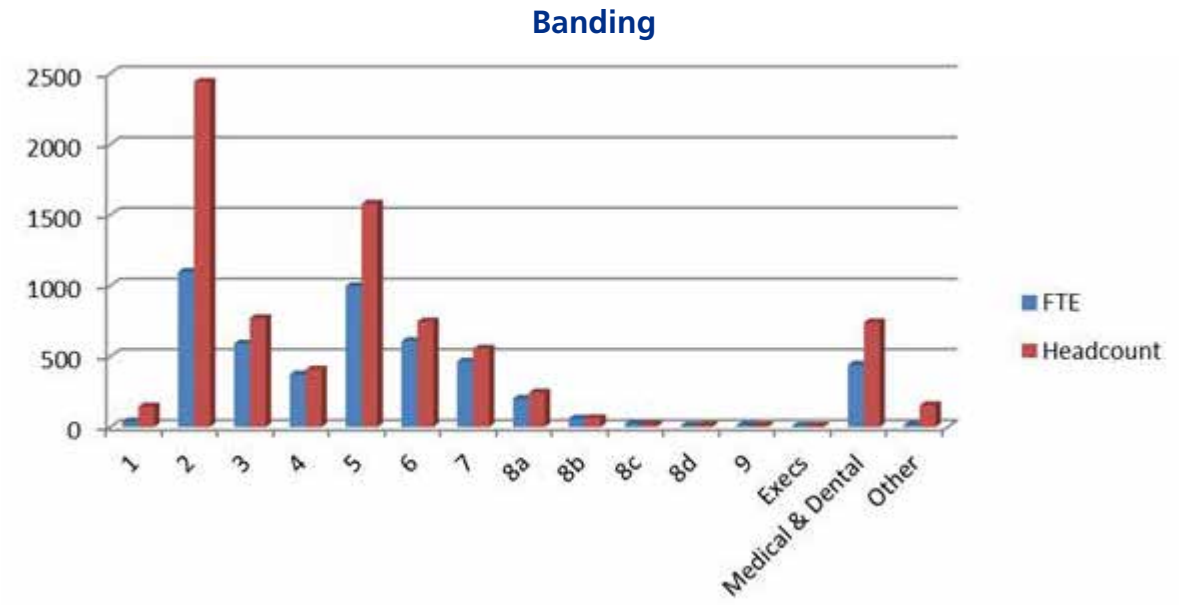
The staff report reflects the changes to the organisation brought about from the merger with the Royal Liverpool and Broadgreen University Hospitals NHS Trust, through the acquisition of the trust by Aintree University Hospital NHS Foundation Trust. Therefore, the first section reflects staffing for Aintree University Hospital NHS Foundation Trust from April to Sept 2019 and the second for the merged organisation Liverpool University Hospitals NHS Foundation Trust from October 2019 to March 2020. Due to the merger occurring mid-way through the financial year, the Trust feels that a comparative data with the previous year for AUHFT would not provide a meaningful reading.

Aintree University Hospitals NHS Foundation Trust (AUHFT)

Between April 1st and September 30th, 2019, the Trust employed 7892 people (4937.1 full time equivalent), including temporary bank staff (internal temporary agency) workers, all delivering our services. The following charts provide a breakdown of the workforce based on the number of people employed, referred to as headcount and the contracted hours referred to as full time equivalent (FTE).

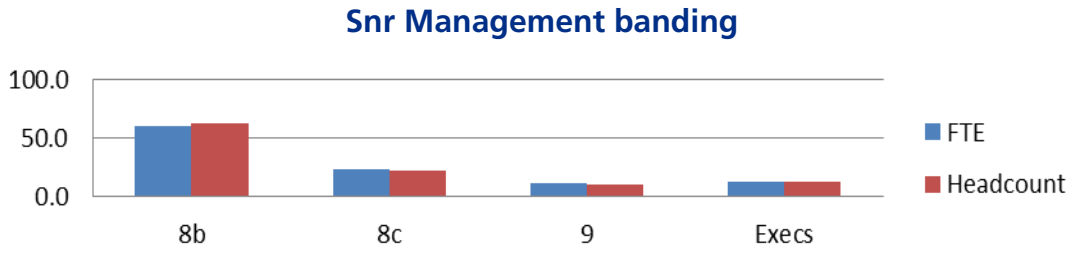
Staff band distribution

The overall workforce numbers are illustrated below segmented into the pay scale bandings used in the NHS. As the bar chart shows the largest staff groups were support staff at band 2 and qualified staff at band 5, which is the qualified entry grade for clinical staff such as a trained nurse:



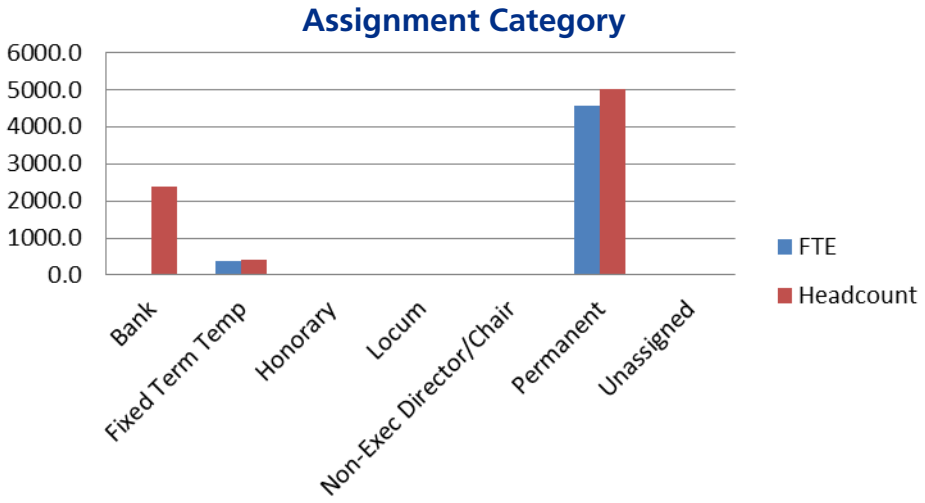
The number of senior managers within the organisation by band

Among staff, the AUHFT employed 103 (102.6 FTE) senior managers and/or technicians (in roles 8b or above). This equates to just 1.3% of the workforce. The number of senior managers within the organisation by band is illustrated below:



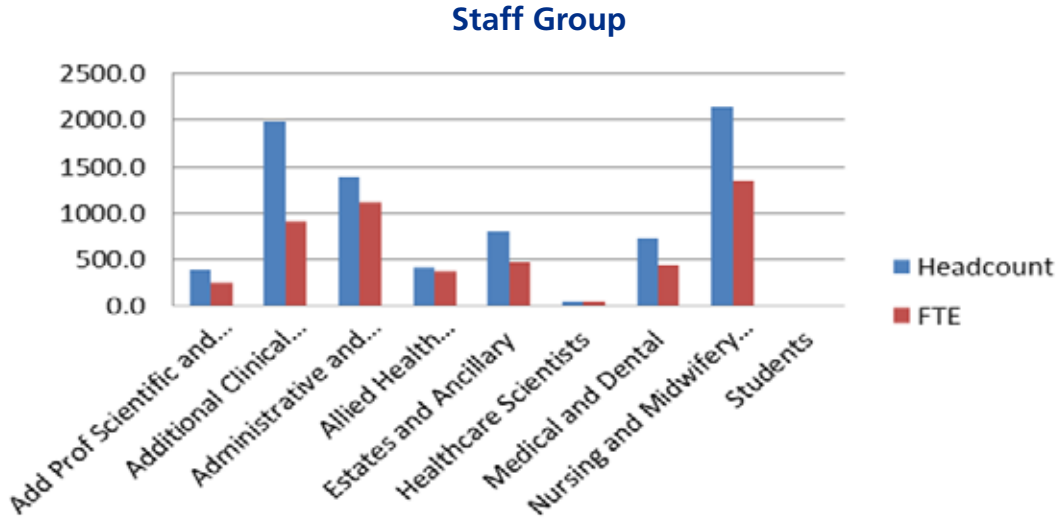
The employment status of our workforce:

The chart below shows the role assignment and employment status of the workforce. The overwhelming majority held permanent contracts:



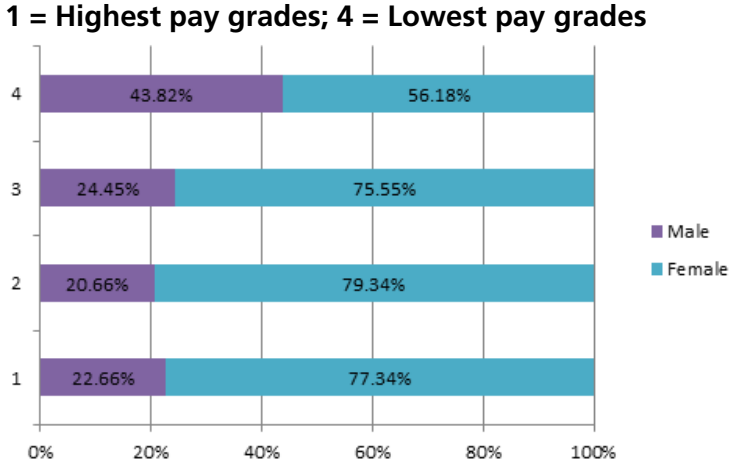
The workforce by staff group (staff group is derived using the NHS Digitals NHS Occupational Code Manual)

The chart below outlines the workforce by staff. This shows that the majority of staff were in nursing or administrative and clerical roles

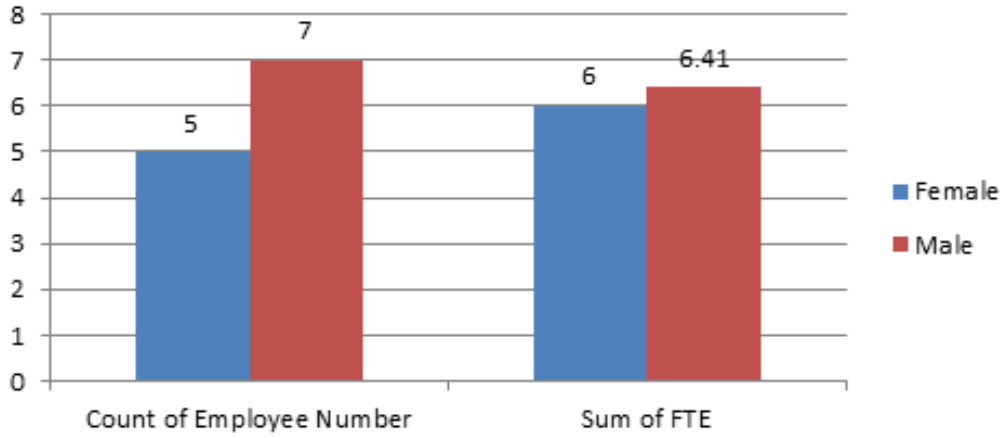


Gender split

73.9% of staff at the AUHFT were female. How gender is split across seniority is illustrated below.



Executive Board Member by Gender (AUH)



AUHFT had reported a gender pay gap of 24.8% to September 2019 which was consistent with other comparable NHS organisations. The gap was largely due to the additional payments, or "bonus payments" related to clinical excellence awards (payments relating to items such as professorships, leading innovation and clinical research) and a disproportionately higher number of males in senior clinical roles. Several steps were planned to better understand the gap and put measures in place to begin to address it. This included the development of an action plan in partnership with union and staff representatives, a review of approaches to talent management and career progression and further investigation of the balance of male and female employees at different levels in the Trust. This information can be found at this link: https://gender-pay-gap.service.gov.uk/employer/44ZM4lgi

Bonus Payments

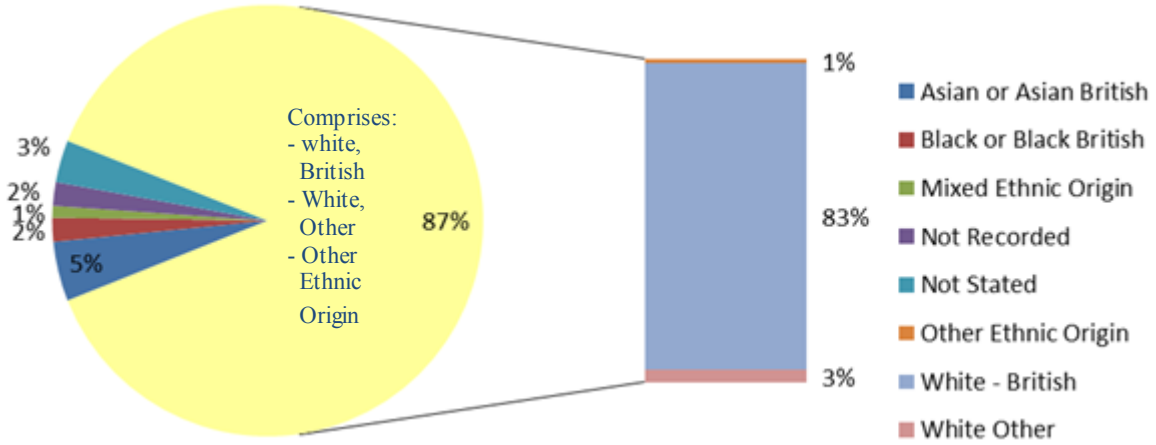
Gender	Avg. Hourly Rate	Median Hourly Rate
Female	£9,809.80	£6,629.72
Male	£14,874.99	£9,040.50
Difference	£5,065.18	£2,410.78
Pay Gap %	34.05%	26.67%

	Employees Paid Bonus	Total Relevant Employees	Percentage of Relevant Employees Paid Bonus
	(Number)	(Number)	%
Female	41	5,406	0.8
Male	122	1,874	6.5

Staff Ethnicity

AUHFT consistently had a high level of data quality for ethnicity disclosure at 95.92%. The breakdown of the declared ethnic origin of staff at the Trust showed that the majority were 'white, British'. 3.17% of staff chose not to disclose their ethnicity. The Trust undertook work to encourage staff to declare their ethnicity and established a Black, Asian and minority ethnic (BAME) network in order to improve staff engagement and work with BAME staff to understand barriers to recruitment, and progression. Trust recognised that it still had some way to go towards achieving its goal of being representative of the community it served for BAME across all staff groups and banding structures.

Ethnic group by head count

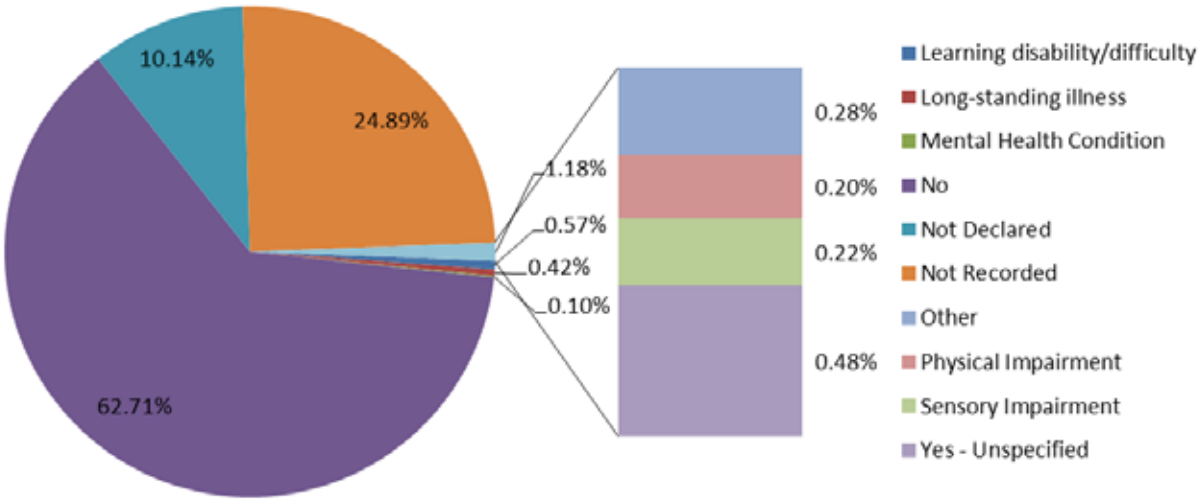


The declared disabilities of staff

AUHFT had a disability declaration rate of 64.98% and a declared disabled staff population of 2.27%. To improve recruitment and retention of disabled staff across all grades, a task and finish group was established to improve the Trust's reasonable adjustment process.

The Trust continued maintain its Disability Confidence Standard, guaranteeing interviews to all disabled applicant who met the minimum requirement of person specifications, and implemented reasonable adjustments on request. The right to request adjustments was made clear in recruitment documentation. Where staff acquired a disability whilst in employment, the Trust provided guidance and support to these individuals with expert input from our Occupational Health service, Staff Support Service and Staff Therapies service, including specific Occupational Therapy advice in relation to necessary adjustments. The Trust analysed its employment and other data such as staff survey and Workforce Disability Equality Standards results, to take account of differences in experience by staff from different minority groups and developed plans to address any discrepancies.

Disability by headcount



Staff policies

AUHFT had a range of policies which staff could access via the Trust intranet and the Trust induction programme. The Trust also had training for managers in the application of employment policies.

Liverpool University Hospitals NHS Foundation Trust (LUHFT)

Liverpool is one of the most deprived areas of the country, with more than 4 out of 10 people living in the 10% most deprived neighbourhoods in England. People in deprived communities begin to experience poor health and require care from a much younger age, leading to significant health inequalities not only between Liverpool and the UK but from within our own city, where the difference in life expectancy is 10 years between the poorest and most affluent wards. Liverpool is a diverse city and people can experience inequality in health access to healthcare and quality of health services, For example, people with a learning disability on average die 20 years younger than people without a learning disability (Liverpool CCG, One Liverpool: 2018-2021 https://www.liverpoolccg.nhs.uk/media/3066/one-liverpool-plan-2.pdf)

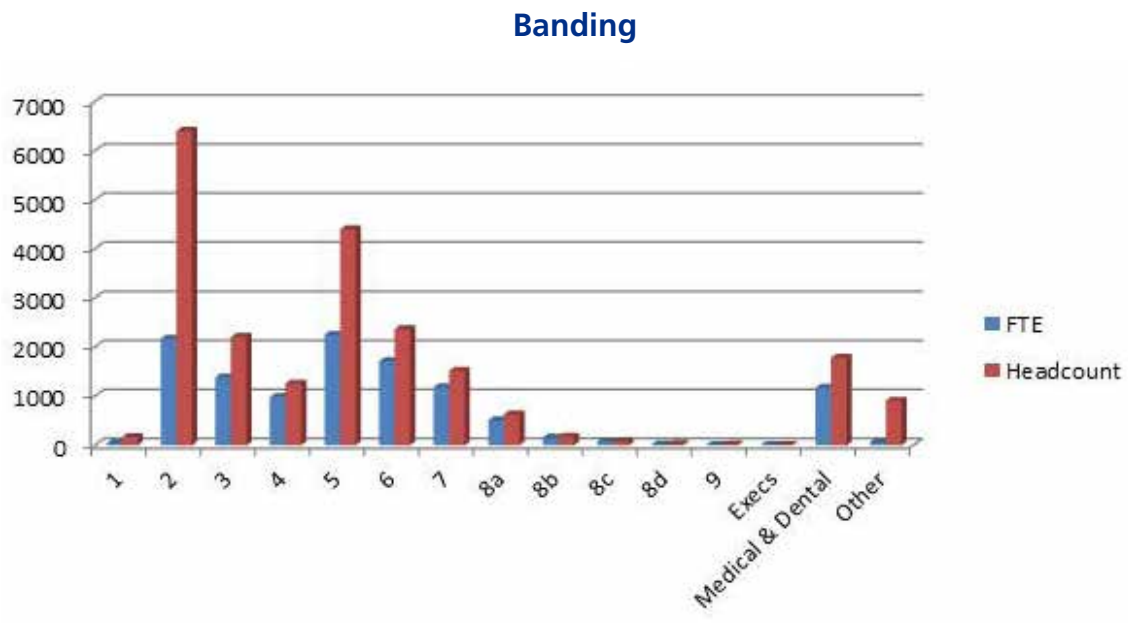
Liverpool University Hospitals NHS Foundation Trust is committed to promoting and advancing equality of opportunity, celebrating and valuing diversity, eliminating unlawful discrimination, harassment and victimisation, and promoting good relations between people with different protected characteristics. The Trust works to promote equality for all by reducing discrimination in employment on the grounds of the protected characteristics covered by the Equality Act 2010.

The Trust uses various measures to identify its focus and priorities, these include staff survey results, national reporting (Gender Pay Gap reporting), WRES (Workforce Race Equality Standard), WDES (Workforce Disability Equality) Standard, EDS2 (Equality Delivery System 2) ratings and feedback from key stakeholders.

The Trust employs 17,617 people (11,745.95 full time equivalent), including temporary bank staff (internal temporary agency) workers, all delivering our services. The following charts provide a breakdown of the workforce based on the number of people employed, referred to as headcount and the contracted hours referred to as full time equivalent (FTE).

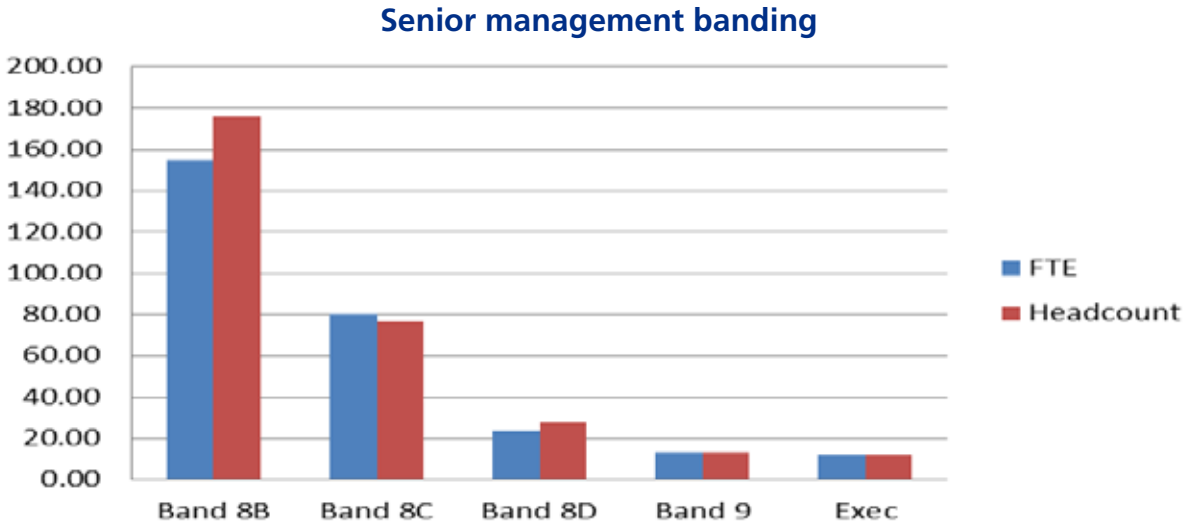
Staff band distribution

The overall workforce numbers are illustrated below segmented into the pay scale bandings used in the NHS. As the bar chart shows the largest staff groups are qualified staff at band 5, which is the qualified entry grade for clinical staff such as a trained nurse; and support staff at band 2:



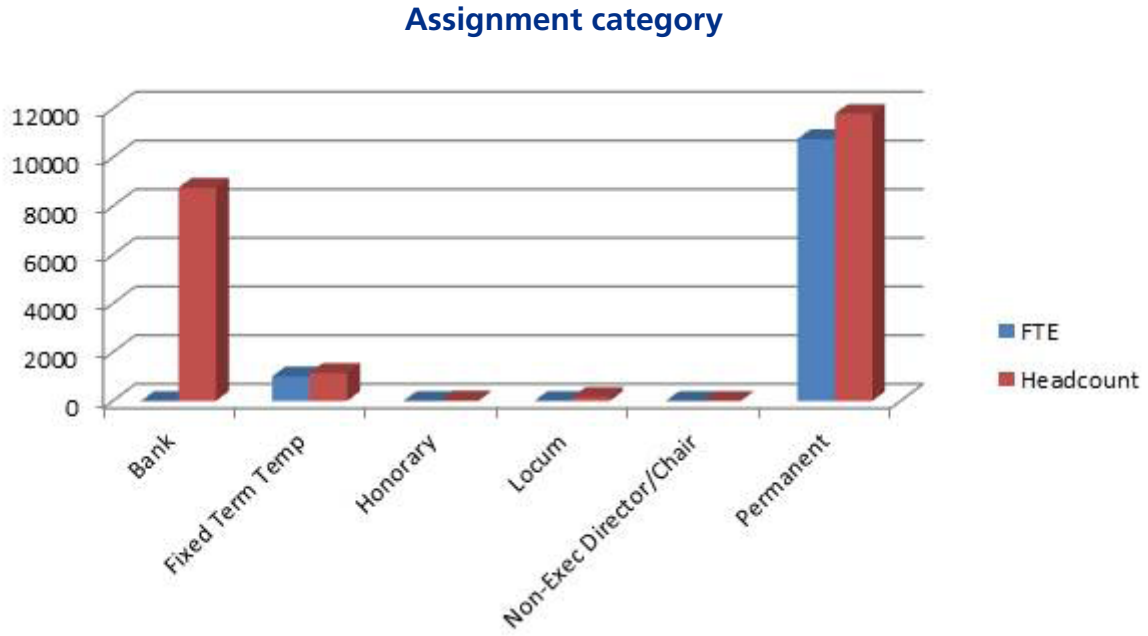
The number of senior managers within the organisation by band

