annual report

and Accounts 2006 · 2007

Consultant Thoracic Surgeon, Mr. Ajaib Soorae receiving his Lifetime Achievement Award in December 2006 at the Annual Staff Awards Ceremony. Hospital staff nominated Mr. Soorae for this Award in recognition of his long and dedicated service to The Cardiothoracic Centre. Mr. Soorae received a standing ovation from the audience of 400 who attended the event.

Mr. Soorae has been one of the busiest thoracic (lung) surgeons in the country for the past twenty years and retired from the Trust as Medical Director in July 2006.

The Cardiothoracic Centre Liverpool NHS Trust

Mr. Ajaib Soorae receiving his Lifetime Achievement Award for services to The Cardiothoracic Centre

Sister Linda Mellon and Sister Melanie McGivern

Contents

We hope you will find the information contained within our Annual Report useful and thank you for your interest in our hospital.

Feedback

We are very interested to hear your views about this annual report and welcome your feedback about its content, format and ways in which we could improve it.

Comments should be addressed to:
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The Cardiothoracic Centre – Liverpool NHS Trust
Thomas Drive, Liverpool L14 3PE

Tel. 0151 600 1409 or 1410
Email: Christine.bell@ctc.nhs.uk

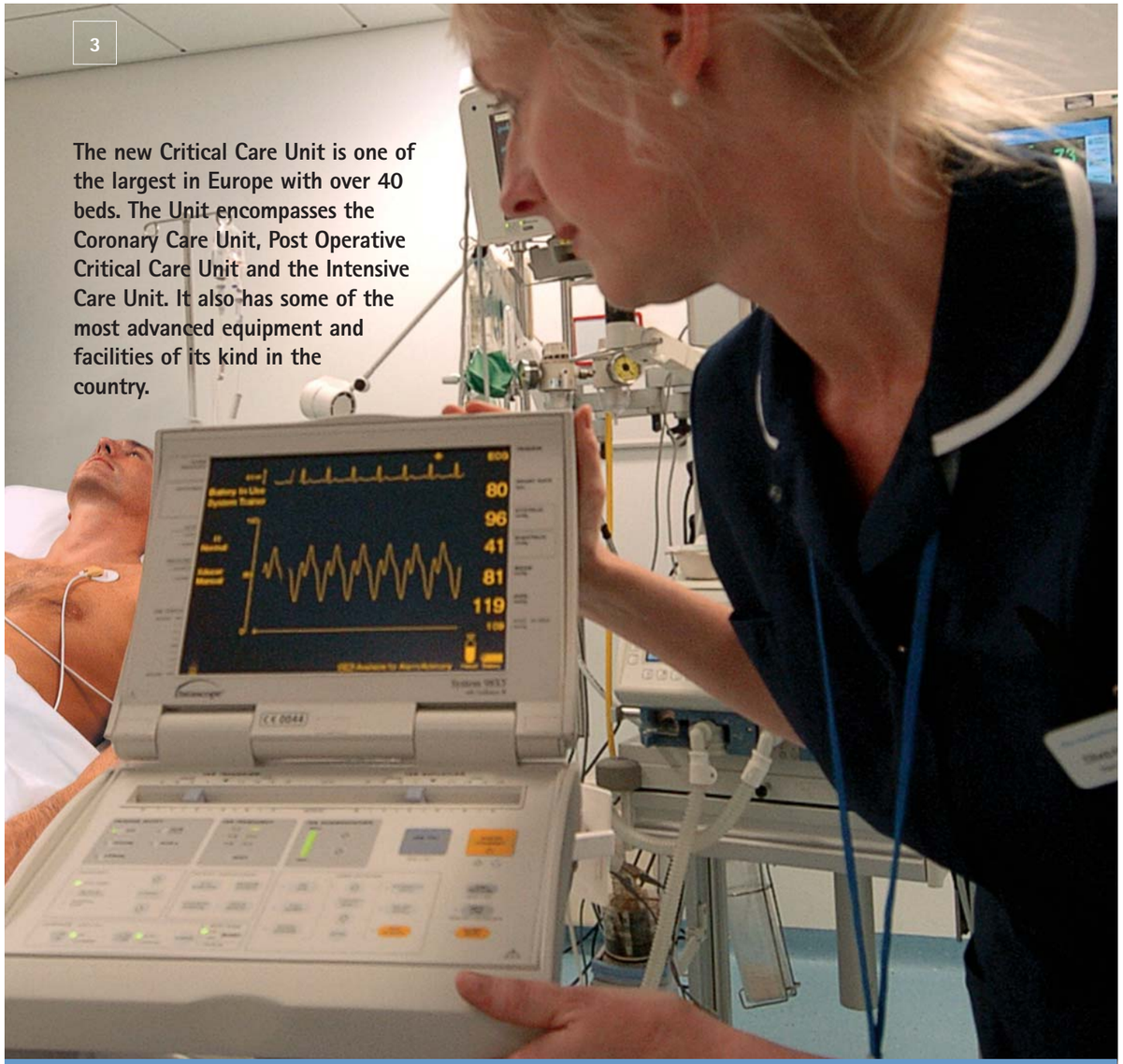
Other Formats

For additional copies of this document or to receive it in other languages, audio or Braille, please contact the Public Relations and Communications Department on 0151 600 1409 or 1410.

Further information about the Trust is available on our website www.ctc.nhs.uk

Trust Fact

The Trust is one of the largest specialist heart and chest hospitals in the UK



The new Critical Care Unit is one of the largest in Europe with over 40 beds. The Unit encompasses the Coronary Care Unit, Post Operative Critical Care Unit and the Intensive Care Unit. It also has some of the most advanced equipment and facilities of its kind in the country.

Nurse Specialist (Education) – Stephanie Whittenburg

Our Vision and Values

Our Vision

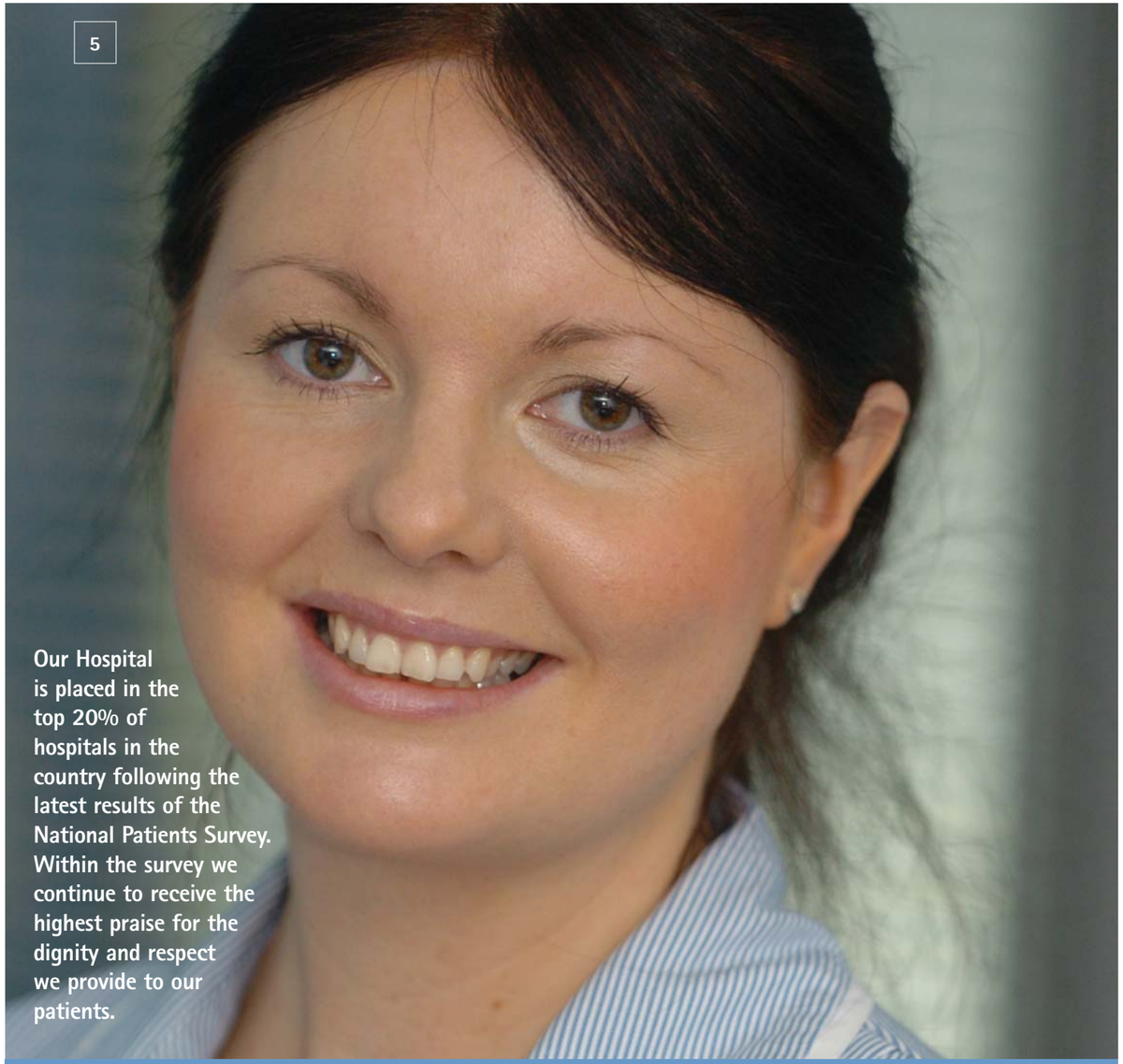
To be a national and international leader in cardiothoracic care, delivering clinical excellence and a first class patient experience.

Our Values

1. Treating patients quickly and appropriately
2. Treating patients with kindness, compassion, dignity and respect
3. Empowering patients and carers to ensure meaningful involvement in the planning and delivery of services, together with improving their own health
4. Being a flexible and listening employer that recruits and retains experts in relevant specialities
5. Optimising the use of resources to eliminate waste and deliver value for money services
6. Offering safe, modern, efficient and effective services
7. Continuously strengthening research and development
8. Developing and maintaining external relationships with an awareness of the environment leading to greater ownership by patients and the public
9. Promoting business focused decision making resulting in high quality services for patients
10. Enhancing educational opportunities, enabling the Trust to retain its position as leader and centre of excellence for cardiothoracic care

Trust Fact

The Trust's annual turnover in 2006/07 was £83.77million



Our Hospital is placed in the top 20% of hospitals in the country following the latest results of the National Patients Survey. Within the survey we continue to receive the highest praise for the dignity and respect we provide to our patients.

Staff Nurse, Corinne Pownall-Smith

Chairman and Chief Executive's Message

It gives us great pleasure to jointly write this introduction to the Annual Report of the Trust's performance for the financial year 2006/07.

On behalf of the Trust Board we are delighted to report that the Trust continues to perform extremely well in terms of its financial and operational performances.

The past twelve months have been both challenging and memorable as major wards and departments moved in their entirety to our new facilities. The site development has taken over four years to complete and our staff and volunteers are to be applauded for their hard work and dedication throughout this transition, ensuring that patient care was not affected.

The Trust has managed to achieve its key targets and the Healthcare Commission, in its Annual Health Check, again placed our hospital in the top 20% of performing hospitals in the country. We were placed 1st out of 167 Trusts nationally in the category of 'overall patient care'. Credit for this accolade must go to all staff within the Trust for their exceptional standard of personal care that they continue to provide to our patients on a daily basis.

A major part of the year was focused on our preparation to become an NHS Foundation Trust Hospital. A large number of stakeholder meetings were held and in July 2006 we invited members of the public to attend our "Open Day" to visit and tour our hospital facilities. We are committed to becoming an NHS Foundation Trust Hospital and were encouraged by the positive feedback on our new facilities, welcoming everyone's views on our future as a Foundation Trust.

Trust Fact

During the public consultation for NHS Foundation Trust status it was agreed the Trust should change its name to "The Liverpool Heart and Chest Hospital"

Our aims and objectives for 2007/08 remain unchanged. We will continue to:

- Work towards excellence as standard for patient care
- Provide our patients with a safe and pleasant environment
- Improve waiting times for patients
- Achieve all key targets particularly the 18 week patient referral to treatment target
- Meet targets for the "Choose and Book" initiative which gives patients more choice and flexibility in how they are treated.
- Improve the working lives of all our staff by becoming a model employer

In closing, it is impossible to include all the work that is done at this hospital on a daily basis within this annual report and therefore we would like to take this opportunity to thank everyone, including staff, volunteers, patients, carers, relatives, fundraisers and colleagues from partner organisations, for their continued support of our hospital and the work that we do.
This hospital could not achieve its success without your involvement and we are very grateful to you all.

Mike Bone, Chief Executive and Mark Fitzsimmons, Chairman (right)

The hospital has always placed great emphasis on patient care, staff wellbeing and public health and our efforts were acknowledged in October 2006 when we were awarded the status of "Health Promoting Hospital" by the World Health Organisation.

This achievement was simultaneous with the launch of our Public Health Strategy which aims to improve the lifestyle of our patients, their carers, visitors and staff.

Pamela Gardner, Patient Services Manager – Pharmacy and Lawrie Stanton, Medical Engineering Electronics Maintenance Manager.

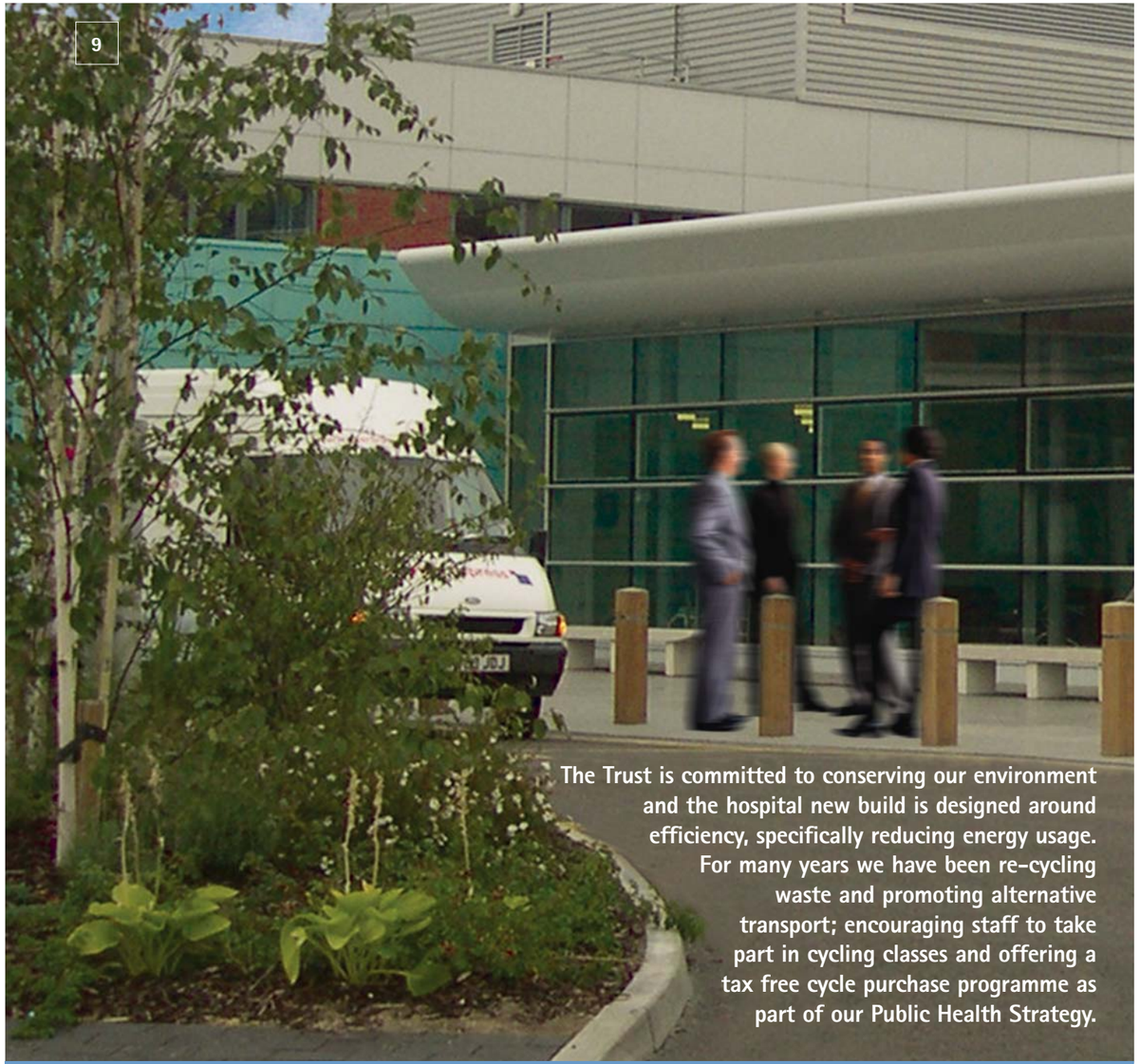
The year in review

A great deal of work undertaken at the hospital goes unreported, however, the following are some of our major highlights:

- In January 2007 we opened our new cathether laboratory suite, which boasts a flat plate bi-plane imaging facility offering patients improved imaging with a lower radiation dosage. The suite also houses office accommodation, a seminar room together with recovery and rest rooms.
- Aneurysms are a key area of expertise and Theatre B has been refurbished to enable a combination of aneurysm procedures and complex pacing work to be carried out in this dedicated area. £1.2 million has been spent on this scheme which includes equipment that is the first of its type to be installed in a theatre setting in the U.K.
- A 20-bedded acute surgical ward is currently being built, transforming the old critical care area. This new ward is due to be operational in the autumn of 2007
- Six new bedrooms have been added onto the Robert Owen House which can now accommodate up to 30 patients' relatives on site
- Retail outlets and a new cafeteria will be provided in the autumn of 2007 in the main hospital entrance, which we share with Broadgreen Hospital.
- Achieving key targets
- Reducing waiting times for patients
- Introducing the Modern Matrons rounds

- Continued publication of Consultants' specific performance rates following major treatments for the reassurance of patients and the public
- Successful implementation of the Picture Archiving and Communications System (PACS)
- Consistent high level scores for cleanliness throughout the hospital
- Hosting live surgery via satellite link to London
- Becoming a "Health Promoting Hospital" by the World Health Organisation
- Continued development of a quality improvement programme for cardiac interventions which involves colleagues from other tertiary centres, district general hospitals and primary care
- Welcoming an official delegation from the Malaysian Heart Institute in Kuala Lumpur
- Full involvement in work conducted by the Cardiac, Cancer and Critical Care Networks for the benefit of all patients with heart and chest disease in Cheshire & Merseyside
- Becoming a no smoking hospital improving the environment for the benefit of patients, staff and the general public

- Hosting our second bi-annual International Aortic Surgery Symposium in June 2007. Live aneurysm surgery will be performed at the Trust for the benefit of the international audience of cardiac specialists attending the event.



