NHS

Liverpool Heart and Chest Hospital

NHS Foundation Trust

ANNUAL REPORT & ACCOUNTS

2020/21

Inspected and rated Outstanding

CareQuality Commission

Liverpool Heart and Chest Hospital
NHS Foundation Trust

Annual Report and Accounts 2020/21

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

CONTENTS

SECTION 1: PERFORMANCE REPORT

This report is prepared in accordance with:

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

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

Chair and Chief Executive's Foreword

Welcome to our Annual Report and Accounts for 2020/21.

For everyone in the NHS and for our patients and staff at Liverpool Heart and Chest Hospital, it has been a year like no other. Covid-19 has changed our lives in ways we might never have imagined, and it has brought significant challenges to the ways in which we provide patient and family centred care. Its impact has been felt throughout our hospital, especially by those providing outstanding care for patients in our critical care unit, theatres and ward areas. Staff have worked incredibly hard putting extensive covid protocols in place to keep the hospital environment is as safe as possible, with personal protective equipment, face masks, hand washing and social distancing being embedded in our practices. Many staff have had to work differently this year providing virtual clinics or online appointments; others have ensured that relatives, unable to visit, stay in close contact with loved ones; and some have had to adopt more agile ways of working.

However despite the challenges faced, we are extremely proud of our staff who have continued providing outstanding care to our patients, as well as the mutual support we have been able to give to NHS colleagues across Cheshire, Merseyside and beyond. Furthermore it has been a privilege to play a lead role in the national covid vaccination programme, vaccinating over 90% of our staff, as well as thousands of other NHS and emergency services staff and members of the public.

It's also important that we note our appreciation to individuals and local organisations who have supported our staff so generously throughout the pandemic. From schools donating safety glasses and students using 3D printers to make face shields, to restaurants and supermarkets providing our frontline workers with food and drinks – thank you!

Despite the operational, strategic and financial challenges of the past 12 months, it's still been a year of achievement at LHCH. In July 2020 we were delighted by the results of the National Inpatient Survey which showed that LHCH had been rated joint second in the country for 'overall patient experience' and the top hospital in the North West. This was supported by the views of our staff in March 2021, who rated LHCH as one of the best hospitals in the country through the national NHS Staff Survey. Furthermore, for the second

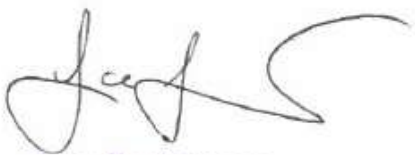
consecutive year, LHCH was ranked the top performing acute specialist trust in the country in the National Guardian's Office's Freedom to Speak Up (FTSU) Index. This important benchmarking tool helps trusts understand the importance of fostering a positive speaking up culture.

2020/21 has also been a year of progress and it's pleasing to see improvements being made to the quality of our services for patients and staff. Our major programme of works to upgrade our catheter laboratories is well under way, and we also look forward to the opening of our new learning and education centre. In addition, our new Digital Strategy was launched in December 2020 outlining our plans to deliver digital excellence for patients, staff and populations. Whilst a number of significant digital programmes have already commenced or are in delivery, these will be further enhanced by our inclusion in the national Digital Aspirant programme – a pivotal step in supporting the digital ambitions we have at LHCH.

The last 12 months has seen a change in the way we have communicated with members of our community, as well as our Governors, with in-person meetings and events being replaced by online sessions. However, we are delighted that our Public Members and Governors have embraced these changes so positively by continuing to take such a keen interest in the hospital and supporting the work of the Trust and our Board of Directors.

Finally, although the opportunities for our volunteers have been limited this year, we remain grateful to them for their ongoing support. We look forward to welcoming them back to the hospital where we know they play such a valued role in supporting our patients and staff.

We know that 2021/22 will bring many more challenges, and yet we also know we have an outstanding team at LHCH who will ensure we continue to be the best and deliver the highest quality of care.



Neil Large
Chair, MBE

Jane Tomkinson
Chief Executive, OBE

1.1 Performance Overview

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

Our vision is

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

Our mission is

To provide excellent, compassionate and safe care for our patients and our populations, every day.

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

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

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

The Trust has 195 beds.

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

In 2020/21, it treated:

- 1,200 cardiac surgery inpatients
- 7,708 cardiology inpatients
- 459 respiratory inpatients
- 1,289 thoracic surgery inpatients
- 57,826 outpatients referrals, including 1,738 video consultations

As at 31st March 2021, the Trust employed 1,830 staff of whom 514 were male and 1,316 were female. This includes 33 senior managers – being those persons in in senior positions having authority or responsibility for directing or controlling the major activities of the NHS foundation trust - of whom 18 were male and 15 were female. This also includes the Board of Directors which comprised 7 males and 9 females, of whom 5 were Associate Directors (non-voting).

The Trust aims to provide 'e*xcellent, compassionate and safe care for its patients and populations, every day*' and has firmly embedded the values and behaviours expected of all its staff and volunteers, through IMPACT:

- Inclusivity
- Making a difference
- People centred
- Accountability
- Continuous improvement
- Teamwork

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

1. **Delivering world class care**
2. **Advancing quality and outcomes**
3. **Increasing value**
4. **Developing people**
5. **Leading through collaboration**
6. **Improving population health**

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

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

The Trust is a digitally enabled organisation and seeks to improve clinical and operational performance and the patient and family experience. Alongside significant investments in its IT infrastructure, further investments have been made in the ongoing development of its catheter laboratories and also to the estates infrastructure.

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

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

Equality of Service Delivery

As an NHS organisation, Liverpool Heart and Chest Hospital NHS Foundation Trust has both a legal and a moral duty to demonstrate fairness and equality to its patients, service users, their carers and families, and to its employees and volunteers. The Trust aims to promote inclusion and diversity for both staff and patients, tackling all forms of discrimination and removing inequality in the provision of both health services and employment.

The Trust has an Equality and Inclusion Strategy 2019-21 which explains and responds to the Trust's statutory duties to promote equality for all groups of people and builds on the Trust's previous three year Equality and Inclusion Strategy. It also charts the progress the Trust has made towards meeting the requirements of the general equality duty.

This strategy identifies the Trust's priorities and objectives and addresses the national requirements that are embedded in the Equality Act 2010 (Public Sector Equality Duty), Human Rights Act 1998, Workforce Race Equality Scheme (WRES) and from 2019 Workforce Disability Equality Scheme (WDES) and identifies how the Trust will deliver improved outcomes, based on the Equality Delivery System (EDS2). The strategy is underpinned by an integrated action plan which brings together themed actions that are not only aligned to the Trust's new People Plan and our national requirements, but it reflects direct feedback from staff following our staff inclusion events and follow-up engagement events. Timescales for completion have been built into the plan and ongoing implementation is driven by the E&I Steering Group and updates on progress will be provided to both the People Delivery Group and People Committee.

In determining equality objectives, the Trust reviewed local and national data, patient feedback, complaints analysis, staff survey results and aspects for service delivery that present a local challenge. It must be noted that the COVID-19 global pandemic has completely changed the way that we have all had to operate since March 20. Alongside adapting to new ways of working, the Trust has had to respond to changing and complex national guidance and therefore the traditional approach to the inclusion agenda and strategy outcomes had to be refocused in order to respond to the challenges. The Trust has been extremely pro-active in its approach to supporting staff during the pandemic, specifically for staff in vulnerable groups and good strides have been made to promote and harness inclusion for all.

The Trust recognises that good inclusive practice is central to the provision of high quality health services that meet people's individual needs. The Trust is committed to fulfilling its General Duty under the Equality Act 2010 to promote equality and demonstrate that it has given due regard to the need to eliminate unlawful discrimination, harassment and victimisation.

For further information, please see: https://www.lhch.nhs.uk/media/6594/ei-strategy-may-2019.pdf or the EDS2 Summary Report 2021.

Key achievements in 2020/21

- LHCH was rated as one of the best hospitals in the country according to the NHS Staff Survey 2020, published in March 2021.

- LHCH was rated as one of the best hospitals in the country according to the NHS Inpatient Survey 2020, published in July 2020.

- For the second consecutive year, LHCH was ranked the top performing acute specialist trust in the country in the National Guardian's Office's Freedom to Speak Up (FTSU) Index, in July 2020.

- LHCH was a shortlisted finalist in three categories for the Nursing Times Awards 2020 – Nursing in the Community; Patient Safety Improvement; and Respiratory Nursing.

- LHCH was named in March 2021 as a shortlisted finalist in the for Specialist Service Redesign category for the HSJ Value Awards 2021.

- LHCH was announced by Health Secretary Matt Hancock, in March 2021, as one of the second wave of trusts welcomed on to the national Digital Aspirant Programme.

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

- LHCH delivered strong performance against financial and operational targets for 2020/21.

Going concern

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

1.2 Performance Analysis

Summary

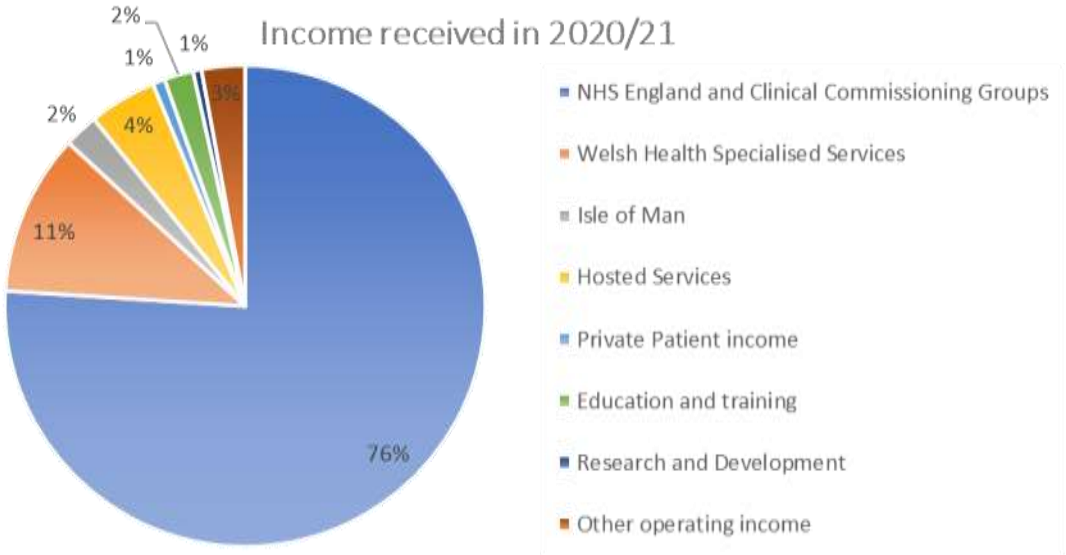
The main headlines for the financial framework and financial performance for the Trust in 2020/21:

- As part of the response to the COVID-19 pandemic, the financial framework for the NHS was amended significantly in 2020/21. For the first six months of the financial year, Trusts were paid fixed amounts reflective of their average 2019/20 spend. NHS England then provided a top-up payment equivalent to the difference between the Trust's costs and the block income received, ensuring that all Trusts achieved break-even during that period.
- The financial arrangement for the latter half of the year retained the simplified arrangement for payments from English Commissioners, but without a retrospective top-up to break-even. Trusts were asked to manage their finances within the envelope provided.
- The operating surplus (after adjusting for impairment charges and non-operating transactions) is a surplus of £0.421m.
- The financial risk rating using NHS Improvement's methodology to assess the level of financial risk is a 1, based on the position as at the end of March 2021.
- During 2020/21 the Trust became the host for a number of organisations, including the Innovation Agency and Liverpool Health Partners.
- Due to the COVID-19 pandemic, the initial savings plans had to be reduced. However, the Trust was still able to deliver £1.4m of recurrent savings.