Among the 17,616 staff, LUHFT employs 308 (283.87 FTE) senior managers and/or technicians (in roles 8b or above). This equates to just 1.8% of the workforce. The number of senior managers within the organisation by band is illustrated below:



The employment status of the workforce:

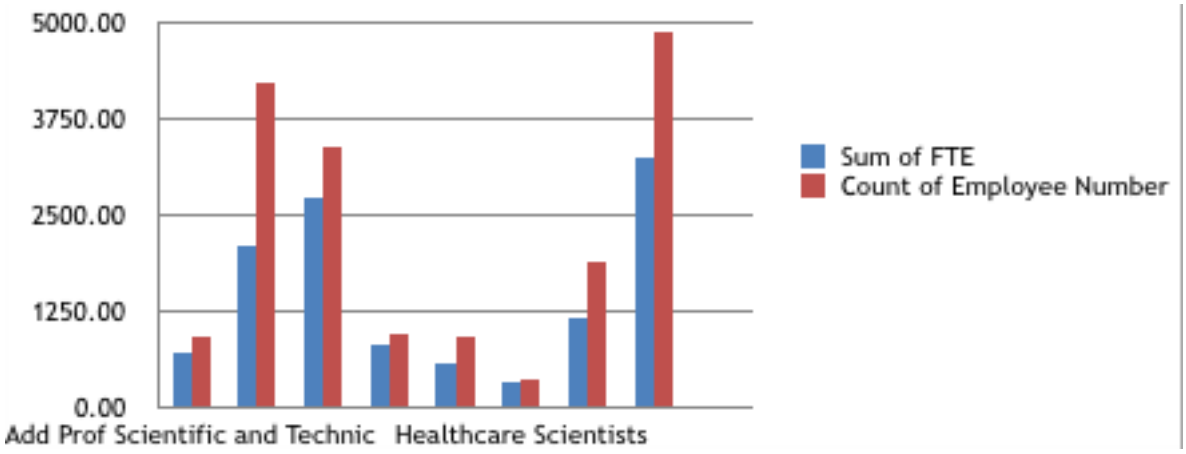
The bar chart below shows the role assignment and employment status of the workforce. The majority of our 17,617 staff hold permanent contracts:



The workforce by staff group (staff group is derived using the NHS Digitals NHS Occupational Code Manual)

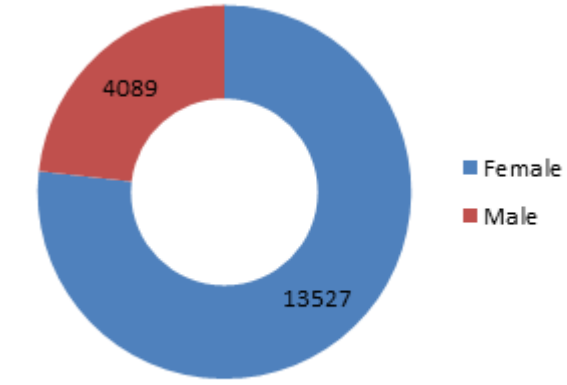
The chart below outlines the workforce by staff group. This shows that the majority of our 17,617 staff are in nursing or administrative and clerical roles

Staff groups

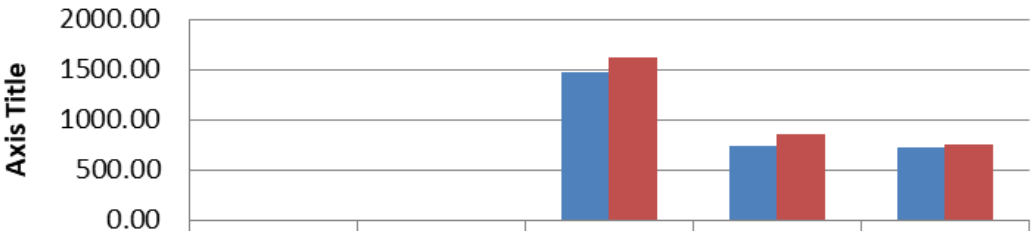


Gender split by headcount:
73.9% of our 17,617 staff at LUHFT are female. How gender is split across seniority is illustrated below.

Gender by headcount



Gender split for Executive Board members and managers (8a and above)



	EXEC - Female	EXEC - Male	Manager	Manager -Female	Manager - Male
FTE	8.00	4.00	1474.75	749.37	725.38
Headcount	8	6	1623	860	763

Gender Pay Gap

LUHFT currently has a gender pay gap of 25.26% which was consistent with other comparable NHS organisations. The gap is largely due to the additional payments, or "bonus payments" related to clinical excellence awards (payments relating to items such as professorships, leading innovation and clinical research) and the disproportionately higher number of males occupying senior clinical roles. A number of steps are planned to better understand the gap and implement measures to reduce it. This will include the development of an action plan in partnership with union and staff representatives, a review of approaches to talent management and career progression and further investigation of the balance of male and female employees at different levels in the Trust.

% Pay Gap

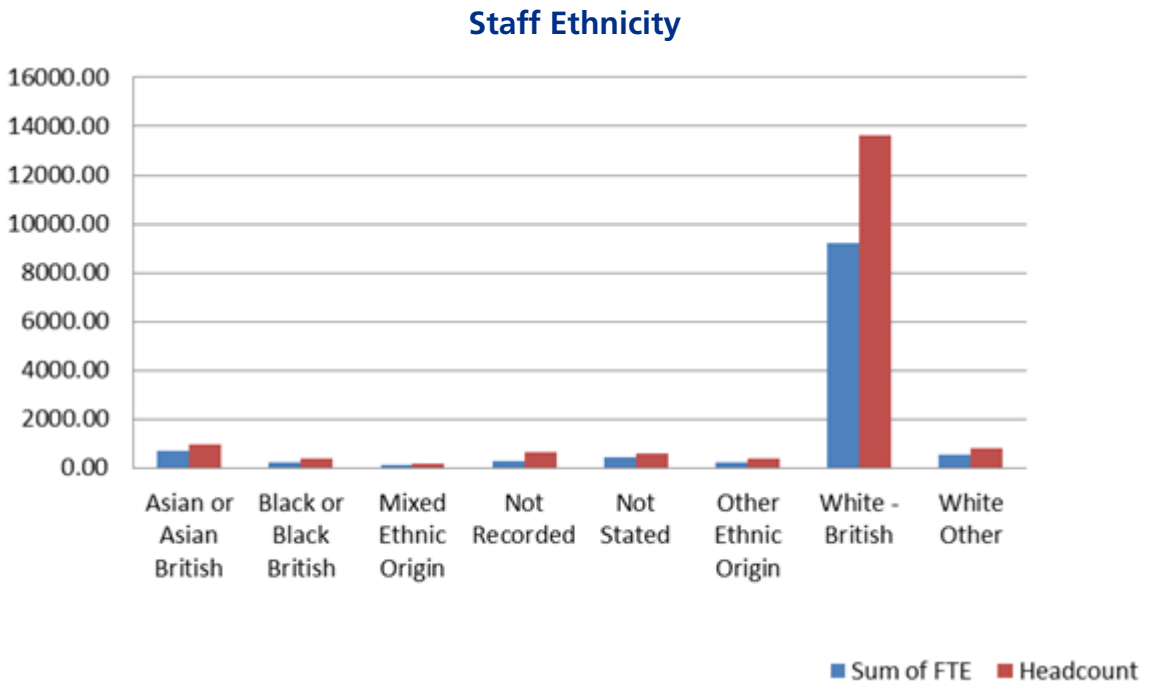
Gender	Avg. Hourly Rate	Median Hourly Rate
Male	21.16	15.5472
Female	15.82	14.1079
Difference	5.35	1.4393
Pay Gap %	25.26	9.2576

1 = low; 4 = High

Quartile	Female	Male	Female %	Male %
1	2504	642	79.59	20.41
2	2520	638	79.80	20.20
3	2434	636	79.28	20.72
4	2127	1119	65.53	34.47

Staff Ethnicity

LUHFT has a high level of data quality for ethnicity disclosure; however, 7.25% of staff have chosen not to disclose. The breakdown of the declared ethnic origin of staff at the Trust showed that the majority were 'white, British', followed by Asian or British Asian. The Trust will work with its Black, Asian and minority ethnic (BAME) staff focus group and the EDI BAME Ambassador Project to improve ethnicity declarations. However, the Trust recognises that it still has some way to go towards achieving its goal of being representative of the local community for BAME across all staff groups and banding structures.



The declared disabilities of staff

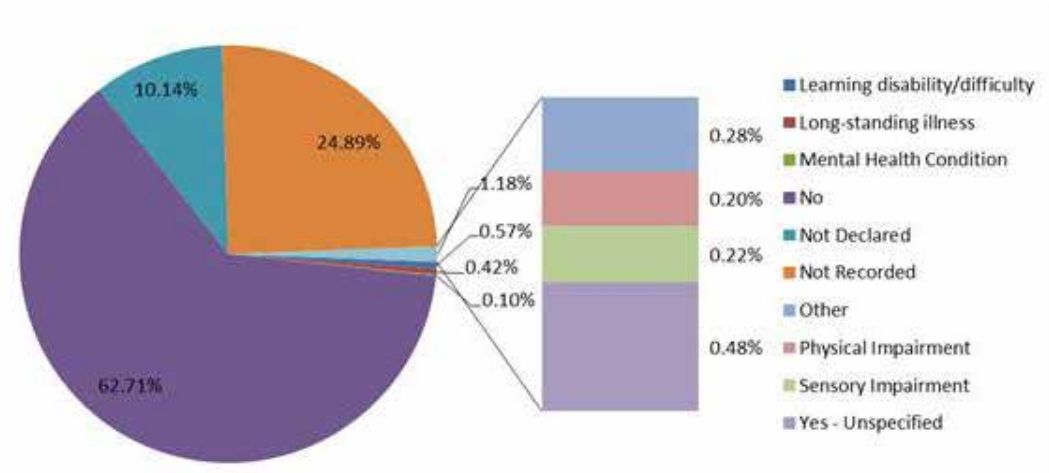
LUHFT has a disability declaration rate of 76.3% and a declared disabled staff population of 2.8%. To improve recruitment and retention of disabled staff across all grades, a task and finish group was established to improve the Trust's reasonable adjustment process.

The Trust is committed to improving the experiences of existing and future disabled staff. In January 2020 it was its success in winning a Workforce Disability Equality Standards (WDES) Innovation Fund award, which is awarded to Trusts to improve their performance against a set of measures designed to improve the experience of disabled staff. The bid succeeded because of its innovative approach and co-production with disabled staff.
The award will be used to recruit and develop volunteer Disability ambassadors who will:

- influence decision-making that affects disabled staff
- provide peer support
- increase understanding of disabled staff needs and experiences
- promote listening and engagement events
- capture and spread good practice

The Trust continued maintain its Disability Confidence Standard, guaranteeing interviews to all disabled applicant who met the minimum requirement of person specifications, and implemented reasonable adjustments on request. The right to request adjustments was made clear in recruitment documentation. Where staff acquired a disability whilst in employment, the Trust provided guidance and support to these individuals with expert input from our Occupational Health service, Staff Support Service and Staff Therapies service, including specific Occupational Therapy advice in relation to necessary adjustments. All steps were taken to make any required reasonable adjustment, including access to training, development and temporary or permanent redeployment. The Trust will analyse its employment and other relevant data such as staff survey results and Workforce Disability Equality Standards results, to better understand and reduce the differences in experience by staff from different minority groups.

Disability by headcount

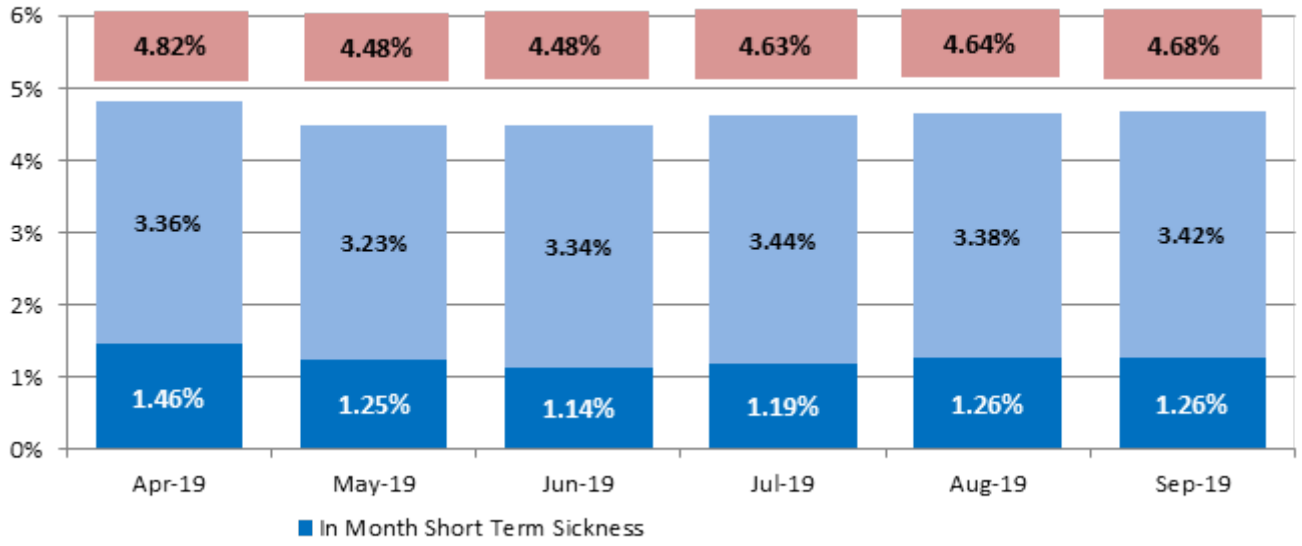


Staff Sickness

As can be seen from the charts below, staff sickness remained stable from the months April to September 2019 at AUHFT and also from the months October 2019 to February 2020 at LUHFT, with a steep rise in March 2020 attributed to Covid-19.

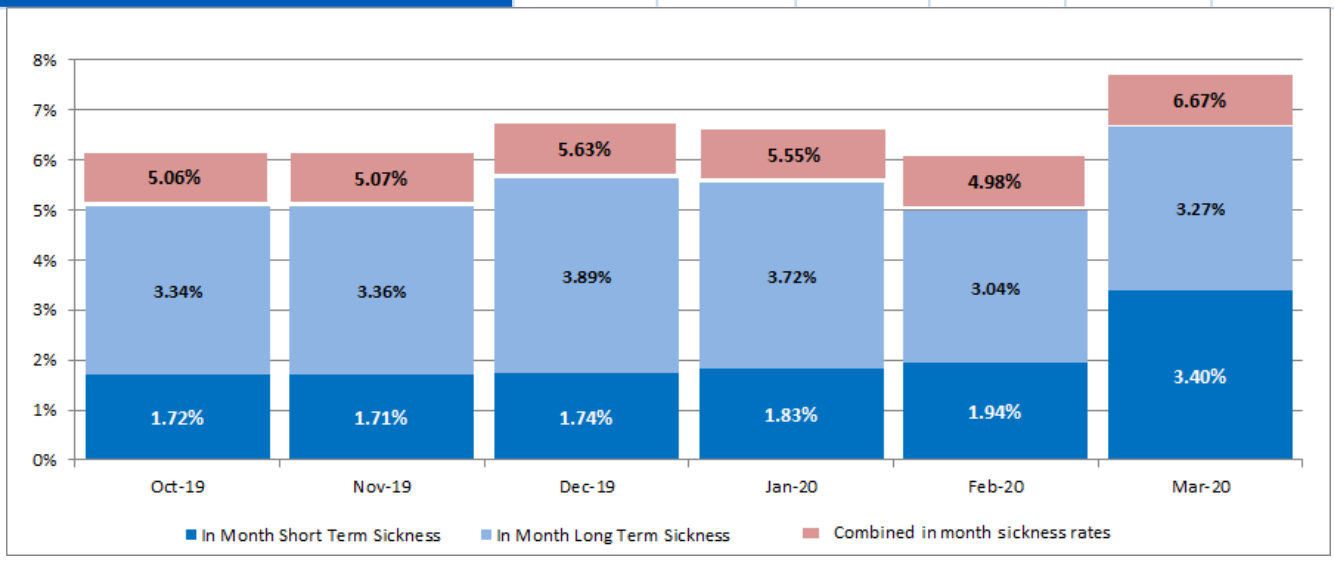
Aintree University Hospital NHS FT

	April -19	May-19	Jun-19	Jul-19	Aug-19	Sep-19
In Month Short Term Sickness	1.46%	1.25%	1.14%	1.19%	1.26%	1.26%
In Month Long Term Sickness	3.36%	3.23%	3.34%	3.44%	3.38%	3.42%
Combined in month Sickness Rates	4.82%	4.48%	4.48%	4.63%	4.64%	4.68%



Liverpool University Hospitals NHS FT

	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20
In Month Short Term Sickness	1.72%	1.71%	1.74%	1.83%	1.94%	3.40%
In Month Long Term Sickness	3.34%	3.36%	3.89%	3.72%	3.04%	3.27%
Combined in month Sickness Rates	5.06%	5.07%	5.63%	5.55%	4.98%	6.67%



Staff policies

LUHFT has a range of policies which staff could access via the Trust intranets and the Trust induction programme. The Trust also had training for managers in the application of employment policies. The policies included Equality and Diversity in Employment, a Reasonable Adjustments Policy and Flexible Working Policy.

Consultancy

During 2019/20, the Trust spent £1,035,000 on consultancy, this largely related to costs associated with the merger between Aintree University Hospital NHS FT and The Royal Liverpool & Broadgreen Hospitals NHS Trust.

Off-payroll Arrangements Disclosures

All Trust Board-level appointments are included on the payroll. The Trust only uses off-payroll engagements where there is a genuine commercial requirement to allow the Trust to buy in specialist skills on a short term basis, for which no internal expert exists and for which the Trust would have no long term requirement.

No. of existing engagements as of 31 March 2020 of which:	
No. that have existed for less than one year at the time of reporting	10
No. that have existed for between one and two years at the time of reporting	0
No. that have existed for between two and three years at the time of reporting	1
No. that have existed for between three and four years at the time of reporting	0
No. that have existed for four or more years at the time of reporting	0

Table: For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last longer than six months

All of the existing off-payroll engagements, as outlined in the table above, have at some point been subject to a risk-based assessment as to whether assurance is required that the individual is paying the right amount of tax and, where necessary, that assurance has been sought.

No. of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	11
Of which:	
Number assessed as within the scope of IR35	2
Number assessed as not within the scope of IR35	9
Number engaged directly (via PSC contracted to trust) and are on the trust's payroll	0
Number of engagements reassessed for consistency / assurance purposes during the year	0
Number of engagements that saw a change to IR35 status following the consistency review	0

Table: For all new off-payroll engagements or those that reached six months duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last longer than six months

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year	0
Number of individuals that have been deemed 'board members and / or senior officials with significant financial responsibility' during the financial year. This figure must include both off-payroll and on-payroll engagements.	17

Table: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

Exit Packages (Tables) (Audited by PricewaterhouseCoopers LLP)

1. Reporting of other compensation schemes - exit packages 2019/20 (AUHFT & LUHFT)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
Exit package cost band (including any special payment element)	**Number**	**Number**	**Number**
<£10,000		32	32
£10,001 - £25,000		2	2
£25,001 - 50,000	3	2	5
£50,001 - £100,000	1	2	3
£100,001 - £150,000			0
£150,001 - £200,000	1		1
>£200,000			0
Total number of exit packages by type	**5**	**38**	**43**
Total resource cost	**£347,000**	**£320,000**	**£667,000**

2. Reporting of other compensation schemes - exit packages 2018/19 (AUHFT)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
Exit package cost band (including any special payment element)	**Number**	**Number**	**Number**
<£10,000		28	28
£10,001 - £25,000	1	7	8
£25,001 - 50,000			0
£50,001 - £100,000			0
£100,001 - £150,000			0
£150,001 - £200,000			0
>£200,000			0
Total number of exit packages by type	**1**	**35**	**36**
Total resource cost	**£21,000**	**£201,000**	**£222,000**

3. Exit packages: other (non-compulsory) departure payments – 2019/20 (AUHFT & LUHFT)	2019/20 Agreements	2019/20 Total value of agreements	2018/19 Payments agreed	2018/19 Total value of agreements
	Number	£000	Number	£000
Voluntary redundancies including early retirement contractual costs				
Mutually agreed resignations (MARS) contractual costs	2	107	4	48
Early retirements in the efficiency of the service contractual costs	3	90		
Contractual payments in lieu of notice	33	123	31	153
Exit payments following employment tribunals or court orders				
Non-contractual payments requiring HMT approval*				
Total**	**38**	**320**	**35**	**201**
of which:				
non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months of their annual salary				

Analysis of Staff Costs (2019/20 – AUHFT & LUHFT): (Audited by PricewaterhouseCoopers LLP)

	2019/20 Permanently Employed £000	2019/20 Other £000	2019/20 TOTAL £000
Salaries and wages (including bank and locum staff)	320,432	17,692	**338,124**
Social security costs	28,690	2,426	**31,116**
Apprenticeship Levy	1,587	0	**1,587**
Employer's contribution to NHS Pensions	49,934	1,880	**51,814**
Employer's contribution to National Employer Savings Trust	87	0	**87**
Termination benefits	667	0	**667**
Agency / contract staff	0	14,376	**14,376**
Total	**401,397**	**36,374**	**437,771**

Analysis of Staff Numbers (2019/20 – AUHFT & LUHFT): (Audited by PricewaterhouseCoopers LLP)

	2019/20 Permanently Employed	2019/20 Other	2019/20 TOTAL
Medical and dental	1,452	153	**1,605**
Administration and estates	2,623	149	**2,772**
Healthcare assistants and other support staff	1,268	432	**1,700**
Nursing, midwifery and health visiting staff	3,888	206	**4,094**
Scientific, therapeutic and technical staff	2,258	55	**2,313**
Total average numbers	**11,489**	**995**	**12,484**

Analysis of Staff Costs (2018/19 - AUHFT)

(Audited by PricewaterhouseCoopers LLP)

	2018/19 Permanently Employed £000	2018/19 Other £000	2018/19 Total £000
Salaries and wages (including bank and locum staff)	174,011	9,755	183,766
Social security costs	15,973	1,076	17,049
Apprenticeship Levy	903	0	903
Employer's contribution to NHS Pensions	18,787	921	19,708
Employer's contribution to National Employer Savings Trust	21	0	21
Agency / contract staff	0	13,686	13,686
Total	209,695	25,438	235,133

Analysis of Staff Numbers (2018/19 - AUHFT)

(Audited by PricewaterhouseCoopers LLP)

	2018/19 Permanently Employed £000	2018/19 Other £000	2018/19 Total £000
Medical and dental	593	27	620
Administration and estates	1,006	47	1,053
Healthcare assistants and other support staff	533	38	571
Nursing, midwifery and health visiting staff	1,712	374	2,086
Scientific, therapeutic and technical staff	791	24	815
Total	4,635	510	5,145

Staff Survey

Effective staff engagement is recognised as being critical to the success of the Trust. Extensive engagement work has been undertaken with a broad range of staff during 2019/20 with a particular focus on establishing a co-created, shared set of values and behaviours. Organisational Development consultancy Clever Together have supported the Trust with this work which included both online and face to face workshops, posters, paper feedback and staff briefings and engagement sessions. An Executive Led Group has been established to focus on cultural development across the Trust and staff engagement is a key component of this. Plans are in place to rapidly increase engagement capacity and capability during 2020/21 through collaboration between relevant services including HR, OD, Communications and Quality and Service Improvement.

Due to the timing of the last National NHS Staff Survey it was necessary to undertake two separate surveys for the Royal and Aintree. The response rates for each site were as follows with comparator data for acute Trusts:

Site	2018	2019	Similar Org Average
Aintree	38%	51%	51%
Royal	41%	44%	

Scores for the Staff Survey are grouped into key themes and the scores out of ten for each of the themes along with the Acute Trust Benchmarking Group are outlined below:

	2019/20			2018/19			2017/18		
	Aintree	Royal	Benchmark	Aintree	Royal	Benchmark	Aintree	Royal	Benchmark
Equality, Diversity & Inclusion	9.2	9.1	9.0	9.2	9.2	9.1	9.1	9.1	9.1
Health & Wellbeing	5.7	5.9	5.9	5.9	6.2	5.9	5.9	6.1	6.0
Immediate Managers	6.8	6.9	6.8	6.7	6.8	6.7	6.7	6.6	6.7
Morale	6.1	6.1	6.1	6.0	6.1	6.0	N/A	N/A	N/A
Quality of Appraisals	5.4	5.3	5.6	5.6	5.8	5.4	5.2	4.9	5.3
Quality of Care	7.5	7.7	7.5	7.4	7.6	7.4	7.4	7.6	7.4
Safe Environment – B&H	8.1	8.1	7.9	8.0	8.1	7.9	8.2	8.2	8.0
Safe Environment – Violence	9.4	9.5	9.4	9.3	9.3	9.4	9.3	9.4	9.4
Safety Culture	6.7	6.7	6.7	6.6	6.7	6.7	6.6	6.5	6.6
Staff Engagement	7.0	7.0	7.0	6.9	7.0	7.0	6.8	6.9	7.0
Team working	6.6	6.6	6.6	6.5	6.6	6.5	6.5	6.5	6.5

A high level overview of the results across each site is outlined below along with a focus on the key 'Friends and Family' questions and the question about whether care of patients is an organisation's top priority. It also allows for historical and average comparisons of the 90 questions from the survey that can be positively scored:

Aintree University Hospitals NHS FT

65%	Q21c. Would recommend organisation as place to work	Historical comparison*	Comparison with average*
74%	Q21d. If friend/relative needed treatment would be happy with standard of care provided by organisation		
76%	Q21a. Care of patients/service users is organisation's top priority		

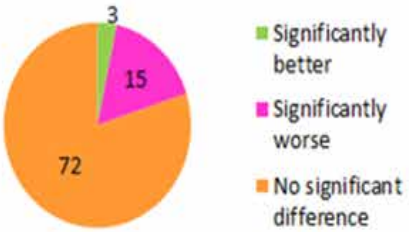
The Royal Liverpool & Broadgreen University Hospitals NHS Trust

63% Q21c. Would recommend organisation as place to work.