The Trust is committed to conserving our environment and the hospital new build is designed around efficiency, specifically reducing energy usage. For many years we have been re-cycling waste and promoting alternative transport; encouraging staff to take part in cycling classes and offering a tax free cycle purchase programme as part of our Public Health Strategy.

The hospital's modern and extensive facilities are a result of a £46 million four year site development programme which was completed in 2007

Our hospital at a glance

The Cardiothoracic Centre – Liverpool NHS Trust was formed in April 1991, as part of the first wave of NHS Trusts, and since that time has developed into one of the largest specialist heart and chest hospitals in the U.K. establishing itself along the way as a renowned provider of cardiothoracic services.

Patient care and dignity has always been a top priority for the hospital and the efforts of our staff are positively reflected in the excellent results that are published annually in the national patient surveys conducted by the Department of Health and Healthcare Commission (HCC). In 2007 our Trust received the accolade of being placed 1st out of 167 Trusts nationally for "overall patient care" in the HCC's National Inpatient Survey.

Our hospital provides specialist services across the North West of England, including North Wales and the Isle of Man. There are four areas of clinical expertise that we can offer to our patients. They are:

- Cardiac (heart) surgery
- Thoracic (lung) surgery
- Cardiology
- Respiratory medicine (incl. adult cystic fibrosis)

Whilst the Trust shares the Broadgreen site with three other Trusts namely, The Royal Liverpool Broadgreen University Hospitals NHS Trust (RLBUHT), Merseycare NHS Trust and Liverpool Primary Care Trust, The Cardiothoracic Centre is an NHS Trust in its own right. Some clinical support services are shared with RLBUHT e.g. Radiology and Pharmacy, but these services are managed by this Trust.

In total there are 237 beds and nine wards at the hospital which are divided into surgical, medical and monitoring wards to complement the services we provide. In addition and, as part of our expansion plans, a unique critical care unit was opened in 2006, which is one of the largest of its kind in Europe, with over 40 beds.

A £46 million site development has recently been completed improving the environment and facilities at the hospital. The Robert Owen House, which provides accommodation for patients' relatives on site, has also been extended.

Volunteers continue to help and support the hospital in many ways. In 2007 the 7th Annual Volunteers Day will be held to celebrate and acknowledge the tireless work and contribution that volunteers bring to our hospital continually.

Financially, the hospital has remained within budget achieving all its financial goals – a situation which has remained unchanged for the past sixteen years.

One of our key challenges for the future is to become an NHS Foundation Trust Hospital. This will allow us more freedom to manage our finances and, more importantly, help shape the future of our hospital by involving patients, staff and the general public. Together, we can be the best at what we do.

Trust Fact

The Robert Owen House provides on site accommodation for the relatives of patients undergoing treatment at The Cardiothoracic Centre

Lisa Gurrell, Acting Patient Support Services Manager

What's important for our patients

Patient Support Services

The Patient Support Services Department incorporates the following:

- Patient Advice & Liaison Service (PALS)
- Complaints Service
- Patient & Public Involvement Agenda
- Production and co-ordination of patient information
- Co-ordination of hospital volunteers

The service has built on good practice currently taking place within the Trust and aims to provide patients and their relatives and carers with an opportunity to influence every level of service delivery.

Swift action by PALS can often lead to resolution of people's problems, without them going through the complex formal complaints procedure. The effective and efficient use of the PALS service can also help improve the patient's experience and ultimately reduce the number of formal complaints a Trust receives.

During the period April 2006 to March 2007 the PALS team received 508 enquiries as opposed to 344 in 2005/06. This rise may be due to the relocation of the PALS office to a more visible/accessible area within the outpatient department and awareness raising with leaflets and staff mandatory training.

Miscellaneous Enquiries Received via PALS Office	Compliments received by Patient Support Services	Formal Complaints
508	275 (compliments & comments forms)	71
	25 (formal letters of thanks)	
	10 (callers to the office expressing gratitude)	

Of the 71 complaints received, 19 related directly to car parking. The concerns included car parking cost and access to disabled car parking. Improvements have been made and now a courtesy bus stops in five designated places on site; there has been an increase in the number of disabled car parking spaces and plans are underway to install a pay station in the disabled car park.

Patient Information

We continue to develop our range of information for patients. A great deal of work has already been achieved writing and producing over eighty new leaflets during the past twelve months. The Trust has received excellent feedback over the improved standard and quality of information and we must thank our lay-readers group, which includes patients and the public, for helping us to review all patient information before its publication.

Patient and Public Involvement

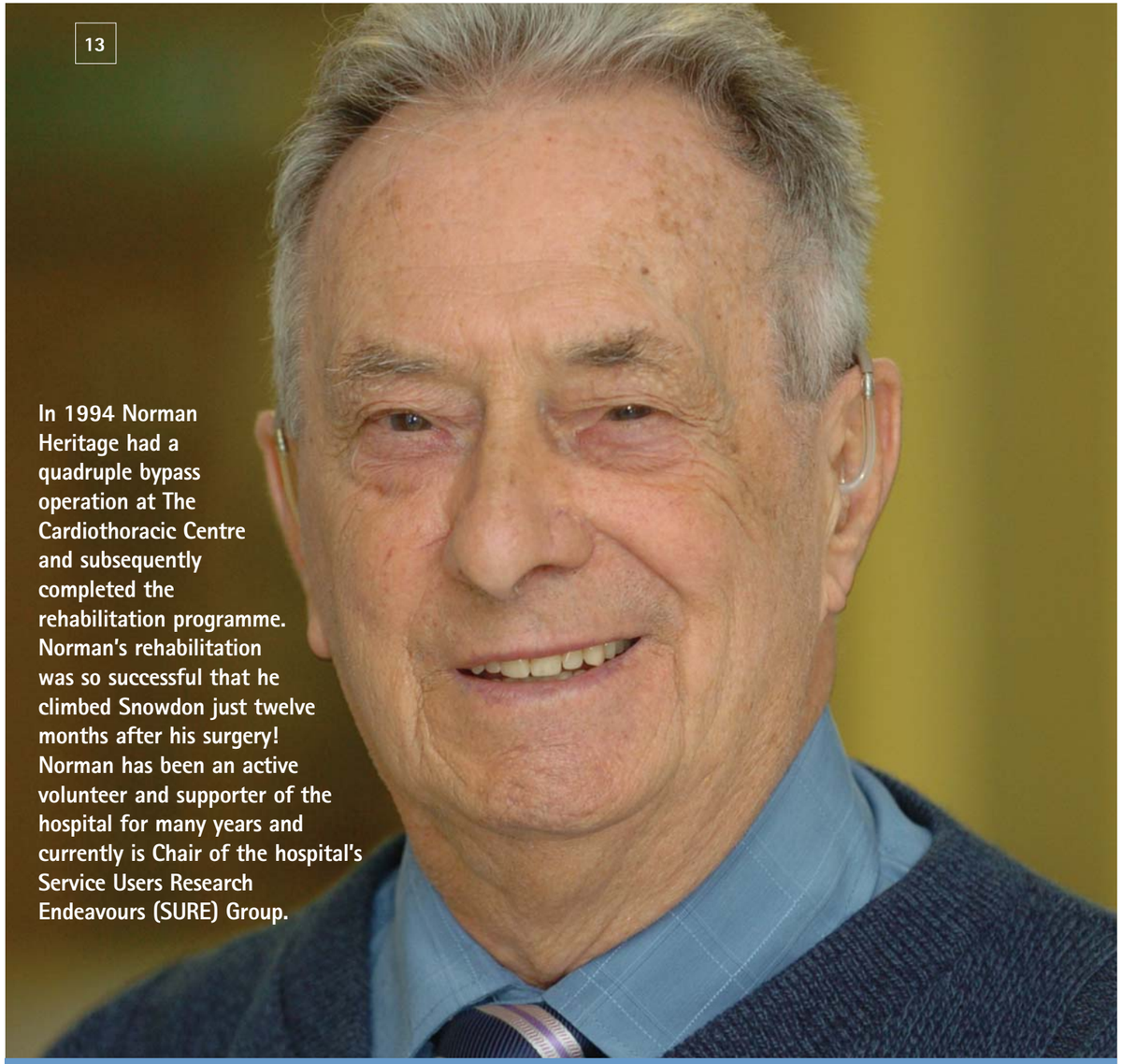
We continue to value the benefits of listening and responding to patients' experiences as part of their journey which acts as a mechanism to help us improve the way services are developed and delivered. We have built on our excellent relationship with the Patient & Public Involvement Forum, a dedicated group of volunteers who have statutory powers to monitor our services.

Examples of how the Trust responds proactively to patient involvement (PPI)

- Matron's Ward Rounds including face to face interviews
- Action plans drawn from complaints and concerns raised
- Patient and Relative Satisfaction audits
- Patient involvement on focus groups/committees examples include Matron's Environmental Group, PPI Strategy Group, Signage Group, Nutritional Group and Public Health Group.

Trust Fact

In 2006 the Trust has re-written over 80 patient information leaflets



In 1994 Norman Heritage had a quadruple bypass operation at The Cardiothoracic Centre and subsequently completed the rehabilitation programme. Norman's rehabilitation was so successful that he climbed Snowdon just twelve months after his surgery! Norman has been an active volunteer and supporter of the hospital for many years and currently is Chair of the hospital's Service Users Research Endeavours (SURE) Group.

Norman Heritage

A summary of how we are performing...

The 2006 performance ratings, published by the Healthcare Commission, was "Good" for both quality of services and use of resources, placing our hospital in the top 20% of performing Trusts in the country. The Healthcare Commission also placed our hospital 1st out of 167 Trusts nationally for "overall patient care" in their National Inpatient Survey.

The Trust was one of the joint best performing Trusts in Cheshire and Merseyside when judged against local district general hospitals and also joint best performing Trust when judged against other hospitals which provide heart and chest services in the North West.

2006/07 Performance Overview:

Quality of Services (2006 Performance rating)	Good
Use of Resources (2006 Performance rating)	Good
Development Standards for Patient Safety (self-assessment)	Good
Development Standards for Clinical Effectiveness (self-assessment)	Good
Full compliance for Standards for Better Health	✓
Treating patients with dignity and respect	✓
Cleanliness of the Hospital	✓
No more than 12 MRSA infections per year	✓
Access waiting times for inpatients and outpatients	✓
Cancer referrals seen within two weeks	✓
Continued compliance National Institute for Health and Clinical Excellence (NICE) guidelines	✓
Continued Compliance with the National Service Framework for Coronary Heart Disease	✓
The development of assurance systems for reporting compliance with the "Standards for Better Health" core and developmental standards	✓
Patient satisfaction	✓
Medicines are correctly handled	✓
Full compliance with the Freedom of Information Act 2000	✓

Financial Performance

Financial duties consistently met	✓
2006/07 Cost Reduction Efficiency Savings target exceeded	✓
£46 million site development scheme delivered	✓
Increased market share – specialist cardiology work	✓
Implemented shared financial systems	✓

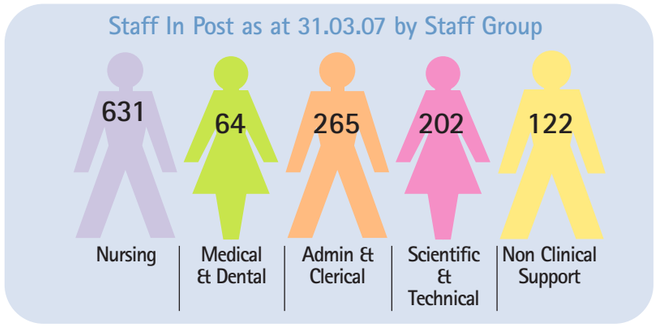
Trust Fact

The Trust has a dedicated 12 bed Adult Cystic Fibrosis Unit with lounge and catering facilities

Staff Nurse, Kevin O'Connor

Our Workforce

As at 31/03/07 the Trust employed 1284 staff, split across the following groups:-



Implementing the pay reform agenda has been a significant undertaking, not just within this Trust but across the NHS. This responsibility could not have been achieved without the dedication and commitment of our staff and staff representatives. We are extremely grateful to everyone who gave up their time to participate in the process and, in doing so, enabled us to achieve this key target.

Key Achievements during 2006/07:

- Assimilation of staff onto Agenda for Change (AFC) terms and conditions
- Implementing the Knowledge and Skills Framework (KSF)
- Effective workforce planning and partnership to complement the modernisation programme
- Staff deployment without job losses
- Fit for Purpose review of some corporate functions to ensure effective support service delivery when the Trust becomes an NHS Foundation Trust.
- Awarded Age Positive Employer status

Working Together

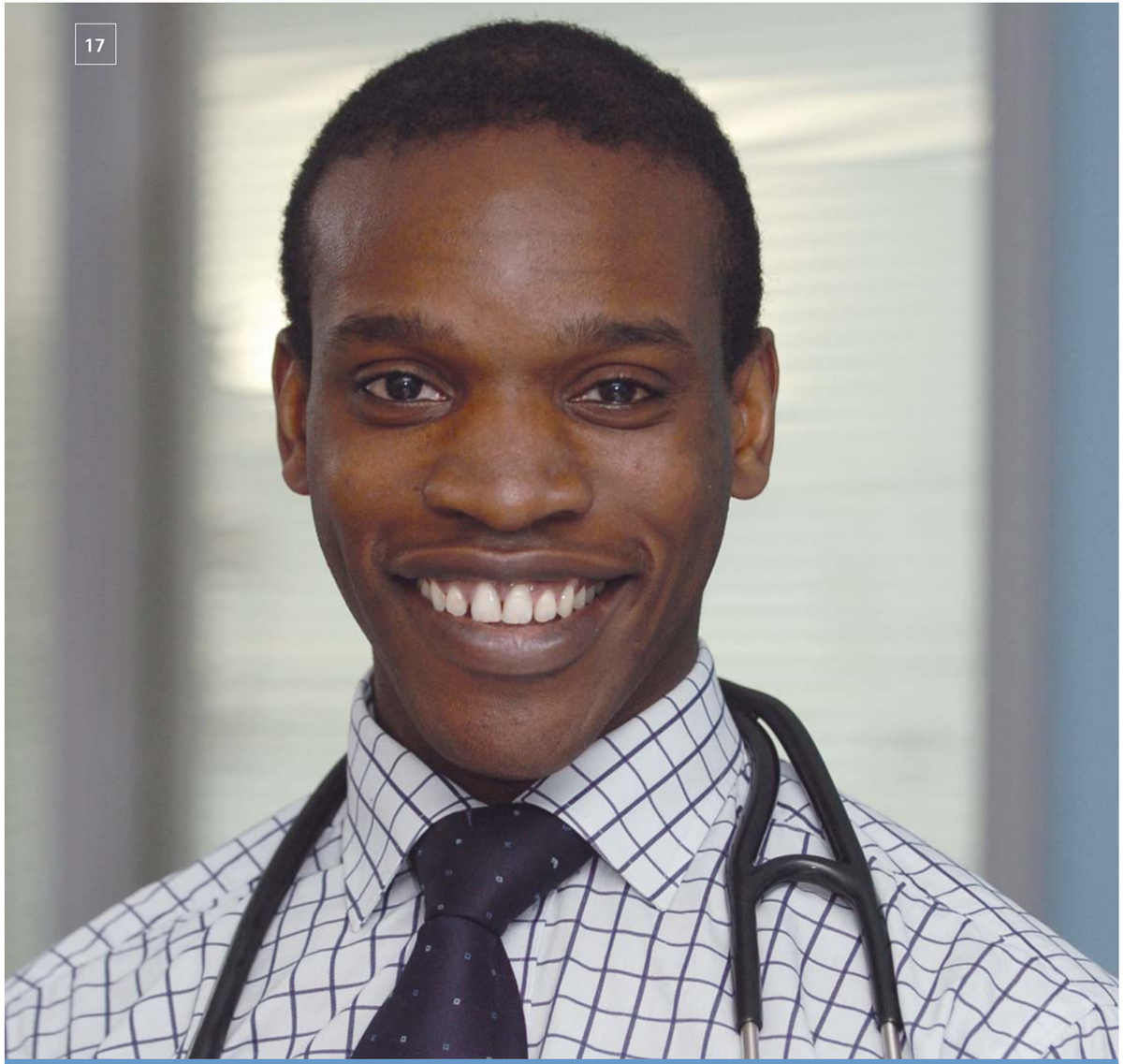
The Trust's Partnership Forum has continued to provide an established forum for staff involvement, consultation and negotiation; while Team Brief, "Listening Lunches" and Improving Working Lives 'walkabouts' have enabled staff to meet with members of the Trust Board on a regular basis throughout the year. Key issues raised and the actions taken by the Trust are published regularly on Team Brief.