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

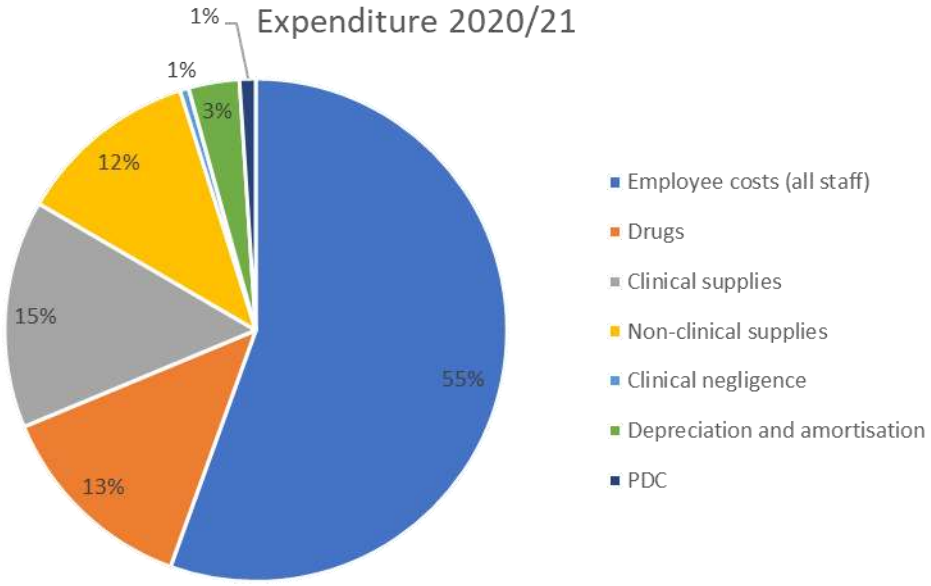
	£m	
	2020/21	**2019/20**
Income from patient care activities	154.2	144.7
Other income	24.1	11.0
Provider sustainability funding	0	1.9
Total income	**178.3**	**157.6**
Employee expenses	-98.1	-88.4
Non-pay expenses	-72.3	-59.4
Total expenditure	**-170.4**	**-147.8**
EBITDA	7.9	9.8
Depreciation and Amortisation	-5.8	-5.4
Total interest receivable/(payable)	-0.1	0.1
PDC dividends	-1.8	-2.4
Net surplus (as per annual accounts)	0.2	2.1
Normalising adjustments: Net impairments	0.2	1.5
Adjusted financial performance	0.4	3.7

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



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

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



Cost Improvement Programme

The Trust's Cost Improvement Programme (CIP) target was reviewed at the start of the year in light of the pandemic. The target was revised down to £1.9m. The actual delivery against this target is set out in the table below:

Performance by Category	Plan	Actual	Variance
	£m		
Income	0	0	0.0
Pay	0.4	0.2	-0.2
Non Pay	1.5	1.2	-0.3
Total	**1.9**	**1.4**	**-0.5**

The Trust uses benchmarking information to identify and drive CIPs, taking advantage of NHS Improvement's initiatives, such as Model Hospital, Back-office benchmarking and GIRFT (Getting it Right First Time).

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

Capital investments and cash flow

During the 2020/21 financial year, the total capital investment in improving hospital facilities was £14,350k. The main investments are highlighted below.

- Stage 1 & 2 of the Cath Lab refurbishment programme - £4.2m
- Implementation of new CT Scanner in 2020/21 - £1.5m
- Ward Developments - £0.2m
- £3.3m on Electrical Infrastructure
- £0.4m development of Highfield House
- Estates investment of £1.3m incorporating general maintenance and improvements
- IT investment and network upgrades - £1.8m
- £1.1m on Medical Equipment

After funding the capital programme outlined above, the Trust had a closing cash balance of £49m as at 31st March 2021.

Financing

Under its licence conditions, the Trust's ability to service borrowings is measured through the capital service capacity risk rating, currently a 1. The Capital programme in 2020/21 was funded through internally generated funds and Public Dividend Capital.

Better Payment Practice Code

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

Year to Date BPCC	20/21	
	Number	£'000
Non NHS		
Total bills paid in the year	28,779	88,738
Total bills paid within target	28,424	88,088
Percentage of bills paid within target	98.77%	99.27%
NHS		
Total bills paid in the year	1,740	15,815
Total bills paid within target	1,702	15,697
Percentage of bills paid within target	97.82%	99.25%
Total		
Total bills paid in the year	30,519	104,553
Total bills paid within target	30,126	103,785
Percentage of bills paid within target	98.71%	99.27%

Conclusion

The COVID-19 pandemic significantly changed the financial framework for the whole of the NHS. The Trust continued to operate with fiscal discipline and delivered a £0.4m surplus.

Given the ongoing uncertainty caused by COVID-19, and the significant pressure it caused in the winter of 2020/21, the planning for 2021/22 has been delayed nationally. Current guidance separates the new financial year into two half-year periods. The first half of the year will see a continuation of the fixed income levels. Initial plans for the first six months of 2021/22 have been reviewed and, working across the Integrated Care System for Cheshire and Merseyside, the region, and Trust are seeking to achieve a breakeven position.

Focus turns to increasing activity levels to those in place before the pandemic, and addressing the backlog of patients caused by COVID-19. Additional investment is in place nationally to address the growth in waiting lists, and the Trust has plans in place to increase patient numbers and seek the funding available for this purpose.

The Trust has completed the year in a strong financial position. Significant uncertainty remains because of the ongoing impact of the COVID-19 impact, but the Trust is well placed to continue to rise to the financial challenges ahead

Jane Tomkinson
Chief Executive
28th June 2021

SECTION 2: ACCOUNTABILITY REPORT

This report is prepared in accordance with:

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

2.1 Directors' Report

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

The Board of Directors

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

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

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

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

During the period 1st April 2020 to 31st March 2021, the following were members of the Trust's Board of Directors:

Name / Profile Overview	Title	Notes
Neil Large *Qualified accountant and diverse NHS career spanning 40 years.*	**Chair**	Also Non Executive Director at Christie Hospital NHS FT.
Julian Farmer *Qualified accountant with senior level experience as an auditor within the health and local government sectors.*	**Deputy Chair / Senior Independent Director / Non Executive Director / Chair of Audit Committee**	
Dr Nicholas Brooks *Consultant Cardiologist and former president of the British Cardiovascular Society and served on the Council of the Royal College of Physicians*	**Non Executive Director**	
Professor Bob Burgoyne *Emeritus Professor at University of Liverpool with a long career in academia pursuing research in biomedical sciences.*	**Non Executive Director**	
Mark Jones *Senior executive with international career in pharmaceutical industry.*	**Non Executive Director**	
Karen O'Hagan *Senior executive with a successful career in international medical products and technologies. Previous experience as Vice Chair with Liverpool Community Health Trust.*	**Non Executive Director**	
Jane Tomkinson *Qualified accountant and former Director of Finance positions – NHS England and Countess of Chester NHS Foundation Trust.*	**Chief Executive**	
Dr Raphael Perry *Consultant Interventional Cardiologist of national standing.*	**Medical Director / Deputy Chief Executive**	
Jonathan Develing *Senior level experience at regional and national level in the NHS. Previously Chief Officer at NHS Wirral Clinical Commissioning Group.*	**Director of Strategic Partnerships**	Retired on 31st August 2020. Returned as non-voting Director (0.8wte)
Sue Pemberton *BSc Hons, Diploma in Professional Nursing Practice; previous nurse leadership roles at LHCH and Salford Royal NHSFT.*	**Director of Nursing and Quality**	
Karen Edge *Previously Deputy Director of Finance at Wirral University Teaching Hospitals NHS Foundation Trust, and Deputy Director of Finance at Mid Cheshire Hospitals NHS Foundation Trust.*	**Chief Finance Officer**	Took up post from 1st April 2020.
Hayley Kendall *Senior level operational management experience, including roles at Wirral University Teaching Hospitals NHS Foundation Trust and Countess of Chester NHS Foundation Trust.*	**Chief Operating Officer**	Took up executive director role from 1st December 2020.

How the Board operates

As at 31st March 2021, the Board comprised the Chair, Chief Executive, five independent Non Executive Directors (one of whom is designated Senior Independent Director) and four Executive Directors. The Board is supported by five additional non-voting directors – the Director of Research and Innovation, Director of Corporate Affairs (also the Company Secretary), the Chief People Officer, the Director of Strategic Partnerships and the Chief Digital and Information Officer (joint appointment with Alder Hey Children's Hospital NHS Foundation Trust).

The Trust is committed to having a diverse Board in terms of gender and diversity of experience, skill, knowledge and background and these factors are given careful consideration when making new appointments to the Board. Of the 11 serving members of the Board (voting) at 31st March 2021, five are female and six are male.

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

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

The Board met eight times during the year and at each meeting Directors received reports on quality and safety, patient experience and care, key performance information, operational activity, financial performance, key risks and strategy. As part of robust plans to keep Trust staff and the public safe, Board meetings in 2020/21 have been held via video conference. The Trust remains committed to conducting its business in an open and transparent way and therefore, members of the public have been able to attend virtually to observe the meeting. The minutes of these meetings along with agendas and papers are published on the Trust's public website.

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

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

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

Balance, completeness and appropriateness

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

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

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

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

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

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

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

Board meetings and attendance

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

Director	28th April 2020	26th May 2020	22nd June 2020	28th July 2020	29th Sept 2020	24th Nov 2020	26th Jan 2021	30th March 2021
Chair								
Neil Large	✓	✓	✓	✓	✓	✓	✓	✓
Chief Executive								
Jane Tomkinson	✓	✓	✓	✓	✓	✓	✓	✓
Non Executive Directors								
Nicholas Brooks	✓	✓	✓	✓	✓	✓	✓	✓
Bob Burgoyne	✓	✓	✓	✓	✓	✓	✓	✓
Julian Farmer	x	✓	✓	✓	✓	✓	✓	✓
Mark Jones	✓	✓	✓	✓	✓	✓	✓	✓
Karen O'Hagan	✓	✓	✓	✓	✓	x	✓	✓
Executive Directors								
Jonathan Develing	✓	✓	✓	✓				
Karen Edge	✓	✓	✓	✓	✓	✓	✓	✓
Sue Pemberton	✓	✓	✓	✓	✓	✓	✓	✓
Raphael Perry	✓	✓	x	✓	✓	✓	✓	✓
Hayley Kendall							✓	✓

**In order to limit the spread of Covid-19, all Board Meetings in 2020/21 have taken place as e-meetings. All papers were sent to members electronically with a record of individual contribution sent for completion by each Board attendee and returned to the Director of Corporate Affairs. The Board meeting was then held by video conference, and as a result, members of the public were not able to attend, although the agenda and meeting papers were available from the Trust website.*

Evaluation of Board and Committees

The Chair has led an annual assessment of the performance of the Board and for 2020/21; this comprised five elements:

i) **Regular evaluation of Board meetings** - throughout the year the Board operated exclusively via MS Teams due to the coronavirus pandemic; and whilst access to the public was suspended for a short period whilst the Board adapted to digital working, meetings in public were reinstated from July 2020. The Board approved new governance processes to support the emergency response and received assurance in between Board meetings via weekly calls organised to keep Non Executive Directors fully updated on all matters including weekly COVID data, infection prevention and control measures, staff wellbeing and patient experience. Evaluation of the Board meeting is a standing agenda item on every agenda and development this year has

focussed on refinement of online meeting etiquette. The quality of Board papers and contribution from members and officers has been positive.

ii) **Evaluation of Board Assurance Committees** - the Audit Committee completed its annual evaluation of each of the Assurance Committees and concluded that all had met their key objectives for 2020/21, subject to the constraints of the pandemic. It was noted that the People Committee and the Integrated Performance Committee had met only 3 times instead of the planned 4 as a result of reprioritisation of work linked to the pandemic response. All Terms of Reference had been reviewed and an assurance report provided to the Board of Directors in April 2021. The assessment of governance arrangements across a range of checklists and toolkits produced by the trust's internal auditors (MIAA) provided additional assurance in relation to governance and decision making during the pandemic.

iii) **Individual Performance Reviews and Personal Development Planning** - there is an established process in place for individual performance review and objective setting for each Director on at least an annual basis. Each Director has in place a personal development plan. The outputs of annual appraisals are reported to the Council of Governors (for Chair and Non Executive Directors) and to the Nominations and Remuneration Committee (Executive) for the Executives. A significant piece of work was completed in 2019/20, with the Council of Governors, to review the appraisal process for the Chair and Non Executive Directors and to align this with guidance published by NHSE/I in September 2019. Whilst the new system and supporting documentation was in place, the 2019/20 appraisals were completed later in the year than planned due to the pandemic response. Governors were actively involved in the Chair's appraisal process. All Director appraisals for 2020/21 will be completed by June 2021.Throughout 2020/21 the Chair has maintained regular one-to-one discussions with each Non Executive Director as has the Chief Executive with each member of the executive team.

iv) **Well Led and Board succession planning -** The Trust was last re-inspected and rated by the CQC in 2019/20 and achieved a rating of 'outstanding' overall and for Well Led. The Board undertook a decision not to commission an independent well led review (due March 2020) given the context of prevailing circumstances and the limited value that this might offer at the present time. The Board has continued to routinely evaluate the effectiveness of the Board and to review and implement a Board development programme which for 2020/21 was reprioritised and adapted to meet the Board's needs in the context of the unique operating environment. In particular, much consideration has been given in the last year to the diversity of the Board in the context of the succession plan, with the focus of the June 2020 Board Development day on inclusion. The Board succession plan has been reviewed with key risks linked to diversity in respect of age profile and ethnicity. A succession plan is in place for the Chair and two Non Executive Director positions and recruitment will commence in 2021/22. To support this, the Policy on the Composition of Non Executive Directors will be reviewed and a plan of work is underway to attract candidates from diverse backgrounds.

v) **2020/21 Board Development Plan -** All Board directors participated in the 2020/21 Board Development Plan with dedicated time scheduled throughout the year, some of which was reprioritised due to the pandemic. In addition to the collective programme,

individual Board members have throughout the year participated in numerous online webinars and reviewed briefing papers and guidance issued by NHSE/I, NHS Providers, NHS Northwest, Cheshire and Merseyside ICS, NHS Confederation, Good Governance Institute, in addition to the regular emergency response communications and NHSE leadership webinars. Topic areas included the White Paper reforms and ICS development; Inclusion and inequalities, People Plan, digital and cyber, and supporting the pandemic response. This engagement has provided significant personal development and has supported Board members in keeping abreast of key issues, challenges and policy direction at a time when collective development events have been limited.