74% Q21d. If friend/relative needed treatment would be happy with standard of care provided by organisation.

80% Q21a. Care of patients/ service users is organisation's top priority.

Historical comparison*



Comparison with average*

Top 5 Scores (Compared to Average)

Aintree University Hospitals NHS FT

	Top 5 scores (compared to average)
50%	Q10c. Don't work any additional hours per week for this organisation, over and above contracted house.
62%	Q4f. Have adequate materials, supplies and equipment to do my work.
96%	Q15a. Not experienced discrimination from patients/service users, their relatives or other members of the public.
83%	Q13c. Not experienced harassment, bullying or abuse from other colleagues.
74%	Q21d. If friend/relative needed treatment would be happy with standard of care provided by organisation.

The Royal Liverpool & Broadgreen University Hospitals NHS Trust

	Top 5 scores (compared to average)
70%	Q10b. Don't work any additional paid hours per week for this organisation, over and above contracted hours.
73%	Q16b. In last month, have not seen errors/near misses/ incidents that could hurt patients/service users.
25%	Q6a. I have realistic time pressures.
51%	Q4e. Able to meet conflicting demands on my time at work.
74%	Q11b. In last 12 months, have not experiences musculoskeletal (MSK) problems as a result of work activities.

Results Most Improved from Last Survey

Aintree University Hospitals NHS FT

	Most improved from last survey
63%	Q17d. Staff given feedback abut changes made in response to reported errors/near misses/incidents.
62%	Q4i. Team members often meet to discuss team's effectiveness.
99%	Q12c. Not experienced physical violence from other colleagues.
76%	Q19a. Had appraisal/KSF review in the last 12 months.
62%	Q18c. Would feel confident that organisation would address concerns about unsafe clinical practise.

The Royal Liverpool & Broadgreen University Hospitals NHS Trust

	Most improved from last survey
69%	Q12d. Last experience of physical violence reported.
98%	Q12c. Not experienced physical violence from other colleagues.
97%	Q16c. Last error/near miss/incident seen that could hurt staff and/or patients/service users reported.
51%	Q4e. Able to meet conflicting demands on my time at work.
83%	Q11b. In last 12 months, have not experiences musculoskeletal (MSK) problems as a result of work activities.

Areas of improvement or above average performance for both sites appear to reflect the focus of work to address issues raised in previous surveys or issues that have been a key area of concern. Notably these are areas addressing issues of unsafe clinical proactice, provision of feedback following errors and team performance at Aintree. At the Royal there has been improvements relating to reduced experience of violence, increased support from colleagues and greater ability to meet conflicting demands on time.

Bottom 5 Scores (Compared to Average)

Aintree University Hospitals NHS FT

	Bottom 5 scores (compared to average)
33%	Q19e. Appraisal/performance review; organisational values definitely discussed.
61%	Q19f. Appraisal/performance review; training, learning or development needs identified.
55%	Q17a. Organisation treats staff involved in errors/near misses/ incidents fairly.
38%	Q11d. In last three months, have not come to work when not feeling well enough to perform duties.
32%	Q19c. Appraisal/performance review; Clear work objectives definitely agreed.

The Royal Liverpool & Broadgreen University Hospitals NHS Trust

	Bottom 5 scores (compared to average)
45%	Q4f. Have adequate materials, supplies and equipment to do my work.
62%	Q20. Had training, learning or development in the last 12 months.
61%	Q19f. Appraisal/performance review; training, learning or development needs identified.
31%	Q19c. Appraisal/performance review; Clear work objectives definitely agreed.
21%	Q19b. Appraisal/performance review; Clear work objectives definitely agreed.

Least improved from last survey

Aintree University Hospitals NHS FT

	Least improved from last survey
38%	Q11d. In last 3 months, have not come to work when not feeling well enough to perform duties.
7%	Q11g. Not put myself under pressure to come to work when not feeling well enough.
25%	Q11a. Organisation definitely takes positive action on health and well-being.
33%	Q19e. Appraisal/performance review; organisational values definitely agreed.
32%	Q19c. Appraisal/performance review; Clear work objectives definitely agreed.

The Royal Liverpool & Broadgreen University Hospitals NHS Trust

	Least improved from last survey
36%	Q19e. Appraisal/performance review; organisational values definitely agreed.
9%	Q11g. Not put myself under pressure to come to work when not feeling well enough.
41%	Q11d. In last three months, have not come to work when not feeling well enough to perform duties.
31%	Q19c. Appraisal/performance review; Clear work objectives definitely agreed.
29%	Q11a. Organisation definitely takes positive action on health and well-being

For both sites, the areas where staff have reported most concern relate to :

- Appraisal
- Health and wellbeing

For the Royal site there are specific concerns around availability of materials (which has improved significantly for the Aintree site which offers the opportunity for shared learning). Access to training and development has also scored poorly. For the Aintree site, the fair treatment of staff involved in incidents and errors has been flagged as requiring attention.

Future Priorities and Targets

The focus for future improvements will centre on:

- The embedding of the new framework of co-created values and behaviours,
- The adoption of a consistent approach to appraisal across all sites
- The review of the needs of staff in relation to health and wellbeing with a newly created high quality tailored offer for staff that addresses both physical and mental wellbeing

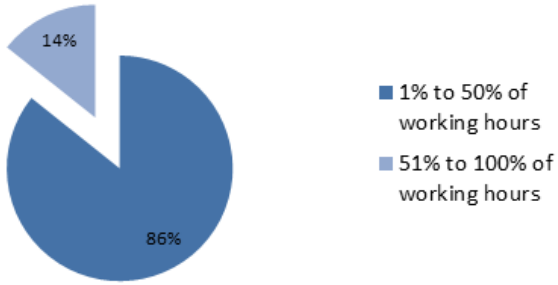
In addition to this, a full review of the methods of communicating with and engaging staff will be undertaken to ensure staff voice is heard. The Trust will aim to achieve a consistent staff engagement score of 7.0 overall for 2020.

Trade Union Facility Time disclosures

Aintree University Hospital NHS FT

Prior to merger, Aintree University Hospitals NHS Foundation Trust had an active trade union membership. The Trust had a Partnership Agreement, which set out the arrangements in place for negotiation, consultation and information and the mechanisms in place to facilities time.

The breakdown of hours spent by the relevant union officials during the reporting period is included in the graphs below:

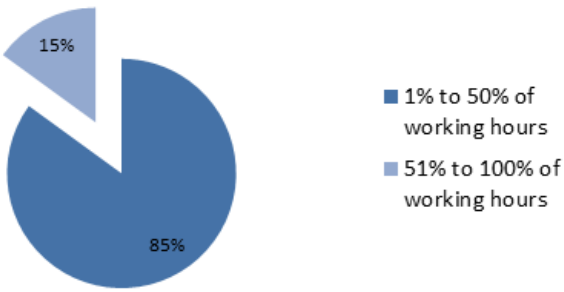


Percentage of Paybill spent on facility time:	0.24%
Time spent on paid trade union activities as a percentage of total facility time:	5276.48

Liverpool University NHS Foundation Trust

As part of the merger, both organisations began to work together to establish joint working arrangements. The Trust has a Partnership Working Agreement (including Trade Union Recognition, Facilities and Time Off Provisions in place). The Trust has established a Staff Partnership Forum, which is the group that oversees the arrangements for joint working within the Trust.

The breakdown of hours spent by the relevant union officials during the reporting period is included in the graphs below:



Percentage of Paybill spent on facility time:	0.25%
Time spent on paid trade union activities as a percentage of total facility time:	13,191.20


NHS

NHS FT Code of Governance

The Liverpool University Hospitals NHS Foundation Trust has applied the principles of the NHS Foundation Trust Code of Governance on a comply or explain basis. The NHS Foundation Trust Code of Governance, most recently revised in July 2014, is based on the principles of the UK Corporate Governance Code issued in 2012.
This statement confirms that the Trust complies with all provisions of the Code of Governance.

NHS foundation trusts are required to provide a specific set of disclosures in their annual report to meet the requirements of the Code of Governance. Schedule A to the Code of Governance specifies everything that is required within these disclosures. Schedule A is divided into six categories:

1) statutory requirements of the Code of Governance but do not require disclosures
2) provisions which require a supporting explanation, even where the NHS foundation trust is compliant with the provision*
3) provisions which require supporting information to be made publicly available, even where the NHS foundation trust is compliant with the provision
4) provisions which require supporting information to be made to governors, even where the NHS foundation trust is compliant with the provision
5) provisions which require supporting information to be made to members, even where the NHS foundation trust is compliant with the provision and
6) other provisions where there are no special requirements as per 1-5 above and there is a "comply or explain" requirement. The disclosure should therefore contain an explanation in each case where the trust has departed from the Code of Governance, explaining the reasons for the departure and how the alternative arrangements continue to reflect the main principles of the Code of Governance (see pages 13-16 of that document).

* Where the information is already contained within the annual report, a reference to its location is sufficient to avoid unnecessary duplication.

The information in the paragraph and table below only covers items falling into category 2 and category 6 above.

The requirements of parts 2 and 6 of schedule A to the Code of Governance are listed below. This table also includes requirements that are not part of the Code of Governance but are required by the FT ARM.

Part of schedule A (see above)	Relating to	Code of Governance reference	Summary of requirement	Trust Response
2: Disclose	Board and Council of Governors	A.1.1	The schedule of matters reserved for the board of directors should include a clear statement detailing the roles and responsibilities of the council of governors. This statement should also describe how any disagreements between the council of governors and the board of directors will be resolved. The annual report should include this schedule of matters or a summary statement of how the board of directors and the council of governors operate, including a summary of the types of decisions to be taken by each of the boards and which are delegated to the executive management of the board of directors.	Compliant. The Trust has a schedule of matters reserved for the Board, found at Appendix II to the Corporate Governance Framework Manual. It was reviewed and approved in September 2019 by the Shadow interim Board and came into force when ratified by the new LUHT Board at its first meeting in October 2019. The Manual also sets out the roles of the Council of Governors (p7-8). The Trust also has a Constitution, which provides further information as to the role and procedures of the Council. It includes a procedure for the resolution of any dispute arising between the Council and the Board. Prior to the merger of the two Trusts, Aintree University Hospital NHS FT also had such arrangements in place, with such provisions. The Annual Report provides a commentary on the roles of both, the Council and the Board, how they operate and including the types of decision taken by each.

2: Disclose	Board, Nomination Committee(s), Audit Committee, Remuneration Committee	A.1.2	The annual report should identify the chairperson, the deputy chairperson (where there is one), the chief executive, the senior independent director (see A.4.1) and the chairperson and members of the nominations, audit and remuneration[4] committees. It should also set out the number of meetings of the board and those committees and individual attendance by directors. Part of this requirement is also contained within paragraph 2.22 as part of the directors' report.	The Trust's Annual Report identifies: – The Chair – Deputy Chair – CEO – Senior independent director – Chair and members of the Nominations Committee, Audit Committee and Remuneration Committee. The Annual Report also sets out the number of meetings of the board and those committees and individual attendance by directors.
2: Disclose	Council of Governors	A.5.3	The annual report should identify the members of the council of governors, including a description of the constituency or organisation that they represent, whether they were elected or appointed, and the duration of their appointments. The annual report should also identify the nominated lead governor.	Compliant - the Annual Report contains all information referenced.
Additional requirement of FT ARM	Council of Governors	n/a	The annual report should include a statement about the number of meetings of the council of governors and individual attendance by governors and directors.	Compliant - Included within the section on Council of Governors.
2: Disclose	Board	B.1.1	The board of directors should identify in the annual report each non-executive director it considers to be independent, with reasons where necessary.	Compliant - All LUH non-executive directors are independent.
2: Disclose	Board	B.1.4	The board of directors should include in its annual report a description of each director's skills, expertise and experience. Alongside this, in the annual report, the board should make a clear statement about its own balance, completeness and appropriateness to the requirements of the NHS foundation trust.	Compliant - The Trust's Annual Report and website has a description of each director's skills, expertise and experience. There is also a statement regarding the balance, completeness and appropriateness to the requirements of the Trust.
Additional requirement of FT ARM	Board	n/a	The annual report should include a brief description of the length of appointments of the non-executive directors, and how they may be terminated	Compliant. Included within the Directors report.
2: Disclose	Nominations Committee(s)	B.2.10	A separate section of the annual report should describe the work of the nominations committee(s), including the process it has used in relation to board appointments.	Compliant. Included in Annual Report at 7.8 and within Remuneration Report.

Additional requirement of FT ARM	Nominations Committee(s)	n/a	The disclosure in the annual report on the work of the nominations committee should include an explanation if neither an external search consultancy nor open advertising has been used in the appointment of a chair or non-executive director.	N/a
2: Disclose	Chair/Council of Governors	B.3.1	A chairperson's other significant commitments should be disclosed to the council of governors before appointment and included in the annual report. Changes to such commitments should be reported to the council of governors as they arise, and included in the next annual report.	The Chair's commitments are detailed in the Trust's Annual Report.

2: Disclose	Council of Governors	B.5.6	Governors should canvass the opinion of the trust's members and the public, and for appointed governors the body they represent, on the NHS foundation trust's forward plan, including its objectives, priorities and strategy, and their views should be communicated to the board of directors. The annual report should contain a statement as to how this requirement has been undertaken and satisfied.	The Trust's uses its website, Listening Weeks, Open days and annual members meetings to publicise and canvas opinion on the Trust's forward plans. Board meetings and Council of Governor meetings are open to members, patients and members of the public.
Additional requirement of FT ARM	Council of Governors	n/a	If, during the financial year, the Governors have exercised their power* under paragraph 10C** of schedule 7 of the NHS Act 2006, then information on this must be included in the annual report. This is required by paragraph 26(2) (aa) of schedule 7 to the NHS Act 2006, as amended by section 151 (8) of the Health and Social Care Act 2012. * Power to require one or more of the directors to attend a governors' meeting for the purpose of obtaining information about the foundation trust's performance of its functions or the directors' performance of their duties (and deciding whether to propose a vote on the foundation trust's or directors' performance). ** As inserted by section 151 (6) of the Health and Social Care Act 2012)	N/A

2: Disclose	Board	B.6.1	The board of directors should state in the annual report how performance evaluation of the board, its committees, and its directors, including the chairperson, has been conducted.	The Board has previously undertaken an annual evaluation of its performance and that of its committees. Individual directors were appraised by the Chair (NEDs) and CEO (exec directors). As part of the merger transaction the Board was subject to significant NHSI scrutiny and review through the regulatory process.
2: Disclose	Board	B.6.2	Where there has been external evaluation of the board and/ or governance of the trust, 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.	N/A
2: Disclose	Board	C.1.1	The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, are fair, balanced and understandable and provide the information necessary for patients, regulators and other stakeholders to assess the NHS foundation trust's performance, business model and strategy. Directors should also explain their approach to quality governance in the Annual Governance Statement (within the annual report). See also ARM paragraph 2.95.	The Board present in their annual report and all other public statements including reports to regulators and inspectors a fair, balanced and understandable assessment of the NHS foundation trust's position and prospects.
2: Disclose	Board	C.2.1	The annual report should contain a statement that the board has conducted a review of the effectiveness of its system of internal controls.	The Trust's Annual Report contains a statement that a review of the effectiveness of its system of internal control has been undertaken.
2: Disclose	Audit Committee/ control environment	C.2.2	A trust should disclose in the annual report: (a) if it has an internal audit function, how the function is structured and what role it performs; or (b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.	The Trust's Annual Report discloses that the Trust has an internal audit function, its structure and its role.

2: Disclose	Audit Committee/ Council of Governors	C.3.5	If the council of governors does not accept the audit committee's recommendation on the appointment, reappointment or removal of an external auditor, the board of directors should include in the annual report a statement from the audit committee explaining the recommendation and should set out reasons why the council of governors has taken a different position.	N/A
2: Disclose	Audit Committee	C.3.9	A separate section of the annual report should describe the work of the audit committee in discharging its responsibilities. The report should include: • the significant issues that the committee considered in relation to financial statements, operations and compliance, and how these issues were addressed; • an explanation of how it has assessed the effectiveness of the external audit process and the approach taken to the appointment or re-appointment of the external auditor, the value of external audit services and information on the length of tenure of the current audit firm and when a tender was last conducted; and • if the external auditor provides non-audit services, the value of the non-audit services provided and an explanation of how auditor objectivity and independence are safeguarded.	The Annual Report contains this information.
2: Disclose	Board/Remuneration Committee	D.1.3	Where an NHS foundation trust releases an executive director, for example to serve as a non-executive director elsewhere, the remuneration disclosures of the annual report should include a statement of whether or not the director will retain such earnings.	N/A
2: Disclose	Board	E.1.5	The board of directors should state in the annual report the steps they have taken to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of governors and members about the NHS foundation trust, for example through attendance at meetings of the council of governors, direct face-to-face contact, surveys of members' opinions and consultations.	The annual report contains the required information.

2: Disclose	Board/Membership	E.1.6	The board of directors should monitor how representative the NHS foundation trust's membership is and the level and effectiveness of member engagement and report on this in the annual report.	The annual report contains this information. The Trust's membership strategy was last reviewed in 2015/16. It is being revised in conjunction with the Council of Governors to reflect priorities for the new merged Trust.
2: Disclose	Membership	E.1.4	Contact procedures for members who wish to communicate with governors and/or directors should be made clearly available to members on the NHS foundation trust's website and in the annual report.	It is the role of the governor to represent the interests of patients, members and the public. This information is detailed on the website. The website and the Trust's annual report contains contact procedure for anyone who wishes to contact the Trust's Governors. The Trust holds open Board, CoG and annual members meetings.
Additional requirement of FT ARM	Membership	n/a	The annual report should include: • a brief description of the eligibility requirements for joining different membership constituencies, including the boundaries for public membership; • information on the number of members and the number of members in each constituency; and • a summary of the membership strategy, an assessment of the membership and a description of any steps taken during the year to ensure a representative membership [see also E.1.6 above], including progress towards any recruitment targets for members.	Included within Annual Report
Additional requirement of FT ARM (based on FReM requirement)	Board/Council of Governors	n/a	The annual report should disclose details of company directorships or other material interests in companies held by governors and/or directors where those companies or related parties are likely to do business, or are possibly seeking to do business, with the NHS foundation trust. As each NHS foundation trust must have registers of governors' and directors' interests which are available to the public, an alternative disclosure is for the annual report to simply state how members of the public can gain access to the registers instead of listing all the interests in the annual report. See also ARM paragraph 2.22 as directors' report requirement.	This information is provided within the Annual Report with a link to the Trust website.

6: Comply or explain	Board	A.1.4	The board should ensure that adequate systems and processes are maintained to measure and monitor the NHS foundation trust's effectiveness, efficiency and economy as well as the quality of its healthcare delivery	The Financial Plan is approved by the Board of Directors and submitted to NHS Improvement (NHSI). The plan, including forward projections, is monitored by the Finance & Performance Committee on a monthly basis. The Trust's resources are managed within the framework set by the Corporate Governance Framework Manual which includes the scheme of delegation and standing financial instructions. Financial governance arrangements are supported by internal and external audit to ensure economic, efficiency and effective use of resources. The Trust has a well-established system for identifying and managing financial risk and the Board has also been proactive in identifying and agreeing financial risks and mitigations.
6: Comply or explain	Board	A.1.5	The board should ensure that relevant metrics, measures, milestones and accountabilities are developed and agreed so as to understand and assess progress and delivery of performance	Compliant. The Board receives and reviews the Trust's Integrated Performance Report on a monthly basis. This contains relevant metrics, measures, milestones and accountabilities to understand and assess progress and delivery of performance.
6: Comply or explain	Board	A.1.6	The board should report on its approach to clinical governance.	The Board is committed to quality governance and ensures that the combination of structures and processes at Board level and below supports quality performance throughout the Trust. The Board's Quality Committee ensures oversight of clinical risks and provides assurance to the Board on the quality of clinical care.
6: Comply or explain	Board	A.1.7	The chief executive as the accounting officer should follow the procedure set out by NHS Improvement (Monitor) for advising the board and the council and for recording and submitting objections to decisions.	The CEO follows all relevant procedures.
6: Comply or explain	Board	A.1.8	The board should establish the constitution and standards of conduct for the NHS foundation trust and its staff in accordance with NHS values and accepted standards of behaviour in public life	The Trust has an approved Constitution and has a Managing Conflicts of Interest Policy which references the Nolan Principles. The Trust reviewed and updated its Constitution during 2019 which was approved by the Board and the CoG as part of the merger transaction.

6: Comply or explain	Board	A.1.9	The board should operate a code of conduct that builds on the values of the NHS foundation trust and reflect high standards of probity and responsibility.	The Board has: • An approved Constitution. • A Managing Conflicts of Interest Policy. The Board makes an annual declaration regarding interests and declare any conflicts of interests relevant to the agenda at each board meeting. The Board meetings are open to the public. Governors are invited to observe Board meetings on a rota basis.
6: Comply or explain	Board	A.1.10	The NHS foundation trust should arrange appropriate insurance to cover the risk of legal action against its directors.	The necessary insurance cover is provided by the Trust's subscription to NHS Resolution.
6: Comply or explain	Chair	A.3.1	The chairperson should, on appointment by the council, meet the independence criteria set out in B.1.1. A chief executive should not go on to be the chairperson of the same NHS foundation trust.	Compliant – The Chair has met the independence criteria.
6: Comply or explain	Board	A.4.1	In consultation with the council, the board should appoint one of the independent non-executive directors to be the senior independent director.	The Trust has a Senior Independent Director (Tim Johnston).
6: Comply or explain	Board	A.4.2	The chairperson should hold meetings with the non-executive directors without the executives present.	The Chair holds meetings with the NEDs without executive directors present.
6: Comply or explain	Board	A.4.3	Where directors have concerns that cannot be resolved about the running of the NHS foundation trust or a proposed action, they should ensure that their concerns are recorded in the board minutes.	Compliant. Concerns are recorded in board minutes.
6: Comply or explain	Council of Governors	A.5.1	The council of governors should meet sufficiently regularly to discharge its duties.	Compliant. The Council of Governors meet regularly to discharge its duties.
6: Comply or explain	Council of Governors	A.5.2	The council of governors should not be so large as to be unwieldy.	The CoG has 31 members; this is comparable to other similar trusts.
6: Comply or explain	Council of Governors	A.5.4	The roles and responsibilities of the council of governors should be set out in a written document.	This information is contained in the Trust's Constitution
6: Comply or explain	Council of Governors	A.5.5	The chairperson is responsible for leadership of both the board and the council but the governors also have a responsibility to make the arrangements work and should take the lead in inviting the chief executive to their meetings and inviting attendance by other executives and non-executives, as appropriate.	Compliant.
6: Comply or explain	Council of Governors	A.5.6	The council should establish a policy for engagement with the board of directors for those circumstances when they have concerns.	The policy is that the CoG would take their concerns to the senior independent director

6: Comply or explain	Council of Governors	A.5.7	The council should ensure its interaction and relationship with the board of directors is appropriate and effective.	Governors observe Board meetings and CoG meetings. The Director of Corporate Governance together with Senior Membership Manager act as a conduit for the bi-directional flow of clear and unambiguous information. Governors routinely receive agendas and minutes of Board meetings.
6: Comply or explain	Council of Governors	A.5.8	The council should only exercise its power to remove the chairperson or any non-executive directors after exhausting all means of engagement with the board.	N/A
6: Comply or explain	Council of Governors	A.5.9	The council should receive and consider other appropriate information required to enable it to discharge its duties.	Governors receive reports to the CoG meeting summarising the work of the Board and its committees.
6: Comply or explain	Board	B.1.2	At least half the board, excluding the chairperson, should comprise non-executive directors determined by the board to be independent.	Compliant. See Directors' report.
6: Comply or explain	Board/Council of Governors	B.1.3	No individual should hold, at the same time, positions of director and governor of any NHS foundation trust.	No individuals are both a director and a governor of any NHS foundation trust, as per the Constitution.
6: Comply or explain	Nomination Committee(s)	B.2.1	The nominations committee or committees, with external advice as appropriate, are responsible for the identification and nomination of executive and non-executive directors.	The Governors' Nominations Committee and the NEDs Remuneration Committee give full consideration to succession planning, taking into account the future challenges, risks and opportunities facing the Trust and the skills and expertise required within the board of directors to meet them.
6: Comply or explain	Board/Council of Governors	B.2.2	Directors on the board of directors and governors on the council should meet the "fit and proper" persons test described in the provider licence.	Directors are required to comply with relevant sections of the Trust's Constitution which is in accordance with the requirement of the Trust's provider licence. All Board members undertake an annual "fit and proper" person self-certification in order to confirm their compliance with the regulations.
6: Comply or explain	Nomination Committee(s)	B.2.3	The nominations committee(s) should regularly review the structure, size and composition of the board and make recommendations for changes where appropriate.	The CoG Nominations Committee reviews the structure, size and composition of the NEDs of the Board.
6: Comply or explain	Nomination Committee(s)	B.2.4	The chairperson or an independent non-executive director should chair the nominations committee(s).	The Trust's Chair is Chair of the Remuneration Committee.
6: Comply or explain	Nomination Committee(s)/ Council of Governors	B.2.5	The governors should agree with the nominations committee a clear process for the nomination of a new chairperson and nonexecutive directors.	The Nominations Committee and CoG have an agreed process for the nomination of a new Chair and other NEDs. Recommendations made by the Nominations Committee are considered for approval by the CoG.