Staff were also encouraged to have their say through the NHS Staff Survey. Although the response rate was low (37%) the survey did highlight that access to training and development was good. There has been progress with appraisals and personal development planning and further work was required to develop teams and team working.

The Trust has further invested in this area with the introduction of various tools and techniques such as Strength Deployment Inventory (SDI) to strengthen and improve team performance and dynamics – commencing with the Trust Board.

Trust Fact

The Trust is a No Smoking Hospital. We offer free access to a smoking cessation service for patients and staff through the Hospital's Smoking Advisor, Trish Jones.



Dr. Femi Oshin – Senior House Officer

Our Workforce

Communications / Training & Development

As the Trust progresses to becoming an NHS Foundation Trust there has been much emphasis on developing the workforce and facilitating the changing culture. During the year many awareness raising sessions were held with staff which provided an opportunity to discuss the implications of becoming a Foundation Trust, not just for patients and the local population, but for staff who deliver and provide those services.

The Trust regards its workforce as its most valuable resource and significant emphasis is placed on recognising and rewarding success. The Trust's Annual Awards Ceremony continues to be one of the most important dates in the organisation's calendar and saw the following staff and teams receiving awards for:

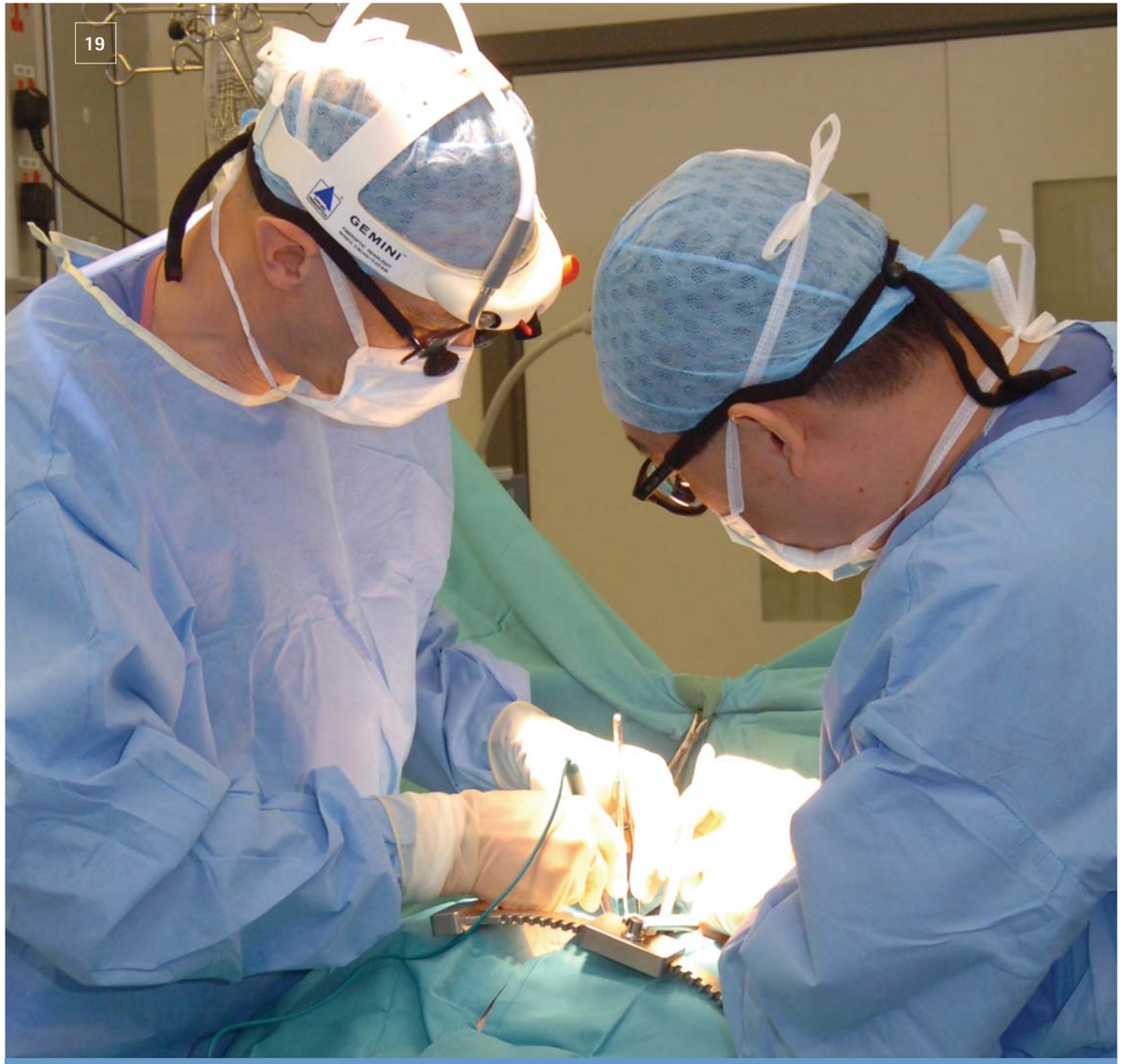
Award	Winner
Best Supporting Colleague	Steven Colfar
Best Supporting Manager	Sister Janice Dunne
Bureaucracy Buster	Capacity Management Team
Clinical Impact	Nicola Best
Lifetime Achievement	Mr. Ajaib Soorae
Light Bulb (Innovation)	Melanie McGivern & Peter Van Loo
National Recognition	Critical Care Infection Prevention Team
Publication of the Year	Jayne Coville
Team of the Year	Finance Department
Unsung Hero	John Blower

Equality & Diversity

The Trust has worked actively to ensure equal access to its services in employment, training and career development opportunities. February 2007 saw the start of a 3 months consultation on the Trust's Single Equality & Diversity Scheme which brings together the Trust's work to eliminate discrimination and embrace diversity both as a major employer and through the services it delivers within a single strategy.

Trust Fact

Staff turnover, at 9.38% is well below the national average of 18.3%



Consultant Cardiac Surgeon, Mr. Brian Fabri and Specialist Registrar, John Lu (right)

Our Services - Surgery, Anaesthesia & Critical Care

Service Delivery, Improvement and Development

A new four bedded thoracic high dependency unit was opened in October 2006 to increase capacity and provide a dedicated thoracic unit.

The directorate has successfully maintained the maximum waiting times for all procedures. Work has commenced to reduce waiting times down in line with the 18 week referral to treatment 2008 target.

The directorate has significantly reduced the number of patients cancelled at short notice due to non clinical reasons. In the last quarter of 2006/07 there were 65% less cancellations than the same period last year.

There are six sub-projects to the Hospital Improvement Project within the directorate, all of which are looking at a range of things such as length of stay, sickness levels, the formation of a thoracic step-down facility, the management of waiting lists and the discharge from Critical Care. All of these will assist in enhancing the patient's experience, reducing waste, cancellations and costs.

The directorate has implemented a range of actions to reduce length of stay, which has seen 69% of Coronary Artery Bypass Graft (CABG) patients being discharged within benchmark of 6 days post operation in January 2007, compared to 30% at the start of the year. This project is currently being rolled out to include all cardiac procedures.

Clinical Governance and Risk

There are two risk groups currently set up within the directorate that look at all incidents in detail and report through to the Directorate. A number of root cause analyses have been undertaken with changes to systems put in place and reflective learning by staff has been achieved as a result of these.

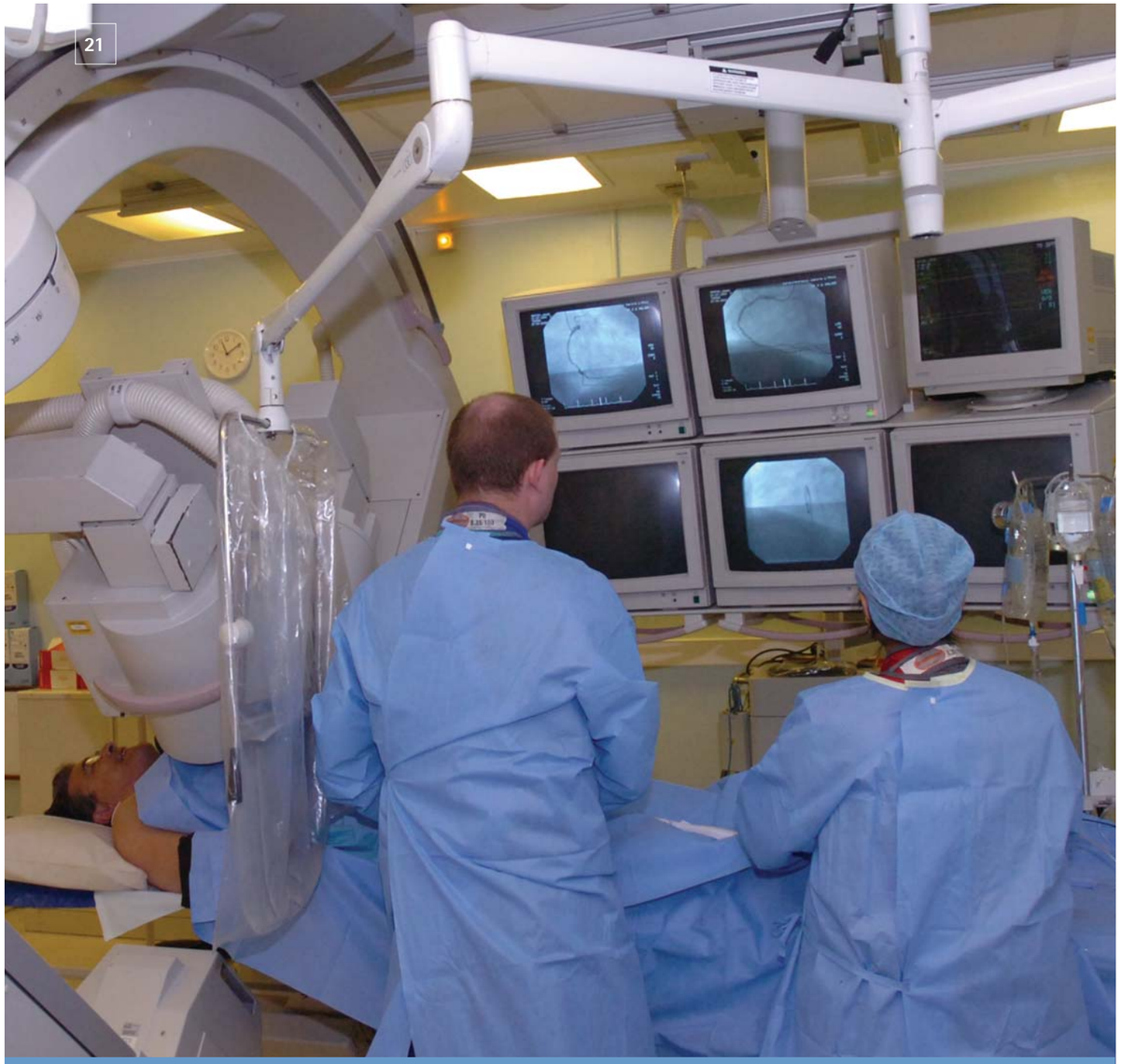
Each department has developed portfolios of evidence of patient and public involvement, including actions taken as a result of comments and informal complaints that have come via the comment cards or matrons ward rounds. All ward managers and department managers within the directorate have undergone complaints training.

Work has been undertaken to reduce the incidence of post operative bleeding and return to theatre. This initiative is in its early stages but the impact can already be seen in the reduction in patients experiencing this complication, but also in patient throughput and reduced numbers of patients with a prolonged stay in critical care.

A Clinical Leadership Programme was delivered for the senior nurses in Critical Care, and the effectiveness of this is currently being evaluated. A leadership program for junior staff is also in progress to support career development and a sustainable workforce as part of the workforce development programme.

Trust Fact

The Trust has 9 operating theatres and a 9 bedded surgical recovery area.



Consultant Cardiologist, Dr. Nick Palmer, inside one of the Trust's six catheter laboratories

Our Services - Cardiology and Chest Medicine

Service Delivery, Improvement and Development.

The directorate has been successful in achieving all waiting time targets with a significant reduction in waits for both diagnostics and procedures.
This reduction in waiting times is the focus of the national plan to reduce overall waits from referral to treatment to eighteen weeks. Although this national target is set for December 2008 the directorate is working on a major modernisation programme to drive waiting times down whilst improving the patient experience. We have introduced new clinical pathways which allow more patients to be treated as day cases.

The consultants have committed to the modernisation programme and the introduction of a day case pathway for patients undergoing angioplasty has seen the numbers of elective patients undergoing this procedure as a day case rise from 0% April 2006 to over 40%.

A new catheter lab was opened in January with a further one due to open in April 2007. This state of the art facility has increased our capacity and with the appointment of three additional consultants the directorate has increased activity to further reduce waiting times and improve emergency care.

The appointment of two arrhythmia nurse specialists has enhanced service delivery to this group of patients. They are in the process of developing care pathways which will further improve the patient experience.

The ward staff continue their work on improving the environment for patients and we continue to score well on our inspections. The staff have introduced changes to visiting times as a direct result of patient's comments.

Some of our patients now benefit from home sleep studies; again this was as a direct consequence of patient's comments. We managed to secure funding for the necessary equipment to allow this and we have had some very positive comments about this new service.

Our technicians have provided training within the region to enable the deactivation of devices in local hospitals. The cardiac network was involved with this initiative and as a direct result of the training we have been able to reduce the necessity for our staff to travel round the region freeing their time to continue with essential technical support.

Clinical Governance, Risk and Assurance

The directorate examines all incidents in detail and reports are discussed at the directorate clinical governance and risk management meeting.
Staff trained in root cause analysis investigate any incidents of a serious nature, and during this process action plans are developed to ensure events do not recur and practises are developed and improved.

Complaints are dealt with as quickly as possible, we currently respond well within target time of twenty five working days. Staff are involved in the process and deliver action plans accordingly.
In addition all wards and departments produce evidence that they action informal comments and suggestions made by patients or visitors and the senior nurse manager undertakes regular modern matron rounds giving patients the opportunity to raise any concerns or suggestions with her directly.

The directorate has a robust assurance framework to ensure that it achieves Trust and directorate objectives. Areas of risk are highlighted and work continues to reduce these risks significantly.

Trust Fact

The Trust performed over 7,000 cardiology procedures in 2006/07.

Staff Nurse Sarah Berry with patient Rosemarie Le Tissier

Our Services - Clinical Support

Directorate of Clinical and Non-Clinical Support services

This directorate encompasses a very diverse range of services which are essential in providing safe, smooth and efficient services to patients at The Cardiothoracic Centre.

Clinical Support Services includes outpatient clinics, infection prevention and control, the hospital co-ordinator team, the access team, smoking cessation, pathology services, physiotherapy, radiology, dietetics, speech & language therapy, The National Service Frameworks (NSF) for older people and diabetes and cancer services.

Radiology services transferred into the new Radiology Department in June 2006 creating the 'shared' radiology department which is managed by this Trust. This means that as well as providing imaging for cardiothoracic medicine and surgery, the department also provides imaging for: -

- Orthopaedics
- Urology
- General medicine
- Dermatology
- Haematology
- ENT
- Rheumatology
- General Practitioners and the community

A radiographer is on site at all times enabling rapid clinical decision making and improved service for patients.

Two new Consultant Radiologists were appointed and commenced in December 2006.

The new Picture Archiving & Communications System (PACS) is in place and working well. The use of PACS instead of x-ray film, enables images to be viewed from anywhere in the Trust and means that they are always available.

Physiotherapy staff provide respiratory therapy and rehabilitation for patients with heart and lung disease from the catchment area serviced by the Trust. It provides for 7 cardiac rehabilitation classes; 6 pulmonary rehabilitation classes; input into outpatient clinics for medical and CF patients, in addition to providing for in-patients with both medical and surgical conditions. Two Occupational Therapists now work solely for our patients; one for palliative care and one for general care. This provision has considerably aided discharge of patients. We continue to work towards providing better rehabilitation for patients suffering from neurological problems.

Outpatients clinics have successfully moved into the new building. Nurses perform pre-op clinics which enables a more efficient and effective use of in-patient facilities which has led to an increase in the quality of care provided and reduction in the average length of stay for inpatients. Also, piloting Nurse-led discharge and new discharge plans has helped reduce the average length of stay for in-patients. Phase 1 rehabilitation is now also delivered in the pre-op clinics.