Understanding the views of governors, members and the public

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

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

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

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

Due to the ongoing covid-19 restrictions, there have not been the usual opportunities for Governors to participate in organised walkabouts led by the Chair, prior to Council of Governors' meetings. However, additional virtual opportunities have been put in place during 2020/21 for Governors to meet informally with the Chair and Director of Corporate Affairs. In addition, Governors also receive a fortnightly electronic briefing from the Chair.

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

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

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

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

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

Registers of interests

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

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

Board committees

The Board has three statutory committees.

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

There are three additional assurance committees.

- Quality Committee
- Integrated Performance Committee
- People Committee

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

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

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

Statutory committees: Audit Committee

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

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

The Committee met on five occasions during 2020/21.

Member	19th June 2020	14th July 2020	19th October 2020	12th January 2021	23rd March 2021
Nicholas Brooks	✓	✓	✓	✓	✓
Bob Burgoyne	✓	✓	✓	✓	✓
Julian Farmer	✓	✓	✓	✓	✓
Mark Jones	✓	✓	✓	✓	✓
Karen O'Hagan	✓	✓	✓	✓	✓

**In order to limit the spread of Covid-19, all Audit Committee Meetings in 2020/21 have taken place as e-meetings. All papers were sent to members electronically with a record of individual contribution sent for completion by each Audit Committee attendee and returned to the Director of Corporate Affairs. All those participating in the e-meeting are recorded as present.*

Role of the Audit Committee

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

The way in which the Committee has functioned and supported the Board of Directors at LHCH during 2020/21, by critically reviewing governance and assurance processes on which the Board of Directors place reliance is set out below.

During 2020/21 the Committee has discharged its responsibilities for scrutinising the risks and controls which affect all aspects of the organisation's business.

Principal review areas in 2020/21

The narrative below sets out the principal areas of review and significant issues considered by the Audit Committee during 2020/21 reflecting the key objectives of the committee as set out in its terms of reference.

Internal control and risk management

The Committee having reviewed relevant disclosure statements for 2020/21 and other appropriate independent assurances together with the anticipated receipt of the Head of Internal Audit Opinion and external audit opinion at its June 2021 meeting, considers that the draft 2020/21 Annual Governance Statement is consistent with the Committee's view on the Trust's system of internal control. Accordingly, the Committee supports the recommendation that the Board of Directors approves the 2020/21 Annual Governance Statement.

The Trust has continued to maintain the risk management systems in place throughout 2020/21 and a strategic risk review has commenced (March 2021) which will include a refresh of the Board's appetite for risk and Risk Management Policy – the changes will be implemented and embedded during 2021/22. Operational risks are recorded and monitored via the Athena system and the Datix system supports incident reporting and integration of incidents, claims, complaints and risk management. The Committee reviewed the risk management KPIs in July 2020 and January 2021. The majority of indicators were rated 'green' and focus was put on ensuring timely review of risk registers with compliance at 93% against a target of 95% at the end of September 2020. Incidents open beyond 28 days remained 'amber 'rated with 68% closed within this timeframe at the end of September 2020. Both of these indicators will be a focus for improvement in 2021/22 as part of a wider review of risk management and change in executive responsibilities. The Risk Management Policy was reviewed in July 2020 and rolled forward in lieu of the planned review of risk appetite (March 2021), which will inform a refresh of the Risk Management Policy for rollout in 2021/22.

The latest edition of the Audit Committee handbook (2018), identified the need for Audit Committees to focus on new areas, namely partnership working at scale, cyber security and working with the regulators. Cyber security arrangements were reviewed in October 2020

and January 2021. Regulatory action plans were introduced onto the agenda as a standing item, but regulatory visits and formal reviews have been limited (risk-based) in 2020/21 and therefore there have been no significant regulatory issues this year for the Audit Committee to consider. The Trust has retained its CQC rating of outstanding and CQC engagement meetings have taken place but without formal reports. At the end of 2019/20, the Audit Committee also tasked itself with ensuring appropriate governance arrangements and risk management processes are in place to support wider systems / partnership working; it considered third party assurances in 2020/21 and has prioritised an internal review of hosted services for 2021/22. It is anticipated that this area of assurance will evolve over the next 12 months as ICSs develop and the regulatory framework turns its focus towards systems/ partnership working.

The Audit Committee has received and reviewed annual reports for 2020/21 from each assurance committee of the Board of Directors (March 2021); these enabled the Audit Committee to test the effectiveness of the Assurance Committees and be satisfied that the assurance mechanisms are fit for purpose in terms of discharging the responsibilities delegated by the Board of Directors. All internal audit recommendations in relation to the effectiveness of the assurance committees have been considered and followed up. It should be noted that some assurance committee work was reprioritised in 2020/21 due to the COVID pandemic and where applicable, this is referenced in the Assurance Committee annual reports.

The Committee has continued to reinforce the importance of management follow up in respect of audit work and the Chief Finance Officer has introduced a new tracking system in 2020/21 to support this process.

The Committee has undertaken an annual comprehensive review of compliance with the provider licence and reviews a quarterly checklist of key provisions to identify any new or emerging licencing risks. Licence conditions relating to access – waiting times and diagnostics – were breached throughout the year due to the pandemic and the Trust's focus for 2021/22 will be on recovery.

The Committee has maintained a close focus on data quality assurance and received management updates in July 2020, October 2020 and January 2021. National indicators demonstrated that the Trust's maturity score was in the top 10% of all data providers monitored, with two areas below the expected standard to be followed up by the data management team. A data quality app was demonstrated to the Committee with rollout plans via the Divisional Chief Clinical Information Officers. Amongst other attributes, the app will provide aggregate monitoring of the Trust's data quality position.

Internal audit

Throughout the year, the Committee has worked effectively with internal audit to ensure that the design and operation of the trust's internal control processes are sufficiently robust.
A comprehensive risk-based programme of internal audits was planned but the impact on the organisation of COVID-19 required MIAA to review the internal audit risk assessment and plan for 2020/21. MIAA supported the design and operation of effective control processes by publishing assurance checklists for a variety of areas which have had to adapt

in response to the COVID pandemic. The Trust has utilised these throughout the year to identify and mitigate any risks and gaps in control.

In respect of planned audits carried out, there was one limited assurance opinion issued in 2020/21 relating to 'Research Finances'; a review for which internal audit resources had been directed by management to identify the opportunity to strengthen internal controls. A management response and action plan has been compiled and the Audit Committee will seek assurances on the delivery of actions in 2021/22. Any limited assurance report is reviewed in full at Audit Committee with the relevant officer in attendance to present the management response. The Research Finances audit was by management request and had not been audited before; the internal auditors were directed to the area which showed the risk management process was working well.

The Committee has considered all major findings of internal audit reviews and has given increased focus in 2020/21 to the controls in place to mitigate cyber security threat and ensuring data quality.

A review of evidence to support provider licence self-certification was undertaken.
MIAA has supported the Non Executive Directors over the year through the provision of networking events, policy advice, and Insight updates.

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

Anti-fraud

The Committee reviewed and approved the anti-fraud work plan for 2020/21 at its March 2020 meeting, noting coverage across all mandated areas of strategic governance, inform and involve, prevent and deter and hold to account. The Committee also during the course of the year regularly reviewed updates on proactive anti-fraud work – no specific fraud investigations were undertaken in 2020/21 and the anti-fraud officer has worked with the Trust to promote fraud awareness and assess to re-assess fraud risk in light of the pandemic.

External audit

The external audit service was last market tested during 2017/18 with a new contract awarded by the Council of Governors to Grant Thornton with effect from October 2017. In consultation with the Council of Governors and taking account of the external market position, the external audit contract with Grant Thornton has been extended for 2020/21 with scope to extend again for a further year (2021/22 audit).

The Committee routinely receives a progress report from the external auditor, including an update annual accounts audit timetable and programme of work, updates on key emerging national issues and developments which may be of interest to Committee members alongside a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

The Committee discussed a number of significant accounting issues for the year ended 31st March 2021. These included the following matters:

- Revenue recognition
- Management override of controls
- Deferment of the introduction of IFRS 16 (Leases) into 2022/23
- Valuation of Land and Buildings
- Value for money
- Hosted Services
- Going Concern

The first two items represent audit risks, which are inherent to most, if not all, reporting organisations and the Committee was content to rely on the reports of auditors, with no adverse findings arising in relation to the 2020/21 financial statements.

The Committee noted as a result of Covid-19, the introduction of IFRS 16 has been delayed for a further year, also delaying the additional audit work required.

The Trust's land and buildings (including dwellings) at 31st March 2021 are valued at £62.65m representing a significant balance on the Statement of Financial Position. As discussed in note 1 to the accounts, valuation is an area of critical judgement and estimation uncertainty. The Audit Committee noted the valuation policy when considering the accounting policies adopted and approved the cycle of revaluation, with a full revaluation every 5 years and a desktop valuation in between. The Committee was content to rely on the workplan set out by the external auditors, which identified additional work required to provide the necessary level of assurance.

The Committee noted the additional work required as a result of the new NAO Code of Audit Practice in relation to Value for Money arrangements and were content to rely on the work of the auditors were to undertake in this respect.

Going concern was considered at the March Board of Directors meeting. Additional statements have been provided by NHS England/Improvement to outline to auditors that the basis of preparation of accounts on a going concern basis should solely be based on the anticipated continued provision of NHS services. The Board confirmed its support to prepare the financial statements on a going concern basis.

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

Management assurance

The Committee has frequently assessed the adequacy of wider corporate assurance processes as appropriate and has requested and received assurance reports from executives, managers and wider Committee representation throughout the year. These have included a progress updates on data quality, reviews of the clinical audit programme and compliance with NICE guidelines and a review into the processes for scheduling private patient activity.

Financial assurance - specific significant issues in relation to the financial statements considered by the Audit Committee during 2020/21

The Committee has reviewed the accounting policies and annual financial statements prior to submission to the Board and considered these to be accurate. It has ensured that all external audit recommendations had been addressed. The Audit Committee noted the changes to the value for money arrangements for the external audit 2020/21 and risk associated with financial viability given the uncertainty surrounding the future financial regime. It was noted that the limitation of scope opinion in respect of the year end 2019/20 stocktake would apply for 2020/21 also, given that the opening stock balances could not be verified. This was due to the social restrictions imposed at the outbreak of the coronavirus pandemic. Assurance opinion would remain in respect of the opening balances.

Other assurance

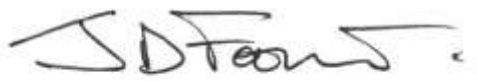
The Committee has routinely received reports on Losses and Special Payments and Single Supplier Tender Waivers.

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

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

Review of the effectiveness and impact of the Audit Committee

The Audit Committee has undertaken its annual self-assessment by self-assessing compliance with selected areas of the Audit Committee checklist, as set out in the Audit Committee handbook. All Audit Committee members completed the checklist and a follow up report was provided by MIAA – there were no significant actions arising from this or areas for further development.