6: Comply or explain	Nomination Committee(s)	B.2.6	Where an NHS foundation trust has two nominations committees, the nominations committee responsible for the appointment of non-executive directors should consist of a majority of governors.	The Governors Nominations committee membership comprise: • 3 Governors • The Trust's Chair It is responsible for the appointment of NEDs.
6: Comply or explain	Council of Governors	B.2.7	When considering the appointment of non-executive directors, the council should take into account the views of the board and the nominations committee on the qualifications, skills and experience required for each position.	The CoG takes into account the views of the Board and Nominations Committee regarding the qualifications, skills and experience required for each position.
6: Comply or explain	Council of Governors	B.2.8	The annual report should describe the process followed by the council in relation to appointments of the chairperson and nonexecutive directors.	The annual report describes the process followed by the CoG in relation to appointments of the chairperson and non-executive directors.
6: Comply or explain	Nomination Committee(s)	B.2.9	An independent external adviser should not be a member of or have a vote on the nominations committee(s).	Independent external advisers are not members of or have a vote on the Nomination / Remuneration committee(s).
6: Comply or explain	Board	B.3.3	The board should not agree to a full-time executive director taking on more than one non-executive directorship of an NHS foundation trust or another organisation of comparable size and complexity.	N/A
6: Comply or explain	Board/Council of Governors	B.5.1	The board and the council governors should be provided with high-quality information appropriate to their respective functions and relevant to the decisions they have to make.	Compliant and included in the Trust Constitution. Details of Board committees attended by each board member are listed in the Annual Report (Director's Report section). The Council of Governors are represented on a number of Board sub-committees.
6: Comply or explain	Board	B.5.2	The board, and in particular non-executive directors, may reasonably wish to challenge assurances received from the executive management. They need not seek to appoint a relevant adviser for each and every subject area that comes before the board, although they should, wherever possible, ensure that they have sufficient information and understanding to enable challenge and to take decisions on an informed basis.	The board of directors are at liberty and encouraged to challenge assurances received from the executive management and may request and are provided with any additional relevant information or the assistance of external assurance.
6: Comply or explain	Board	B.5.3	The board should ensure that directors, especially nonexecutive directors, have access to the independent professional advice, at the NHS foundation trust's expense, where they judge it necessary to discharge their responsibilities as directors.	Compliant. All directors are made aware that professional advice required can be procured by the Trust to support the delivery of their roles.

6: Comply or explain	Board/Committees	B.5.4	Committees should be provided with sufficient resources to undertake their duties.	Compliant – Committees and the CoG are provided with sufficient resources.
6: Comply or explain	Chair	B.6.3	The senior independent director should lead the performance evaluation of the chairperson.	The SID has/will lead the performance evaluation of the Chair in accordance with Framework for conducting annual appraisals of NHS provider chairs issued by NHSI in November 2019.
6: Comply or explain	Chair	B.6.4	The chairperson, with assistance of the board secretary, if applicable, should use the performance evaluations as the basis for determining individual and collective professional development programmes for non-executive directors relevant to their duties as board members.	The Chair uses the performance evaluations as the basis for determining individual and collective professional development programmes for non-executive directors relevant to their duties as board members.
6: Comply or explain	Chair/Council of Governors	B.6.5	Led by the chairperson, the council should periodically assess their collective performance and they should regularly communicate to members and the public details on how they have discharged their responsibilities.	The Council has transferred from the pre-merged trusts and are still establishing their roles.
6: Comply or explain	Council of Governors	B.6.6	There should be a clear policy and a fair process, agreed and adopted by the council, for the removal from the council of any governor who consistently and unjustifiably fails to attend the meetings of the council or has an actual or potential conflict of interest which prevents the proper exercise of their duties.	Included in the Trust Constitution
6: Comply or explain	Board/Remuneration Committee	B.8.1	The remuneration committee should not agree to an executive member of the board leaving the employment of an NHS foundation trust, except in accordance with the terms of their contract of employment, including but not limited to service of their full notice period and/or material reductions in their time commitment to the role, without the board first having completed and approved a full risk assessment.	Compliant
6: Comply or explain	Board	C.1.2	The directors should report that the NHS foundation trust is a going concern with supporting assumptions or qualifications as necessary. See also ARM paragraph 2.12.	The Audit Committee has received assurance during the year that the Trust is a going concern and a statement is included in the Trust's Annual Report.
6: Comply or explain	Board	C.1.3	At least annually and in a timely manner, the board should set out clearly its financial, quality and operating objectives for the NHS foundation trust and disclose sufficient information, both quantitative and qualitative, of the NHS foundation trust's business and operation, including clinical outcome data, to allow members and governors to evaluate its performance.	In the Trust's Annual Report and the annual operational plan submitted to NHS England.

6: Comply or explain	Board	C.1.4	a) The board of directors must notify NHS Improvement and the council of governors without delay and should consider whether it is in the public's interest to bring to the public attention, any major new developments in the NHS foundation trust's sphere of activity which are not public knowledge, which it is able to disclose and which may lead by virtue of their effect on its assets and liabilities, or financial position or on the general course of its business, to a substantial change to the financial wellbeing, healthcare delivery performance or reputation and standing of the NHS foundation trust. b) The board of directors must notify NHS Improvement and the council of governors without delay and should consider whether it is in the public interest to bring to public attention all relevant information which is not public knowledge concerning a material change in: • the NHS foundation trust's financial condition; • the performance of its business; and/or • the NHS foundation trust's expectations as to its performance which, if made public, would be likely to lead to a substantial change to the financial wellbeing, healthcare delivery performance or reputation and standing of the NHS foundation trust.	Compliant
6: Comply or explain	Board/Audit Committee	C.3.1	The board should establish an audit committee composed of at least three members who are all independent non-executive directors.	The Trust has an appropriately constituted Audit Committee.
6: Comply or explain	Council of Governors/ Audit Committee	C.3.3	The council should take the lead in agreeing with the audit committee the criteria for appointing, re-appointing and removing external auditors.	External Auditors PricewaterhouseCoopers LLP have continued to act for the Trust (following on from previous contract with Aintree University Hospital NHS FT). The council will be involved in agreeing appointment when the contract is to be renewed.
6: Comply or explain	Council of Governors/ Audit Committee	C.3.6	The NHS foundation trust should appoint an external auditor for a period of time which allows the auditor to develop a strong understanding of the finances, operations and forward plans of the NHS foundation trust.	As above.

6: Comply or explain	Council of Governors	C.3.7	When the council ends an external auditor's appointment in disputed circumstances, the chairperson should write to NHS Improvement informing it of the reasons behind the decision.	N/A
6: Comply or explain	Audit Committee	C.3.8	The audit committee should review arrangements that allow staff of the NHS foundation trust and other individuals where relevant, to raise, in confidence, concerns about possible improprieties in matters of financial reporting and control, clinical quality, patient safety or other matters.	The Trust has robust policies and procedure in place which informs staff of how to raise a concern, how their concern would be dealt with and how they would be protected and supported. This includes the Freedom to Speak Up Policy and counter fraud arrangements.
6: Comply or explain	Remuneration Committee	D.1.1	Any performance-related elements of the remuneration of executive directors should be designed to align their interests with those of patients, service users and taxpayers and to give these directors keen incentives to perform at the highest levels.	The Trust does not have a performance related payment policy for its executive directors.
6: Comply or explain	Remuneration Committee	D.1.2	Levels of remuneration for the chairperson and other nonexecutive directors should reflect the time commitment and responsibilities of their roles.	Levels of remuneration for the chairperson and other non-executive directors reflect the time commitment and responsibilities of their roles
6: Comply or explain	Remuneration Committee	D.1.4	The remuneration committee should carefully consider what compensation commitments (including pension contributions and all other elements) their directors' terms of appointments would give rise to in the event of early termination.	The Remuneration Committee decides, and keeps under review, the terms and conditions of office of the Trust's Executive and Corporate Directors including pensions and compensation payments. This is done in accordance with all relevant laws, regulations and Trust policies.
6: Comply or explain	Remuneration Committee	D.2.2	The remuneration committee should have delegated responsibility for setting remuneration for all executive directors, including pension rights and any compensation payments.	The Remuneration Committee, in accordance with all relevant laws, regulations and Trust policies, has delegated responsibility for deciding and keep under review the terms and conditions of office of the Trust's Executive Directors.
6: Comply or explain	Council of Governors/ Remuneration Committee	D.2.3	The council should consult external professional advisers to market-test the remuneration levels of the chairperson and other non-executives at least once every three years and when they intend to make a material change to the remuneration of a non-executive.	The Council has acted in accordance with the Remuneration Structure for NHS provider chairs and non-executive directors issued by NHSEI in November 2019.

6: Comply or explain	Board	E.1.2	The board should clarify in writing how the public interests of patients and the local community will be represented, including its approach for addressing the overlap and interface between governors and any local consultative forums.	It is the role of the Governor to represent the interests of patients, members and the public. This information is detailed on the website. The website and the Trust's annual report contains contact procedure for anyone who wishes to contact the Trust's Governors. The Trust holds open Board meetings, CoG and annual members meetings.
6: Comply or explain	Board	E.1.3	The chairperson should ensure that the views of governors and members are communicated to the board as a whole.	The Chair of the Board is also the Chair of the CoG and ensures that the views of Governors and members are communicated to the Board. The NEDs are invited to attend CoG meetings. Governors also may observe Trust Board meetings.
6: Comply or explain	Board	E.2.1	The board should be clear as to the specific third party bodies in relation to which the NHS foundation trust has a duty to cooperate.	The Board is clear as to the specific third party bodies in relation to which the Trust has a duty to co-operate and is also clear of the form and scope of the co-operation required with each of these third party bodies.
6: Comply or explain	Board	E.2.2	The board should ensure that effective mechanisms are in place to co-operate with relevant third party bodies and that collaborative and productive relationships are maintained with relevant stakeholders at appropriate levels of seniority in each.	The Board has ensured that effective mechanisms are in place to co-operate with relevant third party bodies and that collaborative and productive relationships are maintained with relevant stakeholders at appropriate levels of seniority in each. The Board reviews the effectiveness of these processes and relationships on an on-going basis and, where necessary, take proactive steps to improve them.

NHS England and NHS Improvement's Oversight Framework

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.

Segmentation

NHS Improvement has placed Liverpool University Hospitals NHS Foundation Trust in Segment 2.

This segmentation information is the Trust's position as of 11 May 2020. Current segmentation information for NHS trusts and foundation trusts is published on the NHS Improvement website - https://improvement.nhs.uk/resources/nhs-oversight-framework-trust-segmentation

Finance and use of resources

The finance and use of resources theme is based on the scoring of five measures from '1' to '4', where '1' reflects the strongest performance. These scores are then weighted to give an overall score. Given that finance and use of resources is only one of the five themes feeding into the Single Oversight Framework, the segmentation of the Trust disclosed above might not be the same as the overall finance score here.

Area	Metric	2019/20 scores				2018/19 scores			
		Q4	Q3	Q2	Q1	Q4	Q3	Q2	Q1
Financial sustainability	Capital service cover	3	4	4	4	4	4	4	4
	Liquidity	4	4	4	4	4	4	4	4
Financial efficiency	I&E margin	2	4	4	4	4	4	4	4
Financial controls	Distance from financial plan	1	1	1	1	1	1	1	1
	Agency spend	2	3	3	4	4	4	4	4
Overall scoring		3	3	3	3	3	3	3	3

Statement of Accounting Officers Responsibilities

Statement of the chief executive's responsibilities as the accounting officer of Liverpool University Hospitals 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 University 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 University Hospitals NHS Foundation Trust and of its income and expenditure, **other items of comprehensive income** and cash flows for the financial year.

In preparing the accounts **and overseeing the use of public funds,** 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 **and disclose any material uncertainties over going concern.**

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 them 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.

Steve Warburton
Chief Executive
17 July 2020

Annual Governance Statement

1. Scope of responsibility

1.1 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.

2. The purpose of the system of internal control

2.1 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 University Hospitals NHS Foundation Trust (previously Aintree University 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 University Hospitals NHS Foundation Trust (previously Aintree University Hospital NHS Foundation Trust which merged with Royal Liverpool & Broadgreen University Hospitals NHS Trust by way of s56A acquisition with an effective transaction date of 1 October 2019) for the year ended 31 March 2020 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

3.1 The Risk Management Strategy defines the risk framework and processes together with key responsibilities of the Board, its committees, individual executives and other staff. A new Risk Management Strategy was approved by the Board on the merger of the Trust in October 2019.

3.2 Operational delivery of the risk management arrangements are further defined within the Trust's Risk Management Policy. An updated Policy was approved by the Audit Committee in January 2020. The Risk Management Policy includes guidance for staff on the methodology that should be followed to ensure a consistent approach to risk management across all areas of the Trust. Key implementation activities have been incorporated within an implementation plan to integrate and strengthen the Trust's risk management systems, processes, culture and competencies.

3.3 Responsibility and leadership is delegated through directors in accordance with the Trust's Scheme of Reservation and Delegation with assurance provided to the Board and its committees as defined within the Trust's Corporate Governance Framework. This covers all aspects of governance relating to our service delivery including quality governance, clinical care, Care Quality Commission (CQC) and other regulatory and statutory requirements, finance and health and safety.

Risk Management Training

3.4 Risk management training is provided to staff appropriate to their role. New employees are trained through an induction programme and specific training is provided for individual roles appropriate to their responsibilities. The Trust's mandatory training programme reflects essential training needs and includes health and safety, clinical risk management, fire safety, safeguarding patients, infection prevention, information governance and equality and diversity training.

3.5 The Trust trains its staff on the use of investigation techniques (including root cause analysis) to review serious incidents, health and safety incidents as well as complaints investigations.

4. The risk and control framework

4.1 The Trust's priority is to provide high quality services for patients and to ensure that patients are protected from harm. To achieve this it is essential that we are systematic in our reporting, reviewing and learning from incidents throughout the organisation creating a culture of improvement. Central to this aim is the Trust's governance framework which includes a risk management system to deliver continuous improvements in safety and quality.

4.2 The Risk Management Policy applies to all Trust employees, contractors and volunteers. The Policy defines roles and responsibilities for managing and escalating risk. The Policy is underpinned by a number of risk related policies and procedures which provide further information and guidance to staff in the management of risk. The new Risk Management Policy which was approved at the Audit Committee in January 2020 includes standardisation of the risk matrix, guidance on the assessment of assurance and on risk descriptions.

4.3 The Trust's risk management framework provides a structure for the identification of risk, the coordination of the Trust's response and the provision of a safe environment for staff and patients to raise concerns. Risks are identified from many sources including risk assessments, incident reporting, audit data, complaints, legal claims, feedback from patients, members of the public, stakeholder/partnership feedback and internal/ external assessments

4.4 The Trust's strategic risks are identified, evaluated and controlled in accordance with the Trust's Risk Management Strategy and monitored by the Board. The Board Assurance Framework (BAF) provides assurance in relation to the principal risks to the delivery of the Trust's strategic objectives. Operational risks which score >15 are aligned to the strategic risks.

4.5 Operational risks are overseen within the divisional management structures and escalated in accordance with the Risk Management Policy. Any risks of non-compliance with the Trust's licence are identified on the risk register and reported to the Board. The risks to compliance with the conditions of the Provider Licence are monitored through the Board Assurance Framework (BAF 28 - failure to comply with regulatory directives). This includes compliance with Condition 4 – Foundation Trust Governance. The Board assessed compliance at its meeting on 28 April 2020 and believes that effective systems and processes are in place to maintain and monitor the following conditions:

- the effectiveness of governance structures
- the responsibilities of Directors and Board Committees
- reporting lines and accountability between the Board, its Committees and the Executive Team
- the submission of timely and accurate information to assess risks to compliance with the Trust's Licence, and
- the degree and rigour of oversight the Board has over the Trust's performance

4.6 These conditions are detailed within the Corporate Governance Statement, the validity of which is assured via the Audit Committee

Risk Appetite Statement

4.7 The Board's appetite for risk is included in the Risk Management Strategy and the associated Policy. An updated statement was agreed as part of the updated Risk Management Strategy approved by the new Board in October 2019.

4.8 The Board Assurance Framework (BAF) provides assurance in relation to the principal risks to the delivery of the Trust's strategic objectives. The BAF is normally reviewed every quarter and considered by the Board's committees including the Audit & Assurance Committee, the executive team and the Board

Major Risks

4.9 Major risks to the delivery of the Trust's strategic objectives include:

- Insufficient or inappropriate staffing to deliver operational objectives.
- Lack of integrated clinical IT systems to support safe and efficient patient care
- Insufficient capacity and demand management across the health and social care setting.
- Insufficient operational capacity to meet demand and achieve operational standards.
- Failure to participate actively in research and in collaboration with our partners.

4.10 The level 4 incident declared by NHSEI in relation to the COVID pandemic led to the Trust operating within its major incident processes. A new risk relating to inability to maintain services during the COVID pandemic was included both within the Trust's operational risk register and incorporated within the BAF in March 2020. An operational framework was defined setting out standards for risk management and quality governance to minimise and manage the spread of the disease, ensuring appropriate care for patients whilst enabling essential services to be maintained, as far as possible.

4.11 Controls and assurances which describe how the Trust manages and mitigates these risks to the achievement of its strategic objectives and how outcomes will be assessed are identified through the BAF which is robustly monitored by the Board and the Board Committees.

4.12 The Trust has seen continued growth in demand for our services during the year. The increased demand has significantly impacted performance on the achievement of standards across a number of areas. We continue to focus on specialty areas which are particularly challenged with assurance on progress with improvement provided via the Committees to the Board. We continue to work with our system partners in an effort to address the issues encountered and reduce the level of pressure being place on the hospital.

4.13 We continue to actively pursue recruitment strategies and alternative staffing models, where clinically appropriate, to address the situation. The Board receives a twice yearly report on its nursing workforce which takes account of the acuity and dependency needs of our patients and aligns staffing establishments accordingly.

4.14 One of the key drivers for the merger is the continuing workforce challenge to attract and retain high quality staff to meet the needs of current and future demand for services and reduce overall vacancies and workload intensity. The Trust's Workforce & Organisational Development plans set out the Trust's ambition to make the Trust a great place to work.

4.15 The most significant clinical risks are caused by failure to treat patients in a timely manner as a result of demand exceeding available resources resulting in delays in treatment and ability to recruit and retain suitably skilled and experienced staff particularly in 'hard to fill' areas. Examples of specialties which have presented risks in this regard include gastroenterology, ophthalmology (Aintree site) and haematology.

4.16 AUHFT identified that in order to deliver sustainable health care and improved health outcomes for the population, transformational organisational reform and service change is required. To that end, the Trust has continued work with commissioners, neighbouring hospital trusts and community care partners to shape the future of local healthcare provision. AUHFT developed in conjunction with Royal Liverpool & Broadgreen University Hospitals NHS Trust a comprehensive case for change to demonstrate the benefits of creating a new single acute provider to deliver improved patient care and ensure sustainable services for the future. The plans were approved by Monitor (operating as NHS Improvement) with a provisional risk rating of 'amber'. Following consideration by the respective Trust Boards and approval by the Councils of Governors a joint application was made to monitor for the merger with Royal Liverpool & Broadgreen University Hospitals NHS Trust and Aintree University Hospital NHS Foundation Trust under s56A of the NHS Act 2006 with an effective transaction date of 1 October 2019. The new Trust was named Liverpool University Hospitals NHS Foundation Trust (LUHFT).

4.17 LUHFT encourages its staff to report incidents whether there was any harm or not. The Trust allows staff to report incidents anonymously or in person and provides a feedback function to ensure there is demonstrable evidence of change and action. When serious incidents are investigated, members of the Trust speak to and, if possible, meet with those who are affected. Feedback from these discussions is considered during the investigation and a copy of the final report is shared. This provides the opportunity for any comment on the report to be included if appropriate. The Trust follows NHS England's guidance in reporting serious incidents and carrying out investigations.

4.18 The Board is committed to creating an organisation that attracts and retain the best staff. LUHFT's Workforce Strategy seeks to respond to the national and regional context emphasising service reconfiguration, the imperative for new and efficient ways of working supported by technological developments to deliver best use of our healthcare resources. Assurance on delivery plans is monitored by the Workforce Committee.

4.19 LUHFT has prioritised an organisational development programme to co-create a new set of values and behaviours actively engaging a wide range of staff using both innovative and well established mechanisms to maximise engagement. Other projects include improved job planning to maximise efficient ways of working and E-rostering to ensure safe working and

4.20 LUHFT is fully compliant with the registration requirements of the Care Quality Commission and is taking forward the action plans outlined in the CQC inspections of both AUHFT and RLBUHT.

4.21 LUHFT 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' guidance.

4.22 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.

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

4.24 LUHFT 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.

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

5.1 The Financial Plan is approved by the Board of Directors and submitted to NHS Improvement (NHSI). The plan, including forward projections, is monitored by the Finance & Performance Committee on a monthly basis. The Trust's resources are managed within the framework set by the Corporate Governance Framework Manual which includes the scheme of delegation and standing financial instructions. Financial governance arrangements are supported by internal and external audit to ensure economic, efficiency and effective use of resources.

5.2 The Trust's Use of Resources was assessed by NHSI as part of the overall CQC inspection in May/June 2019. The Trust was assessed as 'requires improvement'. The assessment found that while the Trust had maintained performance in some key areas however not all areas for improvement identified from the last assessment had been achieved. In addition the Trust had not accepted its control total for 2018/19 and the overall cost per weighted unit of activity had increased. The report found that the Trust had achieved its financial plan for 2018/19 the report also noted that the Trust had delivered its cost improvement plan in 2018/19. The CQC report published in September 2019 also gave rating of "Good", in the Well Led domain.

5.3 The Trust has engaged with the Getting it Right First Time Programme across a number of areas with a number of improvements identified across medical and surgical specialties.

5.4 The Audit Committee receives a report on losses and special payments throughout the year and assurance is sought that action is being taken to minimise these costs.

6.0 Information governance

6.1 The Information Governance, Cyber Security & Data Quality Group utilises ISO27001 standard as a benchmark for compliance monitoring of the Trust's assets and supplier management.

6.2 Between 1 April 2019 and 31 March 2020 (incorporating AUHFT 1 April to 30 September 2019 and LUHFT 1 October 2019 to 31 March 2020) there were 285 incidents reported. These figures include 'near misses' which provides the opportunity for lessons to be learned.

6.3 There were three reportable incidents to the Information Commissioner's Office (ICO) and NHS Digital (via the DSP toolkit) in the reporting period. The ICO gave the Trust recommendations in relation to these incidents, but no further action was required by the ICO.

6.4 The Trust receives regular communications from NHS Digital which supports notification of potential information security incidents and has previously taken steps to reduce the risks posed by cyber-attacks. The Trust has identified vulnerabilities following a penetration test and work continues to address all of these issues with action plans and review through the governance structure.

6.5 An annual report is provided to the Audit Committee in relation to the effectiveness of the Trust's cyber security arrangements. Board members have received national cyber security training from external experts.

6.6 All incidents are reviewed by the Information Governance (IG) team and liaison with the handlers to identify outcomes and lessons learnt recorded. Anonymous examples are used in training sessions to highlight the issues that affect the Trust.

6.7 The Trust continues to maintain high standards for information governance. The new merged Trust intends to provide a single toolkit compliance return. To enable a single toolkit compliance return for the merged Trust a combined opinion based on, and taking assurances from the previous audit work undertaken by the Trust's internal auditors was undertaken. An overall assurance level of significant was provided.

6.8 IG training is delivered electronically with the aim that 95% of staff are trained in year up to 31 March 2020. During Covid-19, all non-clinical mandatory training has been stood down by the Trust. On 20 January 2020, 84% of the Trust's employees had completed mandatory information governance training. As at 20 June 2020, this had fallen to 69.7%

6.9 The Trust takes the confidentiality and security of information seriously and continues to invest in technology to maintain security. Mobile devices are encrypted and the Trust network is protected from viruses and other threats. Staff are trained regularly with regular audits to provide assurance.

6.10 The role of Senior Information Risk Officer (SIRO) is undertaken by the Trust's Chief Finance Officer (CFO). The CFO regularly reviews information risks. Oversight is provided by the Information Governance Group which reports through to the Quality Governance Committee.

6.11 The Trust has a Data Protection Officer (DPO) overseeing Data Protection Impact Assessments and giving lawful advice and guidance in issues associated with the eight rights of access. The DPO acts as the point of contact with the ICO. There have been no issues raised to the ICO.