Trust Fact

The Trust has successfully implemented an electronic Patient Archive System which makes X-Rays a thing of the past by storing images on the computer network

The Trust is fully compliant with the requirements of the NHS Emergency Planning Guidance 2005 should a major incident occur. During the past year we have also looked at our emergency preparedness for a major incident with mock exercises taking place with key staff to test our response to such a threat. We continue to work closely with our healthcare colleagues across the region sharing our plans for delivery of critical care services in the event of a major incident.

Domestics (left to right) Lynne Whyte and Carol Williams

Our Services - Non Clinical Support

Non-Clinical Support Services includes domestic, portering, catering, switchboard, car parking, "choose & book," the hospital chaplains and relatives' on-site accommodation. The following are a number of service improvements and initiatives that have been achieved within the Directorate during the past twelve months:-

Domestic and Portering Services - The Trust employs its own domestic and portering staff, both providing a very high standard of service for our patients in areas of environment and comfort.

- Increased regularity of curtain changes on wards and critical care areas
- Increased steam cleaning of bathrooms and toilets
- Additional window and blind cleaning on all wards
- Rotation of domestic staff to develop their skills and knowledge of all areas within the Trust
- Introduction of PC's for staff to further develop their IT skills
- Portering supervisors have now taken full responsibility of controlling and managing waste across the site, ensuring compliance with the new waste management regulations
- The Matron's Environment Focus Group involves both domestic and nursing staff working together to continuously improve cleaning standards across the Trust

Choose and Book – This national initiative was implemented by the Trust during 2006 providing patients with the opportunity to directly book their own outpatient appointments into a variety of specialties and clinics. Cardiology was the first service to go fully live at the beginning of the year, followed by Arrhythmia and Thoracic Medicine clinics. The Trust now receives over 40% of all GP 1st outpatient referrals via Choose and Book.

Developments during the coming year will see "2-week-wait" Lung Cancer referrals added to the portfolio of services available on Choose and Book. Capacity is constantly being reviewed to ensure availability of sufficient clinic appointments in line with GP requirements. Later in the year, referrals for diagnostic tests will be introduced to link in with the outpatient appointment, providing the patient with a treatment path in line with the 18 week "referral to treatment" proposals.

Access Team - The Access Team continue to work towards the future development of the Choose and Book Service. This includes reducing waiting times for outpatients, maintaining the 11 week target for GP referrals to consultant led services and achieving national targets for diagnostic services.

Nurse Bank - The Nurse Bank continues to reduce the number of agency staff used across the Trust and is working towards improving recruitment and support of nurse bank staff.

Trust Fact

There has been a significant reduction in hospital acquired infections within the Trust since 2003

Spiritual Care - Many of the most difficult of our human experiences are those which result from periods of illness and injury. In such a situation, it is important to recognise that we all have a variety of needs – physical, emotional, social and spiritual – and that health, healing and wholeness are best promoted when all these needs are recognised and met.

The Chaplaincy Team works as part of the overall healthcare team. Seeking to create an environment in which these individual needs can be valued and safeguarded. This is achieved by offering time and space to individuals for spiritual reflection.

The Trust secured over £65,000 of external non-commercial R&D funding to develop major work in radial artery spasm following bypass surgery and the effects of the male sex hormone testosterone on blood vessels and its relevance to heart disease and treatment

Dr. Paul Browning – Principal Clinical Scientist

Research & Development (R&D)

The Trust continues to give R&D high priority as a means of maintaining and developing its position as a centre of excellence for the treatment of the diseases of the heart and chest. It remains fully committed to both the commissioning and conduct of research that gives way to new and innovative services with resultant improvement in the quality of care for our patients. We are firm believers in "today's research is tomorrow's care".

Much was accomplished during the year in advancing the Centre's strategy for R&D. Notable achievements included:

- The successful conclusion of our first randomised clinical trial in cardiac surgery which has lead to a significant change in the operations now offered to our patients
- The continued development of two research programmes in cardiovascular disease that the Trust has the lead for on behalf of other hospitals in the Merseyside & Cheshire area
- The development of meaningful research collaborations with other Hospitals and Universities
- The award of a Doctor of Medicine (M.D.) thesis to a Consultant Cardiac Surgeon who worked closely with the Research laboratory to investigate new ways of keeping heart bypass grafts healthy during the harvesting process for use during surgery
- Publication of our work in respected medical journals
- Continued implementation of the research governance framework

- Further development of mechanisms to secure the involvement of patients as service users in the planning and conduct of our research. We now support a research project created entirely by our service users, and have become a lead organisation nationally for user involvement in research
- Continuation of the Johnson Foundation Research Fellowship in Interventional Cardiology from a large donation to the Merseybeat Appeal
- Continued development of research in interventional cardiology, cardiothoracic surgery and anaesthesia, thoracic medicine, nursing, professions allied to medicine and radiology
- The research laboratory began a number of research projects investigating:
  - how risk factors for heart disease influence circulating vascular stem cells which may have implications for future heart disease prevention programmes
  - why heart arteries after treatment are sometimes prone to closing off abruptly
- Continued work with our commissioners and the Cheshire & Merseyside Cardiac Network in the conduct of research relevant to local health needs which results in new services or improved delivery
- Active encouragement of all health care professional staff to undertake their own research through the availability of in-house support and the provision of specific R&D methods courses

Trust Fact

The Trust has its own successful research laboratory on-site

Hospital staff fundraisers - cycling for health in 2006

Fundraising

Our Thanks

The most valuable resource to the Merseybeat Appeal is our supporters. The year 2006/07 has proved to be another tremendous year raising funds for research into heart disease.

The research programmes carried out at the hospital's dedicated research laboratory have only developed with the support of the Merseybeat Appeal. To continue this vital work, charity funding is needed to support individual projects, salaries for laboratory scientists and to allow Cardiologists and Cardiac Surgeons to take time out of clinical duties to take part in research projects.

Around the world therapies to prevent and treat heart disease are constantly evolving and improving along with our understanding of the disease. Results from our projects may one day change the lives of heart patients and for everyone who has supported our vision – we sincerely thank you.

In the community

Over £10,000 was raised by our Formby Friends Fundraising Group via race nights, supermarket collections, ladies luncheons, garden trails, psychic nights and Dickensian days. In addition we have received tremendous support from a diverse range of people who have organised sponsored runs, bicycle rides, gala dinners, quiz nights, parachute jumps; the list of support is endless.

Highlights

mersey beat appeal ...beating heart disease Charity No 1052813

April 2006 – Red Dress Fashion Competition

Charlotte Kelly was the winner of the Red Dress Fashion competition launched in conjunction with the Liverpool Echo. Charlotte designed a beautiful red dress incorporating the themes of heart, red and health.

July 2006 – Golf

Glorious weather greeted the Merseybeat Appeal's seventh annual golf day. Seventeen teams played the magnificent course at Formby Golf Club.

August 2006 – Snowdon

A delightful annual trip up Snowdon - thankfully this year the weather was on our side and participants were greeted with breathtaking views at the summit.

October 2006 – Fashion Show

James Rooney and j Management presented an 'Evening of Fashion & Entertainment', on Saturday 7 October to raise money for The Merseybeat Appeal and The Robert Owen House Appeal. The audience of over 100 people enjoyed a fantastic fashion show with models showcasing clothes designed by promising Liverpool Designers.

November 2006 – VIP luncheon

The third Red Dress Campaign Ladies Luncheon took place at the superb 60 Hope Street Restaurant. The clamour for tickets was overwhelming and over 100 ladies enjoyed a fabulous afternoon and took away the important message that a few simple lifestyle changes can reduce the risk of developing heart disease.

Feb 2007 – International Wear Red Day (IWRD)

Red Dress Campaign supporters went "Red in Feb" to raise awareness and highlight the fact that heart disease is the biggest killer of women in the UK.

March 2007 - Festival of Health

The Merseybeat Appeal took part in a Festival of Health which was an opportunity for organisations across Merseyside to showcase and encourage the families of Liverpool to take up healthier lifestyles.

Legacy

Remembering the Merseybeat Appeal in your Will is a lasting and vital way to help others. Being involved with a cause close to your heart and knowing that you can make a real difference can be very rewarding and we are very grateful to the many people who chose to leave their legacy to the Appeal.

If you would like to raise funds please call 0151 293 2226 or 2209.

Robert Owen House volunteers, Sylvia Bradley and Joy Stuart (right)

Our Volunteers

The Trust is extremely fortunate to have a large number of dedicated volunteers who have supported our hospital in various ways throughout the years.

These very special people, many of whom are ex-patients, continue to be a source of inspiration giving their time so graciously to help develop our services for the benefit of patients, staff and the general public.

During the past twelve months, as our Trust has expanded its facilities and services, the input given by our volunteers has been invaluable. This has been gained through their involvement with the following groups:

- Patient and Public Involvement Group
- Matron's Environmental Group
- Nutritional Group
- Signage Group
- Patient Information Lay Readers' Group
- Service Users Research Endeavour (SURE) Group
- Public Health Strategy Group
- Hospital Improvement Programme – Length of Stay Group

We also listen to our volunteers as their views are important to us. When designs for our new build did not include tea bar facilities in the outpatient department our volunteers disagreed with this change, commenting that our patients enjoyed this friendly service. We listened and revised our design plans to include a tea bar which opened in December 2006.

In 2007 we will celebrate our 7th Annual Volunteers Day which is held to acknowledge the tireless work and contribution that volunteers bring to our hospital on a daily basis. At this event, our volunteers are given the opportunity to meet existing and new members of the Trust Board, listen and engage in key developments affecting our hospital and tour new facilities and last, but not least, enjoy a superb buffet prepared especially for the occasion.

The Trust also works very closely with many external voluntary groups, such as:

- British Cardiac Patients Association
- British Heart Foundation
- British Lung Foundation
- Cystic Fibrosis Trust
- Fag Ends
- Heart of Mersey
- Smoke Free North West
- Stroke Association

Trust Fact

In 2007 the Trust celebrates its 7th Annual Volunteers Day

In 2006 one of our patients and volunteers, Mr. Douglas Broadbent, was awarded the M.B.E. for his unfailing contribution to The British Cardiac Patients Association (BCPA). This is a tremendous achievement and the honour is very deserving as Douglas has also dedicated many years of voluntary service to this Trust fundraising for equipment and offering patients' information and advice. Douglas, and other BCPA volunteers, can be found most days in the conservatory on the corridor close to the Day Ward.

Douglas Broadbent, MBE

The Trust Board recognises that a well informed and involved workforce benefits employees and service users alike. They are committed to Improving the Working Lives of staff and have introduced a number of initiatives to ensure openness and effective communication takes place between staff and members of the Trust Board.

Regular walkabouts throughout the hospital have taken place with day and night staff and the introduction of monthly "Listening Lunches" have been held with numerous Departmental staff. Questions raised during these open sessions, together with actions taken, are published in Team Brief which is a monthly communication tool for staff.

Mark Fitzsimmons
Chairman

Mike Bone
Chief Executive

John Brown
Non Executive Director

Patricia Firby
Non Executive Director /Deputy Chairman

Bronwyn Barrow
Director of Human Resources and Organisational Development

Ken Halligan
Non Executive Director

Mike Hewitt
Non-Executive Director

Dr Glen Russell
Medical Director

Melanie Simmonds
Director of Finance and Information/ Deputy Chief Executive

Neil Large
Associate Non-Executive Director

Jan Walters
Director of Nursing and Operations

Trust Board of Directors at 31st March 2007

Our Trust Board

All Directors of the Trust have a corporate responsibility for the following issues:

- To set the strategic direction for the Trust
- To ensure that there is a system of effective financial stewardship through financial control
- To promote quality in all aspects of service and promoting the development of clinical governance
- To agree annual business plans

Strategic Aims

The vision of the Trust Board is to be achieved through the progressive reduction and eventual elimination of:

- Needless delay – we will treat our patients quickly and appropriately
- Waste – we will use our resources to greatest effect
- Feelings of helplessness – we will offer treatments with respect and empower our patients and carers
- Needless suffering – we will offer effective treatments and relieve pain and suffering
- Needless deaths – we will protect and heal
- Inequity – we will treat all our patients and staff fairly

Trust Board meetings

Trust Board meetings are held in public and everyone is welcome to attend. As of the 1st October 2007 Trust Board meetings will be held on the last Tuesday of every month at 1pm in the Boardroom, located in the Executive Offices.

The Annual General Meeting (AGM) is held every September in the Trust's Lecture Theatre. The AGM is advertised in the local press and members of the public are invited to attend.

Full details of the Trust Board and the committees on which they serve can be found on the Trust website www.ctc.nhs.uk

Notes:

A register of interests of the Directors and all senior staff is available for inspection at the offices of the Trust.

The following Non-Executive Directors have declared the following interests. All other members of the Trust Board have declared that they do not have any interests which are material to the affairs of the Trust.

Ms. Patricia Firby

- Employed as Director of Nursing and Primary Care Practice at Liverpool John Moore's University (up to 31st May 2006)

Mr. Mark Fitzsimmons

- Mr. Fitzsimmon's wife is employed as a Clinical Coder at The Liverpool Women's NHS Foundation Trust
- Mr. Fitzsimmon's daughter Katie is employed within the Bio Medical Services Department at The Royal Liverpool & Broadgreen University Hospitals NHS Trust

Board Appointments:

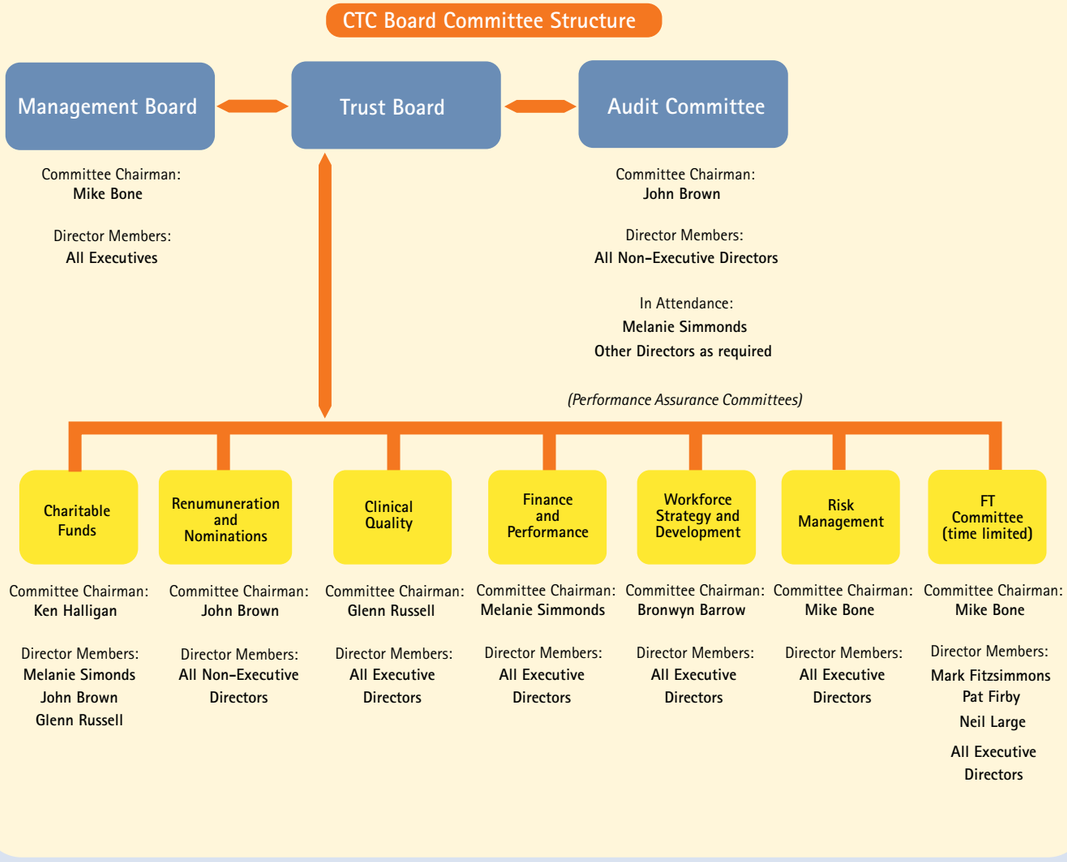
August 2006	Dr Glen Russell Appointed Medical Director
October 2006	Neil Large Appointed Associate/Non-Executive Director
March 2007	Michael Hewitt Appointed Non-Executive Director

Board Resignations

July 2006	Mr Ajaib Soorae retired as Medical Director
September 2006	Paul Acres resigned as Non-Executive Director & Deputy Chairman
October 2006	Sandra Jones resigned as Non-Executive Director

Patient Joan Taylor with Staff Nurse, Corinne Pownall-Smith

CTC Board Committee Structure



Since becoming an NHS Trust in April 1991, this Trust has sustained a strong financial position, consistently achieving all our key statutory financial duties.

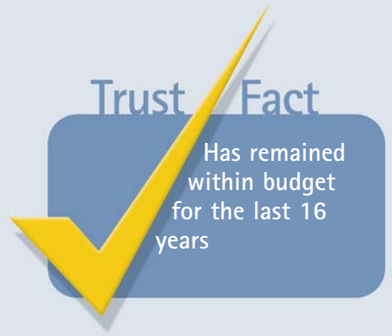
This has been accomplished whilst achieving clinical targets and continuing service improvements.