Julian Farmer
Chair of Audit Committee
28th June 2021

Statutory committees: Nominations and Remuneration Committees

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

Nominations and Remuneration Committee (Non-Executive)

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

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

During this financial year, the committee did not meet, mainly due to the constraints imposed by the coronavirus pandemic. The Council of Governors took the decision at a general meeting (2nd June 2020) to re-appoint two Non Executive Directors. Nick Brooks was appointed for a second three year term ending July 2023, with Governors very satisfied with his excellent contribution as Chair of the Quality Committee. Mark Jones was re-appointed for 12 months to 1.12.21, following six years in office, to support the Board through the pandemic and continue his strong leadership of the People Committee, at the time of publication of the NHS People Plan. In December 2020, as the pandemic crisis continued, the Council of Governors also re-appointed Julian Farmer for a further six months, in the knowledge that his six year tenure would complete on 30.5.21. The end of these short term tenures were timed such that the terms for both Mark Jones and Julian Farmer would complete at similar times – 1.12.21 and 30.11.21 respectively; providing opportunity for an effective open recruitment process, planned to commence in May 2021, when it was hoped that social restrictions would be lifted.

There was no review of Non Executive Directors or Chair remuneration in 2020/21. This was in keeping with a decision made by the Council of Governors in 2019/20 when the new national pay framework for NHS Provider Chairs and Non Executive Directors was published. In accordance with the guidance and the Council of Governors decision, no inflationary pay awards were applied in 2020/21.

Nominations and Remuneration Committee (Executive)

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

The Committee met on six occasions in 2020/21 and conducted the following business.

- Review of Chief Executive and executive team member appraisals.
- Review of Board succession plan.
- Consideration of retire and return of two Executive Directors
- Extension of fixed term contract for Interim Director of People and agreement of recruitment process and subsequent appointment of new substantive Chief People Officer; the Committee also approved interim acting up arrangements during the transition
- Review of Director of Research & Innovation remuneration.

- Appointment of Chief Digital & Information Officer (CDIO) (0.4WTE) and supporting SLA with Alder Hey for provision of CDIO strategic leadership.
- Designation of Chief Operating Officer role as voting executive director position on Board of Directors.
- Approval of inflationary pay awards for executives for 2020/21.
- Review of executive portfolios to meet the changing needs of the Trust.

Attendance at Nominations and Remuneration Committee (Executive) in 2020/21:

Member	26th May 2020	28th July 2020	29th Sept 2020	24th Nov 2020	26th Jan 2021	30th March 2021
Neil Large (Chair)	✓	✓	✓	✓	✓	✓
Nicholas Brooks	✓	✓	✓	✓	✓	✓
Bob Burgoyne	✓	✓	✓	✓	✓	✓
Mark Jones	✓	✓	✓	✓	✓	✓
Julian Farmer	✓	✓	✓	✓	✓	✓
Karen O'Hagan	✓	✓	✓	×	✓	✓

Assurance Committees

Quality Committee

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

Integrated Performance Committee

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

People Committee

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

NHS Improvement's 'Well Led' Framework

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

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

The Trust's approach is outlined in more detail in the Code of Governance (section 2.4, pp63) and in the Annual Governance Statement (section 2.7, pp77-87).

Directors' responsibility for preparing financial statements

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

Statement as to disclosure to auditors

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

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

For the purposes of this declaration:

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

Additional information

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

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

- A statement that accounting policies for pensions and other retirement benefits are set out in the notes to the accounts and details of senior employees' remuneration can be found below in Part 2.2; Remuneration Report (page 36).
- Details of future developments and strategic direction of the Trust can be found in Part 1; Performance Report (page 7).
- Trust policies on employment and training of disabled persons can be found in the Staff Report within the Accountability Report – Part 2.3 (page 43).
- Details of the Trust's approach to communications with its employees can be found in the Staff Report within the Accountability Report – Section 2.3 (page 43).
- Details of the Trust's financial risk management objectives and policies and exposure to price, credit, liquidity and cash flow risk can be found in the notes of the annual accounts.

Related party transactions

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

Income disclosures

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

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

2.2 Remuneration Report

This report to stakeholders:

- sets out The Trust's remuneration policy
- explains the policy under which the chair, executive directors, and non-executive directors were remunerated for the financial period 1 April 2020 to 31 March 2021
- sets out tables of information showing details of the salary and pension interests of all directors for the financial period 1 April 2020 to 31 March 2021.

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

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

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

Salaries and allowances paid for the period ending 31 March 2021 are detailed below:

Single total figure table (Audited)

Year ended 31st March 2021							
Name	Title	Salary (Bands of £5,000)	Expenses payments (taxable) to nearest £100	Performance Pay and Bonuses (Bands of £5,000)	Long term Performance Pay and Bonuses (Bands of £5,000)	All Pension Related Benefits (Bands of £2,500)	Total (Bands of £5,000)
		£000's	£'s	£000's	£000's	£000's	£000's
J Tomkinson	Chief Executive	165 - 170	8,400	0	0	0	175 - 180
R Perry	Medical Director/Deputy Chief Executive	170 - 175	0	0	0	0	170 - 175
K Edge	Chief Finance Officer	115 - 120	0	0	0	47.5 - 50	165 - 170
S Pemberton	Director of Nursing & Quality	125 - 130	0	0	0	12.5 - 15	140 - 145
M Perez-Casal	Director of Research & Innovation	85 - 90	0	0	0	80 - 82.5	170 - 175
H Kendall	Chief Operating Officer	100 - 105	0	0	0	0	100 - 105
J Develing	Director of Strategy	100 - 105	0	0	0	0	100 - 105
L Lavan	Director of Corporate Affairs	90 - 95	0	0	0	20 - 22.5	115 - 120
K Nightingall	Chief People Officer	40 - 45	0	0	0	7.5 - 10	50 - 55
K Warriner	Chief Digital & Information Officer	35 - 40	0	0	0	32.5 - 35	70 - 75
S Hodkinson	Interim Director of People & Culture	45 - 50	0	0	0	0	45 - 50
P Large	Chair	40 - 45	300	0	0	0	40 - 45
M Jones	Non Executive Director	10 - 15	300	0	0	0	10 - 15
J Farmer	Non Executive Director	15 - 20	0	0	0	0	15 - 20
N Brooks	Non Executive Director	10 - 15	0	0	0	0	10 - 15
B Burgoyne	Non Executive Director	10 - 15	0	0	0	0	10 - 15
K O'Hagan	Non Executive Director	10 - 15	0	0	0	0	10 - 15

- *70% of R Perry's salary is for his work as a Director. The other 30% relates to his medical role.*
- *S Hodkinson was appointed to the position of Interim Director of People and Culture on 07/10/2019 and left 30/09/2020.*
- *Karen Edge was appointed to the position of Chief Finance Officer on 01/04/2021.*
- *Kate Warriner was appointed to the position of Chief Digital & Information Officer on 01/07/2020.*
- *Karen Nightingall was appointed to the position of Chief People Officer 02/11/2020.*

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

This value derived does not represent an amount that will be received by the individual. It is a calculation that is intended to provide an estimation of the benefit being a member of the pension scheme could provide.

The pension benefit table provides further information on the pension benefits accruing to the individual.

(Audited)

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

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

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

This value derived does not represent an amount that will be received by the individual. It is a calculation that is intended to provide an estimation of the benefit being a member of the pension scheme could provide.

The pension benefit table provides further information on the pension benefits accruing to the individual.

Pension Benefits (Audited)

Note: Due to a change in indexation methodology for public sector pension schemes, from August 2019 the method used by NHS Pensions to calculate CETV values was updated.

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

Name and Title	Real increase in Pension at pension age (bands of £2,500)	Real increase in pension lump sum at pension age (bands of £2,500)	Total accrued pension at age at 31st March 2020 (bands of £5,000)	Lump sum at pension age related to accrued pension at 31st March 2021 (bands of £5,000)	Cash Equivalent Transfer Value at 1 April 2020	Real Increase /(decrease) in Cash Equivalent Transfer Value	Cash Equivalent Transfer Value at 31 March 2021	Employer's contribution to stakeholder pension
	£000	£000	£000	£000	£000	£000	£000	£000
K Edge - Chief Finance Officer	2.5 - 5	2.5 - 5	25 - 30	40 - 45	402	44	470	0
S Pemberton - Director of Nursing	0 - 2.5	2.5 - 5	45 - 50	145 - 150	1,019	36	1,091	0
M Perez-Casal - Director of Research and Innovation	2.5 - 5	7.5 - 10	30 - 35	70 - 75	533	83	638	0
S Hodkinson - Interim Director of People and Culture	0	0	20 - 25	35 - 40	350	0	350	0
L Lavan - Director of Corporate Affairs	0 - 2.5	0	35 - 40	85 - 90	719	27	771	0
K Nightingall - Chief People Officer	0 - 2.5	0 - 2.5	0 - 5	0 - 5	0	6	11	0
K Warriner - Chief Digital & Information Officer	0 - 2.5	0 - 2.5	10 - 15	15 - 20	115	22	140	0

- *S Hodkinson was appointed to the position of Interim Director of People and Culture on 07/10/2019 and left 30/09/2020.*
- *Karen Edge was appointed to the position of Chief Finance Officer on 01/04/2021.*
- *Kate Warriner was appointed to the position of Chief Digital & Information Officer on 01/07/2020.*
- *Karen Nightingall was appointed to the position of Chief People Officer on 02/11/2020.*
- *In accordance with the Group Accounting Manual (GAM), negative values are substituted with a zero.*
- *Where members left the scheme on or before 31/3/2020 there will be no in-scheme revalued benefits.*
- *Where members have reached retirement age, there will be no in-scheme revalued benefits.*

2019/20

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

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

Cash Equivalent Transfer Values

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

Pay Multiples (audited)

The Government Financial Reporting Manual (FReM) requires disclosure of the median remuneration of the reporting entity's staff and the ratio between this and the mid-point of the banded remuneration of the highest paid Director (as defined as a Senior Manager in paragraph 2.32 and paragraphs 2.49 to 2.53), whether or not this is the Accounting Officer or Chief Executive. The calculation is based on full-time equivalent staff of the reporting entity at the reporting period end date on an annualised basis.

The remuneration of the median salary and multiple to the highest paid employee of the Trust for 2020/21 and the prior year comparative is provided below:

	2020/21	2019/20
Band of Highest Paid Directors' total remuneration (£'000)	177.5	177.5
Median total (£)	31,394	30,875
Ratio	6.00	6.00

The banded remuneration of the highest paid director in the Trust in the financial year 2020/21 was £177.5k (2019/20 £177.5k). This was 6 times (2019/20, 6 times) the median remuneration of the workforce, which was £31k, (2019/20 £31k). The median remuneration of the workforce for 2020/21 has remained consistent with 2019/20.

In 2020/21, 0 (2019/20, 0) employees received remuneration in excess of the highest paid director. Remuneration ranged from £16k to £177.5k (2019/20 £16k to £177.5k)

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

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

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

Expenses of the Directors

In 2020/21 the total number of directors in office was 17 (2019/20, 18). The number of directors receiving expenses in the reporting period was 10 (2019/20, 11). The aggregate sum of expenses paid to these directors in the reporting period was £1,044 (2019/20, £9,700).

Expenses of the Governors

In 2020/21 the total number of governors in office was 25 (2019/20, 25). The number of governors receiving expenses in the reporting period was 2 (2019/20, 8). The aggregate sum of expenses paid to these governors in the reporting period was £371 (2019/20, £3,700).

Jane Tomkinson
Chief Executive
Date: 28th June 2021

2.3 Staff Report

At 31st March 2021, the workforce key performance indicators were as follows:

- Sickness absence was 1.04% above target.
- Turnover (all leavers) is 14.80% which is above target by 4.80%.
- Voluntary turnover is 8.97% which is below target by 1.03%.
- Appraisal completions are 90% which is within the Trust target of 90%.
- Mandatory training at 31/03/21 was 93% which is 2% below the target of 95%.