Data quality and governance

6.12 Internal controls are in place to ensure the accuracy of the data, and the collection and reporting of the measures of performance. These controls are subject to review to confirm that they are working effectively in practice. The data underpinning the measures of performance is robust and reliable, conforms to specified data quality standards and prescribed definitions. The Trust has a robust information assurance framework which ensures appropriate controls are in place which dovetails into the Trust's Data Quality Strategies. The strategies will be aligned as part of the integration work for the merged Trust.

7.0 Review of effectiveness

7.1 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. 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, if appropriate and a plan to address weaknesses and ensure continuous improvement of the system is in place. My review is also informed by comments made by the external auditors in their management letter and other reports. As part of the audit, external auditors identified a number of weaknesses in the internal control environment which are being addressed.

7.2 The Trust Board met five times between 1 April 2019 and 30 September 2019 as Aintree University Hospital NHS FT. The Board of Liverpool University Hospitals NHS FT has met five times since 1 October 2019. Both the Board of Aintree University Hospitals NHS FT and Liverpool University Hospitals NHS FT are constituted in a way that ensures the non-executive directors remain in the majority. At 30 September 2019 the AUHFT Board comprised five non-executive directors and four executive directors. As at 31 March 2020, the LUHFT Board comprised eight non-executive directors and six executive directors. Further details about Board members and changes to Board membership during the year can be found in the Directors' Report and the Remuneration Report.

7.3 The Trust undertakes an annual assessment of all directors to ensure that they continue to meet the requirement of the fit and proper person's regulation. This is in addition to the checks undertaken during the selection process.

7.4 The governance structure aligns the Trust's quality, risk and performance management arrangements. The committees, sub committees, groups and individuals have defined responsibility to ensure delivery of the Trust's strategic goals and objectives, via compliance with performance and quality indicators and monitoring of associated risks.

7.5 The Board is supported by eight committees:-

- Audit and Assurance
- Nomination & Remuneration
- Research, Development and Innovation (established October 2019)
- Quality Governance
- Finance and Performance
- Workforce (established October 2019)
- Charitable Funds
- New Hospital (established October 2019)

7.6 The Audit & Assurance Committee has overarching responsibility for ensuring that risk is managed effectively within the organisation including the evaluation of the effectiveness of the risk management and control systems. This is further supported by the Board's committees that oversee risks relevant to their role. The risk management framework provides for the effective management of risk across the Trust, including escalation from the ward to the Board through the performance management framework. 'Perfect ward' meetings address issues at ward level with visibility through to the Board via the monthly ward quality dashboard and safe staffing reports.

7.7 The Audit and Assurance Committee provides the Board with an independent and objective view on its financial systems, financial information and compliance with laws, guidance and regulations governing the NHS. The focus of the Committee is upon the establishment and maintenance of an effective system of integrated governance, risk management and internal control.

7.8 The Nomination and Remuneration Committee decides and keeps under review the terms and conditions of office of the Trust's executive directors and senior managers on local pay including all aspects of salary, provision of other benefits and arrangements for termination of employment and other contractual terms in accordance with national guidance.

7.9 The Quality Governance Committee provides assurance to the Board that high quality care is provided and that appropriate governance arrangements are in place to promote safety and excellence in patient care. The Committee oversees the prioritisation and management of risk arising from clinical care, ensuring effective and efficient use of resources through adoption of evidence based clinical practice and promotion of wellbeing for patients.

7.10 The Finance and Performance Committee provides assurance to the Board in relation to the financial and corporate performance of the Trust, monitoring delivery against targets and objectives.

7.11 The Workforce Committee provides assurance to the Board on the delivery of the workforce strategy and ensuring compliance with statutory requirements and legislation relating to the employment of staff. The Committee also oversees delivery of plans to ensure that the Trust's workforce has the capacity and capability to deliver the Trust's objectives through effective management, leadership and development, workforce planning and organisation development. The Committee is responsible for monitoring compliance with the Trust's Health & Safety obligations and delivery of its objectives and identification of any significant risks.

7.12 The Research, Development and Innovation Committee provides direction and oversight of research, development and innovation to advance the effective care and management of patients.

7.13 The Charitable Funds Committee oversees the management, investment, and effective use of charitable funds, on behalf of the Board in accordance with its delegated powers, statutory requirements and best practice as required by the Charity Commission.

7.14 The New Hospital Committee continues to oversee the Trust's plans, service transformation and redesign projects directly linked to the effective transition to the new Royal Liverpool University Hospital. A summary of the current status of the project is included in the summary below (see 7.28)

7.15 The Trust's governance and committee arrangements were reviewed as part of the planning for the merger with arrangements in place to ensure a seamless transition to the new Board and its committees. Committee terms of reference were reviewed and reflect good practice. Forward plans were produced reflecting the work of the two legacy Trusts. The corporate governance framework was updated to reflect the revised arrangements and to ensure the continued effectiveness of the systems of internal control through:

- Board review of the Board Assurance Framework including risk registers and action plans
- Audit Committee scrutiny of systems and controls in place

- Review of progress in meeting the CQC essential standards
- Internal audit reviews of the effectiveness of systems of internal control.

7.16 In 2019/20, the Head of Internal Audit opinion was that there is an adequate and effective framework for risk management, governance and internal control. The opinion states that their work has identified further enhancements to the framework risk management, governance and internal control to ensure that it remains adequate and effective.

7.17 During the 19/20 period, two internal audit firms provided services across our sites. Notwithstanding the merger at 1 October 2019, each firm continued with the program of internal audit agreed with the respective management of Aintree University Hospital NHS FT and the Royal Liverpool and Broadgreen University Hospitals NHS Trust at the start of the financial year, to completion. This resulted in two end of year opinions being provided to Liverpool University Hospitals NHS FT. In each case, the Head of Internal Audit opinion provided assurance to the LUHFT Board regarding the effectiveness of the overall system of internal control. These details are set out below:

Internal audit coverage during 2019 – 2020

Aintree University Hospitals site coverage by RSM Tenon		Liverpool University Hospitals sites coverage by MIAA	
Substantial assurance	Apprenticeship levy Accounts receivable Budgetary monitoring and reporting Asset management Consent for treatment process (control framework) Waiting list management – therapies and Urology Shared service / governance arrangements – payroll contract management	**High assurance**	Theatre checklists (dental) Theatre checklists (St Paul's) General ledger Treasury management Budgetary control
Reasonable assurance	Safeguarding (Adults and Children) Payroll – Overtime Single tender waivers Shared service / governance arrangements – estates and facilities	**Substantial assurance**	Risk management Medical staffing Consultant job planning Accounts payable Accounts receivable Ward staffing (data quality) DSPT Toolkit
Partial assurance	Payroll – Expenses Authorisation process for additional clinical activity Consent for treatment process (application of controls)	**Moderate assurance**	Safeguarding Sickness absence Electronic patient care record
None	Shared service / governance arrangements – contract database	Limited assurance	Theatre checklists (Royal) Theatre checklists (Broadgreen)
Head of internal audit opinion at year end	Green / amber. The organisation has an adequate and effective framework for risk management, governance and internal control.	**Head of internal audit opinion at year end**	Substantial assurance

On each occasion when an internal audit report is drafted, recommendations or actions are proposed by the internal auditors to management. These are formalised and captured in assurance systems. The Audit Committee has a reproducible, documented procedure for reviewing the progress made against each recommendation agreed with management. Internal audit is involved in this process and progress is monitored at each quarterly meeting of the Audit Committee.

7.18 Good practice and lessons learned from a variety of local and national sources on incidents, complaints, concerns, claims and audits are shared through a range of methods including newsletters, service improvement work, education and training programmes, and through the divisional governance arrangements.

7.19 The Trust is a member of the Advancing Quality Alliance (AQuA) and has been actively involved in sharing their collaborative work and participating in specific programmes on reducing avoidable mortality, quality improvement and patient safety.

7.20 Between 1 April and 30 September 2019 Aintree University Hospital NHS FT reported 17 serious incidents, of which 1 was a never event. All serious incidents are subject to a comprehensive root cause analysis (RCA) with lessons learnt shared across the Trust. Concise RCAs were requested following all moderate/severe harms which were reviewed through the weekly Patient Safety meeting. AUHFT completed 100% of all comprehensive RCAs within target, regardless of the degree of harm. Between 1 October 2019 and 31 March 2020, Liverpool University Hospitals NHS FT (merged trust from AUHFT and RLBUHT) reported 35 serious incidents, of which 5 were never events. All serious incidents are subject to a comprehensive root cause analysis (RCA) with lessons learnt shared across the Trust. Concise RCAs were requested following all moderate/severe harms which were reviewed through the weekly Patient Safety meeting. LUHFT completed 100% of all comprehensive RCAs within target, regardless of the degree of harm.

7.21 The clinical audit programme is overseen by the Quality of Care Executive Led Group which reports through to the Quality Governance Committee. The clinical audit programme integrates national mandatory audits and locally agreed priority audits, which relate to the Trust's strategic aims.

7.22 During April – March 2020, 49 National Clinical Audits (NCAs) Clinical Outcome Review Programmes and other quality improvement projects covered NHS services that the Trust provides. During this period, the Trust participated in 98% of national clinical audits and 100% of outcome review programmes which it was eligible to participate in.

7.23 18 national audits reports were reviewed during April 2019 – March 2020 of which 10 required actions plan; 100 % of which have been received. 8 did not require action plans.

Summary

7.24 The governance framework provides assurance that arrangements are in place for the effective discharge of the Trust's statutory functions and that the Trust is compliant with its statutory responsibilities. In addition the framework helps to ensure that the Trust's strategic objectives continue to be met and risks of not achieving the objectives are closed, mitigated or controlled.

7.25 The Trust has continued to be challenged by the significant number of patients who are ready for discharge from hospital but with no onward package of care available. Given the challenges with regard to wider urgent care system resilience, delivery of effective patient flow, the A&E target remains a key challenge and priority, delivery of which requires a whole system focus and joint working. The Trust continues to work to improve patient flow both internally within the hospital and externally across the system through the A & E Delivery Board to support a safe and effective discharge.

7.26 One of the key stated aims of the merger with Royal Liverpool & Broadgreen University Hospitals NHS Trust is to reduce variation across the local health system.

7.27 The capital programme required to complete the new Royal Hospital project and related schemes is significant. The capital programme required to complete the new Royal Hospital project and related schemes is significant and is under constant review by the Board's New Hospital Committee, chaired by a non-executive director. Frequent updates are provided to the Board. A detailed business case is being developed to confirm the funding required to complete construction and the Department of Health and Social Care have committed to providing the funding.

7.28 Whilst the new Royal has been delayed, due to the liquidation of Carillion in January 2018, work has restarted following the appointment of Laing O'Rourke as management contractor in November 2018. A thorough structural review of the building has been carried out by expert structural engineers Arup. Together with Laing O'Rourke, a detailed programme of work has been developed to fix these structural issues and commenced during the reporting period for this publication. At the time of writing, this work was progressing well and a new timetable for completing the new Royal is being finalised.

7.29 In the meantime we continue to invest in and carry out essential maintenance to the current Royal to ensure we have a safe environment for our patients, visitors and staff. We continue to invest the Trust's existing estate against our planned proactive and reactive maintenance programmes. From this, we have developed robust contingency plans, purchased equipment and spare parts and are tackling potential maintenance issues proactively, to reduce the risk of them occurring.

7.30 The Trust's governance arrangements have responded to the COVID - 19 pandemic, reflecting the guidance issued by NHSEI in March 20205. We recognise that we retain our statutory responsibility to retain effective and robust governance arrangements in place including special arrangements established to help in their response to the pandemic.

8 Conclusion

8.1 My overall opinion is that, taking account of the items referred to above and the mitigations put in place, that there is an adequate system of internal control designed to meet the Trust's objectives and that controls are generally being applied consistently. I can confirm that the system of internal control has been in place for the period to 31 March 2020 and up to the date of approval of the annual report and accounts.

Steve Warburton
Chief Executive
17 July 2020

[5] Reducing burden and releasing capacity at NHS providers and commissioners to manage the COVID-19 pandemic Capacity

Independent auditors' report to the Council of Governors of Liverpool University Hospitals NHS Foundation Trust

Report on the audit of the financial statements

Qualified opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified opinion paragraph below, Liverpool University Hospitals NHS Foundation Trust's financial statements (the "financial statements"):

- give a true and fair view of the state of the Trust's affairs as at 31 March 2020 and of the Trust's income and expenditure and cash flows for the year then ended 31 March 2020; and
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2020; the Statement of Comprehensive Income for the year then ended; the Statement of Cashflows for the year then ended; the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for qualified opinion

The Trust did not perform an inventory count at or near 31 March 2020 due to restrictions resulting from the COVID-19 pandemic. We were unable to obtain sufficient appropriate audit evidence through alternative procedures to verify the existence or condition of inventory of £12.7m as at 31 March 2020. Any adjustments necessary to this inventory amount could impact on the accuracy of the use of inventory (drug costs (drugs inventory consumed and purchase of non-inventory drugs), supplies and services - general and supplies and services - clinical (excluding drug costs)) expenditure for the year then ended, and whether the expenditure has been recorded in the correct year.

We conducted our audit in accordance with the National Health Service Act 2006, the Code of Audit Practice and relevant guidance issued by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice"), International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Independence

We remained independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

Without further modifying our opinion on the financial statements, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the Trust's ability to continue as a going concern.

The Trust is forecasting a breakeven position for 2020/21. The forecast is based on a number of assumptions and there is significant uncertainty in the financial plan for 2020/21 as a result of the Trust's ability to deliver the Cost Improvement Programme (CIP) and the additional cash flow requirements needed if the CIP plan is not met.

The Trust recognises that the breakeven position, combined with the assumptions made relating to likely levels of income and their ability to deliver against their CIP, creates uncertainty over their future funding needs. The Trust has not assumed financial support will be needed, however if the CIP is not met additional support will be needed from the Department of Health and Social Care during 2020/21 in order to meet ongoing liabilities where required and to continue to provide healthcare services. The extent and nature of the financial support from the Department of Health and Social Care, including whether such support will be forthcoming or sufficient, is currently uncertain, as are any terms and conditions associated with the funding.

These conditions, along with the other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which

may cast significant doubt about the Trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Trust were unable to continue as a going concern.

Explanation of material uncertainty

The Department of Health and Social Care Group Accounting Manual 2019/20 requires that the financial statements should be prepared on a going concern basis unless management either intends to apply to the Secretary of State for the dissolution of an NHS Foundation Trust without the transfer of the services to another entity, or has no realistic alternative but to do so.

The Trust is forecasting a breakeven position for 2020/21. This is in the context of the Trust having not agreed its control total, with commissioner funding for the remainder of 2020/21 currently uncertain. The extent, nature and availability of any financial support to meet its funding requirements if required from the Department of Health and Social Care has not yet been confirmed.

What audit work we performed

In considering the financial performance of the Trust and the appropriateness of the going concern assumption in the preparation of the financial statements, we obtained the Trust's cash flow forecasts until the end of July 2021 and:

- examined the impact of cash flow sensitivities and assessed these against the Trust's ability to meet its liabilities as they fall due;
- sensitised the assumptions behind the Trust's financial forecasts by comparing them to historical performance; and
- read the disclosures regarding going concern included in the Annual Report and Accounts.

Our audit approach

Context

Liverpool University Hospitals NHS Foundation Trust is a newly merged Trust comprising the previously existing Aintree University Hospital NHS Foundation Trust and the acquired Royal Liverpool and Broadgreen University Hospitals NHS Trust. This acquisition, on 1 October 2019, has led to significant changes to the Trust's financial position and the size of its underlying activities. See note 30 to the financial statements detailing the impact of the Royal Liverpool and Broadgreen University Hospitals NHS Trust acquisition.

Our audit for the year ended 31 March 2020 was planned and executed having regard to the facts above; consideration of the material uncertainty relating to going concern and an assessment of the impact of COVID-19. Even though the underlying approach to key areas was largely unchanged from the previous year, there were additional key audit matters as a result of the acquisition that were factored into our approach.

Our audit also involved forming a conclusion on the arrangements for securing economy, efficiency and effectiveness in the use of resources (the "3 Es"), in accordance with the Code of Audit Practice.

Overview

- Overall materiality: £10,166k (2019: £6,915k) which represents 1.5% of total income* (2019: 2% of total income).
- *Total income is described as operating income from patient care activities and other operating income

- All work was performed by a single audit team. We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements, considering the structure of the Trust, the accounting processes and controls, and the environment in which the Trust operates. In establishing our overall approach, we assessed the risks of material misstatement, considering the nature, likelihood and potential magnitude of any misstatement. Following this assessment, we applied professional judgement to determine the extent of testing required over each balance in the financial statements.
- Following the acquisition of the Royal Liverpool and Broadgreen University Hospitals NHS Trust, we understood how the Trust's finance functions were based across two sites at the Aintree Hospital and the Royal Liverpool University Hospital. The planning and interim work was conducted across both sites and we performed all of our year end audit work remotely as COVID-19 affected the working arrangements for staff.

The Key Audit Matters identified were:

- Management override of control and the risks of fraud in revenue recognition;
- Material uncertainty relating to going concern;
- Valuation of the Trust's land and buildings (including Assets Under Construction);
- Impact of COVID-19; and
- Value for Money

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and the conclusion on the arrangements for securing economy, efficiency, and effectiveness in the use of resources, and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter

Management override of controls and the risks of fraud in revenue recognition

See note 1 to the financial statements for the directors' disclosures of the related accounting policies, judgements and estimates relating to the recognition of income and note 2 to 5 for further information.

Under ISAs (UK) 240 there is a (rebuttable) presumption that there are risks of fraud in revenue recognition and management override of controls.

We focused on this area because there is a heightened risk due to the Trust being under increasing financial pressure. There is additional pressure this year because the achievement of the key financial target triggers additional payments from the Provider Sustainability Fund. As a result of the national pressures, there is an incentive for management to manipulate the timing of recognition of both income and expenditure to defer costs to 2020/21 and to recognise income incurred in respect of 2020/21 in these financial statements, with significant pressure to report results in line with its annual plan to attain set key performance indicators.

Revenue

The Trust's principal source of income was from Clinical Commissioning Groups ("CCGs") and NHS England.

Contracts are renegotiated annually and consist of standard monthly instalments, based on contract values. The payments are 'trued up' on a quarterly or monthly basis to reflect the actual activity of the Trust. The Trust's next largest sources of income include non-patient care services to other bodies income and education and training income.

Due to the size of these sources of income and the incentives to manipulate income recognition, this is an area of focus.

Expenditure

Our work on expenditure focussed on the areas most susceptible to manipulation in order to reduce the Trust's reported deficit. These were primarily unrecorded liabilities and journals transactions, which could be used to impact upon the deficit reported by the Trust.

We considered the key areas to be:

- recognition of revenue;
- manipulation through journal postings to the general ledgers; and
- any significant transactions outside the normal course of business for the Trust.

How our audit addressed the key audit matter

Recognition of revenue

We evaluated and tested the accounting policy for revenue recognition to ensure that it is consistent with the requirements of the Department of Health and Social Care Group Accounting Manual 2019/20 and IFRS 15.

Income from patient activities

For income/receivable transactions (for NHS and non-NHS income), we tested on a sample basis that the transactions and the associated income had been posted to the correct financial year by tracing them to invoices, subsequent cash received or other documentary evidence.

We tested a sample of items of contract revenue across Clinical Commissioning Groups ("CCG") and NHS England and management's recognition of income received during the year was in line to the contract value. We agreed the income recognised in the year to correspondence between the Trust and the CCG regarding over/under performance. We agreed income back to invoices and cash receipts and ensured it was accounted for in the correct accounting period.

We further sampled invoices raised pre and post year end to assess whether they were recognised in the correct period.

Other operating income

We tested a sample of income transactions and traced these to invoices, contracts where applicable and cash payments where the amounts had been settled.

We performed completeness testing by performing analytics on some revenue streams and on others, by selecting a sample of transactions from the source system where applicable and agreeing it to the revenue recognised in the year.

We further tested a sample of invoices raised pre and post year end to assess whether they were recognised in the correct period.

Manipulation through journal posting

We used data analysis techniques to select a sample of manual and automated journal transactions that had been recognised in revenue, focusing in particular on those with unusual characteristics. We performed other journal tests which were focused on identifying unusual account combinations.

We traced the journal entries selected for testing, to supporting documentation to check that the transaction had was valid and could be supported.

Our testing identified no issues that required further investigation.

Impact of COVID-19

During the course of the audit, both management and the engagement team considered the impact that the ongoing COVID-19 pandemic has had on the activities, suppliers and wider economy of the Trust and its financial statements.

Management's assessment is that there has been no significant impact on the financial statements for the year ended 31 March 2020 as the pandemic only started to have a significant impact in the last three weeks of the year. However, due to the significance of the pandemic, the financial statements have recognised the impact as a significant narrative disclosure within the Annual Report.

As a result of this, we determined that the impact of COVID-19 should be a key audit matter.

We performed the following procedures to address the impact that COVID-19 has on the financial statements we:

- reperformed our assessment of audit risks and did not identify any additional risks. We incorporated our assessment of the potential impact of COVID-19 into our existing risks, for example, in the management override of controls, PPE valuation and going concern;

- evaluated and challenged management's assessment of the pandemic and its impact on valuations and going concern. This included using our own valuation experts to consider the assumptions underpinning the Trust's PPE valuation. Our work on evaluating management's going concern assessment is described in the "Material uncertainty relating to going concern" section above;

- assessed the disclosures made by management and ensured that the impact of the pandemic was reflected in the Annual Report, in the accounting policies and as a non-adjusting post balance sheet event in the financial statements;

- We assessed the impact of COVID-19 and the resulting restrictions to our normal working arrangements on our audit approach;

- held regular discussions with the Director of Finance to understand the impact of the COVID-19 pandemic on the Trust.

We determined that management's assessment and disclosure of the impact of COVID-19 pandemic on the financial statements and the arrangements for securing economy, efficiency and effectiveness in its use of resources is reasonable.

Valuation of the Trust's land and buildings (including Assets Under Construction)

Management's accounting policies, key judgements and use of experts relating to the valuation of the Trust's estate are disclosed in Note 1 to the financial statements.

We focused on this area because Property, Plant and Equipment (PPE) represents the largest balance in the Trust's statement of financial position. The PPE balance at 31 March 2020 is £646.1m (31 March 2018: £190.9m), of which £600.8m is specific to land and buildings (including Assets Under Construction). Of the total, £517.5m of PPE was transferred by absorption to the Trust on acquisition of the Royal Liverpool and Broadgreen University Hospitals NHS Trust (RLBUHT), which occurred on 1 October 2019. The total balance acquired included £238.5m relating to the New Royal Hospital, which is an Asset Under Construction (AUC).

Land and buildings are measured at fair value based on periodic valuations. The valuations are carried out by a professionally qualified valuer in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual and performed with sufficient regularity to ensure that the carrying value is not materially different from fair value at the reporting date.

A full revaluation on all land and buildings (excluding the New Royal Hospital which is an AUC) in the newly merged Trust was undertaken during the year. This resulted in a net impairment charge of £9.0m being booked.

In applying the RICS Valuation Global Standards 2017 and RICS UK National Supplement commonly known together as the Red Book, the valuer has declared a 'material valuation uncertainty' in the valuation report as a result of COVID-19.

New Royal Hospital

The New Royal Hospital is a significant asset under construction (AUC). Given some of the complexities, specific accounting guidance had been clarified through Directions issued by the Department of Health and Social Care to supplement the GAM Guidance in the previous Trust. The value of the AUC relating to the New Royal Hospital at the 31 March 2020 year end is based on the deemed cost transferred on acquisition and subsequent capital expenditure incurred during the year. As the completion date continues to be extended, there is a risk that total spend will exceed the final value and result in an impairment.

We obtained the output of the valuation undertaken by the District Valuer (DV). We checked and confirmed the valuer had a UK qualification, was part of an appropriate professional body and was not connected with the Trust.

We read the relevant sections of the valuation report and, using our own valuation expertise, we challenged the assumptions and methodology applied in the valuation exercise, specifically considering the use of Modern Equivalent Asset, which we found to be consistent with our expectations.

To check the accuracy of the underlying data (on which the valuation was based), we sought to agree the gross internal areas used by the DV back to the Trust's estate team's records for a sample of land and buildings. This proved very challenging as the original documentation from a professional surveyor on the measurements had been lost. A remeasurement was performed on a couple of properties in our sample by management's expert. We engaged our in-house specialist team who remeasured the remaining sample using alternative computer programmes which rely on satellite imagery. We were able to confirm the gross internal areas were based on current information.

We physically verified a sample of assets to check their existence and, in doing so, considered whether there was any indication of physical obsolescence which would indicate potential impairment or affect the valuation of the property; our testing did not identify any such indicators.

Tested a sample of the asset additions to supporting documentation to confirm they are appropriate capital expenditure; and

We checked that the change in valuation was correctly reflected and appropriately disclosed in the financial statements.

In relation to the material valuation uncertainty, the valuer has confirmed that there has been no diminution identified in the public sectors ongoing requirement for these assets, nor a reduction in their ongoing remaining economic service potential, which was corroborated by our own valuation experts.

New Royal Hospital

We reviewed the prior year auditor's working papers of RLBUHT as at 31 March 2019 to understand conclusions reached around the accounting of the New Royal Hospital. We also read the working papers as at 1 October 2019 to understand the work performed by the previous auditors' over the balances that were being transferred at deemed cost as part of the acquisition.