Melanie Simmonds – Director of Finance and Information

Operating and Financial Review

Foreword to the Accounts

These accounts for the year ended 31st March 2007 have been prepared by The Cardiothoracic Centre - Liverpool NHS Trust under section 98(2) of The National Health Service Act 1977 (as amended by section 24(2), schedule 2 of The National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.



Operating and Financial Review

The Trust has enjoyed another successful year from a finance viewpoint, meeting its key statutory financial duties. This has been achieved against a backdrop of a challenging clinical agenda in terms of service quality and demanding targets for inpatient and outpatient waiting times and the revenue consequences of the new Site Development.

Service improvement through redesign has been a key theme in 2006/07 and significant improvements have been made in areas such as reducing length of stay in hospital and implementing day surgery for some operations.

The Trust has an excellent track record of financial performance meeting all its financial duties since becoming an NHS Trust in 1991 and has never required external financial support. For financial year 2006/07 the Trust planned to achieve a small surplus. To do this, a programme was implemented to generate cost improvements of £1.865m. By the end of the year actual savings were £2.373m.

Performance against statutory targets is summarised in the table below.

Statutory Target	Outcome
To at least breakeven on Income and Expenditure	The Trust achieved a surplus of £27,000 in line with plan which has been carried to the Income and Expenditure reserve
To achieve a capital cost absorption rate of 3.5%	Return of 3.2% which is within the Department of Health's materiality range of 3.0% to 4.0%
To operate within an agreed External Financing Limit (EFL) of £4.637m	Target achieved exactly
To operate within a Capital Resource Limit (CRL) of £8.173m	Target achieved exactly

Trends in Income and Expenditure

The Trust has seen an overall increase in demand for its services grow over the last few years. There have been significant increases in the number of PCIs and in the complexity of PCI case mix, increases in the number of ICD implants and EP implants. Countering this there have been reductions in the number of angiograms due to District General Hospital Catheter Laboratory developments.

The Trust has an excellent track record of performance and consistently achieves all access targets for English patients - most notably the maximum waiting times for revascularisation to 3 months and for all other elective work to 6 months. The Trust has operated differential (longer) waiting times for Welsh patients in accordance with the contractual requirements of the Welsh Commissioners; however this is being managed clinically within the Trust and has been less profound in 2006/07, as Welsh Commissioners work towards equity with English targets.

The key areas for further improvement are to improve performance of the 62 day cancer pathway, to reduce the number of cancelled operations and to reduce the level of sickness absence.

These changes will impact on future Income and Expenditure levels.

Income Trends

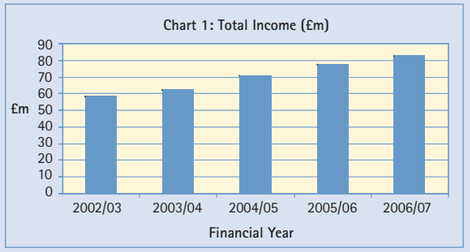
Chart 1 shows the growth of Income over the last five years. Income has grown at 9.1% per year. Income for 2006/07 was £82.9m. This represents an increase of 6.5% on the previous year.

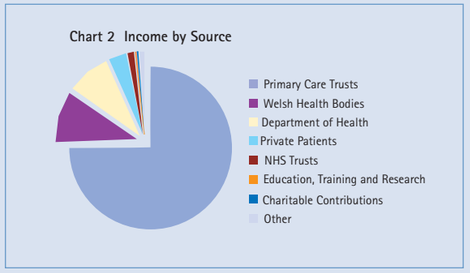
Chart 2 shows where the Trust received its Income from; just under 10% of our Income is received from North Wales. The majority of the remainder is received from the Cheshire and Merseyside Specialist Commissioning Team, with whom the Trust contracts on behalf of Primary Care Trusts. In 2006/07 approximately 62% of the Trusts Income is governed by the tariff under Payment by Results.

Operating and Financial Review

In future years the percentage of Trust income governed by Payment by Results will increase up to 100%.This presents a significant challenge for the Trust as its costs are currently 30% higher than the national average cost that Payment by Results Income is based upon. Reasons for this include the specialist nature of activity and complex case mix along with the revenue consequences of the new Site Development. In respect of the latter, the Trust will receive support from Primary Care Trusts (via Specialist Commissioners and the NHS Bank) up to 2008/09, in accordance with the business case.

The Trust is undertaking extensive benchmarking and service modernisation, alongside a strategy of raising awareness at the Department of Health around the inadequacies of the tariff for cardiac services.



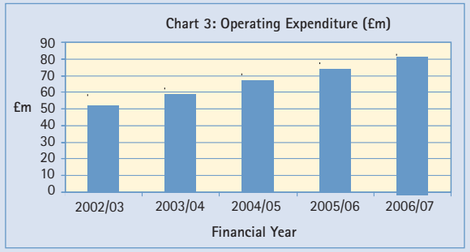


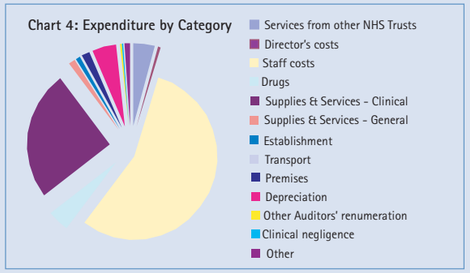
Expenditure Trends

Chart 3 shows the growth in operating expenditure (excluding interest and depreciation) over the last 5 years. Operating expenditure has grown at average of 11% over the period. For 2006/07, costs increased by 6.7%. This is primarily due to the NHS Pay Reform Agenda and the revenue consequences of the Site Development.

As can be seen within chart 4, by far the largest category of expenditure is pay costs of £45.436m which represents 56% of all operating expenses. As one might expect of a Specialist Acute Trust clinical supplies and services make up a substantial 29.5% of all operating expenses at £23.863m.

As outlined above, the Trust is planning to mitigate against the impact of the movement towards 100% Payment by Results based on the National Tariff by implementing further cost improvement programmes to address its higher than average reference cost index of 130.





Operating and Financial Review

New Assets and Capital Investment

The Trust committed £8.173m to its Capital Programme in 2006/07. Most of this sum was spent on the new Site Development scheme. In addition, a further £349k was spent on assets funded from Charitable sources. This was mainly due to the extension of Robert Owen House.

For 2007/08 the Trust will have a Capital Programme of £7.536m. Within this programme nearly £3.5m has been allocated for the completion of the new Site Development. A further £1m has been allocated for the Modernisation Programme, £1.1m allocated for the Decontamination Project. A sum of £450k has been allocated for Medical Equipment, £300k for Aneurysm Equipment, £300k for the Aseptic Suite and £300k for IM&T. The remaining balance will be spent on Minor Capital Schemes.

For 2007/08 NHS Trusts in common with Foundation Trusts will be able to retain internally generated depreciation to fund capital expenditure. The Trust will use this as a source of funding to supplement £3m of capital slippage monies given up in 2006/07 to be returned in 2007/08.

Liquidity and Balance Sheet

Average cash balances during the year enabled the Trust to generate £204k in interest.

To meet its EFL the Trust was required to reduce its cash balances at 31st March 2007 to £106k. To do this the Trust offered slippage monies of £3.5m as Strategic Financial Assistance which will be returned to the Trust in 2007/08.

The Trust is seeking Foundation Trust status in 2008/09. If this is achieved the Trust does not have to minimise its cash balances at year end and will be looking to build up substantial cash balances in future years. In preparation for Foundation Trust status the Trust has placed greater emphasis on the control of cashflow and cashflow forecasting which is reported regularly to the Trust Board.

The main changes to the Balance Sheet are associated with the Site Development. There has been an increase in Public Dividend Capital of £4.637m which is due to the draw down of PDC up to the Trusts External Financing Limit to fund the Site Development. The overall value of Fixed Assets has increased by £0.8m. This comparatively small movement is due to the capital expenditure incurred during the year of £8.5m offset by the impact of the revaluation of parts of the Site Development which have come into use in the year. Depreciation charges have also increased due to parts of the Site Development being previously within Assets Under Construction and which are now reclassified as Buildings and Equipment as they came into use during the year. Assets Under Construction do not incur depreciation charges.

Outlook

The Trust is looking forward to becoming a Foundation Trust in 2008/09. The Site Development will be completed in August with the completion of the conversion of the old SICU into a new ward. Prior to this, the second new Cardiac Catheter Laboratory will be handed over and also the dedicated Aneurysm Theatre.

Melanie Simmonds

Melanie Simmonds
Director of Finance

Remuneration Report

The Remuneration committee has delegated authority from the Trust Board to decide on all matters relating to the terms of employment and remuneration for Executive Directors and senior managers within the Trust.

In the context of the remuneration policy the term "senior manager" means Executive Directors, their deputies and managers who report directly to the Chief Executive.

All Non Executive Directors are members of the committee (one of whom is appointed by the Committee as Chairman), including the Trust Board Chairman. The Chief Executive is a member of the Committee except when any matters are being decided which relate to the terms of employment or remuneration for the position of Chief Executive. Four Non executive Directors form a quorum. The Committee will meet at least once during each financial year.

The Remuneration Committee decides on changes to the remuneration of the Chief Executive on the advice of the Trust Board Chairman. Account is taken of any advice issued by the Department of Health on the increase in remuneration for senior NHS managers. The Chief Executive makes recommendations to the Committee on changes to the remuneration of other Executive Directors and attends meetings of the Committee when this is being discussed. No changes are made to the remuneration of Executive Directors without such changes being agreed by the Committee. Executive Directors have delegated authority to decide on changes to the remuneration of other senior managers within the framework set by the Committee.

The Chairman of the Trust agrees annual personal objectives with the Chief Executive and monitors progress in meeting objectives throughout the year. The Chief Executive in turn agrees objectives for other Executive Directors. An assessment on how each senior manager performed in meeting their objectives is presented to the Committee when considering changes to the officer's remuneration. The same process takes place when Executive Directors are reviewing the remuneration for other senior managers.

The Committee receives benchmarking information on NHS remuneration and at its own discretion makes whatever enquiries it may feel appropriate from other organisations.

The CTC does not have a performance related pay component of its remuneration package for senior managers or any other employee of the Trust. The only additional benefit that has been agreed for Executive Directors is an allowance towards the cost of a lease car. The value of the allowance is reviewed at the discretion of the Committee. Based on the outcome of annual performance reviews and changes in levels of responsibility the committee may decide to increase a manager's remuneration above the average increase for other managers.

All senior managers are given substantive contracts on appointment. The starting salary is set in accordance with the above process for considering revisions to remuneration.

The notice period for a senior manager is 3 months on both sides. Should the Trust decide to terminate the contract of employment of a senior manager the minimum payment that would be made would be equivalent to the remuneration for the notice period, including where appropriate any lease car allowance. The Committee at its discretion can decide to pay an increased termination payment to a manager where this is considered appropriate considering any particular circumstances that may apply in each case. Appropriate legal and audit advice would be obtained in such circumstances.

There have been no significant awards made to past senior managers in 2006/07.

Mike Bone

Mike Bone

Chief Executive

Remuneration Report

Note 1 Management and Administration Costs

The Management costs of the Trust were £3,994,605 (3,778,000 in 2005/06) and amounted to 4.8% of Trust Income (4.9% in 2005/2006)

Note 2 Salary and other remuneration of Senior Managers

Name and Title	Salary (bands of £5000)	Other Remuneration (bands of £5000)	Benefits in kind (bands of £5000)
2006/07			
M Bone - *Chief Executive*	105-110	0-5	0
A Soorae - *Medical Director* *	0-5	0-5	0
G Russell - *Medical Director* **	20-25	140 - 145	0
R Page - *Deputy Medical Director* ***	5-10	130 - 135	0
M Simmonds - *Director of Finance*	75-80	0-5	0
M Fitzsimmons - *Chairman*	15-20	0-5	0
J Walters - *Director of Nursing*	70-75	0-5	0
P Acres - *Non - Executive Director* ****	0-5	0-5	0
J Brown - *Non - Executive Director*	5-10	0-5	0
P Firby - *Non - Executive Director*	5-10	0-5	0
S Jones - *Community Focus Advisor******	5-10	0-5	0
B Barrow - *Director of HR*	65-70	0-5	0
K Halligan - *Non - Executive Director*	5-10	0-5	0
P N Large - *Associate Director*****	0-5	0-5	0
M Hewitt - *Non - Executive Director*******	0-5	0-5	0

* A Soorae left post in July 2006 and was replaced by G Russell
** G Russell moved from Deputy Medical Director to Medical Director in August 2006
*** R Page replaced G Russell as Deputy Medical Director in August 2006
**** P Acres left post in September 2006
***** S Jones moved from Non - Executive Director to Community Focus Advisor in March 2007
****** P N Large joined as Associate Director in September 2006
*******M Hewitt replaced S Jones as Non - Executive Director in March 2007

2005/06			
M Bone - Chief Executive	95-100	0-5	0
A Soorae - Medical Director	25-30	155-160	0
G Russell - Deputy Medical Director	10-15	150-155	0
M Simmonds - Director of Finance	70-75	0-5	0
M Fitzsimmons - Chairman	15-20	0-5	0
J Walters - Director of Nursing	65-70	0-5	0
P Acres - Non - Executive Director	5-10	0-5	0
J Brown - Non - Executive Director	5-10	0-5	0
P Firby - Non - Executive Director	5-10	0-5	0
S Jones - Non - Executive Director	5-10	0-5	0
B Barrow - Director of HR	60-65	0-5	0
K Halligan - Non - Executive Director	5-10	0-5	0

Note 3 Pension entitlements of senior managers

B) Pension Benefits

Name and title	Real increase in pension and related lump sum at age 60 (bands of £2500) £000	Total accrued pension and related lump at age 60 at 31 March 2007 (bands of £5000) £000	Cash Equivalent Transfer Value at 31 March 2007 £000	Cash Equivalent Transfer Value at 31 March 2006 £000	Real Increase in Cash Equivalent Transfer Value £000	Employers Contribution to Stakeholder Pension To nearest £100
M Bone *Chief Executive*	12.5 - 15	150 - 155	595	536	46	0
B Barrrow *Director of Human Resources*	2.5 - 5	45 - 50	129	107	19	0
G Russell *Medical Director*	5 - 7.5	145 - 150	542	506	24	0
R Page *Deputy Medical Director*	12.5 - 15	130 - 135	473	409	54	0
M Simmonds *Director of Finance*	10 - 12.5	100 - 105	368	316	44	0
A Soorae *Medical Director*	12.5 - 15	260 - 265	No CETV	No CETV	No CETV	0
J Walters *Director of Nursing*	5 - 7.5	70 - 75	237	209	22	0

** As at 31 March 2005 CETV was reported as 382. This was an error by pensions agency and should have been 269*

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

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the members accrued benefits and any contingent spouses 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 from 2004/05 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.

Statement on Internal Control

1. Scope of Responsibility:

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible as set out in the Accountable Officer Memorandum.

I carry out my accountability role as follows:

- By using the Trust's performance management structure. This covers the implementation of the Trust's Annual Business Plans, ongoing monitoring of performance in meeting LDP targets and in implementing action plans to take forward a continuing expansion in workload and quality of services.
- By working through the Trust Board and 'standing' committees to ensure the management of risk and achievement of the Trust's policies, aims and objectives are given due attention.
- By constant review. During the year the Terms of Reference and membership of all reporting committees have been reviewed and approved by the Trust Board.
- By agreeing personal objectives for directly accountable senior managers and through them all staff to ensure that objectives are linked to the Trust's overall Business Plan.
- By carrying out Directorate reviews twice a year to review progress against Trust objectives.
- By ensuring all managers adhere to the agreed code of conduct

The Trust works in partnership with other NHS Trusts, PCTs and the SHA to implement and co-ordinate strategic change through:

- The North West and North Mersey NHS Chief Executive Forums
- Clinical Networks
- The Overview and Scrutiny Committee
- The Health Improvement Programme
- The developing programme of shared services between Trusts such as the North Mersey Health Informatics Service.
- The Cheshire and Mersey Cardiac Network

2. The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure in order to achieve the Trust's 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 organisation's policies, aims and objectives; and
- Evaluate the likelihood of those risks being realised, the impact should they be realised and to manage the risks efficiently, effectively and economically.

The system of internal control has been in place in The Cardiothoracic Centre for the year ended 31st March 2007 and up to the date of approval of the Annual Report and Accounts.

3. Capacity to Handle Risk

As Chief Executive, supported by the Board, I have responsibility for the introduction and implementation of the Risk Management processes within the Trust. The Audit Committee's role is to review these risk management processes within the Trust and the Trust's system of internal control. In order to ensure risk management is integrated into all practices and procedures within the Trust the following are in place:

- Risk Management Committee to assess and update risks and oversee the operational management of risk.
- An organisation wide risk register.
- An increased awareness of staff of a risk identification culture through a "self assessment process".
- Staff appraisal to focus on improvements in performance related to adverse incidents/near misses, concerns and complaints received.

- The continued integration into induction and annual mandatory training of risk management, risk assessment and incident reporting procedures.
- Staff awareness of the requirement to report all adverse incidents.
- Sharing of good practice between The Cardiothoracic Centre - Liverpool NHS Trust and other NHS and Foundation Trusts.
- Promotion of continuing and personal development that meets individual and business needs of the Trust.
- Board workshops to review risks identified in the Assurance Framework.