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

2020/21 data

Key Performance Indicators	Sickness Absence	Turnover (All)	Voluntary Turnover	Mandatory Training	Appraisal
Actual	4.44%	14.80%	8.97%	93%	90%
Target	3.4%	10%	10%	95%	90%

2020/21 sickness absence data

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

2020/21 turnover data

The Trust's turnover data is reported here:
https://digital.nhs.uk/data-and-information/publications/statistical/nhs-workforce-statistics

Male and female staffing figures

The table below shows the breakdown of male and female Trust staff as at 31st March 2021:

As at 31st March 2021	Male	Female	Total
Board of Directors:			
Non Executive Directors	5	1	6
Executive Directors (voting)	1	4	5
Associate Directors (non-voting)	1	4	5
Senior Managers	18	15	33
Trust Employees	489	1,293	1,782
Total Staffing	514	1,316	1,830

Workforce profile

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

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

Age Profile

	31/03/21		31/03/20	
Age Band	**Heads**	**%**	**Heads**	**%**
16-20	10	0.55%	6	0.35%
21-25	128	6.99%	112	6.58%
26-30	223	12.19%	227	13.35%
31-35	245	13.39%	221	12.99%
36-40	236	12.90%	203	11.93%
41-45	209	11.42%	210	12.35%
46-50	205	11.20%	194	11.41%
51-55	223	12.19%	214	12.58%
56-60	202	11.04%	193	11.35%
61-65	114	6.23%	85	5.00%
66-70	22	1.20%	25	1.47%
71+	13	0.71%	11	0.65%
Total	**1830**	**100%**	**1701**	**100%**

Gender Profile

	31/03/21		31/03/20	
Gender	**Heads**	**%**	**Heads**	**%**
Female	1316	71.91%	1234	72.55 %
Male	514	28.09%	430	27.45 %
Total	**1830**	**100%**	**1701**	**100.00 %**

** Transgender not recorded*

Disability Profile

	31/03/21		31/03/20	
Disability	**Heads**	**%**	**Heads**	**%**
No	1281	70.00%	1276	75.01%
Not Declared	92	5.03%	81	4.76%
Undefined	412	22.51%	297	17.46%
Yes	45	2.46%	47	2.76%
Total	**1830**	**100%**	**1701**	**100 %**

Religion Profile

	31/03/21		31/03/20	
Religion	**Heads**	**%**	**Heads**	**%**
Atheism	176	9.62%	163	9.58%
Buddhism	15	0.82%	17	1.00%
Christianity	869	47.49%	870	51.15%
Hinduism	24	1.31%	26	1.53%
I do not wish to disclose my religion/belief	187	10.22%	203	11.93%
Islam	33	1.80%	28	1.65%
Judaism	3	0.16%	1	0.06%
Other	81	4.43%	79	4.64%
Sikhism	9	0.49	10	0.59%
Undefined	433	23.66%	304	17.87%
Total	**1830**	**100%**	**1701**	**100%**

Sexual Orientation Profile

	31/03/21		31/03/20	
Sexual Orientation	**Heads**	**%**	**Heads**	**%**
Bisexual	8	0.44%	8	0.47%
Gay or Lesbian	22	1.20%	24	1.41%
Heterosexual or Straight	1206	65.90%	1190	69.96%
I do not wish to disclose my sexual orientation	164	8.96%	177	10.41%
Undefined	430	23.50%	302	17.75%
Total	**1830**	**100%**	**1701**	**100%**

Ethnicity Profile

	31/03/21		31/03/20	
Ethnic Origin	**Heads**	**%**	**Heads**	**%**
A White - British	1471	80.38%	1398	82.19%
B White - Irish	31	1.69%	33	1.94%
C White - Any other White background	47	2.57%	57	3.35%
D Mixed - White & Black Caribbean	3	0.16%	3	0.18%
E Mixed - White & Black African	4	0.22%	3	0.18%
F Mixed - White & Asian	6	0.33%	6	0.35%
G Mixed - Any other mixed background	8	0.44%	4	0.24%
H Asian or Asian British - Indian	107	5.85%	105	6.17%
J Asian or Asian British - Pakistani	12	0.66%	10	0.59%
L Asian or Asian British - Any other Asian background	18	0.98%	14	0.82%
M Black or Black British - Caribbean	2	0.11%	2	0.12%
N Black or Black British - African	15	0.82%	13	0.76%
P Black or Black British - Any other Black background	8	0.44%	3	0.18%
R Chinese	9	0.49%	11	0.65%
S Any Other Ethnic Group	14	0.77%	18	1.06%
Undefined	65	3.55%	14	0.82%
Z Not Stated	10	0.55%	7	0.41%
Total	**1830**	**100%**	**1701**	**100%**

Equality, Diversity & Inclusion

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

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

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

Where medical advice recommends temporary or permanent changes, such as reduced hours, lighter duties or alternative shift patterns, managers are required to consider flexible solutions to enable the employee to continue in their present role. Where service requirements prevent such changes being made, every effort is made to redeploy staff to more suitable roles within the Trust. Redeployment may be on a temporary basis, to facilitate and support the employee to return to their substantive role, or on a permanent basis depending on the circumstances. Suitability for redeployment is determined based on meeting the minimum criteria of the job description/person specification for the new role. It is Trust policy that individuals cannot be rejected for redeployment because of their sickness record or current health.

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

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

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

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

Communicating and Engaging with Staff

The Trust has adapted its approach to communication and staff engagement during the covid pandemic but has maintained a strong engagement with its workforce. During 2020/21, the following initiatives have taken place linked to staff engagement:

Team Brief

- The Team Brief approach to encourage staff involvement continued during 2020/21, with parts of Team Brief being delivered by staff from across the organisation. This included the 'Your Chance to Shine' and 'Organisational Learning' segments to engage staff from all areas in identifying and showcasing achievements, whilst also celebrating innovation and service improvements and sharing learning with colleagues.

Mobile staff app

- Following feedback received from members of staff across the Trust, especially ward-based staff and those in support service functions, that they were not easily able to access corporate news, a new mobile staff app was launched in June 2020. This channel provides alerts, latest news, education and training information, health and wellbeing support and much more.

Corporate hotboards

- Highly visible corporate information boards continued to be used to share key corporate messages on a monthly basis, in wards and departments.

Weekly bulletin

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

Weekly covid bulletins

- In addition to the weekly ebulletin and to provide clear, consistent and timely updates and information to all staff about covid-19, daily covid communication ebulletins were issued for the first quarter of 2020/21, before reducing to twice weekly publications in quarter two, and weekly throughout quarter three and four.

Bronze command

- In addition to the weekly covid ebulletins, bronze command morning meetings have been held throughout 2020/21 chaired by the Chief Executive. These sessions, initially face-to-face and latterly held virtually via Microsoft Teams, are open to all staff and ensure clear, consistent and timely information and updates are provided to all staff about covid-19 issues impacting the Trust.

Screensavers

- All computer screens across the Trust receive weekly screensavers as a way of highlighting clear and simple key messages to staff in corporate and clinical areas. These could include achievements, safety campaigns, national initiatives, covid-19 messaging, or CQC related information.

Safety and Organisational Learning eBulletin (SOLE)

- This quarterly newsletter is printed and distributed on a quarterly basis to all staff. It outlines key safety themes and issues, identifies actions implemented and improvements made across all areas. Learning from issues, incidents and events is also shared through this bulletin, along with ongoing safety campaigns such as flu campaign, covid-19 vaccination programme, HALT and freedom to speak up.

Speaking up

- There are a number of Trust policies and avenues that provides employees with the information on how to raise matters of concern. These include Freedom to Speak Up Guardian (FTSUG) and Champions, grievance policy, bullying and harassment policy, HR and Staff Side, Duty of Candour, Datix. There is a training programme which covers the application of these policies and there is regular communication sent to all. The FTSUG is visible throughout the Trust and attends a number of key forums, updating colleagues regularly at Team Brief. This is complemented by executive and non-executive walkabouts and a daily corporate huddle led by the Chief Executive.

Health and wellbeing

- The Health and Wellbeing (H&WB) Group is very active and has representatives from across all staff groups. The H&WB Group continues to highlight a number of campaigns throughout the year either face-to-face or virtually and provides extensive support information and messaging to staff on issues such as hydration awareness, Brew Monday, stress awareness and mental health.

Local negotiating committee

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

Equality groups

- The Trust held a number of staff inclusion events across 2020, with the focus on supporting colleagues from an ethnic minority background during Covid-19. The sessions were specifically designed to help understanding of the national context and to encourage ideas for improvement and meaningful change. These sessions were held for all staff to attend and contribute. These were followed by equality and inclusion focus groups, led by the Chief Executive, to understand the experiences of staff with regard to progression and development opportunities.
- The Trust is building on these events by setting up specific staff network groups to include a minority ethnic group, LGBT+ and disability/health to help shape a staff community and also promote wellbeing by providing social support and friendships.

Junior Doctor Forum

- Junior Doctor Forum continues to run quarterly, chaired by Dr John Holemans, Guardian of Safeworking and Dr James Greenwood, Director of Medical Education.
- A Guardian of Safe Working is now embedded as part of the new junior doctor national terms and conditions. Just one exception has been received since its introduction.
- In 2020 the Trust received funding form NHS in relation to the BMA Rest and Facilities Charter. Renovations were agreed at JDF to upgrade Junior Doctor facilities in the Doctors hub, work has been completed in order to provide a more comfortable working environment for juniors and work is also ongoing in Highfield house to provide better training and education facilities with dedicated space for junior medical staff.

Leadership Strategy and Talent Management Plan

- Following the pilot of talent management/succession planning last year, evaluation of the processes and updating of the talent development tools has taken place. A review of processes across the system have been adopted and a plan to roll out across the organisation has been mapped. COVID pandemic and the utilisation of staff in different roles has paused the roll out of talent development, however the

pandemic has also realised talent across the organisation which might have remained hidden.

Leadership and management

- COVID pandemic has resulted in many programmes being paused, and this has included LHCH Leadership sessions. Leadership offerings have been reviewed and updated for 2021/22 and will promote a four tier leadership model from aspiring leader to executive leader. Those sessions that have been facilitated have been facilitated virtually, with facilitators adapting to new technology and systems at speed.
- The Trust was successful in its bid to host the NHS Leadership Academy Mary Seacole programme in 2020, this too was paused during the pandemic. The programme is now running again, and with 3 cohorts running at once, is on target to get back on track.
- Those participants paused on other NHS Leadership Academy programmes are also back on programme, including the Elizabeth Garrett Anderson programme, the Rosalind Franklin programme, the Nye Bevan programme and the Aspirant Executives programme.
- The Essential Coaching Conversations programme developed in collaboration with Liverpool Women's Hospital has continued to be facilitated virtually during the pandemic.

Partnership with Edge Hill University

- HEE revised the way in which CPD support has been allocated in 2020/21. This has enabled LHCH to strengthen its partnership with Edge Hill University, whilst maintaining good relationships with all other HEIs within Cheshire and Merseyside.
- Partnership with EHU has enabled the development at pace, and in response to COVID pandemic, of a bespoke Cardiothoracic Skills Module which will enable LHCH staff to continue to deliver outstanding care to all patients and develop these skills in other professionals across the system.

Partnership Forum

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

Formal/informal consultation

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

of avoiding job losses, minimising the numbers of employees affected and mitigating the consequences of any potential redundancies.

Trade Union Facility Time

- Facility time is paid time-off during working hours for trade union representatives to carry out trade union duties. All public-sector organisations that employ more than 49 full-time employees are required to submit data relating to the use of facility time in their organisation. The reporting period is 1 April to 31 March with submissions due by 31 July. The information in the below table covers the reporting period 1st April 2019 to 31st March 2020 as per statutory regulations. Updated reporting covering the period 1st April 2020 to 31st March 2021 will be published on the Trust's website by 31st July 2021.

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

Health and wellbeing

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

- pre-placement health assessments
- immunisations
- inoculation injury management

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

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

The Trust's employee assistance contract, facilitated by Mersey Care NHS Foundation Trust, allows staff 24/7 telephone access to a team of advisors who can support them with guidance on all matters in relation to their health and wellbeing, including face to face counselling.

The Trust has an active Health and Wellbeing (H&WB) Group with representatives from across all staff groups and areas of the Trust. The H&WB Group oversees a range of wellbeing initiatives throughout the year including campaigns relating to hydration awareness and mental health awareness and supporting financial wellbeing.

- Three cohorts of Mental Health First Aiders have been facilitated since November 2020. This has resulted in 35 qualified MHFA across the organisation. Further cohorts are planned for 2021. The MHFA will work closely with the psychology team to develop both mental health and psychological health awareness for all staff across the Trust.
- Resilience training has continued during the pandemic, though face to face master classes have been paused. Sessions have been developed and delivered virtually for all staff. The Organisational Development Team have been members of the Health & Wellbeing Team and during peaks of the pandemic were visiting clinical and non-clinical teams in the working environment to ensure and promote resilience and wellbeing to all staff, directing people to the many options available to NHS staff either via text, web based or phone support lines.