We reviewed management's impairment assessment on the New Royal Hospital and the impact of unforeseen costs to the overall costs forecast to complete the building.

We tested a sample of the asset additions to supporting documentation to confirm they are appropriate capital expenditure.

We read and recommended additional disclosures in the annual report to provide more clarity to the accounting of the AUC relating to the New Royal Hospital.

Our testing identified no material changes in the carrying value in line with the DHSC GAM and concluded that there was no material impact from triggering events that impacted the overall valuation of the new hospital building.

Other than the matters noted in the 'Material uncertainty relating to going concern' and 'Arrangements for securing economy, efficiency, and effectiveness in the use of resources' paragraphs, we determined that there were no further key audit matters relating to the financial statements of the Trust, or the Trust's arrangements for securing economy, efficiency, and effectiveness in the use of resources, to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Trust, the accounting processes and controls, and the environment in which the Trust operates.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall materiality	£10,166k (2019: £6,915k)
How we determined it	1.5% of total operating income (2019: 2% of total operating income) Total operating income is described as operating income from patient care activities and other operating income.
Rationale for benchmark applied	We have applied this benchmark, a generally accepted auditing practice, in the absence of indicators that an alternative benchmark would be appropriate. We have also taken account of the acquisition of the Royal Liverpool and Broadgreen University Hospitals NHS Trust.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £300k (2019: £300k) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Performance Report and the Accountability Report, we also considered whether the disclosures required by the NHS Foundation Trust Annual Reporting Manual 2019/20 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) and the Code of Audit Practice require us also to report certain opinions and matters as described below.

Performance Report and Accountability Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Performance Report and Accountability Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019/20.

In light of the knowledge and understanding of the Trust and its environment obtained in the course of the audit, we did not identify any material misstatements in the Performance Report or Accountability Report.

In addition, the parts of the Remuneration and Staff reports to be audited have been properly prepared in accordance with the NHS Foundation Trust Annual Reporting Manual 2019/20.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Accountability Report, the directors are responsible for the preparation of the financial statements in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20, and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine 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 directors are 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 directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The Trust is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors' 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 auditors' 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

We are required under Schedule 10 (1) of the National Health Service Act 2006 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you 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 work in accordance with the Code of Audit Practice, having regard to the criterion determined by the Comptroller and Auditor General as to whether the Trust has proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice. Based our on risk assessment, we undertook such work as we considered necessary.

Use of this report

This report, including the opinions, has been prepared for and only for the Council of Governors of Liverpool University Hospitals NHS Foundation Trust as a body in accordance with paragraph 24 of Schedule 7 of the National Health Service Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Arrangements for securing economy, efficiency and effectiveness in the use of resources

Under the Code of Audit Practice we are required to report, by exception, if we conclude we are not satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Qualified opinion

Except for as set out in the basis for qualified opinion paragraph below, we have nothing to report as a result of this requirement.

Basis for qualified opinion

We draw your attention to the Trust's Annual Governance Statement of the annual report which includes details on the overall result of the Care Quality Commission (CQC) inspection. The Trust had a (CQC) inspection during 2019/20 and received an overall rating for the Trust increased from requires improvement to Good, although the 'Use of Resources' rating continues to be rated 'Requirements Improvement'.

In considering the Trust's arrangements we:

- We read the Annual Governance Statement to identify any commentary with value for money implications; and
- We considered the outcomes of the latest regulatory findings including NHS Improvement's single oversight framework, CQC review under the Well-led framework and CQC inspections.

As a result of the work performed, we have concluded that these matters indicate weaknesses in arrangements for: applying the principles and values of sound governance; managing risks effectively; planning finances effectively; managing and utilising assets effectively; and planning, organising and developing the workforce effectively as defined by Auditor Guidance Note 03 issued by the National Audit Office.

Other matters on which we report by exception

We are required to report to you if:

- the statement given by the directors, included within the Accountability Report, is in accordance with provision C.1.1 of the NHS Foundation Trust Code of Governance, that they consider the Annual Report taken as a whole to be 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 acquired in the course of performing our audit.

- the section of the Annual report included within the Accountability Report, as required by provision C.3.9 of the NHS Foundation Trust Code of Governance, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

- 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 our knowledge acquired in the course of performing our audit. We have not considered whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

- we have referred a matter to Monitor under Schedule 10 (6) of the National Health Service Act 2006 because we had reason to believe that the Trust, or a director or officer of the Trust, was about to make, or had made, a decision which involved or would involve the incurring of expenditure that was unlawful, or was about to take, or had taken a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.

- we have issued a report in the public interest under Schedule 10 (3) of the National Health Service Act 2006.
- we have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility, except in relation to the limitation on obtaining the information and explanations we require for the purpose of our audit work relating to inventory as described in the Basis for qualified opinion paragraph above.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of Chapter 5 of Part 2 to the National Health Service Act 2006 and the Code of Audit Practice.

Rebecca Gissing (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
17 July 2020

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Part III

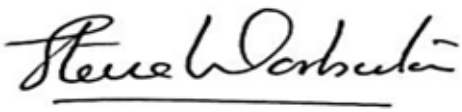
Accounts 2019/20

Liverpool University Hospitals
NHS Foundation Trust

Foreword to the accounts

Liverpool University Hospitals NHS Foundation Trust

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



Signed: .....

Name: Steve Warburton

Job title: Chief Executive Officer

Date: 17 July 2020

Statement of Comprehensive Income for the year ended 31st March 2020

	Note	2019/20 £000	2018/19 £000
Operating income from patient care activities	3	563,323	312,038
Other operating income	4	130,159	33,721
Operating expenses	6	(691,125)	(370,392)
Operating surplus/(deficit) from continuing operations		**2,357**	**(24,633)**
Finance income	11	200	110
Finance expenses	12	(5,400)	(1,732)
PDC dividends payable		(6,222)	(2,859)
Net finance costs		**(11,422)**	**(4,481)**
Gains arising from transfers by absorption	30	292,224	-
Surplus/(deficit) for the year from continuing operations		**283,159**	**(29,114)**
Surplus/(deficit) for the year		**283,159**	**(29,114)**
Other comprehensive income/(expense)			
Will not be reclassified to income and expenditure:			
Impairments	7	(9)	-
Revaluations	16	1,243	5,209
Other reserve movements *		(11,647)	-
Total comprehensive income / (expense) for the period		**272,746**	**(23,905)**

All revenue and expenditure is derived from continuing operations.

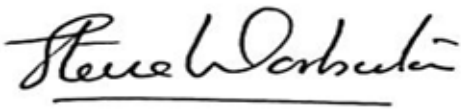
* Absorption transfers are recorded based on the book values of assets and liabilities transferring. Accounting adjustments relating to Partially Completed Spells, Inventories and Intangible Assets has been actioned as a result of harmonising accounting policies and were made immediately after the initial transfer. As per the 2019-20 NHS Group Accounting Manual (para 4.237) the adjustment has been made directly in taxpayers' equity.

The notes on pages xx to xx form part of these accounts.

Statement of Financial Position as at 31st March 2020

	Note	31 March 2020 £000	31 March 2019 £000
Non-current assets			
Intangible assets	13	16,899	792
Property, plant and equipment	14	646,068	190,920
Receivables	18	3,617	-
Total non-current assets		**666,584**	**191,712**
Current assets			
Inventories	17	12,696	2,181
Receivables	18	107,386	19,930
Cash and cash equivalents	19	43,643	7,638
Total current assets		**163,725**	**29,749**
Current liabilities			
Trade and other payables	20	(101,840)	(41,932)
Borrowings	22	(236,066)	(3,044)
Provisions	24	(1,125)	(422)
Other liabilities	21	(9,711)	(6,877)
Total current liabilities		**(348,742)**	**(52,275)**
Total assets less current liabilities		**481,567**	**169,186**
Non-current liabilities			
Borrowings	22	(55,116)	(70,656)
Provisions	24	(3,829)	(491)
Other liabilities	21	(204)	(239)
Total non-current liabilities		**(59,149)**	**(71,386)**
Total assets employed		**422,418**	**97,800**
Financed by			
Public dividend capital		460,059	115,963
Revaluation reserve		88,942	41,865
Income and expenditure reserve		(126,583)	(60,028)
Total taxpayers' equity		**422,418**	**97,800**

The notes on pages X to X were approved by the Liverpool University Hospitals NHS Foundation Trust board on 17th July 2020 and are signed on its behalf by:



Signed: .....

Name: Steve Warburton

Position: Chief Executive Officer

Date: 17 July 2020

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

	Note	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2019 - brought forward		**115,963**	**41,865**	**(60,028)**	**97,800**
Surplus for the year		-	-	283,159	**283,159**
Transfers by absorption: transfers between reserves *	30	292,224	45,843	(338,067)	**-**
Impairments	7	-	(9)	-	**(9)**
Revaluations	16	-	1,243	-	**1,243**
Public dividend capital received		51,872	-	-	**51,872**
Other reserve movements **		-	-	(11,647)	**(11,647)**
Taxpayers' and others' equity at 31 March 2020		**460,059**	**88,942**	**(126,583)**	**422,418**

* Absorption transfers are recorded based on the book values of assets and liabilities transferring.

** Accounting adjustments relating to Partially Completed Spells, Inventories and Intangible Assets has been actioned as a result of harmonising accounting policies and were made immediately after the initial transfer. As per the 2019-20 NHS Group Accounting Manual (para 4.237) the adjustment has been made directly in taxpayers' equity.

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

	Public dividend capital £000	Revaluation reserve £000	Income and expenditure reserve £000	Total £000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**115,091**	**36,656**	**(30,914)**	**120,833**
Deficit for the year	-	-	(29,114)	**(29,114)**
Revaluations	-	5,209	-	**5,209**
Public dividend capital received	872	-	-	**872**
Taxpayers' and others' equity at 31 March 2019	**115,963**	**41,865**	**(60,028)**	**97,800**

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. Please see further information disclose in note 16 to these accounts.

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

The notes on pages xx to xx form part of these accounts.

Statement of Cash Flows for the year ended 31st March 2020

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus / (deficit)		2,357	(24,633)
Non-cash income and expense:			
Depreciation and amortisation	6	15,030	5,848
Net impairments	7	9,003	-
Income recognised in respect of capital donations	4	(270)	(10)
Decrease in receivables and other assets		(919)	3,149
(Increase) / decrease in inventories		(1,142)	42
Increase in payables and other liabilities		7,498	4,798
Decrease in provisions		1,679	(113)
Net cash flows from / (used in) operating activities		**33,236**	**(10,919)**
Cash flows from investing activities			
Interest received		212	107
Purchase of intangible assets		(2,465)	-
Purchase of PPE		(72,223)	(10,835)
Receipt of cash donations to purchase assets		-	10
Net cash flows used in investing activities		**(74,476)**	**(10,718)**
Cash flows from financing activities			
Public dividend capital received		51,872	872
DHSC loans received	22.2	39,542	21,545
DHSC loans repaid	22.2	(4,612)	-
Other loans repaid	22.2	(4)	-
Capital element of finance lease rental payments	22.2	(730)	-
Capital element of PFI, LIFT and other service concession payments	22.2	(392)	-
Interest on loans	22.2	(4,583)	(1,612)
Interest paid on finance lease liabilities	22.2	(344)	-
Interest paid on PFI, LIFT and other service concession obligations	12 & 22.2	(420)	-
PDC dividend (paid)		(7,110)	(2,723)
Net cash flows from financing activities		**73,219**	**18,082**
Increase / (decrease) in cash and cash equivalents		**31,979**	**(3,555)**
Cash and cash equivalents at 1 April - brought forward		**7,638**	**11,193**
Cash and cash equivalents transferred under absorption accounting	30	4,026	-
Cash and cash equivalents at 31 March	19	**43,643**	**7,638**

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.

The Trust has determined that the transactions of the two associated Charitable Funds, for which the Trust is the Corporate Trustee, are immaterial in the context of the Trust and the transactions have not been consolidated. The Turnover of the two combined Charity's during the reporting period equates to <1% of the Trusts turnover.

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 Trust's Annual Report and Accounts have been prepared on a going concern basis. International Accounting Standard 1 requires the Board to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector, as defined within the Government Financial Reporting Manual (FReM), the anticipated provision for that service in published documents is normally sufficient evidence of going concern.

The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector.

In preparing the financial statements, the Board of Directors has considered the Trust's overall financial position against the requirements of IAS1.

The close of the 2019/20 financial year and the early part of 2020/21 has been overshadowed by the Covid-19 outbreak which has had profound effects upon the operations of Health Services throughout the UK.

The directors approved the 2020-21 Annual Plan submission to NHSI/Monitor. This plan showed an adjusted Income and Expenditure position of breakeven in 2020-21 which is in line with the control total set by NHSI. The plan includes £64.9m transitional support income and will not require any interim revenue cash loans. This transitional support is only receivable if the Trust meets its agreed control total.
The plan contained efficiency targets, including cost improvement plans, amounting to £34.5 million (of which not all have been planned in detail). Having regard to the significant efficiencies achieved over the recent past, this level of cost reduction is considered to be challenging. If these levels of efficiencies are not achieved, the Trust would need to apply to the Department of Health and Social Care or other appropriate regulatory body for additional funding. The extent and nature of the financial support from the Department of Health and Social Care, including whether such support will be forthcoming or sufficient, is currently uncertain, as are any terms and conditions associated with the funding.

The plan also includes capital expenditure of £189.2 million of which the vast majority is to fund the remaining construction of the New Royal Liverpool University Hospital and is funded by DHSC. This funding is included in the 2020/21 annual plan and will be provided to the Trust as Public Dividend Capital (PDC).

The directors believe that this forward plan provides a realistic assessment of the Trust's position. Income and expenditure budgets have been set on robust and agreed principles, which mean that the Trust should be able to provide high quality healthcare within the resources available, provided the cost saving targets are achieved.

The Trust has a robust governance structure with its Finance & Performance Committee (a sub-Committee of the Board) having the responsibility to monitor financial performance and oversee the necessary corrective action on behalf of and in conjunction with the Board. The Trust recognises there is an urgent need to develop a wider detailed programme for the delivery of the continued cost savings and to derive benefits from the recent organisational changes.

The preparation of the income and expenditure budgets and cash flow statements is predicated on many national and local factors and assumptions regarding both income and expenditure and profiled accordingly. The anticipated level of activity undertaken for its commissioners, and therefore the level of income, is derived after due consideration of a range of factors, including:

- 2019-20 forecast outturn.
- Changes in activity resulting from changes in demographic and demand.
- National Payment by Results rules and regulations.
- Commissioning intentions.
- National tariff prices.
- The impact of COVID-19.

The day to day operations of the Trust are funded from contracts with NHS commissioners. The uncertainty in the current economic climate has been mitigated by agreeing a number of contracts with Clinical Commissioning Groups, Local Authorities and NHS England for a further year and these payments provide a reliable stream of funding minimising the Trust's exposure to liquidity and financing problems.

The anticipated level of expenditure within the approved plan is derived after due consideration of a range of factors, including:

- Pay awards and incremental increases.
- National Insurance and pension contribution changes.
- Inflationary increases for insurance premiums, drugs, utilities and general non-pay.
- Financial consequences of both capital and revenue developments.
- Cost savings requirements.
- Impact of activity levels and commissioning intentions.

Cash flow projections take into account the planned breakeven position, capital expenditure, repayment of Public Dividend Capital, the timings of sustainability funding and movements in working balances. There is no certainty that further cost savings will be identified from service reconfiguration and this indicates the existence of a material uncertainty that may cast doubt about the Trust's ability to continue as a going concern. However, notwithstanding the deficits referred to above, the Trust does not have any evidence indicating that the going concern basis is not appropriate or that there is any prospect of intervention or dissolution within 12 months from the date of approval of these financial statements. In terms of the sustainable provision of services, there has been no indication from the Department of Health that the Trust will not continue to be a going concern. The directors have accordingly prepared the financial statements on a going concern basis.

With the onset of the COVID-19 pandemic, NHSE&I suspended the 2020/21 Operational Planning process and published updated financial guidance in March covering the period April 2020 to July 2020 in response to the pandemic. The key points from the recent financial guidance are:

- That providers will be funded on the 2019/20 forecast outturn (based on the deficit between April 2019 to December 2019) uplifted for the impact of inflation (including pay uplifts and CNST) but excluding the efficiency factor;

- A national top-up payment will be paid to providers where the expenditure in the period is greater than the income received through the first bullet point. This will be calculated as the average monthly expenditure over the period November 2019 to January 2020 uplifted for inflation; and,

- Providers will be able to claim for additional costs where the payments in the first two items do not equal actual costs to reflect genuine reasonable marginal costs due to COVID-19. In effect, the Trust will be funded to break-even in the first four months of the 2020/21 financial year including the ability to claim all genuine additional costs in relation to COVID-19. In the absence of further financial and operational guidance for the period following July 2020, the Trust has approached budget setting and financial planning by adopting their initial plan as there has been nothing to suggest that would suggest this is not achievable.

There will be a reset of the NHS Guidance; however as at the time of finalising the financial statements the impact is unknown. It is unlikely that planning will return on the same basis as pre-COVID-19. There will undoubtedly be a stronger emphasis on collaboration as an STP. The guidance issued by NHSE&I in relation to block contracts and the correspondence indicating the target for the next four years, coupled with the absolute operational needs associated with the treatment of patients during the current outbreak, provide a clear signal (in the absence of a signed 12 month contract), that the Trust will continue to provide services for the foreseeable future.

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS Cash Regime for the 2020/21 financial year. During 2020/21, existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow repayment. The affected loans totalling £219,626,000 (£218,489,000 interim loan principal and £1,137,000 interest accrual) as at 31 March 2020 are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present a going concern risk for the Trust.

Whilst there are factors in the 2020/21 financial plan that indicate the existence of a material uncertainty which may cast significant doubt about the Trust's ability to continue as a going concern, the Directors, having made appropriate enquiries, still have a reasonable expectation that the Trust will have adequate resources to continue in operational existence for the foreseeable future. The assurance provided by the immediate continuing provision of healthcare services and improved access to funding through changes in the NHS financing regime further mitigates this material uncertainty. For this reason,

the Trust continues to adopt the going concern basis in preparing the accounts and the financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

Note 1.3 Interests in other entities

Joint operations
The Trust does not hold a joint business arrangement with another organisation.

Subsidiaries
In July 2007, the Trust established a wholly owned subsidiary company called Aintree Healthcare Limited. The purpose of this company is to provide community healthcare projects. As of 31 March 2020, the company had not commenced trading.

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.

As per paragraph 121 of IFRS 15, the Trust does not disclose information regarding performance obligations part of a contract that has an original expected duration of one year or less. The GAM does not require the Trust to disclose information where revenue is recognised in line with the practical expedient offered in paragraph B16 of the Standard where the right to consideration corresponds directly with value of the performance completed to date.

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.

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 research contracts
Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract.

NHS injury cost recovery scheme
The Trust receives income under the NHS injury cost recovery scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer. The Trust recognises the income when performance obligations are satisfied. In practical terms this means that treatment has been given, it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

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 and recognised when all award criteria has been satisfied.

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. Where the grant is used to fund capital expenditure, it is credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

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.

Sale of Non-Current Assets
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 two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The 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 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.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, e.g. plant and equipment, then these components are treated as separate assets and depreciated over their own useful lives."

The Trust's Global Digital Excellence NHS accreditation and the move to the New Royal Liverpool Hospital will be considerations when capitalising expenditure. A Global Digital Exemplar is an internationally recognised NHS provider delivering improvements in the quality of care, through the world-class use of digital technologies and information. Exemplars

will share their learning and experiences through the creation of blueprints to enable other trusts to follow in their footsteps as quickly and effectively as possible.

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.

Assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (i.e. 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.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowing costs. 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.

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.

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 expenditure.

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.

De-recognition
Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met. The sale must be highly probable and the asset available for immediate sale in its present condition.

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.

Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions
PFI and LIFT transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the trust. In accordance with HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost, the charges for services and lifecycle replacement of components of the asset. The element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

The service charge is recognised in operating expenses and the finance cost is charged to finance costs in the Statement of Comprehensive Income.

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
Buildings, excluding dwellings	5	90
Dwellings	5	41
Plant & machinery	5	20
Transport equipment	7	7
Information technology	5	10
Furniture & fittings	5	15

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 1.9 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. In line with requirements of IAS 38, Intangible Assets are only recognised 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 where it meets the requirements set out in IAS 38. The Trust have assessed the level of intangible assets held and considered whether the assets have future service potential or whether an impairment review is required. The Trust concluded that the balances that remain within intangible non-current assets represent future service potential, predominantly relating to future software solutions such as a paper free initiative and patient tracking solutions (along with numerous other internally generated software solutions that provide future benefit to the Trust).

Software
Software which is integral to the operation of hardware, e.g. 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, e.g. 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 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.

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 lives 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
Information technology	7	7
Software licences	3	7

Note 1.10 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 less any provisions deemed necessary.

On 1 October 2019, as part of the acquisition of Royal Liverpool and Broadgreen University Hospital NHS Trust, inventory balances totalling £9,379k (£3,194k of drugs and £6,179k of consumables, £9k related to Charitable Funds) were transferred into Liverpool University Hospitals. As part of a process of harmonisation of accounting policies, £838k of the consumables inventory balance was adjusted for in taxpayer's equity at the point of acquisition.

The Trust's inventory balance of £12,696k is material to the Trust's accounts and the Trust is satisfied that its inventory balance is presented fairly in all material respects. However, due to restrictions on movements which resulted from the

COVID pandemic, the Trust's auditor was unable to perform its planned year-end inventory counts. This point is further covered in note 1.25.2 Sources of Estimation Uncertainty.

Note 1.11 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 1.12 Carbon Reduction Credits

The CRC scheme is a mandatory cap and trade scheme for non-transport CO2 emissions. The trust is registered with the CRC scheme, and is therefore required to surrender to the Government an allowance for every tonne of CO2 it emits during the financial year. A liability and related expense is recognised in respect of this obligation as CO2 emissions are made.

The carrying amount of the liability at the financial year end will therefore reflect the CO2 emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

The liability will be measured at the amount expected to be incurred in settling the obligation. This will be the cost of the number of allowances required to settle the obligation.

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 the Office of National Statistics.

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, i.e. 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.

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. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

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 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.

De-recognition
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.

The trust as a lessor

Finance leases
Amounts due from lessees under finance leases are recorded as receivables at the amount of the Trust's net investment in the leases. Finance lease income is allocated to accounting periods to reflect a constant periodic rate of return on the trust's net investment outstanding in respect of the leases.

Operating leases
Rental income from operating leases is recognised on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

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 HM Treasury's discount rates.

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 24.3 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 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 1.17 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 1.18 Corporation tax

Liverpool University Hospitals NHS Foundation Trust is a Health Service body within the meaning of s519A ICTA 1988 and accordingly is temporarily 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 (s519A (3) to (8) ICTA), accordingly, the Trust is potentially within the scope of Corporation Tax in respect of activities which are not related to, or ancillary to, the provision of healthcare and where the profits exceed £50,000 per annum. However, there is no tax liability in respect of the current financial year.

Note 1.19 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 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
- 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 1.20 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 1.21 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, including losses which would have been made good through insurance cover had the trust not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

However 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 1.22 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 1.23 Transfers of functions from other NHS bodies

For functions that have been transferred to the trust from another NHS government body, the assets and liabilities transferred are recognised in the accounts as at the date of transfer. The assets and liabilities are not adjusted to fair value prior to recognition. The net gain / (loss) corresponding to the net assets/ (liabilities) transferred is recognised within income / expenses, but not within operating activities.

For property, plant and equipment assets and intangible assets, the cost and accumulated depreciation / amortisation balances from the transferring entity's accounts are preserved on recognition in the trust's accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the trust makes a transfer from its income and expenditure reserve to its revaluation reserve to maintain transparency within public sector accounts.

Absorption transfers are recorded based on the book values of assets and liabilities transferring. During 2019-20, accounting adjustments relating to Partially Completed Spells, Inventories and Intangible Assets has been actioned as a result of harmonising accounting policies and were made immediately after the initial transfer. As per the 2019-20 NHS Group Accounting Manual (para 4.237) the adjustment has been made directly in taxpayers' equity.

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. The trust's incremental borrowing rate will be defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated

lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2021 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.

Other standards, amendments and interpretations
The IASB has deferred the effective date of IFRS 17, Insurance Contracts, to annual reporting periods beginning on or after 1 January 2023. IFRS 17 as interpreted and adapted by the FReM is to be effective from 1 April 2023.

Note 1.26 Critical judgements and estimation uncertainty

In the application of the NHS trust's accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Note 1.26.1 Critical judgements in applying accounting policies

The following are the critical judgments, apart from those involving estimations (see below) that management has made in the process of applying the NHS trust's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

A) Impact of the New Royal on asset valuations
The Trust plans to demolish buildings on the Royal site once the construction of the New Royal is completed and has determined that the recoverable amount of these buildings is lower than the carrying amount. Buildings that will be demolished have been impaired on a straight line basis by the amount represented by their remaining useful life beyond 31 March 2023 (this date is being used as a working assumption but is subject to confirmation). The valuation of the buildings on 31st March 2020 provided by the District Valuer was used to calculate the impairment of buildings to be demolished.