4. The Risk and Control Framework

The Trust has established a Risk Management Strategy and Risk Management Policy which were approved by the Board. The key elements of the strategy include:-

- A commitment to risk management and support for staff in providing high quality services that are safe for patients.
- Risk management processes that include the identification, evaluation, analysis, risk control, review and effective follow up of risks identified.
- Training arrangements which cover risk.
- Dissemination of information of key risks to stakeholders.
- Providing evidence in support of the Statement on Internal Control and Controls Assurance Framework. This has been agreed at Board level and covers the following activities:
  - Identifying objectives and targets which the Trust is striving to achieve.
  - Identification of the risks to the achievement of objectives and targets.
  - Using the system of internal control in place to manage risks.
  - Management and independent assurances that the risks are being managed effectively.
  - Board action plans which assure the delivery of objectives.

Further developments during 2006/07 include:

- The preparation of a 5 year Integrated Business Plan to support the Trust's application for Foundation status. This included an evaluation of all areas of activity, risk management and governance arrangements.
- The mapping of all Trust objectives to individual Board sub-committees.
- Ensuring risk management processes within the Trust were consistent with the requirements of becoming a Foundation Trust.

5. Healthcare Standards

In 2006/07 the Healthcare Commission published its first assessment on Trusts meeting Healthcare Standards. The Trust was compliant with all 23 relevant standards and received an assessment of 'good' for both the quality of services and use of resources.

6. Compliance with NHS Pension Scheme Regulations

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.

7. Shared Business Services Control Environment

The Trust has received copies of the Ernst & Young Independent Services Auditor's Report to the Board of NHS Shared Business Services for the period 1.4.06 to 31.3.07. The Report covers Payroll and associated general Information Technology controls and Purchase to Pay, Order to Cash, Accounting to Reporting and associated general Information Technology controls.

The Ernst & Young Report applies internationally recognised standards for reporting on the effectiveness of controls in a shared service environment. These are Statement on Auditing Standards No. 70 - "Reports on the Processing of Transactions by Service Organisations" and Statement No. 94 - "The effect of Information Technology on the

Statement on Internal Control

Auditor's Understanding of Internal Control in a Financial Statement Audit".

The Report provides assurance required in the above areas to NHS Trust Boards and can be relied upon by NHS Shared Business Services users and their Independent Auditors.

The report is unqualified in respect of the 5 control objectives for Payroll and the 22 control objectives for Purchase to Pay, Order to Cash and Accounting to Reporting.

In addition to the above, the Trust's Internal Audit Service has carried out testing during the financial year on the new coding procedures and the control environment of transferring data. The category of significant assurance was given to these areas by Mersey Internal Audit Agency.

8. Review of Effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways.

The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work.

Executive Directors within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance.

The Assurance Framework itself provides evidence on the effectiveness of controls that manage the risks to the organisation and evidence that the framework has been reviewed.

My view is also informed by the work of External Audit, the audit of the Clinical Negligence Scheme for Trusts and the Strategic Health Authority. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Trust Board, Audit, Clinical Quality and Risk Management Committees. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The effectiveness of the system of internal control has been maintained and reviewed as follows:

- The Board has provided active leadership of the Trust within a framework of prudent and effective controls that enables risk to be assessed and managed.
- The Audit Committee has advised the Board on the effectiveness of the system of internal control.
- The Trust's 'standing' committees (Clinical Quality, Risk Management, Finance and Performance and Workforce Strategy and Development) have provided strategic direction, ensuring a comprehensive and coherent framework of healthcare governance.
- Internal audits of the effectiveness of the system of internal control.
- Other explicit review/assurance mechanisms in place include the Assurance Framework and controls assurance processes and a range of other independent assessments against key areas of control (see above).
- Review of progress in meeting the Standards of the Healthcare Commission's "Standards for Better Health" by the Trust Board Standing Committees.

No significant control issues were identified during the financial year 1st April 2006 to 31st March 2007: however the following control issues, not amounting to significant control issues, were identified:

- Legionella control.
- Meeting 62 day cancer target because of the interdependence on other Trusts' performances.

Actions to improve the control of the above risks have been progressing throughout 2006/07 and reports on the effectiveness of these improvements have been received by the Trust Board.

Mike Bone

Mike Bone
Chief Executive

Audit Opinion

Independent auditor's report to the Directors of the Board of The Cardiothoracic Centre – Liverpool NHS Trust

Opinion on the financial statements

We have audited the financial statements of The Cardiothoracic Centre - Liverpool NHS Trust for the year ended 31 March 2007 under the Audit Commission Act 1998. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies relevant to the National Health Service set out within them.

This report is made solely to the Board of The Cardiothoracic Centre - Liverpool NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

Respective responsibilities of Directors and auditor

The directors' responsibilities for preparing the financial statements in accordance with directions made by the Secretary of State are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

We review whether the directors' statement on internal control reflects compliance with the Department of Health's requirements. We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information I/we are aware of from our audit of the financial statements. We are not required to consider, nor have we considered, whether the directors' statement on internal control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Foreword, the unaudited part of the Remuneration Report, the Chairman's Statement and the Operating and Financial Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with the Audit Commission Act 1998, the Code of Audit Practice issued by the Audit Commission and International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Audit Opinion

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2007 and of its income and expenditure for the year then ended; and
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England.

Baker Tilly UK Audit LLP
Registered Auditor & Chartered Accountants
Brazennose House
Lincoln Square
Manchester
M2 5BL

Date: 19th June 2007

Independent auditors' report to the Directors of the Board of The Cardiothoracic Centre – Liverpool NHS Trust on the NHS Trust Summarisation Schedules

We have examined the summarisation schedules (TACs) numbered TAC 01 to TAC 28 of The Cardiothoracic Centre - Liverpool NHS Trust for the year ended 31st March 2007, which have been prepared by the Director of Finance and acknowledged by the Chief Executive.

This report is made solely to the Board of The Cardiothoracic Centre - Liverpool NHS Trust in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 36 of the Statement of Responsibilities of Auditors and of Audited Bodies prepared by the Audit Commission.

In our opinion these summarisation schedules are consistent with the statutory financial statements.

Baker Tilly UK Audit LLP
Registered Auditor and Chartered Accountants
Brazennose House
Lincoln Square
Manchester
M2 5BL

Date: 19th June 2007

Conclusion on arrangements for securing economy, efficiency and effectiveness in the use of resources.

Directors' Responsibilities

The Directors are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the Trust's use of resources, to ensure proper stewardship and governance, and regularly to review the adequacy and effectiveness of these arrangements.

Auditors Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust for securing economy, efficiency and effectiveness in its use of resource. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the Trust has made such proper arrangements. 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.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006. We are satisfied that, in all significant respects, The Cardiothoracic Centre - Liverpool NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2007.

Baker Tilly UK Audit LLP
Registered Auditor and Chartered Accountants
Brazennose House
Lincoln Square
Manchester
M2 5BL

Date: 19th June 2007

Chief Executive's & Directors Responsibilities

Statement of The Chief Executive's Responsibilities as the Accountable Officer of the Trust.

The Secretary of State has directed that the Chief Executive should be the Accountable Officer to the Trust. The relevant responsibilities of Accountable Officers, including their responsibility for the propriety and regularity of the public finances for which they are answerable and for the keeping of proper records, are set out in the Accountable Officers' Memorandum issued by the Department of Health.

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in my letter of appointment as an Accountable Officer.

Mike Bone

Date: 21st June 2007. Mike Bone, Chief Executive

Statement of Directors' Responsibilities in respect of the Accounts

The Directors are required under the National Health Service Act 2006 to prepare accounts for each financial year. The Secretary of State, with the approval of the Treasury, directs that these accounts give a true and fair view of the state of affairs of the Trust and of the income and expenditure of the Trust for that period. In preparing those accounts, the Directors are required to:

- apply on a consistent basis accounting policies laid down by the Secretary of State with the approval of the Treasury.
- make judgements and estimates which are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned direction of the Secretary of State. They are also responsible for safeguarding the assets of the Trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm to the best of their knowledge and belief that they have complied with the above requirements in preparing the accounts.

By order of the Board

Date: 21st June 2007 Mike Bone, Chief Executive
Date: 21st June 2007 Melanie Simmonds, Finance Director

Annual Accounts

Income and Expenditure Account for the Year Ended 31 March 2007

	NOTE	2006/07 £000	2005/06 £000
Income from activities	3	**81,776**	75,645
Other operating income	4	**1,146**	2,162
Operating expenses	5	**(80,951)**	(75,898)
OPERATING SURPLUS/(DEFICIT)		**1,971**	1,909
Cost of fundamental reorganisation/restructuring		**0**	0
Profit/(loss) on disposal of fixed assets		**0**	0
SURPLUS/(DEFICIT) BEFORE INTEREST		**1,971**	1,909
Interest receivable		**204**	73
Interest payable	8	**(2)**	0
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		**2,173**	1,982
Public Dividend Capital dividends payable		**(2,146)**	(1,982)
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		**27**	0

The notes on pages 52 to 72 form part of these accounts.

All income and expenditure is derived from continuing operations.

Note to the Income and Expenditure Account for the Year Ended 31 March 2007

Retained surplus/(deficit) for the year	**27**	0
Financial support included in retained surplus/(deficit) for the year - NHS Bank	**0**	0
Financial support included in retained surplus/(deficit) for the year - Internally Generated	**0**	0
Retained surplus/(deficit) for the year excluding financial support	**27**	0

Recognition of costs arising in 2007/08 rather than 2006/07

Income was withdrawn in 2006/07. Separate funding will be allocated to the Cardiothoracic Centre to cover costs associated with transactions in 2007/08. The transactions relate to the revenue consequences of the site development.

The Cardiothoracic Centre - Liverpool NHS Trust has never required External Financial Support.

Balance Sheet as at 31 March 2007

	NOTE	31st March 2007 £000	31st March 2006 £000
FIXED ASSETS			
Intangible assets	9	**124**	59
Tangible assets	10	**71,012**	70,265
Investments	13.1	**0**	0
		71,136	70,324
CURRENT ASSETS			
Stocks and work in progress	11	**2,902**	3,159
Debtors	12	**6,359**	5,375
Investments	13.2	**0**	0
Cash at bank and in hand	17.3	**106**	106
		9,367	8,640
CREDITORS: Amounts falling due within one year	14	**(10,118)**	(9,863)
NET CURRENT ASSETS/(LIABILITIES)		**(751)**	(1,223)
TOTAL ASSETS LESS CURRENT LIABILITIES		**70,385**	69,101
CREDITORS: Amounts falling due after more than one year	14	**0**	0
PROVISIONS FOR LIABILITIES AND CHARGES	15	**(506)**	(121)
TOTAL ASSETS EMPLOYED		**69,879**	68,980
FINANCED BY:			
TAXPAYERS' EQUITY			
Public dividend capital	21	**58,556**	53,919
Revaluation reserve	16	**6,977**	10,960
Donated asset reserve	16	**1,758**	1,540
Government grant reserve	16	**0**	0
Other reserves*	16	**0**	(23)
Income and expenditure reserve	16	**2,588**	2,584
TOTAL TAXPAYERS' EQUITY		**69,879**	68,980

The financial statements on pages 38 to 72 were approved by the Board on 21st June 2007 and signed on its behalf by:

Signed: *Mike Bone*
(Chief Executive)

Statement of Total Recognised Gains and Losses for the Year Ended 31 March 2007

	2006/07 £000	2005/06 £000
Surplus/(deficit) for the financial year before dividend payments	2,173	1,982
Fixed asset impairment losses	0	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	(3,905)	1,046
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	349	692
Defined benefit scheme actuarial gains/(losses)	0	0
Additions/(reductions) in "other reserves"	0	(23)
Total recognised gains and losses for the financial year	(1,383)	3,697
Prior period adjustment	0	0
Total gains and losses recognised in the financial year	(1,383)	3,697

Cash Flow Statement for the Year Ended 31 March 2007

	NOTE	2006/07 £000	2005/06 £000
OPERATING ACTIVITIES			
Net cash inflow/(outflow) from operating activities	17.1	6,557	2,345
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE:			
Interest received		204	73
Interest paid		0	0
Interest element of finance leases		0	0
Net cash inflow/(outflow) from returns on investments and servicing of finance		204	73
CAPITAL EXPENDITURE			
(Payments) to acquire tangible fixed assets		(9,141)	(18,846)
Receipts from sale of tangible fixed assets		(17)	0
(Payments) to acquire intangible assets		(88)	(13)
Receipts from sale of intangible assets		0	0
(Payments to acquire)/receipts from sale of fixed asset investments		0	0
Net cash inflow/(outflow) from capital expenditure		(9,252)	(18,859)
DIVIDENDS PAID		(2,146)	(1,982)
Net cash inflow/(outflow) before management of liquid resources and financing		(4,637)	(18,423)
MANAGEMENT OF LIQUID RESOURCES			
(Purchase) of investments with DH		0	0
(Purchase) of other current asset investments		0	0
Sale of investments with DH		0	0
Sale of other current asset investments		0	0
Net cash inflow/(outflow) from management of liquid resources		0	0
Net cash inflow/(outflow) before financing		(4,637)	(18,423)
FINANCING			
Public dividend capital received		4,637	18,423
Public dividend capital repaid (not previously accrued)		0	0
Public dividend capital repaid (accrued in prior period)		0	0
Loans received from DH		0	0
Other loans received		0	0
Loans repaid to DH		0	0
Other loans repaid		0	0
Other capital receipts		0	0
Capital element of finance lease rental payments		0	0
Cash transferred (to)/from other NHS bodies		0	0
Net cash inflow/(outflow) from financing		4,637	18,423
Increase/(decrease) in cash		0	0

1 ACCOUNTING POLICIES

The Secretary of State for Health has directed that the financial statements of NHS Trusts shall meet the accounting requirements of the NHS Trust Manual for Accounts which shall be agreed with HM Treasury. The accounting policies contained in that manual follow UK Generally Accepted Accounting Practice and HM Treasury's Government Financial Reporting Manual to the extent that they are meaningful and appropriate to the NHS. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of fixed assets at their value to the business by reference to their current costs. NHS Trusts are not required to provide a reconciliation between current cost and historical cost surpluses and deficits.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are acquired from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Income Recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements. Income is recognised in the period in which services are provided. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

1.4 Partially Completed Patient Spells

Following changes to SSAP 9 and FRS 5 (Reporting the Substance of Transactions , Application note G Revenue Recognition) NHS Trusts and Primary Care Trusts are required to agree the value of part completed spells for 2006/07 and to reflect this in their respective accounts. Trusts and PCTs are also required to account for this as a prior period adjustment. The Trust has calculated the value of part completed spells at the end of 2006/07 to be £41,000 and has decided not to account for this as it is not of a material nature.

1.5 Comparators

Certain comparative figures in the Income and Expenditure account have been amended to show figures on a comparable basis with the current year. An example of this has been the treatment of income from Health Commission Wales which was included within NHS Income in 2005/06. However for 2006/07 this has now been reflected in Non NHS Income Other Income as directed by the Department of Health.

1.6 Intangible fixed assets

Intangible assets are capitalised when they are capable of being used in a Trust's activities for more than one year; they can be valued; and they have a cost of at least £5,000.

Intangible fixed assets held for operational use are valued at historical cost and are depreciated over the estimated life of the asset on a straight line basis, except capitalised Research and Development which is revalued using an appropriate index figure. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

Purchased computer software licences are capitalised as intangible fixed assets where expenditure of at least £5,000 is incurred. They are amortised over the shorter of the term of the licence and their useful economic lives.

1.7 Tangible fixed assets

CAPITALISATION

Tangible assets are capitalised if they are capable of being used for a period which exceeds one year and they:

- individually have a cost of at least £5,000; or
- collectively have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- form part of the initial equipping and setting-up cost of a new building, ward or unit irrespective of their individual or collective cost.

The Trust purchases AICDs, Stents and Pacemakers which individually cost over £5,000 but are treated as revenue expenditure.

VALUATION

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into

working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable."

All land and buildings are restated to current value using professional valuations in accordance with FRS15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

Professional valuations are carried out by the District Valuers of the Revenue and Customs Government Department. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. In accordance with the requirements of the Department of Health, the last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005 and were applied on the 31 March 2005.

The valuations are carried out primarily on the basis of Depreciated Replacement Cost for specialised operational property and Existing Use Value for non-specialised operational property. The value of land for existing use purposes is assessed at Existing Use Value. For non-operational properties including surplus land, the valuations are carried out at Open Market Value.

Additional alternative Open Market Value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

All adjustments arising from indexation and five-yearly revaluations are taken to the Revaluation Reserve. Falls in value when newly constructed assets are brought into use are also charged there. These falls in value result from the adoption of ideal conditions as the basis for depreciated replacement cost valuations.

Assets in the course of construction are valued at current cost using the indexes as for land and buildings, as above. These assets include any existing land or buildings under the control of a contractor.

During 2006/07 the District Valuer revalued completed and commissioned blocks of the New Site Development resulting in a revaluation downwards of £8.961m. This adjustment is reflected in a downward movement in the value of Fixed Assets and the Revaluation Reserve.