Health & safety of staff

The Health & Safety Committee meets on a bi-monthly basis. In January 2020, it reviewed its work against the terms of reference. Achievements made against the terms of reference show positive results, evidencing that the Health & Safety Committee has operated effectively and in accordance with its terms of reference. The successful appointment of a Fire Safety Officer has seen improvements in fire safety assessment and management across all areas.

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

Staff policies and actions applied during the financial year

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

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

The following policies have been reviewed and/or developed in 2020/21:

- Disciplinary Policy
- Domestic Violence Policy (NEW)
- Managing Attendance Policy
- Managing Attendance Toolkit
- Special Leave Policy
- Flexible Working Policy
- Grievance Policy
- Maternity, Paternity and Family Leave this week.
- Agile Working (Guidance).

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

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

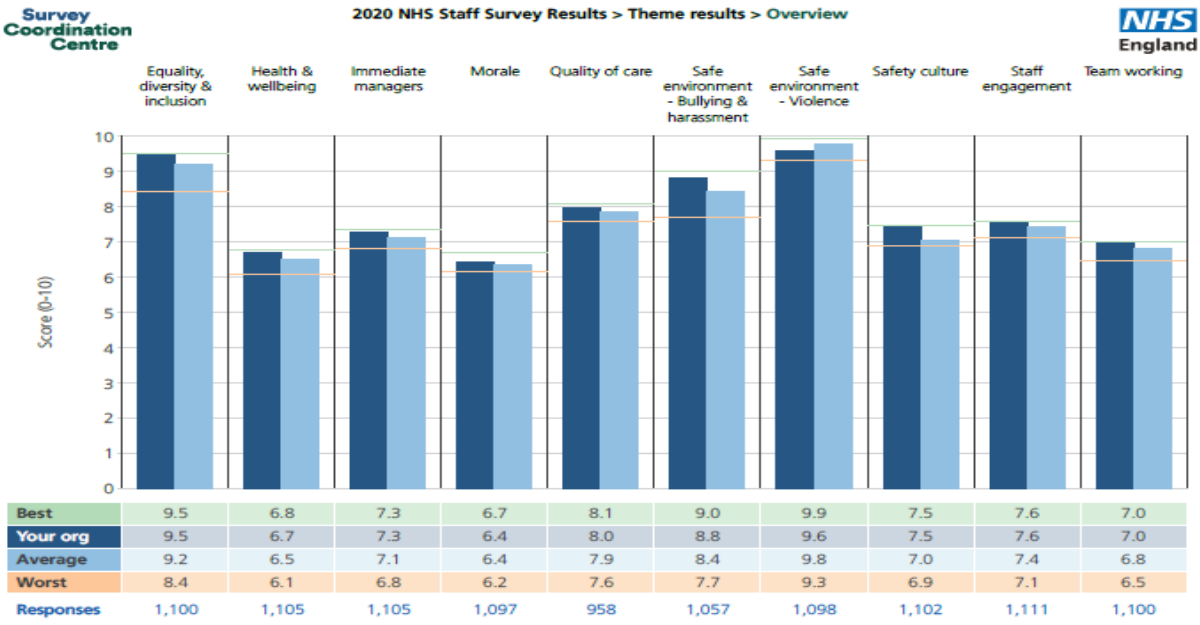
The Trust has an Anti-Fraud, Bribery and Corruption Policy and Procedure. This policy is produced by the Anti-Fraud Specialist (AFS) and is intended as a guide for all employees on counter fraud, bribery and corruption activities being undertaken within the Trust and across the NHS. It also informs staff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

Summary of performance – NHS Staff Survey results 2020

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

A total of 1,125 staff out of 1,736 eligible staff completed the 2020 NHS Staff Survey which represents a response rate of 64.8% (2019 – 64.4%). The survey method for 2020 was all online rather than a mixed method of distribution as previous years. Scores for each indicator together with that of the **survey benchmarking group** (Acute Specialist Trusts) are presented below.

LHCH results compare favourably with other Trusts with 46% of questions (36/75) scoring significantly better and 51% (40/75) comparable to average. The table below shows the Trust's performance against the key themes, indicated by 'Your org' compared to the best, average and worst scores within the national sector (Acute Specialist Trusts).



	2020/21			2019/20		2018/19
	Trust	Benchmarking Group (Avg)	Trust	Benchmarking Group (Avg)	Trust	Benchmarking Group (Avg)
Equality, Diversity and Inclusion	9.5	9.2	9.4	9.2	9.4	9.3
Health and wellbeing	6.7	6.5	6.5	6.3	6.6	6.3
Immediate Managers	7.3	7.1	7.3	7.1	7.3	7.0
Morale	6.4	6.4	6.5	6.4	6.4	6.3
Quality of care	8.0	7.9	8.1	7.9	8.1	7.8
Safe environment	8.8	8.4	8.7	8.3	8.8	8.2

– bullying and harassment						
Safe environment – violence	9.6	9.8	9.7	9.8	9.7	9.7
Safety culture	7.5	7.0	7.5	7.0	7.6	6.9
Staff engagement	7.6	7.4	7.6	7.5	7.7	7.4
Team working	7.0	6.8	7.1	6.9	-	-

Source: NHS_staff_survey_2020_RBQ_full > 2020 NHS Staff Survey Results > Theme results > Overview

The results are very positive and show the Trust performing, as one of the best acute specialist organisations in 5 of the 10 themes. The Trust's overall staff engagement score, measured across three sub sections Advocacy, Motivation and Involvement, is 7.6, the best reported score.

The top and bottom 5 scores and those most/least improved from the 2019 survey are shown below.

	Top 5 scores (compared to average)
76%	Q12d. Last experience of physical violence reported
50%	Q9c. Senior managers try to involve staff in important decisions
50%	Q9d. Senior managers act on staff feedback
56%	Q9b. Communication between senior management and staff is effective
92%	Q14. Organisation acts fairly: career progression

	Bottom 5 scores (compared to average)
78%	Q26b. Disability: organisation made adequate adjustment(s) to enable me to carry out work
57%	Q2a. Often/always look forward to going to work
89%	Q12a. Not experienced physical violence from patients/service users, their relatives or other members of the public
84%	Q18e. Feel safe in my work
83%	Q3c. Able to do my job to a standard I am pleased with

	Most improved from last survey
59%	Q11d. In last 3 months, have not come to work when not feeling well enough to perform duties
44%	Q11a. Organisation definitely takes positive action on health and well-being
76%	Q12d. Last experience of physical violence reported
60%	Q5h. Satisfied with opportunities for flexible working patterns
48%	Q4g. Enough staff at organisation to do my job properly

	Least improved from last survey
62%	Q11c. In last 12 months, have not felt unwell due to work related stress
77%	Q2b. Often/always enthusiastic about my job
57%	Q2a. Often/always look forward to going to work
88%	Q7a. Satisfied with quality of care I give to patients/service users
83%	Q3c. Able to do my job to a standard I am pleased with

*Only scores which are higher/lower than the average/historic scores are shown.

Staff at LHCH report some of the highest level of positive experience amongst all organisations that worked with Picker for 2020, relating to:

- Staff being able to show initiative and make improvements happen in their area of work
- Relationships with immediate managers
- Relationships with senior managers

Significance testing shows a drop in the scores for 'Quality of Care' and 'Safe Environment - violence' themes.

Key themes were also compared for those staff who had worked in covid areas, been redeployed, been required to work from home or shield. These were generally positive and consistent to overall results with some exceptions, specifically for 'Morale', 'Safe

Environment - violence' and 'Quality of Care' themes which scored lower for those staff identifying as having worked on a covid area or been redeployed.

Despite the Trust's overall positive EDI score, its BME colleagues report less favourably regarding experiencing harassment, bullying or abuse from patients, relatives or the public and from staff, career progression and discrimination. Similarly, staff with a long-term condition or illness reported poorer experiences regarding experiencing harassment, bullying or abuse from patients, relatives or the public and from staff, career progression and feeling valued by the organisation.

Areas highlighted for improvement

Following the review of the 2020 survey, the Trust is committed to focusing on the following key themes;

- Supporting staff to improve their mental health and wellbeing
- Improving the experience of our minority ethnic staff and those with long term health conditions
- Creating a safe working environment for our staff

Progress against these areas will be monitored and reported operationally through divisional governance structures and to the People Committee for assurance.

In conclusion the results are really positive and it is pleasing to see the improvements that have been made since the 2019 survey, and to understand where the Trust must continue to improve. Further analysis of the results will be ongoing.

Staff Friends and Family Test

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

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

Link to NHS FFT Staff reporting: https://www.england.nhs.uk/fft/staff-fft/data/

Due to the impact of the Covid-19 pandemic the 2020/21 FFT was suspended in Q4 19/20 (Jan-Mar20).

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

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

2016	2017/18			2017	2018/19			2018	2019/20			2019	2020
Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey	Staff Survey
73%	64%	73%	71%	74%	769	74%	76%	76%	76%	76%	76%	76%	76%

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

2016	2017/18			2017	2018/19			2018	2019/20			2019	2020
Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey	FFT Q4	FFT Q1	FFT Q2	Staff Survey	Staff Survey
95%	96%	95%	96%	93%	96%	97%	97%	95%	94%	94%	94%	94%	92%

Corporate social responsibility

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

The Trust offers a variety of opportunities for community engagement. During the pandemic many opportunities for corporate social engagement have been paused. Both the Volunteering and Work Experience Programmes have been paused, to both reduce the non-essential visitors to the site and to ensure the safety of those entering the site.

This opportunity has been taken to review the process of Work Experience programme and will come into place once it is deemed safe for young people to take part in this programme.

Links with higher education providers

- The Trust actively engages with local universities and offers placements to students across medicine, nursing, physiology, physiotherapy, radiology and theatres. Links with providers have continued during the pandemic. During peaks of the pandemic some providers have paused placements to ensure the safety of their students.
- Student nurses and student AHPs nearing the end of their training have taken the opportunity to undertake the new dual role of deployed student. The student maintains student status, and meets the learning outcomes of their placement, whilst being employed by LHCH and taking on duties of healthcare support in their chosen field. To support this LHCH has provided bespoke inductions and on-going learning support during the course of deployed placements. The success of these placements have resulted in most students securing permanent positions at LHCH

Patient and family involvement

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

Dementia Action Alliance Liverpool

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

Work with schools

- The Trust has traditionally supported local school open days with career open days and interviewing/CV skills, paid internships and career coaching. This has been paused during the pandemic period. Working in partnership with local schools, colleges and local agencies will continue in 2021/22.

Traineeships

- Traineeships have been developed for young people between the ages of 16 and 24 years. Working with a local college these young people are given training to help them be work ready, and to develop their Math's and English skills often gaining qualifications in these areas. A work placement of two days a week is offered alongside this college training. Candidates are supported by the teams in which they work and by a member of the education team. Pastoral care has been part of the support offered as many of these young people have come from difficult backgrounds, often with little support. Several of the young people that have been through this programme have gained places on further programmes, either apprenticeships or the next level up or have accessed bank work. Traineeships have been paused during the pandemic period and are due to recommence in April 2021.
- The last year has seen the development of Cadetships with Hugh Baird College. This has been enabled even during the pandemic with close support from the Widening Access Team within Education. Ten cadets started in December 2020 and a plan for development onto the Healthcare Bank has been devised, with support. This is envisaged to be an annual rolling programme with first year cadets taking placement within clinical areas, and second year cadets becoming valued members of the LHCH Bank. On completion of the Cadet programme, cadets will gain a level 3 healthcare qualification which will enable them to be employed as a healthcare assistant or gain access to either nursing associate or registered nurse programmes.
- Working in collaboration with Liverpool University Hospitals NHS Foundation Trust a further new programme has been introduced at LHCH. Project Search is a supported internship for people with learning difficulties. As a pilot LHCH has supported two people through this programme. Due to the successful pilot LHCH will continue this annual programme and support up to five people.