B) Recognition of payments relating to the New Royal
On 1st October 2019, the Trust acquired the Royal Liverpool and Broadgreen University Hospitals NHS Trust. As part of this acquisition, the Trust absorbed the book value of all assets and liabilities which included the new Royal Hospital.
The value of the new Royal Hospital has been arrived at as follows:

The previous Trust had made payments to the PFI operator in respect of capital contributions during the construction phase of the New Royal and accounted for these as non-current prepayments to be released to write down the long term liability when the asset comes into use. However, following termination of the PFI Project Agreement the New Royal is to be completed using public sector funding. The previous payments made to the PFI operator, together with the payments in respect of the termination of the PFI agreement, and subsequent payments to the new contractor, have been recognised as an asset under the course of construction.

An independent valuation of the asset in the course of construction was undertaken in January 2018 which exceeds both the previous payments to the PFI operator and the payments made in respect of termination of the PFI agreement. This valuation was undertaken in accordance with the professional standards of the Royal Institution of Chartered Surveyors. This valuation was the latest in a series of valuations provided for the lenders and the Trust and was relied upon to make stage payments by the lenders, and contributions towards the cost of construction by the Trust. Measurement of this asset has been undertaken in accordance with the additional Direction issued by the Department of Health and Social Care. As a result, the £108m representing the donated element had been included in the initial recognition of the Asset Under Construction.

Following an assessment on the work remaining to be completed, the Trust obtained a valuation of the new Royal Hospital as at 31st March 2019 by the District Valuer. This resulted in an impairment of £92.8m which was accounted for in operating expenses in the 2018/19 accounts of the previous Trust. In March 2020, the Trust considered whether there were any indications for impairment and concluded that no further impairment reviews were required until the asset is brought into operational use. This judgement involved the assessment of independent expert reports into the condition of the building and the likely future cost to completion that has been calculated by the Trust's contracted project managers. The Trust reached a conclusion that no further impairment review was required as the currently assessed cost to complete does not materially differ to the previously assessed cost to complete.

Note 1.26.2 Sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

When preparing the financial statements, management undertakes a number of judgments, estimates and assumptions about recognition and measurements of assets, liabilities, income and expenses. The actual results may differ from the judgments, estimates and assumptions made by management.

Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Valuation of Land and Buildings
The valuation of Land and buildings is based upon the views of an independent professional valuer. The Trust based the valuation of Land and Buildings in 2019/20 on the views of the Valuation Office Agency which includes the use of national building indices and location factor indices. Please see note 16 for further information.

There has been no diminution identified in the Trusts ongoing requirement of its operational assets, nor reduction in its ongoing remaining economic service potential as a result of the incidence of Covid-19.

Provisions
For the purposes of calculating provision balances, estimates are made based upon information supplied by third parties such as NHS Resolution and the NHS Pensions Agency. Inflation and discount rates are notified to the Trust. The probability and timing of settlements are also estimated, based upon previous experience and robust estimation techniques. Provisions in respect of payments to the NHS Pensions Agency are calculated based on actuarial tables covering life expectancy and are regularly reviewed.

Useful asset lives
The charge in respect of depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Increasing an asset's expected life or its residual value would result in a reduced depreciation charge in the statement of comprehensive income. The useful lives and residual values of the Trust's assets are determined by management at the time the asset is acquired and reviewed annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events which may impact their life such as changes in technology.

Inventories
The Trust's inventory balance of £12,696k is material to the Trust's accounts and the Trust is satisfied that its inventory balance is presented fairly in all material respects. However, the restrictions on movement in the United Kingdom in March 2020 meant that the Trust's auditor was unable to perform its planned year-end inventory counts, and the auditor has been unable to gain sufficient audit evidence from alternative procedures. The auditor has therefore been unable to complete the procedures required by auditing standards and is required to issue a qualified opinion. We are aware that a number of Trusts in the country are affected by the same issue in 2019/20 and we understand NHS Improvement will disclose the extent to which this has impacted the sector in its consolidated provider accounts when published later in 2020.

Note 1.27 Segmental Analysis
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board that makes strategic decisions. A segmental analysis is shown at Note 2.

Note 2 Segmental reporting

	Scheduled		Unscheduled		Total	
	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000	2019/20 £'000	2018/19 £'000
Income	**254,284**	**137,440**	**272,654**	**150,535**	**526,938**	**287,975**
Expenditure						
Pay	(148,235)	(80,698)	(167,375)	(95,715)	(315,610)	(176,413)
Non-Pay	(63,344)	(35,106)	(66,415)	(35,656)	(129,759)	(70,762)
Total Expenditure	**(211,579)**	**(115,804)**	**(233,790)**	**(131,371)**	**(445,369)**	**(247,175)**
Total Contribution					81,569	40,800
Other Services*					(90,634)	(69,914)
Gains arising from transfers by absorption**					292,224	-
Total Surplus/(Deficit)					**283,159**	**(29,114)**

* Other services contain the following

** Please see note 30 for further information regarding the transfer by absorption.

	Other Services		
	2019/20 £'000	2018/19 £'000	
Income	166,744	57,894	Comprises Training and Education Levies, Direct Access Community Services, Service Level Agreements with other provider organisations, Research and Development, FRF PSF and MRET bonus related income and income generating activities (e.g. Catering, Injury Costs Recovery income, etc.).
Expenditure	(257,378)	(127,808)	Comprises Clinical Support Services (e.g. Radiology, Pathology, Physiotherapy, etc.), Central Support Departments (e.g. Estates & Maintenance, Hotel Services, Finance, HR, etc.), accounting charges for depreciation & impairments and the payment of a Public Dividend Capital dividend.
	(90,634)	**(69,914)**	

The Trust does not report total assets attributable to each operating segment to the Board. Consequently, total assets attributable to each operating segment are not disclosed.

The Trust considers the Board of Directors to be the Chief Operating Decision Maker (CODM) because it regularly reviews operating results, makes decisions about where resources are allocated as a result and assesses performance.

Income and expenditure arising from both scheduled and unscheduled care segments are reported to the Board on a distinct and separate basis and therefore they have also been disclosed separately in the accounts.

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	74,357	45,445
Non elective income	166,071	98,945
First outpatient income	37,426	19,207
Follow up outpatient income	46,544	26,625
A & E income	26,595	15,242
High cost drugs income from commissioners	44,642	22,915
Other NHS clinical income	150,487	78,915
All other services		
Private patient income	1,455	1,366
Agenda for Change pay award central funding*	-	3,378
Additional pension contribution central funding**	15,746	-
Total income from activities	**563,323**	**312,038**

*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 (£15,746,000) been recognised in these accounts.

Note 3.2 Income from patient care activities (by source)	2019/20 £000	2018/19 £000
Income from patient care activities received from:		
NHS England	129,081	57,028
Clinical commissioning groups	408,346	236,072
Department of Health and Social Care	76	3,431
Other NHS providers	3,582	3,997
NHS other	15	46
Local authorities	5,665	660
Non-NHS: private patients	1,455	1,366
Non-NHS: overseas patients (chargeable to patient)	251	79
Injury cost recovery scheme	2,464	2,683
Non NHS: other	12,388	6,676
Total income from activities	**563,323**	**312,038**
Of which:		
Related to continuing operations	563,323	312,038

Note 3.3 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 £000	2018/19 £000
Income from services designated as commissioner requested services	549,815	305,541
Income from services not designated as commissioner requested services	13,508	6,497
Total	**563,323**	**312,038**

Note 3.4 Overseas visitors (relating to patients charged directly by the provider)

	2019/20 £000	2018/19 £000
Income recognised this year	251	79
Cash payments received in-year	121	31
Amounts added to provision for impairment of receivables	21	-
Amounts written off in-year	15	29

Note 4 Other operating income

Note 4.1 Other operating income

	2019/20			2018/19		
	Contract income £000	Non-contract income £000	Total £000	Contract income £000	Non-contract income £000	Total £000
Research and development	9,977	-	**9,977**	837	-	**837**
Education and training	28,500	202	**28,702**	12,310	571	**12,881**
Non-patient care services to other bodies	33,196	-	**33,196**	5,886		**5,886**
Provider sustainability fund (PSF)*	11,095	-	**11,095**	-	-	**-**
Financial recovery fund (FRF)*	33,527	-	**33,527**	-	-	**-**
Marginal rate emergency tariff funding (MRET)*	142	-	**142**	-	-	**-**
Income in respect of employee benefits accounted on a gross basis	62	-	**62**	-		**-**
Receipt of capital grants and donations	-	270	**270**	-	10	**10**
Rental revenue from operating leases	-	342	**342**	-	59	**59**
Other income	12,846	-	**12,846**	14,048	-	**14,048**
Total other operating income	**129,345**	**814**	**130,159**	**33,081**	**640**	**33,721**
Of which:						
Related to continuing operations			**130,159**			**33,721**

* PSF, FRF and MRET are all income incentives due on the delivery of control total targets that are established. The control total is an annual financial target that must be achieved to unlock access to national funding and other financial benefits. All NHS providers are offered a control total that they can accept or reject. Access to national sustainability and transformation funding is conditional on providers agreeing and delivering their control total. During the reporting period 2019/20, the Trust over-achieved its control total (the Trust did not sign up to a control total during 2018/19).

The increase both Research and Development and Education and Training, is a direct result of the transfer by absorption. On Tuesday 1 October 2019 Royal Liverpool and Broadgreen University Hospitals NHS Trust was acquired by Aintree University Hospital NHS Foundation Trust, becoming Liverpool University Hospitals NHS Foundation Trust.

Note 4.2 Analysis of other contract income

	2019/20 £000	2018/19 £000
Car park income	3,196	2,799
Catering	3,269	3,204
Staff and accommodation rental	483	427
Clinical excellence award	1,370	868
Income generation schemes	1,129	1,044
Other income	3,399	5,706
	12,846	**14,048**

Note 5 Additional information on contract revenue (IFRS 15) recognised in the period

	2019/20 £000	2018/19 £000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end (i.e. release of deferred income)	3,568	4,759

Note 6 Operating expenses

Note 6.1 Operating expenses

	2019/20 £000	2018/19 £000
Purchase of healthcare from NHS and DHSC bodies	1,614	1,510
Purchase of healthcare from non-NHS and non-DHSC bodies	5,194	2,025
Staff and executive directors costs	430,430	235,112
Remuneration of non-executive directors	141	120
Supplies and services - clinical (excluding drugs costs)	72,943	44,627
Supplies and services - general	24,900	11,168
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	60,113	33,240
Consultancy costs	1,035	1,656
Establishment	7,328	3,382
Premises	28,279	17,273
Transport (including patient travel)	2,833	758
Depreciation on property, plant and equipment	12,886	5,579
Amortisation on intangible assets	2,144	269
Net impairments	9,003	-
Movement in credit loss allowance: contract receivables / contract assets	1,380	658
Increase in other provisions	229	55
Audit fees payable to the external auditors		
audit services- statutory audit *	254	58
other auditors remuneration (external auditor only)	0	14
Internal audit costs	118	122
Clinical negligence	9,962	6,857
Legal fees	328	-
Insurance	511	153
Research and development staff costs	4,355	-
Education and training staff costs	2,850	1,293
Rentals under operating leases	3,932	3,117
Redundancy	347	21
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT)	5,241	-
Hospitality	75	74
Other services, e.g. external payroll	580	244
Other	2,120	1,007
Total	**691,125**	**370,392**
Of which:		
Related to continuing operations	691,125	370,392

* Statutory audit costs are associated to the Liverpool University Hospitals NHS Foundation Trust Accounts, dated 31st March 2020 and carried out by PricewaterhouseCoopers LLP (PwC) at the cost of £254k (£242k relating to 2019/20 and an additional cost of £12k charged for the 2018/19 audit, agreed post prior year end, and consequently not included in the 2018/19 accounts).

Note 6.2 Other auditors remuneration

	2019/20 £000	2018/19 £000
Other auditors remuneration paid to the external auditors:		
Audit of accounts of any associate of the trust	0	4
Audit-related assurance services	0	10
Total	**0**	**14**

Note 6.3 Limitation on auditors' liability

The limitation on auditors' liability for external audit work is £1m (2018/19: £1m).

Note 7 Impairment of assets

	2019/20 £000	2018/19 £000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	9,003	-
Total net impairments charged to operating surplus / deficit	**9,003**	**-**
Impairments charged to the revaluation reserve	9	-
Total net impairments	**9,012**	**-**

The net impairment above is derived from impairments of £22,354k less reversal of impairments from previous years of (£13,342k) as can be seen in the table below.

Reconciliation to note 14.1

	Total Impairment £'000	Total Reversal of Impairment £'000	Total Net Impairment £'000
Gross Valuation	(23,745)	7,578	(16,167)
Accumulated deprecation	1,391	5,764	7,155
	(22,354)	13,342	(9,012)

The impairment of £22.354m includes a £20.0m charge following the acquisition of embedded accommodation within the Royal site from the University of Liverpool.

Final approval for the building of the New Royal was received during 2013/14 and the PFI contract was signed on 13th December 2014. Consequently, the trust's buildings were impaired in 2013/14 to reflect planned demolition.

The asset impairment is based on the asset value at 31st March 2020 and the remaining useful life provided by the District Valuer. The impairment represents the difference between the value of the buildings at 31st March 2020 (for those buildings due to be demolished upon completion of the new hospital) and the estimated depreciated value of these buildings over the period 1st April 2020 to 31st March 2023, resulting in a net book value of zero at 31st March 2023.

Note 8 Employee Benefits

Note 8.1 Employee benefits

	2019/20 Total £000	2018/19 Total £000
Salaries and wages	338,124	183,766
Social security costs	31,116	17,049
Apprenticeship levy	1,587	903
Employer's contributions to NHS pensions	51,814	19,708
Pension cost - other	87	21
Termination benefits	667	-
Temporary staff (including agency)	14,376	13,686
Total gross staff costs	**437,771**	**235,133**
Of which		
Costs capitalised as part of assets	1,326	-

Senior staff salary and pension disclosures have been included within the Remuneration Report.

Head count disclosures have been included within the Staff Report.

Note 8.2 Retirements due to ill-health

During 2019/20 there were 2 early retirements from the trust agreed on the grounds of ill-health (1 in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements total £112k (£24k 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 at 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 at 20.6%, and the Scheme Regulations were amended accordingly.

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.

c) National Employment Savings Scheme (NEST)

The Pensions Act 2008 introduced automatic enrolment of eligible workers into a qualifying workplace pension scheme. The National Employment Savings Scheme (NEST) is a defined contribution pension scheme and the Trust has a duty to automatically enrol employees into the scheme, subject to certain criteria. However, the number of enrolments and the level of contributions are not material to the Trust's Accounts.

Note 10 Operating Lease

Note 10.1 Liverpool University Hospitals NHS Foundation Trust as a lessor

This note discloses income generated in operating lease agreements where Liverpool University Hospitals NHS Foundation Trust is the lessor.

The Trust has continued to agree tenancies for the Accelerator building with non-NHS organisations including the Liverpool School of Tropical Medicine.

	2019/20 £000	2018/19 £000
Operating lease revenue		
Minimum lease receipts	342	59
Total	**342**	**59**

	31 March 2020 £000	31 March 2019 £000
Future minimum lease receipts due:		
- not later than one year;	59	59
- later than one year and not later than five years;	236	96
- later than five years.	-	120
Total	**295**	**275**

Note 10.2 Liverpool University Hospitals NHS Foundation Trust as a lessee

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

	2019/20 £000	2018/19 £000
Operating lease expense		
Minimum lease payments	3,932	3,117
Contingent rents	-	-
Less sublease payments received	-	-
Total	**3,932**	**3,117**

	31 March 2020 £000	31 March 2019 £000
Future minimum lease payments due:		
- not later than one year;	4,476	1,176
- later than one year and not later than five years;	10,884	2,754
- later than five years.	4,880	460
Total	**20,240**	**4,390**
Future minimum sublease payments to be received	-	-
Future minimum lease payments due (by type):		
Buildings	10,352	-
Equipment	9,888	4,390
	20,240	**4,390**

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	200	110
Total finance income	**200**	**110**

Note 12 Finance Expenses

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	4,582	1,732
Other loans	61	-
Finance leases	344	-
Main finance costs on PFI and LIFT schemes obligations	165	-
Contingent finance costs on PFI and LIFT scheme obligations	255	-
Total interest expense	**5,407**	**1,732**
Unwinding of discount on provisions	(7)	-
Total finance expenses	**5,400**	**1,732**

Note 13 Intangible Assets

Note 13.1 Intangible assets - 2019/20

	Software licences £000	Internally generated information technology £000	Assets under construction £000	Total £000
Valuation / gross cost at 1 April 2019 - brought forward	**1,109**	**-**	**-**	**1,109**
Transfers by absorption	-	26,006	2,551	**28,557**
Additions	-	2,465	-	**2,465**
Reclassifications	-	2,551	(2,551)	**-**
Disposals / derecognition	-	(9,015)	-	**(9,015)**
Valuation / gross cost at 31 March 2020	**1,109**	**22,007**	**-**	**23,116**
Amortisation at 1 April 2019 - brought forward	**317**	**-**	**-**	**317**
Transfers by absorption	-	6,613	-	**6,613**
Provided during the year	289	1,855	-	**2,144**
Disposals / derecognition	-	(2,857)	-	**(2,857)**
Amortisation at 31 March 2020	**606**	**5,611**	**-**	**6,217**
Net book value at 31 March 2020	**503**	**16,396**	**-**	**16,899**
Net book value at 1 April 2019	**792**	**-**	**-**	**792**

Note 13.2 Intangible assets - 2018/19

	Software licences	Internally generated information technology	Assets under construction	Total
	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	1,109	-	-	1,109
Valuation / gross cost at 31 March 2019	1,109	-	-	1,109
Amortisation at 1 April 2018 - as previously stated	48	-	-	48
Provided during the year	269	-	-	269
Amortisation at 31 March 2019	317	-	-	317
Net book value at 31 March 2019	792	-	-	792
Net book value at 1 April 2018	1,061	-	-	1,061

Note 14 Property, Plant and Equipment

Note 14.1 Property, plant and equipment - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019 - brought forward	**5,056**	**178,298**	**1,766**	**2,652**	**25,912**	**18**	**8,132**	**692**	**222,526**
Transfers by absorption	25,460	111,055	-	238,465	103,022	176	31,062	8,267	**517,507**
Additions	-	23,212	-	43,525	5,925	-	2,130	-	**74,792**
Impairments	-	(23,745)	-	-	-	-	-	-	**(23,745)**
Reversals of impairments	-	7,578	-	-	-	-	-	-	**7,578**
Revaluations	1,589	(11,177)	(76)	-	-	-	-	-	**(9,664)**
Reclassifications	-	1,713	-	(4,565)	1,467	-	1,364	21	**-**
Disposals / derecognition	-	-	-	-	(3,357)	-	-	-	**(3,357)**
Valuation/gross cost at 31 March 2020	**32,105**	**286,934**	**1,690**	**280,077**	**132,969**	**194**	**42,688**	**8,980**	**785,637**
Accumulated depreciation at 1 April 2019 - brought forward	**-**	**5,849**	**86**	**-**	**18,955**	**4**	**6,225**	**487**	**31,606**
Transfers by absorption	-	5,322	-	-	82,732	175	21,127	7,140	**116,496**
Provided during the year	-	6,761	44	-	3,941	5	1,977	158	**12,886**
Impairments	-	(1,391)	-	-	-	-	-	-	**(1,391)**
Reversals of impairments	-	(5,764)	-	-	-	-	-	-	**(5,764)**
Revaluations	-	(10,777)	(130)	-	-	-	-	-	**(10,907)**
Disposals / derecognition	-	-	-	-	(3,357)	-	-	-	**(3,357)**
Accumulated depreciation at 31 March 2020	**-**	**-**	**-**	**-**	**102,271**	**184**	**29,329**	**7,785**	**139,569**
Net book value at 31 March 2020	**32,105**	**286,934**	**1,690**	**280,077**	**30,698**	**10**	**13,359**	**1,195**	**646,068**
Net book value at 1 April 2019	**5,056**	**172,449**	**1,680**	**2,652**	**6,957**	**14**	**1,907**	**205**	**190,920**

The material increase in year on year balances is a direct result of the transfer by absorption. On Tuesday 1 October 2019 Royal Liverpool and Broadgreen University Hospitals NHS Trust was acquired by Aintree University Hospital NHS Foundation Trust, becoming Liverpool University Hospitals NHS Foundation Trust.

Note 14.2 Property, plant and equipment - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	**5,056**	**168,455**	**1,719**	**2,932**	**25,885**	**18**	**8,034**	**709**	**212,808**
Additions	-	2,606	-	1,638	872	-	375	-	**5,491**
Revaluations	-	5,319	47	-	-	-	-	-	**5,366**
Reclassifications	-	1,918	-	(1,918)	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	(845)	-	(277)	(17)	**(1,139)**
Valuation/gross cost at 31 March 2019	**5,056**	**178,298**	**1,766**	**2,652**	**25,912**	**18**	**8,132**	**692**	**222,526**
Accumulated depreciation at 1 April 2018 - as previously stated	**-**	**2,801**	**41**	**-**	**17,727**	**-**	**5,987**	**453**	**27,009**
Provided during the year	-	2,893	43	-	2,073	4	515	51	**5,579**
Revaluations	-	155	2	-	-	-	-	-	**157**
Disposals / derecognition	-	-	-	-	(845)	-	(277)	(17)	**(1,139)**
Accumulated depreciation at 31 March 2019	**-**	**5,849**	**86**	**-**	**18,955**	**4**	**6,225**	**487**	**31,606**
Net book value at 31 March 2019	**5,056**	**172,449**	**1,680**	**2,652**	**6,957**	**14**	**1,907**	**205**	**190,920**
Net book value at 1 April 2018	**5,056**	**165,654**	**1,678**	**2,932**	**8,158**	**18**	**2,047**	**256**	**185,799**

Note 14.3 Property, plant and equipment financing - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020									
Owned - purchased	32,105	274,120	1,690	204,977	25,725	10	8,581	1,195	**548,403**
Finance leased	-	5,930	-	-	240	-	4,778	-	**10,948**
On-SoFP PFI contracts and other service concession arrangements	-	378	-	-	2,268	-	-	-	**2,646**
Owned - donated *	-	6,506	-	75,100	2,465	-	-	-	**84,071**
NBV total at 31 March 2020	**32,105**	**286,934**	**1,690**	**280,077**	**30,698**	**10**	**13,359**	**1,195**	**646,068**

* The Owned – donated value of £75.1 million (as at 31 March 2020) is a proportion of the total value of the New Royal Liverpool Hospital (under construction) which transferred at book value from the demised Royal Liverpool and Broadgreen University Hospital NHS Trust. In arriving at this donated valuation, the Royal Liverpool and Broadgreen University Hospital NHS Trust had complied with additional mandatory guidance, supplementary to the Department of Health and Social Care's Group Accounting Manual, in respect of the accounting treatment for the transfer of the New Royal Liverpool Hospital (under construction) to the public sector with regards to donations of Property, Plant and Equipment. The Trust was required to utilise an appropriate valuation at the time of transfer to the Trust and to compute the value of the donated element by subtracting the capitalised cost of the trust Trust's cash contributions from the valuation. This proportionate split of the asset as part-purchased and part-donated will be used for subsequent accounting purposes and maintained during asset revaluations. As a result of complying with the Direction issued by the Department of Health and Social Care, and accounting for the Property, Plant and Equipment as part-donated, the Trust's PDC dividend calculation is reduced by approximately £2.6m.

Note 14.4 Property, plant and equipment financing - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019									
Owned - purchased	5,056	169,627	1,680	2,652	6,846	14	1,907	205	**187,987**
Owned - donated	-	2,822	-	-	111	-	-	-	**2,933**
NBV total at 31 March 2019	**5,056**	**172,449**	**1,680**	**2,652**	**6,957**	**14**	**1,907**	**205**	**190,920**

Note 15 Donations of property, plant and equipment

During 2019-20 the Trust received donations by way of tangible assets (non-cash) to the value of £270k from the Royal Liverpool and Broadgreen University NHS Trust Charitable Funds (Donations of £10k were received in 2018-19). The £270k donation accounts for a small proportion of the overall Property, Plant and Equipment acquisition total of £74,792k, which can be seen in note 14.1.

Note 16 Revaluations of property, plant and equipment

In accordance with the Department of Health and Social Care Group accounting manual, the land and buildings assets of the Trust have been revalued since 1st April 2009 on a modern equivalent asset basis, using an alternative site. The valuation was carried out by the District Valuation service (DVS), the commercial arm of the Valuation Office Agency.

During 2019/20, the Trust contracted the services of the District Valuer to comprehensively value all of its sites following the transfer of assets by absorption which significantly increased the non-current fixed assets under its control. This revaluation increased the estate value by £1,243k.

The valuations were undertaken in accordance with International Financial Reporting Standards (IFRS) as interpreted and applied by the NHS, and the requirements of the RICS Valuation Professional Standards.

Revaluation by Site

	2019/20 £000
Aintree University Hospital	868
Royal Liverpool and Broadgreen Hospitals	375
Total Revaluation	**1,243**

Shown through Property, Plant and Equipment (note 14.1)

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Total £000
Valuation/gross cost	1,589	(11,177)	(76)	(9,664)
Accumulated deprecation	-	10,777	130	10,907
	1,589	**(400)**	**54**	**1,243**

Note 17 Inventories

	31 March 2020 £000	31 March 2019 £000
Drugs	5,004	2,181
Other inventory items	7,692	-
Total inventories	**12,696**	**2,181**

Inventories recognised in expenses for the year were £88,733k (2018/19: £33,240k). Write-down of inventories recognised as expenses for the year were £0k (2018/19: £0k).