Operational equipment other than IT equipment, which is considered to have nil inflation, is valued at net current replacement cost through annual uplift by the change in the value of the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

DEPRECIATION, AMORTISATION AND IMPAIRMENTS

Tangible fixed assets are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. No depreciation is provided on freehold land and assets surplus to requirements.

Assets in the course of construction are not depreciated until the asset is brought into use.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life of the asset.

Impairment losses resulting from short-term changes in price that are considered to be recoverable in the longer term are taken in full to the revaluation reserve. These include impairments resulting from the revaluation of fixed assets from their cost to their value in existing use when they become operational. This may lead to a negative revaluation reserve in certain instances.

Where, under Financial Reporting Standard 11, a fixed asset impairment is charged to the Income and Expenditure Account, offsetting income may be paid by the Trust's main commissioner using funding provided by the NHS Bank.

1.8 Donated fixed assets

Donated fixed assets are capitalised at their current value on receipt and this value is credited to the Donated Asset Reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the Donated Asset Reserve and, each year, an amount equal to the depreciation charge on the asset is released from the Donated Asset Reserve to the Income and Expenditure account. Similarly, any impairment on donated assets charged to the Income and Expenditure Account is matched by a transfer from the Donated Asset Reserve. On sale of donated assets, the value of the sale proceeds is transferred from the Donated Asset Reserve to the Income and Expenditure Reserve.

1.9 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks.

Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not classified as work in progress.

1.10 Research and development

Expenditure on research is not capitalised. Expenditure on development is capitalised if it meets the following criteria:

- there is a clearly defined project;
- the related expenditure is separately identifiable;
- the outcome of the project has been assessed with reasonable certainty as to:
  - its technical feasibility;
  - its resulting in a product or service which will eventually be brought into use;
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. The amortisation charge is calculated on the same basis as used for depreciation i.e. on a quarterly basis. Expenditure which does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred. NHS Trusts are unable to disclose the total amount of research and development expenditure charged in the income and expenditure account because some research and development activity cannot be separated from patient care activity.

Fixed assets acquired for use in research and development are amortised over the life of the associated project.

1.11 Provisions

"The Trust provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation. Where the effect of the time value of money is material, the estimated risk-adjusted cash flows are discounted using the Treasury's discount rate of 2.2% in real terms. "

CLINICAL NEGLIGENCE COSTS

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the NHS Trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the Trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the Trust is disclosed at note 16.

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2006/07 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

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 the NHS Litigation Authority 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 as and when they become due.

1.12 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. As a consequence it is not possible for the NHS Trust to identify its share of the underlying scheme assets and liabilities. Therefore the scheme is accounted for as a defined contribution scheme and the cost of the scheme is equal to the contributions payable to the scheme for the accounting period.

The Scheme is subject to a full valuation for FRS 17 purposes every four years. The last valuation on this basis took place as at 31 March 2003. The scheme is also subject to a full valuation by the Government Actuary to assess the scheme's assets and liabilities to allow a review of the employers contribution rates, this valuation took place as at 31 March 2004 and has yet to be finalised. The last published valuation on which contributions are based covered the period 1 April 1994 to 31 March 1999. Between valuations, the Government Actuary provides an update of the scheme liabilities. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the Business Service Authority - Pensions Division website at www.nhspa.gov.uk. Copies can also be obtained from The Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions are set at 14% of pensionable pay from 1 April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th of the best of the last 3 years pensionable pay for each year of service.
A lump sum normally equivalent to 3 years pension is payable on retirement. Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. On death, a pension of 50% of the member's pension is normally payable to the surviving spouse.

Early payment of a pension, with enhancement, is available to members of the Scheme who are permanently incapable of fulfiling their duties effectively through illness or infirmity. A death gratuity of twice final years pensionable pay for death in service, and up to five times their annual pension for death after retirement, less pensions already paid, subject to a maximum amount equal to twice the member's final years pensionable pay less their retirement lump sum for those who die after retirement is payable.

Additional pension liabilities arising from early retirement are not funded by the scheme except where the retirement is due to ill-health. For early retirements not funded by the scheme, the full amount of the liability for the additional costs is charged to the Income and Expenditure account at the time the NHS Trust commits itself to the retirement, regardless of the method of payment.

The Scheme provides the opportunity to members to increase their benefits through money purchase Additional Voluntary Contributions (AVCs) provided by an approved panel of life companies. Under the arrangement the employee/member can make contributions to enhance an employee's pension benefits. The benefits payable relate directly to the value of the investments made.

In addition, the Trust has staff who contribute Additional Voluntary Contributions to Equitable Life and Standard Life.

1.13 Liquid resources

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. The Trust does not hold any investments with maturity dates exceeding one year from the date of purchase.

1.14 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.

1.15 Foreign Exchange

Transactions that are denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. Resulting exchange gains and losses are taken to the Income and Expenditure Account.

1.16 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them.
Details of third party assets are given in Note 25 to the accounts.

1.17 Leases

Where substantially all risks and rewards of ownership of a leased asset are borne by the NHS Trust, the asset is recorded as a tangible fixed asset and a debt is recorded to the lessor of the minimum lease payments discounted by the interest rate implicit in the lease. The interest element of the finance lease payment is charged to the Income and Expenditure Account over the period of the lease at a constant rate in relation to the balance outstanding. Other leases are regarded as operating leases and the rentals are charged to the Income and Expenditure Account on a straight-line basis over the term of the lease.

The Cardiothoracic Centre - Liverpool NHS Trust has Operating Leases for Medical Equipment and cars only

1.18 Public Dividend Capital (PDC) and PDC Dividend

Public Dividend Capital represents the outstanding public debt of an NHS Trust.
At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the NHS Trust.

A charge, reflecting the forecast cost of capital utilised by the NHS Trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the forecast average carrying amount of all assets less liabilities, except for donated assets and cash with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets. A note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year.

1.19 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 each individual case is handled.

Losses and Special Payments are charged to the relevant functional headings in the Income and Expenditure Account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). Note 27 is compiled directly from the losses and compensations register which is prepared on a cash basis.

2 SEGMENTAL ANALYSIS

The Trust is not a lead body for any consortium and such, segmental reporting does not apply.

3 INCOME FROM ACTIVITIES

	2006/07 £000	2005/06 £000
Strategic Health Authorities	240	2,407
NHS Trusts	1,080	27
Primary Care Trusts	61,712	57,518
Foundation Trusts	3	0
Local Authorities	24	0
Department of Health	7,008	4,083
NHS Other	0	18
Non NHS:		
Private patients	3,066	2,805
Overseas patients (non-reciprocal)	0	15
Road Traffic Act	0	0
Injury cost recovery	0	0
Other	8,643	8,772
	81,776	75,645

For 2005/06 income from the Health Commission Wales was included within NHS Other Income. For 2006/07 this has now been reflected in Non NHS Other Income as directed by the Department of Health.

4 OTHER OPERATING INCOME

	2006/07 £000	2005/06 £000
Patient transport services	0	0
Education, training and research	291	1,439
Charitable and other contributions to expenditure	278	573
Transfers from donated asset reserve	209	14
Transfers from government grant reserve	0	0
Non-patient care services to other bodies	0	0
Income Generation	2	0
Other income	366	136
	1,146	2,162

For 2005/06 Education, Training and Research included £937k of Direct Credits.
For 2006/07 most of the equivalent income has been included within Income from Activities from NHS Trusts.

For the purposes of comparison Car Parking Income of £62k in 2005/06 has been reclassified within Other Income.

In 2006/07 Other Income Includes £236k Drug Eluting Stent Rebate and £103k Staff Car Parking Income.

5 OPERATING EXPENSES

5.1 Operating expenses comprise:

	2006/07 £000	2005/06 £000
Services from other NHS Trusts	3,250	3,440
Services from other NHS bodies	52	43
Services from Foundation Trusts	41	0
Purchase of healthcare from non NHS bodies	0	1,245
Directors' costs	491	466
Staff costs	44,947	40,702
Supplies and services - clinical	23,860	23,180
Supplies and services - general	1,270	1,230
Establishment	651	563
Transport	4	0
Premises	1,267	1,137
Bad debts	0	0
Depreciation	3,782	2,134
Amortisation	23	23
Fixed asset impairments and reversals	0	0
Audit fees	140	117
Other auditor's remuneration	0	0
Clinical negligence	267	293
Redundancy costs	0	0
Other	906	1,325
	80,951	75,898

Other operating expenses include course fees £168,000, professional fees £450,000, and LTPS & PES excess £103,000.

Fees paid to the Auditors were solely in respect of audit services and totalled £140,000.

5.2 Operating leases

5.2/1 Operating Expenses include

	2006/07 £000	2005/06 £000
Hire of plant and machinery	0	0
Other operating lease rentals	692	253
	692	253

5.2/2 Annual commitments under non - cancellable operating leases are:

	Land and buildings		Other leases	
	2006/07 £000	2005/06 £000	2006/07 £000	2005/06 £000
Within 1 year	0	0	0	0
Between 1 and 5 years	0	0	472	256
After 5 years	0	0	226	388
	0	0	698	644

During 2005/6 the Trust entered into a number of operating lease agreements for the procurement of medical equipment for the site development. The capital cost of this equipment was in the region of £4.2m.

6 STAFF COSTS AND NUMBERS

6.1 Staff costs

	2006/07			2005/06
	Total £000	Permanently Employed £000	Other £000	£000
Salaries and wages	39,006	38,312	694	35,357
Social Security Costs	2,799	2,799	0	2,621
Employer contributions to NHS Pension Scheme	3,633	3,633	0	3,142
Other pension costs	0	0	0	0
	45,438	44,744	694	41,120

6.2 Average number of persons employed

	2006/07			2005/06
	Total Number	Permanently Employed Number	Other Number	Number
Medical and dental	103	100	3	110
Ambulance staff	0	0	0	0
Administration and estates	223	215	8	227
Healthcare assistants and other support staff	217	217	0	196
Nursing, midwifery and health visiting staff	464	463	1	451
Nursing, midwifery and health visiting learners	0	0	0	0
Scientific, therapeutic and technical staff	184	180	4	145
Social care staff	0	0	0	0
Other	0	0	0	0
Total	1,191	1,176	15	1,129

6.3 Employee benefits

	2006/07 £000	2005/06 £000
There were no employee benefits	0	0
	0	0

6.4 Management costs

	2006/07 £000	2005/06 £000
Management costs	3,995	3,778
Income	82,922	77,807

Management costs are defined as those on the management costs website at www.dh.gov.uk/PolicyAndGuidance/OrganisationPolicy/FinanceAndPlanning/NHSManagementCosts/fs/en..

6.5 Retirements due to ill-health

During 2006/07 there were 6 (2005/06, NIL) early retirements from the NHS Trust on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £450,632.44 (£NIL). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

7 BETTER PAYMENT PRACTICE CODE

7.1 Better Payment Practice Code - measure of compliance

	2006/07	
	Number	£000
Total Non-NHS trade invoices paid in the year	24,983	32,561
Total Non NHS trade invoices paid within target	21,459	28,236
Percentage of Non-NHS trade invoices paid within target	86%	87%
Total NHS trade invoices paid in the year	1,250	16,664
Total NHS trade invoices paid within target	639	8,706
Percentage of NHS trade invoices paid within target	51%	52%

The Better Payment Practice Code requires the Trust to aim to pay all undisputed invoices by the due date or within 30 days of receipt of goods or a valid invoice, whichever is later.

7.2 The Late Payment of Commercial Debts (Interest) Act 1998

	2006/07 £000	2005/06 £000
Amounts included within Interest Payable (Note 9) arising from claims made under this legislation	2	0
Compensation paid to cover debt recovery costs under this legislation	0	0

8 INTEREST PAYABLE

	2006/07 £000	2005/06 £000
Finance leases	0	0
Late payment of commercial debt	2	0
Loans	0	0
Other	0	0
	2	0

9 INTANGIBLE FIXED ASSETS

	Software licences £000	Licenses and trademarks £000	Patents £000	Development expenditure £000	Total £000
Gross cost at 1 April 2006	122	0	0	0	122
Indexation				0	0
Impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Additions purchased	88	0	0	0	88
Additions donated	0	0	0	0	0
Additions government granted	0	0	0	0	0
Disposals	0	0	0	0	0
Gross cost at 31 March 2007	**210**	**0**	**0**	**0**	**210**
Amortisation at 1 April 2006	63	0	0	0	63
Indexation				0	0
Impairments	0	0	0	0	0
Reversal of impairments	0	0	0	0	0
Reclassifications	0	0	0	0	0
Other revaluation	0	0	0	0	0
Charged during the year	23	0	0	0	23
Disposals	0	0	0	0	0
Amortisation at 31 March 2007	**86**	**0**	**0**	**0**	**86**
Net book value					
- Purchased at 1 April 2006	57	0	0	0	57
- Donated at 1 April 2006	2	0	0	0	2
- Government granted at 1 April 2006	0	0	0	0	0
- Total at 1 April 2006	**59**	**0**	**0**	**0**	**59**
- Purchased at 31 March 2007	123	0	0	0	123
- Donated at 31 March 2007	1	0	0	0	1
- Government granted at 31 March 2007	0	0	0	0	0
- Total at 31 March 2007	**124**	**0**	**0**	**0**	**124**

10 TANGIBLE FIXED ASSETS

10.1 Tangible fixed assets at the balance sheet date comprise the following elements:

	Land £000	Buildings excluding dwellings £000	Dwellings £000	Assets under construction & payments on account* £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Furniture & fittings £000	Total £000
Cost or valuation at 1 April 2006	3,450	20,562	489	37,525	14,393	0	3,103	1,098	80,620
Additions purchased	0	44	0	6,981	651	0	309	100	8,085
Additions donated	0	0	0	265	84	0	0	0	349
Additions government granted	0	0	0	0	0	0	0	0	0
Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	39,414	0	(40,510)	476	0	90	530	0
Indexation	197	1,731	40	2,985	397	0	0	30	5,380
Other in year revaluation	0	(8,961)	0	0	0	0	0	0	(8,961)
Disposals	0	0	0	0	(956)	0	0	0	(956)
Cost or Valuation at 31 March 2007	**3,647**	**52,790**	**529**	**7,246**	**15,045**	**0**	**3,502**	**1,758**	**84,517**
Depreciation at 1 April 2006					8,846	0	979	530	10,355
Charged during the year	0	1,564	15	0	1,566	0	506	131	3,782
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0	0	0	0
Indexation	0	64	1	0	244	0	0	15	324
Other in year revaluation	0	0		0	0	0	0	0	0
Disposals	0	0	0	0	(956)	0	0	0	(956)
Depreciation at 31 March 2007	**0**	**1,628**	**16**	**0**	**9,700**	**0**	**1,485**	**676**	**13,505**
Net book value									
- Purchased at 1 April 2006	3,450	20,072	322	37,525	4,753	0	2,124	481	68,727
- Donated at 1 April 2006	0	490	167	0	794	0	0	87	1,538
- Government granted at 1 April 2006	0	0	0	0	0	0	0	0	0
- Total at 1 April 2006	**3,450**	**20,562**	**489**	**37,525**	**5,547**	**0**	**2,124**	**568**	**70,265**
- Purchased at 31 March 2007	3,647	50,647	337	6,981	4,618	0	2,017	1,008	69,255
- Donated at 31 March 2007	0	515	176	265	727	0	0	74	1,757
- Government granted at 31 March 2007	0	0	0	0	0	0	0	0	0
- Total at 31 March 2007	**3,647**	**51,162**	**513**	**7,246**	**5,345**	**0**	**2,017**	**1,082**	**71,012**

Of the totals at 31 March 2007, £NIL related to land valued at open market value and £NIL related to buildings valued at open market value and £NIL related to dwellings valued at open market value.

A revaluation downwards of £8.961M has taken place as parts of the new Site Development have come into use during 2006/07

The net book value of assets held under finance leases and hire purchase contracts at the balance sheet date are as follows:

	£000	£000	£000	£000	£000	£000	£000	£000	£000
At 31 March 2007	0	0	0	0	0	0	0	0	**0**
At 31 March 2006	0	0	0	0	0	0	0	0	**0**

The total amount of depreciation charged to the income and expenditure in respect of assets held under finance leases and hire purchase contracts:

	£000	£000	£000	£000	£000	£000	£000	£000	£000
Depreciation 31 March 2007	0	0	0	0	0	0	0	0	**0**
Depreciation 31 March 2006	0	0	0	0	0	0	0	0	**0**

10.2 The net book value of land, buildings and dwellings at 31 March 2007 comprises:

	31 March 2007 £000	31 March 2006 £000
Freehold	55,149	24,304
Long leasehold	0	0
Short leasehold	173	197
TOTAL	55,322	24,501

11 STOCKS AND WORK IN PROGRESS

	31 March 2007 £000	31 March 2006 £000
Raw materials and consumables	2,902	3,159
Work-in-progress	0	0
Finished goods	0	0
TOTAL	2,902	3,159

12 DEBTORS

	31 March 2007 £000	31 March 2006 £000
Amounts falling due within one year:		
NHS debtors	3,749	2,526
Provision for irrecoverable debts	(125)	(125)
Other prepayments and accrued income	470	733
Other debtors	2,265	2,241
Sub Total	6,359	5,375
Amounts falling due after more than one year:		
NHS debtors	0	0
Provision for irrecoverable debts	0	0
Other prepayments and accrued income	0	0
Other debtors	0	0
Sub Total	0	0
TOTAL	6,359	5,375

Other Debtors include £NIL prepaid pension contributions at 31 March 2007 (£NIL at 31 March 2006)

13 INVESTMENTS

13.1 Fixed Assets Investments

	Description £000	Description £000	Other £000	Total £000
Balance at 1 April 2006	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Balance at 31 March 2007	0	0	0	0

13.2 Current Asset Investments

	EU emissions trading Scheme £000	Department of Health £000	Other £000	Total £000
Balance at 1 April 2006	0	0	0	0
Additions	0	0	0	0
Disposals	0	0	0	0
Revaluations	0	0	0	0
Balance at 31 March 2007	0	0	0	0

The Cardiothoracic Centre - Liverpool NHS Trust is not a member of the EU Emissions Trading Scheme.