Analysis of staffing costs and numbers

Table 1: Staff Costs (audited)				2020/21		2019/20
	Permanent	Other	Total	Total
	£000	£000	£000	£000
Salaries and wages	76,753	2,089	**78,841**	**70,320**
Social security costs	7,167	-	**7,167**	**6,158**
Apprenticeship levy	366	-	**366**	**297**
Employer's contributions to NHS pension scheme	11,654	-	**11,654**	**10,020**
Pension cost - other	-	-	**-**	**-**
Other post employment benefits	-	-	**-**	**-**
Other employment benefits	-	-	**-**	**-**
Termination benefits	-	-	**-**	**-**
Temporary staff	-	407	**407**	**1,901**
Total gross staff costs	**95,940**	**2,495**	**98,435**	**88,697**
Recoveries in respect of seconded staff	-	-	**-**	**-**
Total staff costs	**95,940**	**2,495**	**98,435**	**88,697**
Of which				
Costs capitalised as part of assets	289	-	**289**	**303**

Table 2: Average number of employees (WTE basis) (audited)			2020/21	2019/20
	Permanent	Other	Total	Total
	Number	Number	Number	Number
Medical and dental	174	-	**174**	**118**
Administration and estates	500	22	**522**	**441**
Healthcare assistants and other support staff	262	14	**276**	**214**
Nursing, midwifery and health visiting staff	536	11	**547**	**556**
Scientific, therapeutic and technical staff	246	3	**249**	**266**
Healthcare science staff	-	-	**-**	**-**
Other	-	-	**-**	**1**
Total average numbers	**1,718**	**50**	**1,768**	**1,596**
Of which:				
Number of employees (WTE) engaged on capital projects	7	-	**7**	**6**

Table 3: Reporting of compensation schemes - exit packages 2020/21 (audited)								
Exit package cost band (including any special payment element)	Number of compulsory redundancies			Number of other departures agreed			Total number of exit packages	
	Number		Cost	Number		Cost	Number	Cost
			£000			£000		£000
<£10,000	-		-	-		-	-	-
£10,001 - £25,000	-		-	-		-	-	-
£25,001 - 50,000	-		-	-		-	-	-
£50,001 - £100,000	-		-	-		-	-	-
£100,001 - £150,000	-		-	-		-	-	-
£150,001 - £200,000	-		-	-		-	-	-
>£200,000	-		-	-		-	-	-
Total	**-**		**-**	**-**		**-**	**-**	**-**

Table 4: Reporting of compensation schemes - exit packages 2019/20 (audited)								
Exit package cost band (including any special payment element)	Number of compulsory redundancies			Number of other departures agreed			Total number of exit packages	
	Number		Cost	Number		Cost	Number	Cost
			£000			£000		£000
<£10,000	-		-	-		-	-	-
£10,001 - £25,000	-		-	-		-	-	-
£25,001 - 50,000	-		-	-		-	-	-
£50,001 - £100,000	-		-	1		58	1	**58**
£100,001 - £150,000	-		-	-		-	-	-
£150,001 - £200,000	-		-	-		-	-	-
>£200,000	-		-	-		-	-	-
Total	**-**		**-**	**1**		**58**	**1**	**58**

Table 5: Exit packages: other (non-compulsory) departure payments (audited)				
	2020/21		2019/20	
	Payments agreed	Total value of agreements	Payments agreed	Total value of agreements
	Number	£000	Number	£000
Voluntary redundancies including early retirement contractual costs	-	-	-	-
Mutually agreed resignations (MARS) contractual costs			-	-
Early retirements in the efficiency of the service contractual costs	-	-	-	-
Contractual payments in lieu of notice	-	-	-	-
Exit payments following Employment Tribunals or court orders	-	-	1	58
Non-contractual payments requiring HMT approval	-	-	-	-
Total	**-**	**-**	**1**	**58**
Of which:				
Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months of their annual salary	-	-	-	-

Table 6: For all off-payroll engagements as of 31st Mar 2021, for more than £245 per day and that last for longer than six months	
	2020/21
	Number of engagements
Number of existing engagements as of 31st Mar 2019	-
Of which:	
Number that have existed for less than one year at the time of reporting	-
Number that have existed for between one and two years at the time of reporting	-
Number that have existed for between two and three years at the time of reporting	-
Number that have existed for between three and four years at the time of reporting	-
Number that have existed for four or more years at the time of reporting	-

Table 7: For all new off-payroll engagements, or those that reached six months in duration, between 1st Apr 2020 and 31st Mar 2021, for more than £245 per day and that last for longer than six months	2020/21
	Number of new engagements
Number of new engagements, or those that reached six months in duration between 1st Apr 2019 and 31st Mar 2020	-
Number of the above which include contractual clauses giving the trust the right to request assurance in relation to income tax and national insurance obligations	-
Number for whom assurance has been requested	-
Of which:	
Number for whom assurance has been received	-
Number for whom assurance has not been received	-
Number that have been terminated as a result of assurance not being received	-

Table 8: For any off-payroll engagements of board members, and/or senior officials with significant financial responsibility, between 1 Apr 2020 and 31 Mar 2021	2020/21
	Number of engagements
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	-
Number of individuals that have been deemed "board members and/or senior officials with significant financial responsibility". This figure must include both off-payroll and on-payroll engagements.	10

Expenditure on consultancy

Total expenditure during 2020/21 on consultancy has totalled £719k.

Gender pay gap

Information on the Trust's gender pay gap can be found on the Cabinet Office website and the LHCH website.

- https://gender-pay-gap.service.gov.uk/
- http://www.lhch.nhs.uk/about-lhch/equality-and-inclusion/

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

Compliance with the Code of Governance

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

During 2020/21, the Board of Directors has maintained governance policies and processes that reflect the principles of the Code, including:

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

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

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

The Board has confirmed that, with the exception of the following two provisions, the Trust has complied with the provisions of the Code in 2020/21.

Liverpool Heart and Chest Hospital departed from:

i) Provision B6.2 which states:

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

The Board last commissioned an independent evaluation against the Monitor framework in March 2017, and therefore compliance with this provision, required a further review in March 2020. After giving careful consideration to this requirement, the Board determined that commissioning a further comprehensive external review did not offer best value; it deferred further consideration of a second review until Quarter 4 of 2020/21, but this was further deferred due to escalation of the coronavirus pandemic. The NHS reforms and development of Integrated Care Systems place a new emphasis a on the Well Led Framework and therefore the Board will await further clarity on legislative change and the development of new local systems and governance structures, before investing in a comprehensive independent well led review based upon the Monitor Framework.

Since publication of the Code, the regulatory approach has changed and in two successive CQC inspections (2016 and 2019), the Trust was rated 'outstanding', 'overall' and specifically for 'well led'. The Board has undertaken its own annual self-assessment based upon the acceptability of external assurances received; review of the Board development plan driven by the Trust's objectives, vision and values; and Board Director appraisals. As a result of the global pandemic, the Board reprioritised its 2020/21 Board development plan and brought in external expertise to advise on matters such as staff resilience, equality and inclusion, the positioning of the Trust in relation to Integrated Care Systems Development and a review of strategic risk and risk appetite in the context of the changing external environment. In the context of the leadership and governance framework, the Board will consider carefully the composition of the Board of Directors and skill-set needed for the future as it implements its Non Executive Director succession plan with the Council of Governors during 2021/22.

In summary, whilst the Board has not comprehensively re-evaluated against Monitor's leadership and governance framework, it has made use of external assurances and commissioned independent advice where it has deemed this to offer most value in delivering

improvement for the benefit of patients and staff in line with the Trust's Vision, values, strategy and to support it in leading its emergency response to the pandemic.

ii) Provision B.7.1 which states:

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

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

The Board has determined that the Chair continues to be independent and there is clear evidence of continued challenge. The Chair has no material conflicts of interest and maintains a clear boundary between personal and professional relationships. There has been a consistent turnover of non-executive directors, bringing collective challenge and fresh perspective to the Board. There was a change of Senior Independent Director in 2019 and focus on the Board succession plan. Specifically, there is a robust succession plan in place to support the appointment of a new chair with effect from 1st April 2022 and the Nominations and Remuneration Committee will convene in May 2021 to review the succession plan in light of the changing external environment, including NHS reform.

The Council of Governor's decision to continue the Chair's tenure took account of the Chairman's outstanding contribution and performance; and as the Board has seen a refresh of non-executive directors, the re-appointment of the Chair would provide ongoing stability during a challenging operational period within a rapidly changing external environment. The Council of Governors also recognised the Chair's specific experience and personal networks in the context of the Trust's wider systems leadership role within Cheshire and Merseyside and the Liverpool system, including the Specialist Trust Alliance. The extended appointment was discussed with both the external auditor and NHSE/I Regional Office prior to approval by the Council of Governors.

The tenure of one of the Non Executive Directors also expired during 2020/21 and after careful consideration Mark Jones was appointed for a further 12 months to 1.12.21. At the same time as reviewing Mark Jones' appointment, the Council of Governors took the decision to re-appoint Julian Farmer for 6 months to 30.11.21 (he will have served six years at the end of May 2021). This was to create stability for the Board during the pandemic response and in recognition of the fact that a recruitment process and subsequent induction programme, would be significantly restricted due to the requirement for remote working of the Chair, Non Executive Directors and Governors during the pandemic. It was decided that aligning the end of tenure dates for both NEDs would allow opportunity to begin a search and recruitment process in summer 2021 and the appointment and induction of two new Board members together. The succession plan and recruitment timetable will be reviewed in May 2021 in the context of the pandemic and any prevailing restrictions.

Membership

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

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

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

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

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

To date no members of staff have opted out of membership. On 29th September 2020, the Board of Directors approved an amendment to the constitution so that staff on other payrolls/employed by others can become staff members e.g. catering staff who for all intents and purposes might work for LHCH onsite but are actually employed by a third party. A further amendment also provided clarity that staff working for hosted organisations of the Trust would not be eligible for staff membership but they could register to be a public member.

Membership strategy

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

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

The membership plans are to:

- support greater engagement with the general public as well as membership delivering the Trust's mission to provide excellent, compassionate and safe care for patients and population
- continue to build a membership that is representative of the demographics of its patient population, whilst also being mindful of the public population
- continually increase the quality of engagement and participation through the involvement of members and members of the public in all sectors of the communities served - specifically seeking feedback from recent patients and families in order to ensure a balanced perspective in delivering our goals
- communicate with members in accordance with their personal involvement preferences. This will ensure that the Trust achieves effective membership communications whilst achieving value for money.

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

Unfortunately during the year, the communications, recruitment and engagement plan was mostly placed on hold due to Covid 19 pandemic and in following government guidance. However, the Trust maintained good communication with members throughout particularly with regard to the Trust's response to the Covid 19 pandemic. The Membership and Communications Sub Committee met to monitor the implementation of the plan and piloted the first virtual health events online to accommodate social distancing and follow government guidance. These events were popular and featured clinical specialists who hosted talks and discussions. These events have also been advertised to members of the community in order to encourage engagement between Governors and members of the public.

Governors are encouraged to engage with their own constituencies, including any community groups with whom they are personally involved. Governors are also invited to attend patient and family listening events when these are held. This engagement is supported by the Trust's Membership Office which helps to facilitate opportunities for such activities. It is through these activities that Governors canvass the views of members and the public in order to inform the Trust's forward plans, including its objectives, priorities and strategy. These views are communicated to the Board at quarterly Council of Governor meetings, strategic workshop and at the annual Joint Board and Governor Development Day.

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

membership. Unfortunately, due to the Covid-19 pandemic and in keeping with government guidance all membership recruitment events were suspended during 2020/21.

Membership profile

Constituency			
Public Area	**As at 31st March 2020**	**As at 31st March 2021**	**Increase/ Decrease**
Cheshire	2,243	2,178	-65
Merseyside	4,799	4,633	-166
North Wales	1,648	1,584	-64
Rest of England and Wales	806	798	-8
Total - Public Constituency	**9,496**	**9,193**	**-303**
Staff Constituency	1,663	1,686	+23

Membership Office

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

Liverpool Heart and Chest Hospital NHS Foundation Trust
Thomas Drive
Liverpool
L14 3PE

Tel: 0151 600 1410
Email: membership.office@lhch.nhs.uk

Council of Governors

Role and composition

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

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

The Council of Governors comprises 25 governors of whom:

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

At the Council of Governors and Board of Directors joint development day, held on 10th November 2020, governors evaluated the performance of the Council of Governors and identified actions and objectives for the next 12 months. This was also an opportunity for the Council of Governors to engage with the Board of Directors and contribute to the setting of the Trust's strategic objectives and planning.

The names of those who have served as governor in 2020/21 are listed in the attendance report at the end of this section.