The material increase in year on year balances is a direct result of the transfer by absorption. On Tuesday 1 October 2019 Royal Liverpool and Broadgreen University Hospitals NHS Trust was acquired by Aintree University Hospital NHS Foundation Trust, becoming Liverpool University Hospitals NHS Foundation Trust.

Due to the operational pressures the hospital was facing in March 2020 (resulting from preparing for the COVID pandemic), it was not possible to undertake a physical stock count in all areas. Consequently, the Trust undertook alternative procedures which involved estimation of stock levels based on previous year's levels. This estimation applied to less than 9% of the overall stock value and therefore was not significant.

Note 18 Receivables

Note 18.1 Receivables

	31 March 2020 £000	31 March 2019 £000
Current		
Contract receivables	99,104	17,321
Allowance for impaired contract receivables	(3,834)	(1,924)
Prepayments (non-PFI)	6,313	2,764
Interest receivable	-	12
PDC dividend receivable	788	318
VAT receivable	1,779	746
Other receivables	3,236	693
Total current receivables	**107,386**	**19,930**
Non-current		
Contract receivables	338	-
Prepayments (non-PFI)	1,115	-
Other receivables	2,164	-
Total non-current receivables	**3,617**	**-**
Of which receivable from NHS and DHSC group bodies:		
Current	73,849	10,492
Non-current	2,164	-

The material increase in year on year balances is a direct result of the transfer by absorption. On Tuesday 1 October 2019 Royal Liverpool and Broadgreen University Hospitals NHS Trust was acquired by Aintree University Hospital NHS Foundation Trust, becoming Liverpool University Hospitals NHS Foundation Trust.

Note 18.2 Allowances for credit losses

	2019/20 Contract receivables and contract assets £000	2019/20 All other receivables £000	2018/19 Contract receivables and contract assets £000	2018/19 All other receivables £000
Allowances as at 1 April - brought forward	**1,924**	**-**	**-**	**1,598**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018	-	-	1,598	(1,598)
Transfers by absorption	1,059	-	-	-
New allowances arising	1,592	-	676	-
Reversals of allowances	(212)	-	(18)	-
Utilisation of allowances (write offs)	(529)	-	(332)	-
Allowances as at 31 March 2020	**3,834**	**-**	**1,924**	**-**

The material increase in year on year balances is a direct result of the transfer by absorption. On Tuesday 1 October 2019 Royal Liverpool and Broadgreen University Hospitals NHS Trust was acquired by Aintree University Hospital NHS Foundation Trust, becoming Liverpool University Hospitals NHS Foundation Trust.

Note 19 Cash and Cash Equivalents

Note 19.1 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	**7,638**	**11,193**
Transfers by absorption	4,026	-
Net change in year	31,979	(3,555)
At 31 March	**43,643**	**7,638**
Broken down into:		
Cash at commercial banks and in hand	30	43
Cash with the Government Banking Service	43,613	7,595
Total cash and cash equivalents as in SoFP	**43,643**	**7,638**
Total cash and cash equivalents as in SoCF	**43,643**	**7,638**

The material increase in year on year balances is a direct result of the transfer by absorption. On Tuesday 1 October 2019 Royal Liverpool and Broadgreen University Hospitals NHS Trust was acquired by Aintree University Hospital NHS Foundation Trust, becoming Liverpool University Hospitals NHS Foundation Trust.

Note 19.2 Third party assets held by the trust

Liverpool University Hospitals NHS Foundation Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties and in which the trust has no beneficial interest. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2020 £000	31 March 2019 £000
Bank balances	5	2
Total third party assets	**5**	**2**

Note 20 Payables

	31 March 2020 £000	31 March 2019 £000
Current		
Trade payables	23,067	5,733
Capital payables	5,561	1,206
Accruals	48,914	25,821
Social security costs	6,508	2,592
Other taxes payable *	5,596	2,313
Other payables	12,194	4,267
Total current trade and other payables	**101,840**	**41,932**
Of which payables from NHS and DHSC group bodies:		
Current	15,820	8,458

* Taxes payable relates to monies owed to HMRC and relates to both employee salary deductions and employer contributions.

The material increase in year on year balances is a direct result of the transfer by absorption. On Tuesday 1 October 2019 Royal Liverpool and Broadgreen University Hospitals NHS Trust was acquired by Aintree University Hospital NHS Foundation Trust, becoming Liverpool University Hospitals NHS Foundation Trust.

Note 21 Other Liabilities

	31 March 2020 £000	31 March 2019 £000
Current		
Deferred income: contract liabilities	9,711	6,877
Total other current liabilities	**9,711**	**6,877**
Non-current		
Deferred income: contract liabilities *	204	239
Total other non-current liabilities	**204**	**239**

* Balance relates to rent receipts received in advance of period.

Note 22 Borrowings

Note 22.1 Borrowings

	31 March 2020 £000	31 March 2019 £000
Current		
Loans from DHSC	222,280	3,044
Other loans	11,560	-
Obligations under finance leases	1,396	-
Obligations under PFI, LIFT or other service concession contracts	830	-
Total current borrowings	**236,066**	**3,044**
Non-current		
Loans from DHSC	38,697	70,656
Obligations under finance leases	13,066	-
Obligations under PFI, LIFT or other service concession contracts	3,353	-
Total non-current borrowings	**55,116**	**70,656**

Analysis of DHSC Normal Course of Business (NCB) loans	**Interest rate**	**Term (years)**
Loan 1 - (Original value £24,000,000) Agreement Date 16 March 2010	4.27%	25
Loan 2 - (Original value £20,000,000) Agreement Date 19 March 2012	2.92%	25
Loan 3 - (Original value £15,000,000) Agreement Date 15 December 2014	2.62%	25

In total the Liverpool University Hospitals NHS Foundation Trust holds 40 DHSC interim loans with various start dates, original borrowing amounts, interest rates and terms. Please see note 31 for further information regarding events after the reporting date in the context of these loans.

The material increase in year on year balances is a direct result of the transfer by absorption. On Tuesday 1 October 2019 Royal Liverpool and Broadgreen University Hospitals NHS Trust was acquired by Aintree University Hospital NHS Foundation Trust, becoming Liverpool University Hospitals NHS Foundation Trust.

Note 22.2 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	**73,700**	**-**	**-**	**-**	**73,700**
Cash movements:					
Financing cash flows - receipts of principle	39,542				**39,542**
Financing cash flows - payments of principle	(4,612)	(4)	(730)	(392)	**(5,738)**
Financing cash flows - payments of interest	(4,583)	-	(344)	(165)	**(5,092)**
Non-cash movements:					
Transfers by absorption	152,348	11,503	15,192	4,575	**183,618**
Application of effective interest rate	4,582	61	344	165	**5,152**
Carrying value at 31 March 2020	**260,977**	**11,560**	**14,462**	**4,183**	**291,182**

The material increase in year on year balances is a direct result of the transfer by absorption. On Tuesday 1 October 2019 Royal Liverpool and Broadgreen University Hospitals NHS Trust was acquired by Aintree University Hospital NHS Foundation Trust, becoming Liverpool University Hospitals NHS Foundation Trust.

Note 22.3 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	**51,766**	**-**	**-**	**-**	**51,766**
Cash movements:					
Financing cash flows - payments and receipts of principal	21,545	-	-	-	**21,545**
Financing cash flows - payments of interest	(1,612)	-	-	-	**(1,612)**
Non-cash movements:					
Impact of implementing IFRS 9 on 1 April 2018	269	-	-	-	**269**
Application of effective interest rate	1,732	-	-	-	**1,732**
Carrying value at 31 March 2019	**73,700**	**-**	**-**	**-**	**73,700**

Note 23 Finance leases where Liverpool University Hospitals NHS Foundation Trust is the lessee

Obligations under finance leases where the trust is the lessee.

	31 March 2020	31 March 2019
	£000	£000
Gross lease liabilities	**20,160**	**-**
of which liabilities are due:		
- not later than one year;	2,045	-
- later than one year and not later than five years;	6,246	-
- later than five years.	11,869	-
Finance charges allocated to future periods	(5,698)	-
Net lease liabilities	**14,462**	**-**
of which payable:		
- not later than one year;	1,396	-
- later than one year and not later than five years;	4,449	-
- later than five years.	8,617	-
Contingent rent recognised as expense in the period	(255)	-

The material increase in year on year balances is a direct result of the transfer by absorption. On Tuesday 1 October 2019 Royal Liverpool and Broadgreen University Hospitals NHS Trust was acquired by Aintree University Hospital NHS Foundation Trust, becoming Liverpool University Hospitals NHS Foundation Trust.

Note 24 Provisions

Note 24.1 Provisions for liabilities and charges analysis 2019-20

	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Clinician's Pension	Other	Total
	£000	£000	£000	£000	£000	£000
At 1 April 2019	**127**	**446**	**340**		**-**	**913**
Transfers by absorption	817	296	298		958	**2,369**
Arising during the year	32	3	280	2,164	-	**2,479**
Utilised during the year	(178)	(75)	(118)		(343)	**(714)**
Reversed unused	-	-	(86)		-	**(86)**
Unwinding of discount	(5)	(2)	-		-	**(7)**
At 31 March 2020	**793**	**668**	**714**	**2,164**	**615**	**4,954**
Expected timing of cash flows:						
- not later than one year;	299	112	714		-	**1,125**
- later than one year and not later than five years;	343	535	-	2,164	**615**	**3,657**
- later than five years.	151	21	-		-	**172**
Total	**793**	**668**	**714**	**2,164**	**615**	**4,954**

Pensions - include the likely cost of permanent injury and early departure pension compensation settlements and the subsequent application of the appropriate value supplied by the Government's Actuary Department to assess the total provision required for the anticipated duration of the liability. The provision is calculated using life expectancy tables provided by the Office of National Statistics. Payments are made quarterly to the NHS Pension Scheme and NHS Injury Benefit Scheme It does not include any provision relating to former Directors.

Legal claims - comprises provisions in respect of the Trust's employer and public legal liabilities.

Clinician's Pension - tax owed by Consultants in respect of the growth of their NHS pension benefits above their pension savings annual allowance.

Other - includes the accumulated surpluses relating to Mersey Internal Audit Agency (MIAA) a service hosted by the Trust. The accumulated surpluses attributable to MIAA would require distribution or transfer should there be a future change to hosting arrangements.

Note 24.2 Provisions for liabilities and charges analysis 2018-19

	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Other	Total
At 1 April 2018	£000	£000	£000	£000	£000
Arising during the year	**162**	**475**	**389**	**-**	**1,026**
Utilised during the year	9	10	232	-	**251**
Reversed unused	(44)	(39)	(85)	-	**(168)**
At 31 March 2019	**-**	**-**	(196)	**-**	**(196)**
Expected timing of cash flows:	**127**	**446**	**340**	**-**	**913**
- not later than one year;	44	38	340	**-**	**422**
- later than one year and not later than five years;	83	408	-	**-**	**491**
- later than five years.	-	-	-	**-**	**-**
Total		**446**	**340**	**-**	**913**

Note 24.3 Clinical negligence liabilities

At 31 March 2020, £34,242k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Liverpool University Hospitals NHS Foundation Trust (31 March 2019: £22,479k). The material increase in the liability is attributable to the transfer by absorption.

Note 25 Contractual Capital Commitments

	31 March 2020 £000	31 March 2019 £000
Property, plant and equipment	90,630	362
Total	**90,630**	**362**

£89.9m of the contractual capital commitment is in relation to the ongoing construction of the new Royal Hospital site. The commitment will be billed against and cash settled during 2020-21 as construction milestones are achieved.

Note 26 On-SoFP PFI, LIFT or other service concession arrangements

The Trust has arrangements to enable it to provide dialysis services to patients in the Merseyside area and beyond:

Warrington Dialysis Unit:
Contract Start Date: 29/01/1996
Contract End Date : 08/04/2021

Broadgreen Dialysis Unit :
Contract Start Date: 19/05/1999
Contract End Date : 08/04/2023

The contract is for a period of 25 years reviewable at 7 and 14 years.
Under the terms of the arrangements for the service at Broadgreen the building will become a Trust asset at the end of the contract.

Veolia Energy Contact:
The Trust has a contract with Veolia for the provision of energy to the Trust.
The energy centre at Broadgreen will become a Trust asset at the end of the contract.
Contract Start Date: 01/06/2005
Contract End Date : 31/03/2026

Retail Development:
The Trust has entered into an agreement with a private contractor for the provision of a retail facility on the Royal Liverpool Hospital site. This will result in the Trust gaining an asset in terms of an extension to the front entrance at the end of the contract. There are no contractual payments to be made by the Trust to the contractor during the provision of this facility.

Broadgreen Car Park:
The Trust entered into a control for the provision of car parking for 19 years with Indigo Park Services.

Contract Start Date: 01/04/2018
Contract End Date: 31/03/2037

Note 26.1 On-SoFP PFI, LIFT or other service concession arrangement obligations

The following obligations in respect of the PFI, LIFT or other service concession arrangements are recognised in the statement of financial position:

	31 March 2020 £000	31 March 2019 £000
Gross PFI, LIFT or other service concession liabilities	**5,025**	**-**
Of which liabilities are due		
- not later than one year;	1,109	-
- later than one year and not later than five years;	3,885	-
- later than five years.	31	-
Finance charges allocated to future periods	(842)	-
Net PFI, LIFT or other service concession arrangement obligation	**4,183**	**-**
- not later than one year;	830	-
- later than one year and not later than five years;	3,273	-
- later than five years.	80	-

Note 26.2 Total on-SoFP PFI, LIFT and other service concession arrangement commitments

Total future commitments under these on-SoFP schemes are as follows:

	31 March 2020 £000	31 March 2019 £000
Total future payments committed in respect of the PFI, LIFT or other service concession arrangements	**52,330**	**-**
Of which payments are due:		
- not later than one year;	11,596	-
- later than one year and not later than five years;	39,333	-
- later than five years.	1,401	-

Note 26.3 Analysis of amounts payable to service concession operator

This note provides an analysis of the unitary payments made to the service concession operator:

	2019/20 £000	2018/19 £000
Unitary payment payable to service concession operator	**6,053**	**-**
Consisting of:		
- Interest charge	165	-
- Repayment of balance sheet obligation	392	-
- Service element and other charges to operating expenditure	5,241	-
- Contingent rent	255	-
Total amount paid to service concession operator	**6,053**	**-**

Note 27 Financial instruments

Although the Trust does not hold or deal in complex financial instruments, it is required to comment upon such risk and how it is managed.

Credit Risk

The majority of the NHS Foundation Trust's income is due from NHS commissioners and is subject to legally binding contracts which limits credit risk. Non-NHS customers form only a small proportion of total income and the majority of those customers are organisations that are unlikely to cease trading in the short term or default on payments (e.g. councils, universities, Woodlands Hospice, etc.).

To manage credit risk, the NHS Foundation Trust has documented debt collection procedures which are regularly reviewed and ensures that its credit control staff are adequately trained and resourced. Potential payment defaulters are identified at an

early stage and appropriate action is taken on a timely basis (also see measures to manage liquidity at (b) in note 27.1). The carrying amount of financial assets (see note 27.2) represents maximum credit exposure.

Liquidity Risk
The NHS Foundation Trust is exposed to liquidity risk in that it needs to maintain sufficient cash balances to meet payable obligations in order to ensure continuity of service. However, that risk is mitigated by the regular monthly receipt of contractual cash from NHS commissioners in addition to non-recurrent revenue support loans from the Department of Health and Social Care (in line with the Trusts annual plan).

The NHS Foundation Trust ensures that daily cash flows are examined and the investment of surplus cash is restricted to a term of three months. Cash investments are also restricted to highly rated, UK domiciled, financial institutions and the levels of cash deposited in any individual institutions at any one time is restricted. Cash management is governed by a regularly reviewed Board Policy and departmental procedure notes.

Market and Foreign Exchange Risk
As the NHS Foundation Trust does not deal in currencies, invest cash over the long term, borrow at variable rates or hold any equity investments in companies (other than its own subsidiary, Aintree Healthcare Limited) its exposure to market risk (either interest rate, currency or price) is limited.

Market risk is managed by limiting investments to fixed rate and fixed term with credit worthy institutions, based upon market knowledge as to the likely movements in interest rates.

All financial assets and liabilities are recorded in sterling. Therefore the Trust has no exposure to foreign exchange risk.

Note 27.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2020	Held at amortised cost £000	Total carrying value £000
Trade and other receivables excluding non-financial assets	101,008	**101,008**
Cash and cash equivalents	43,643	**43,643**
Total at 31 March 2020	**144,651**	**144,651**

Carrying values of financial assets as at 31 March 2019	Held at amortised cost £000	Total carrying value £000
Trade and other receivables excluding non-financial assets	16,102	**16,102**
Cash and cash equivalents	7,638	**7,638**
Total at 31 March 2019	**23,740**	**23,740**

Note 27.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost £000	Total carrying value £000
Loans from the Department of Health and Social Care	260,977	**260,977**
Obligations under finance leases	14,462	**14,462**
Obligations under PFI, LIFT and other service concession contracts	4,183	**4,183**
Other borrowings	11,560	**11,560**
Trade and other payables excluding non-financial liabilities	89,736	**89,736**
Total at 31 March 2020	**380,918**	**380,918**

The total held at amortised cost represents the financial instrument carried on the Trusts statement of financial position.

Carrying values of financial liabilities as at 31 March 2019	Held at amortised cost £000	Total carrying value £000
Loans from the Department of Health and Social Care	73,700	**73,700**
Trade and other payables excluding non-financial liabilities	37,027	**37,027**
Total at 31 March 2019	**110,727**	**110,727**

Note 27.4 Maturity of financial liabilities

	31 March 2020 £000	31 March 2019 £000
In one year or less	325,802	40,071
In more than one year but not more than two years	4,637	2,655
In more than two years but not more than five years	12,777	32,165
In more than five years	37,702	35,836
Total	**380,918**	**110,727**

Note 27.5 Fair values of financial assets and liabilities

The carrying value of the financial liabilities is considered to approximate to fair value as the arrangement is of a fixed interest and equal instalment repayment nature and the interest rate is not materially different to the discount rate.

The carrying values of short-term financial assets and financial liabilities are considered to approximate to fair value.

Note 28 Losses and special payments

There were 577 losses and special payments in 2019/20 totalling £483k (322 in 2018/19 totalling £439k). These are accounted for on an accruals basis and exclude provisions for future losses. No individual losses exceeded £300,000 (no individual losses exceeded £300,000 in 2018/19).

	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	2	1	6	7
Bad debts and claims abandoned	307	529	266	324
Stores losses and damage to property	-	-	1	1
Total losses	**309**	**530**	**273**	**332**
Special payments				
Ex-gratia payments	56	166	49	107
Total special payments	**56**	**166**	**49**	**107**
Total losses and special payments	**365**	**696**	**322**	**439**

Note 29 Related parties

The Foundation Trust's parent entity is the Department of Health and Social Care.

During the year reported in these accounts, none of the Board Members, Governors or key management staff have undertaken any material transactions with Liverpool University Hospitals NHS Foundation Trust. Details of Directors' remuneration and other benefits are included in the Annual Report's Remuneration Report.

Some staff and Governors of the Trust have an interest in the management of Woodlands Hospice Charitable Trust (a Hospice sited on the Trust grounds). However, the Trust does not enter into significant income and expenditure transactions with the Charity, although it does undertake some transaction processes on its behalf, such as procurement.

Members of the Board of Directors and Governors of the Trust hold positions at Universities but are not in a position to materially affect transactions between the two parties. For transparency purposes the transactions between the Trust and the Universities are detailed below.

	Income & Expenditure				Balances			
	Income		Expenditure		Receivables		Payables	
	2019/20	2018/19	**2019/20**	2018/19	**31 March 2020**	31 March 2019	**31 March 2020**	31 March 2019
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
University of Liverpool	**923**	434	**3,853**	1,839	**999**	226	**1,395**	45
Edge Hill University	**131**	166	**18**	29	**20**	41	**0**	7

Liverpool University Hospitals NHS Foundation Trust has had a significant number of material transactions with South Sefton, Liverpool and Knowsley CCGs in 2019/20 and held receivable and payable balances with them at 31 March 2020 as follows:

	Income & Expenditure				Balances			
	Income		Expenditure		Receivables		Payables	
	2019/20	2018/19	**2019/20**	2018/19	**31 March 2020**	31 March 2019	**31 March 2020**	31 March 2019
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
South Sefton CCG	**103,905**	91,859	**0**	0	**609**	579	**8**	8
Liverpool CCG	**215,504**	84,006	**0**	0	**3,450**	64	**0**	0
Knowsley CCG	**46,813**	33,610	**0**	0	**982**	75	**917**	12

Liverpool University Hospitals NHS Foundation Trust has also had a significant number of transactions with other NHS or Government departments which are all classed as "related parties" to the Trust. Material transactions and/or balances in excess of £10m are detailed below:

	Income & Expenditure				Balances			
	Income		Expenditure		Receivables		Payables	
	2019/20	2018/19	**2019/20**	2018/19	**31 March 2020**	31 March 2019	**31 March 2020**	31 March 2019
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Health Education England	**29,421**	13,402	**0**	3	**259**	75	**9**	18
NHS England - Core (Including Sustainability & Transformation Fund)	**46,440**	0	**0**	0	**27,167**	0	**0**	0
North West Regional Office Formally NHS England Cheshire & Merseyside Local Team	**25,231**	11,685	**0**	0	**4,163**	227	**586**	30

NHS England North West Commission	**87,235**	44,245	**0**	0	**7,422**	342	**0**	0
Southport & Formby CCG	**11,961**	7,190	**0**	0	**43**	5	**5**	4
NHS Litigation Authority	**0**	0	**9,962**	6,857	**87**	0	**303**	18
NHS Business Services Authority	**0**	0	**16,191**	15,976	**0**	0	**88**	336
National Insurance Fund	**0**	0	**32,703**	17,049	**0**	0	**12,104**	2,592
NHS Pension Scheme	**0**	0	**51,814**	19,708	**0**	0	**2,900**	2,805

All the transactions referred to in this note were on normal commercial terms.

The Trust is the corporate trustee of The Aintree University Hospital Charitable Fund (Regn no: 1050542) and the Royal Liverpool and Broadgreen University Hospital Charity (Regn no: 1047988). The Charitable Fund Accounts have not been consolidated into these accounts as the transactions are considered immaterial in the context of the Trust. The transactions and balances held with the each individual charitable fund is as follows;

	Income & Expenditure				**Balances**			
	Income		**Expenditure**		**Receivables**		**Payables**	
	2019/2020	2018/2019	**2019/2020**	2018/2019	**31 March 2020**	31 March 2019	**31 March 2020**	31 March 2019
	£000	£000	**£000**	£000	**£000**	£000	**£000**	£000
Aintree University Hospital Charitable Fund	**46**	46	**0**	0	**0**	0	**0**	0
Royal Liverpool and Broadgreen University Hospital Charitable Fund	**519**	0	**0**	0	**0**	0	**0**	0

Note 30 Transfer by absorption

Analysis of balances transferred to successor organisations (£000)			
Amounts transferred from:		**Amounts transferred to:**	
Royal Liverpool and Broardgreen University Hospitals NHS Trust		**Liverpool University Hospitals NHS Foundation Trust**	
Non-Current Assets	426,725	Non-Current Assets	426,725
Current Assets	105,714	Current Assets	105,714
Current Liabilities	(91,910)	Current Liabilities	(91,910)
Non-Current Liabilities	(148,305)	Non-Current Liabilities	(148,305)
Net Assets	**292,224**	**Net Assets**	**292,224**

The transfer by absorption has been transacted through the SOCI accounting statement in line with the instructions set out in the Group Accounting Manual.

On 1 October, The Royal Liverpool and Broadgreen University Hospital NHS Trust was acquired by Aintree University Hospital NHS Foundation Trust, as approved by NHS Improvement in September 2019.

The net assets of the Trust were transferred to Aintree University Hospital NHS Foundation Trust (which subsequently renamed on 1 October 2019 to Liverpool University Hospitals NHS Foundation Trust) on 1 October 2019 by means of a Deed of Transfer, as approved by Secretary of State for Health.

All of the services previously provided by the Royal Liverpool and Broadgreen University NHS Trust continue to be provided as part of the acquisition.

Note 31 Events after the reporting date

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS Cash Regime for the 2020/21 financial year. During 2020/21, existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Reporting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £219,626,000 (£218,489,000 interim loan principal and £1,137,000 interest accrual) as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

Note 32 NHS Improvement control total

The control total is an annual financial target that must be achieved to unlock access to national funding and other financial benefits. All NHS providers are offered a control total that they can accept or reject. Access to national sustainability and transformation funding is conditional on providers agreeing and delivering their control total. During the reporting period 2019/20, the Trust over-achieved its control total (the Trust did not sign up to a control total during 2018/19).

		2019/20	2018/19
Adjusted financial performance (NHSI control total basis):		**£000**	**£000**
Surplus / (deficit) for the period		283,159	(29,114)
Remove net impairments		9,003	-
Remove (gains) on transfers by absorption	30	(292,224)	-
Remove I&E impact of capital grants and donations		112	87
Adjusted financial performance surplus / (deficit)		50	(29,027)

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