14 CREDITORS

14.1 Creditors at the balance sheet date are made up of:

	31 March 2007 £000	31 March 2006 £000
Amounts falling due within one year:		
Bank overdrafts	0	0
Current instalments due on loans	0	0
Interest payable	2	0
Payments received on account	0	0
NHS creditors	4,683	3,622
Non - NHS trade creditors - revenue	2,659	3,407
Non - NHS trade creditors - capital	314	2,172
Tax	409	0
Social security costs	8	0
Obligations under finance leases and hire purchase contracts	0	0
Other creditors	210	346
Accruals and deferred income	1,833	316
Sub Total	10,118	9,863
Amounts falling due after more than one year:		
Long - term loans	0	0
Obligations under finance leases and hire purchase contracts	0	0
NHS creditors	0	0
Other	0	0
Sub Total	0	0
TOTAL	10,118	9,863

Other creditors include;

- NIL for payments due in future years under arrangements to buy out the liability for early retirements over 5 years; and
- NIL outstanding pensions contributions at 31 March 2007 (31 March 2006 NIL).

14.2 Loans and other long-term financial liabilities

	31 March 2007 £000	31 March 2006 £000
Amounts falling due:		
In one year or less	0	0
Between one and two years	0	0
Between two and five years	0	0
Over 5 years	0	0
TOTAL	0	0
Wholly repayable within five years	0	0
Wholly repayable after five years, not by instalments	0	0
Wholly or partially repayable after five years, by instalments	0	0
TOTAL	0	0

Total repayable after five years by instalments

Loans and long-term financial liabilities wholly or partially repayable after five years

	Interest rate %	31 March 2007 value outstanding £000	31 March 2006 value outstanding £000
Terms of payment	-	-	-

14.3 Finance lease obligations

	31 March 2007 £000	31 March 2006 £000
Payable:		
Within one year	0	0
Between one and five years	0	0
After five years	0	0
	0	0
Less finance charges allocated to future periods	0	0
	0	0

14.4 Finance Lease Commitments

The Cardiothoracic Centre - Liverpool NHS Trust has no Finance Lease Commitments.

15 PROVISIONS FOR LIABILITIES AND CHARGES

	Pensions relating to former directors £000	Pensions relating to other staff £000	Legal claims £000	Restructuring £000	Others £000	Total £000
At 1 April 2006	0	0	64	0	57	121
Arising during the year	0	0	45	0	425	470
Utilised during the year	0	0	(18)	0	(57)	(75)
Reversed unused	0	0	(10)	0	0	(10)
Unwinding of discount	0	0	0	0	0	0
At 31 March 2007	**0**	**0**	**81**	**0**	**425**	**506**
Expected timing of cashflows:						
Within one year	0	0	81	0	125	206
Between one and five years	0	0	0	0	300	300
After five years	0	0	0	0	0	0

Other Provisions includes £425k for amounts associated with Agenda for Change.

£109k is included in the provisions of the NHS Litigation Authority at 31 March 2007 in respect of Clinical Negligence Liabilities of the NHS Trust (31 March 2006 £114k).

16 MOVEMENTS ON RESERVE

	Revaluation Reserve £000	Donated Asset Reserve £000	Government Grant Reserve £000	Other Reserves £000	Income and Expend Reserve £000	Total £000
At 1 April 2006 as previously stated	10,960	1,540	0	(23)	2,584	15,061
Prior Period Adjustments	0	0	0	0	0	0
At 1 April 2006 as restated	10,960	1,540	0	(23)	2,584	15,061
Transfer from the income and expenditure account					27	27
Fixed asset impairments	0	0	0	0	0	0
Surplus/(deficit) on other revaluations/indexation of fixed/current assets	(3,983)	78	0	0	0	(3,905)
Transfer of realised profits/(losses) to the income and expenditure reserve	0	0	0	0	0	0
Receipt of donated/government granted assets	0	349	0	0	0	349
Transfers to the income and expenditure account for depreciation, impairment, and disposal of donated/government granted assets	0	(209)	0	0	0	(209)
Other transfers between reserves	0	0	0	23	(23)	0
Other movements on reserves - Movements to Creditors	0	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0	0
At 31 March 2007	6,977	1,758	0	0	2,588	11,323

17. NOTES TO THE CASH FLOW STATEMENT

17. 1 Reconciliation of operating surplus to net cash flow from operating activities:

	2006/07 £000	2005/06 £000
Total operating surplus/(deficit)	1,971	1,909
Depreciation and amortisation charge	3,805	2,157
Fixed asset impairments and reversals	0	0
Transfer from donated asset reserve	(209)	(14)
Transfer from the government grant reserve	0	0
(Increase)/decrease in stocks	257	(766)
(Increase)/decrease in debtors	(984)	(2,323)
Increase/(decrease) in creditors	1,332	1,745
Increase/(decrease) in provisions	385	(363)
Net cash inflow/(outflow) from operating activities before restructuring costs	6,557	2,345
Payments in respect of fundamental reorganisation/restructuring	0	0
Net cash inflow from operating activities	6,557	2,345

17.2 Reconciliation of net cash flow to movement in net debt

	2006/07 £000	2005/06 £000
Increase/(decrease) in cash in the period	0	0
Cash (inflow) from new debt	0	0
Cash outflow from debt repaid and finance lease capital payments	0	0
Cash (inflow)/outflow from (decrease)/increase in liquid resources	0	0
Change in net debt resulting from cash flows	0	0
Non - cash changes in debt	0	0
Net debt at 1 April 2006	106	106
Net debt at 31 March 2007	106	106

17.3 Analysis of changes in net debt

	At 1 April 2006 £000	Cash Transferred (to)/from Other NHS bodies £000	Other cash changes in year £000	Non-cash changes in year £000	At 31 March 2007 £000
OPG cash at bank	85	0	19	0	104
Commercial cash at bank and in hand	21	0	(19)	0	2
Bank overdraft	0	0	0	0	0
Loan from DH due within one year	0	0	0	0	0
Other debt due within one year	0	0	0	0	0
Loan from DH due after one year	0	0	0	0	0
Other debt due after one year	0	0	0	0	0
Finance leases	0	0	0	0	0
Current asset investments	0	0	0	0	0
	106	0	0	0	106

18 CAPITAL COMMITMENTS

Commitments under capital expenditure contracts at 31 March 2007 were £4.8 million (31 March 2006 £7.1 million)

This relates to the remaining part of the joint Site Development with the Royal Liverpool and Broadgreen University Hospitals NHS Trust which will be completed in Summer 2007/08.

The full cost of the Site Development is projected to be £82.9 million. This has been funded from NHS Strategic Capital.

19 POST BALANCE SHEET EVENTS

The Trust is hoping to achieve Foundation Trust status during 2008/09.

20 CONTINGENCIES

	2006/07 £000	2005/06 £000
Contingent liabilities	(121)	(20)
Amounts recoverable against contingent liabilities	0	0
Net value of contingent liabilities	(121)	(20)
Contingent Assets	0	0

21 MOVEMENT IN PUBLIC DIVIDEND CAPITAL

	2006/07 £000	2005/06 £000
Public Dividend Capital as at 1 April 2006	53,919	35,496
New Public Dividend Capital received (including transfers from dissolved NHS Trusts)	4,637	18,423
Public Dividend Capital repaid in year	0	0
Public Dividend Capital repayable (creditor)	0	0
Public Dividend Capital written off	0	0
Public Dividend Capital issued as originating capital on new establishment	0	0
Public Dividend Capital transferred to Foundation Trust	0	0
Other movements in Public Dividend Capital in year	0	0
Public Dividend Capital as at 31 March 2007	58,556	53,919

22 FINANCIAL PERFORMANCE TARGETS

22.1 Breakeven Performance

	1997/98 £000	1998/99 £000	1999/00 £000	2000/01 £000	2001/02 £000	2002/03 £000	2003/04 £000	2004/05 £000	2005/06 £000	2006/07 £000
Turnover	31,895	34,305	36,652	41,454	48,315	58,283	62,306	71,056	77,807	82,922
Retained surplus/(deficit) for the year	12	42	22	9	1	0	0	0	0	27
Adjustment for: - Timing/non-cash impacting distortions										
- Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0	0	0	0	0
- 1999/2000 Prior Period Adjustment (relating to 1997/98 and 1998/99)	74	12								
- 2000/01 Prior Period Adjustment (relating to 1997/98 to 1999/2000)	0	0	0							
- 2001/02 Prior Period Adjustment (relating to 1997/98 to 2000/01)	0	0	0	0						
- 2002/03 Prior Period adjustment (relating to 1997/98 to 2001/02)	0	0	0	0	0					
- 2003/04 Prior Period Adjustment (relating to 1997/98 to 2002/03)	0	0	0	0	0	0				
- 2004/05 Prior Period Adjustment (relating to 1997/98 to 2003/04)	0	0	0	0	0	0	0			
- 2005/06 Prior Period Adjustment (relating to 1997/98 to 2004/05)	0	0	0	0	0	0	0	0		
- 2006/07 Prior Period Adjustment (relating to 1997/98 to 2005/06)	0	0	0	0	0	0	0	0	0	
- Other agreed adjustments	0	0	0	0	0	0	0	0	0	0
Break-even in-year position	86	54	22	9	1	0	0	0	0	27
Break-even cumulative position	86	140	162	171	172	172	172	172	172	199
Materiality test (I.e. is it equal to or less than 0.5%): - Break-even in-year position as a percentage of turnover	0.27%	0.16%	0.06%	0.02%	0.00%	0.00%	0.00%	0.00%	0.00%	0.03%
- Break-even cumulative position as a percentage of turnover	0.27%	0.41%	0.44%	0.41%	0.36%	0.30%	0.28%	0.24%	0.22%	0.24%

22.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £2.146m, bears to the average relevant net assets of £67.7m, that is 3.2%. This is within the materiality limit of 3-4%

22.3 External financing

The Trust is given an external financing limit which it is permitted to undershoot.

		2006/07 £000	2005/06 £000
External financing limit		4,637	18,423
Cash flow financing	4,637		18,423
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		4,637	18,423
Undershoot/(overshoot)		0	0

22.4 Capital Resource Limit

The Trust is given a capital resource limit which it is not permitted to overspend.

	2006/07 £000	2005/06 £000
Gross capital expenditure	8,522	21,098
Less: book value of assets disposed of	0	0
Plus: loss on disposal of donated assets	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of fixed assets	(349)	(692)
Charge against the capital resource limit	8,173	20,406
Capital resource limit	8,173	20,479
(Over)/Underspend against the capital resource limit	0	73

23 RELATED PARTY TRANSACTIONS

The Cardiothoracic Centre - Liverpool NHS Trust is a body corporate established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff or parties related to them has undertaken any material transactions with The Cardiothoracic Centre - Liverpool NHS Trust. One of our associate directors is married to a director of Cheshire West PCT. The income from this PCT was £18.5 million in 2006/07. Neither party has had any involvement in the commissioning process.

The Department of Health is regarded as a related party. During the year The Cardiothoracic Centre - Liverpool NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. These entities are listed below:

A) STRATEGIC HEALTH AUTHORITY

North West SHA

B) PRIMARY CARE TRUST

Ashton Leigh & Wigan PCT, Central Lancashire PCT, Central & Eastern Cheshire PCT, Halton & St.Helens PCT, Knowsley PCT, Liverpool PCT, North Lancashire PCT, Sefton PCT, Telford & Wrekin PCT, Warrington PCT, Western Cheshire PCT, Wirral PCT.

C) NHS TRUST

North Cheshire Hospitals NHS Trust, North West Ambulance Service NHS Trust, Royal Liverpool and Broadgreen University Hospital NHS Trust, Royal Liverpool Children's NHS Trust, The Walton Centre for Neurology and Neurosurgery NHS Trust, Wirral Hospital NHS Trust.

D) NHS BUSINESS SERVICES AUTHORITY

NHS Litigation Authority

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies, for example Liverpool City Council.

The Trust has also received revenue and capital payments from a number of charitable funds. Some of these Trustees are also members of the NHS Trust Board.

The Cardiothoracic Centre Liverpool Charity is an umbrella charity made up of 40 funds with a combined balance at 31st March 2007 of £1.024m. The Trust has benefited during the year from donations from Charitable funds. Material transactions during the year included a contribution to Research and Development from Merseybeat of £278,000. In addition the Robert Owen House fund has contributed £352,000 towards the extension of Robert Owen House which provides inexpensive accommodation for patients relatives.

24 FINANCIAL INSTRUMENTS

FRS 13, Derivatives and Other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Trust has with local Primary Care Trusts and the way those Primary Care Trusts are financed, the NHS Trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. The NHS Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS Trust in undertaking its activities.

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile. Provisions should be shown gross. Any amount expected in reimbursement against a provision (and included in debtors) should be separately disclosed.

LIQUIDITY RISK

The NHS Trust's net operating costs are incurred under annual service agreements with local Primary Care Trusts, which are financed from resources voted annually by Parliament. The Trust also largely finances its capital expenditure from funds made available from Government under an agreed borrowing limit. The Cardiothoracic Centre - Liverpool NHS Trust is not, therefore, exposed to significant liquidity risks.

INTEREST-RATE RISK

0% of the Trust's financial assets and 100% of its financial liabilities carry nil or fixed rates of interest. The Cardiothoracic Centre - Liverpool NHS Trust is not, therefore, exposed to significant interest-rate risk. The following two tables show the interest rate profiles of the Trust's financial assets and liabilities:

24.1 Financial Assets

Currency	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Fixed rate Weighted average interest rate %	Fixed rate Weighted average period for which fixed Years	Non-interest bearing weighted average term Years
At 31 March 2007							
Sterling	106	106	0	0	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	**106**	**106**	**0**	**0**			
At 31 March 2006							
Sterling	106	106	0	0	0.00%	0	0
Other	0	0	0	0	0.00%	0	0
Gross financial assets	**106**	**106**	**0**	**0**			

24.2 Financial Liabilities

Currency	Total £000	Floating rate £000	Fixed rate £000	Non-interest bearing £000	Fixed rate Weighted average interest rate %	Fixed rate Weighted average period for which fixed Years	Non-interest bearing weighted average term Years
At 31 March 2007							
Sterling	0	0	0	0	0.00%	0	0
Other	(58,556)	0	0	(58,556)	0.00%	0	0
Gross financial liabilities	**(58,556)**	**0**	**0**	**(58,556)**			
At 31 March 2006							
Sterling	0	0	0	0	0.00%	0	0
Other	(53,919)	0	0	(53,919)	0.00%	0	0
Gross financial liabilities	**(53,919)**	**0**	**0**	**(53,919)**			

Note: The public dividend capital is of unlimited term.

FOREIGN CURRENCY RISK

The Trust has no/negligible foreign currency income or expenditure.

24.3 Fair Values

Set out below is a comparison, by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2007.

	Book Value £000	Fair Value £000	Basis of fair valuation
Financial assets			
Cash	106	106	
Debtors over 1 year:			
- Agreements with commissioners to cover creditors and provisions	0	0	
Investments	0	0	
Total	106	106	
Financial liabilities			
Overdraft	0	0	
Creditors over 1 year:			
- Early retirements	0	0	
- Finance leases	0	0	
Provisions under contract	0	0	
Loans	0	0	
Public dividend capital*	(58,556)	(58,556)	Note a
Total	(58,556)	(58,556)	

Notes

a - This figure represents the full value of PDC in the Balance Sheet and 'book value' equals 'fair value'.

* - The Trust does not hold short term repayable (within a set period) PDC

25 THIRD PARTY ASSETS

The Trust held £238 cash at bank and in hand at 31 March 2007 (£196 - at 31 March 2006) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

26 INTRA-GOVERNMENT AND OTHER BALANCES

	Debtors: amounts falling due within one year £000	Debtors: amounts falling due after more than one year £000	Creditors: amounts falling due within one year £000	Creditors: amounts falling due after more than one year £000
Balances with other Central Government Bodies	0	0	897	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	3,749	0	3,685	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	2,610	0	5,536	0
At 31 March 2007	**6,359**	**0**	**10,118**	**0**
Balances with other Central Government Bodies	0	0	1,160	0
Balances with Local Authorities	0	0	9	0
Balances with NHS Trusts and Foundation Trusts	2,638	0	2,462	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	2,737	0	6,232	0
At 31 March 2006	**5,375**	**0**	**9,863**	**0**

27 LOSSES AND SPECIAL PAYMENTS

There were 11 cases of losses and special payments (2005/06: 23 cases) totalling £25,735 (2005/06: £15,777) paid during 2006/07.

There are no cases greater than £250,000 for the trust.

Notes

Notes

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