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

Governor development

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

During 2020/21 the Trust has:

- Provided a local (electronic) induction pack for every new governor on appointment at an initial induction meeting with Chair and Director of Corporate Affairs. All new governor induction meetings in 2020/21 were conducted via video call.
- Provided an annual induction day for new governors and for existing governors who would like a refresher (externally facilitated) – this event was facilitated online via Zoom in 2020/21
- Provided an annual Governor development day, part of which is dedicated to joint work with the Board - this event was facilitated online via Zoom in 2020/21.
- Provided access to the NHS Providers' *Govern Well* Programme (all events online)
- Provided opportunity for governors to attend the NHS Providers Annual Conference which was held online in 2020.
- Provided opportunity for governors to attend Virtual Governor Workshops organised by NHS Providers;
- Provided presentations at CoG meetings to brief governors on aspects of services provided by the Trust as requested
- Provided resources and supported Governors to deliver a programme of online member engagement events and newsletters. Engagement events were restricted and fewer than had been planned for 2020/21 due to the pandemic.
- Published specific public and staff governor pre-election material for prospective governors clarifying the role and skills and time commitment required.
- Increased the frequency of Chair's Lunch meetings to ensure monthly contact and discussion with Chair throughout the pandemic whilst face to face meetings have been suspended.
- Provided fortnightly written communications bulletins to Governors to update on the COVID status of the hospital, mutual aid, infection prevention measures and other key news.
- Continued to run and support the Membership and Communication Sub Committee which offers governors opportunity shape and implement the Trust's membership strategy.
- Supported governor members of the NRC to review the Chair and NED succession plan and the manage re-appointment of two NEDs in 2020/21.
- Updated the Governor skills audit.

Elections

The Board of Directors can confirm that elections for Public and Staff Governors held in 2020/21 were conducted in accordance with the election rules as stated in the Trust's constitution.

Constituency/Class	No. of seats	Governors elected	Term Length
Public			
Cheshire (Election contested)	2	Mark Allen Peter Brandon	3
Merseyside (Election contested)	5	Dorothy Burgess Elaine Holme Peter Humphrey Terence Comerford Trevor Wooding	3
North Wales (Election uncontested)	2	Dusty Rhodes Peter Wareham	3
Staff			
Allied Healthcare Professionals, Technical and Scientific (Election contested)	1	Dot Price	3
Non-Clinical (Election contested)	2	Megan Cromby Rachael McDonald	3
Registered and Non registered nurses (Election contested)	1	Princey Santhosh	3

Governor attendance at Council of Governor meetings 2020/21

Between 1st April 2020 and 31st March 2021 the Council of Governors' met formally on four occasions. Due to ongoing visiting and social distancing restrictions as a result of Covid-19, meetings for the year were held virtually via Microsoft Teams.

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

Governor Name	Council of Governor Meeting Dates 2020/21			
	2nd June 2020	22nd Sept 2020	1st Dec 2020	2nd March 2021
Public Constituency				
Merseyside				
Rachel Glynn Williams	✓	✓	✓	x
Trevor Wooding (Senior Governor)	✓	✓	✓	✓
Dorothy Burgess	✓	✓	✓	✓
Elaine Holme	✓	✓	✓	✓
Ruth Rogers	✓	✓		
Terence Comerford	✓	✓	✓	✓
Peter Humphrey			✓	✓
Cheshire				
Lindsey Van Der Westhuizen	✓	✓	✓	✓
Allan Pemberton	✓	✓	✓	✓
Mark Allen	✓	✓	✓	✓
Peter Brandon	✓	✓	✓	x
North Wales				
Joan Burgen	✓	✓	✓	✓
Dusty Rhodes	✓	✓	✓	✓
Peter Wareham	✓	x	x	✓
Rest of England and Wales				
Lynne Addison	✓	✓	✓	✓
Staff Constituency				
Registered Nurses and Non-Registered Nurses				
Lynn Trayer-Dowell	x	x		
Charles Cowburn	✓	✓	✓	✓
Sharon Faulkner	x	✓	✓	✓
Princey Santhosh			x	✓
Non Clinical				
Sharon Hindley	x	x		
Megan Cromby			✓	✓
Rachael McDonald			✓	✓
Allied Health Professionals, Technical and Scientific				
Dorothy Price	✓	✓	✓	✓

Governor Name	Council of Governor Meeting Dates 2020/21			
	2nd June 2020	22nd Sept 2020	1st Dec 2020	2nd March 2021
Registered Medical Practitioners				
Rebecca Dobson	x	✓	✓	✓
Nominated Governors:				
Ian Jones *(Liverpool John Moores University)*	✓	✓	x	
Karen Higginbotham *(Liverpool John Moores University)*				x
Wendy Caulfied *(Friends of Robert Owen House)*	✓	✓	✓	✓
Cllr Sharon Connor *(Liverpool City Council)*	x	x	x	x
Hollie Swann (University of Liverpool)	x	x	✓	x
Board Members in attendance:				
Neil Large	✓	✓	✓	✓
Jane Tomkinson	✓	✓	✓	x
Sue Pemberton	x	✓	✓	x
Raphael Perry	x	x	x	x
Karen Edge	x	✓	✓	x
Jonathan Develing	x			
Hayley Kendall			✓	x
Nicholas Brooks	✓	✓	✓	✓
Julian Farmer	✓	x	✓	✓
Mark Jones	✓	✓	✓	✓
Karen O'Hagan	x	✓	✓	x
Bob Burgoyne	✓	✓	✓	✓

2.5 NHS Oversight Framework

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

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

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

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

The Trust's Finance and Use of Resources score for the period ending 31st March 2021 is a 1 overall (on a scale of 1 to 4, where 1 reflects the strongest performance) and is set out in the table below.

Area	Metric	Definition	2020/21	2019/20
Financial Sustainability	Capital Service Capacity	Degree to which the provider's generated income covers its financial obligations	1	1
	Liquidity (Days)	Days of operating costs held in cash or cash-equivalent forms, including wholly committee lines of credit available for drawdown	1	1
Financial Efficiency	I & E margin	I & E surplus of deficit/total revenue	2	1
Financial Controls	Distance from financial plan	Year to date (YTD) actual I&E surplus/ deficit in comparison to YTD plan I & E surplus/deficit	1	1
	Agency Spend	Distance from provider's cap	N/A *	1
Overall Finance and Use of Resources Rating			**1**	**1**

* because of the COVID-19 pandemic, no agency cap was in place for 2020/21.

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

2.6 Statement of Accounting Officer Responsibilities

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

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

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

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

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

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

As far as I am aware, there is no relevant audit information of which the Liverpool Heart and Chest Hospital NHS Foundation Trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

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

Jane Tomkinson
Chief Executive
28th June 2021

2.7 Annual Governance Statement

Scope of responsibility

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of Liverpool Heart and Chest Hospital NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in Liverpool Heart and Chest Hospital NHS Foundation Trust for the year ended 31 March 2021 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

I am accountable for risk management across all organisational, financial and clinical activities. I have delegated responsibility for risk management to the Director of Research and Innovation, who acts as the Chief Risk Officer. During 2020/21 the Chief Risk Officer has provided oversight to implementation of the Risk Management Policy which is complemented with electronic systems to support risk and incident management and reporting. Comprehensive risk management training has been provided at all levels of the organisation to provide our people with the skills to assess, describe, control, escalate and report risks from ward to Board and is periodically assured via internal audit review and external regulation.

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

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

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

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

Throughout 2020/21, the Trust has had in place its emergency planning processes and command and control structures, in order to respond effectively to the coronavirus pandemic. Interim governance structures, with 'Gold', 'Silver' and 'Bronze' Command, have enabled the Trust to respond quickly and appropriately to ensure patient and staff safety.

In line with national guidance received from NHS England, the Trust has regularly reviewed and streamlined many of its governance processes, freeing up capacity and resources to be able to manage the Trust's response to the pandemic.

The Trust is now focusing on recovery and will adapt governance arrangements as required to ensure the safe resumption of non-COVID activity and catch-up of the backlog of patients waiting.

Key in-year risks

i) Compliance with provider licence condition 4 (FT governance) – the Trust has focused this year on its response to the pandemic and implementation of NHSE/I guidance in respect of operational delivery. The Trust has actively supported system-wide pressures through provision of increased capacity and mutual aid across the Liverpool system and Cheshire and Merseyside STP to support both the COVID response and delivery of urgent cancer pathways. As a result, and in keeping with the wider NHS, RTT and diagnostic targets have been breached. Patients waiting have been clinically reviewed and focus is returning to recovery now that the most recent surge in COVID hospitalisation has subsided.

ii) The Board has approved business cases to enable investment in the ageing electrical infrastructure and catheter laboratory facilities which, when delivered, will mitigate the risks associated with the estate.

iii) The Trust has received one 'limited' assurance report from internal audit in 2020/21. This related to research finances and in this instance, management had directed internal audit resource to this area in order to identify opportunity to strengthen internal controls. An action plan has been put in place to improve financial governance in respect of research.

i) There have been five serious incidents in 2020/21 which have all been reported to STEIS. There have been no never events. All serious incidents have been subject to full root cause analysis, identification and cascade of organisational learning and duty of candour applied as appropriate:

1. Incidental finding on CT scan undertaken in 2017 was not followed up and the patient presented in 2020 with a renal cell carcinoma.
2. A tragic incident of a patient taking their own life.
3. A partially ruptured aorta that was not reported on successive scans.
4. An unexpected death following a lung injury during catheter intervention.

5. Injury to a patient's subclavian artery leading to complications.

ii) During the year the Trust has continued its work to further improve safety through a focus on the enhanced infection prevention and control measures, safe cohorting of patients, and ensuring a COVID-safe environment for staff needing to remain on site throughout the pandemic. The Trust appointed a Patient Safety Lead/Deputy Medical Director in February 2021 who will commence in post 1st April 2021.

iii) Whilst the Trust maintains its strong track record for financial performance the Trust's underlying financial position and forward plan for 2021/22 is to be confirmed following publication of the delayed annual planning guidance – the nationally imposed interim financial regime has been in place throughout 2020/21.

The risk and control framework

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

- Application of the organisation-wide risk management assessment and control system for Quality Impact Assessments prior to implementation of any cost improvement scheme. Assurance on this process is received by the Quality Committee.
- Commencement of a strategic review of risk and Board review of risk appetite (for completion and implementation in 2021/22)
- Ongoing focus and improvement in incident reporting which is now embedded within the Trust's safety surveillance process.

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

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

The organisational appetite for risk has been set by the Board and is embedded in the risk register structures. This results in the acceptance of risks when appetite thresholds are reached or exceeded. A review of strategic risk and risk appetite commenced in March 2020 and any refinements to current practice will be implemented to ensure compliance with best practice.

Risk registers are maintained via Athena, an online bespoke risk reporting system. In addition, the DATIX incident management system has brought many benefits, including universal electronic incident reporting, integration of incidents, claims and complaints and vastly improved reporting, and is now fully embedded.

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

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

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

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

The Trust has undertaken a comprehensive audit of the controls in place to prevent cyber incidents and ensure a speedy and seamless recovery. Throughout 2020/21, work undertaken includes external reviews, recruitment of a Cyber Lead, implementation of a number of tools, and monitoring of compliance against a range of cyber standards. The digital collaboration with Alder Hey has improved the Trust's cyber resilience as it has allowed rapid knowledge sharing and leadership. An action plan is in place for 2021/22 to support attainment of 'Cyber Essentials' accreditation in the coming months. The Audit Committee has received assurance reports on cyber security and has embedded oversight of cyber security controls within its terms of reference.

The Board's assurance committee structure comprises the Audit Committee, Quality Committee, Integrated Performance Committee and People Committee. Each assurance committee comprises Non-Executive Directors and enables the effective challenge of assurances to support delivery of the Trust's strategic objectives and regulatory compliance.

The Audit Committee strengthened its focus on data quality and cyber security during 2020/21 and has prioritised the provision of assurances in relation to third party providers (including SBS and payroll), along with the governance arrangements in place to support

new hosting arrangements in respect of the Innovation Agency and Liverpool Health partners.

The Trust's Operational Board is chaired by the Chief Executive and comprises all members of the executive team, the three Divisional Triumvirate Leadership Teams (Associate Medical Directors, Heads of Nursing and Divisional Heads of Operations); and the Clinical Lead for Research and Innovation. The Operational Board is accountable for all aspects of delivery and operational performance and reports routinely to the Board of Directors. The governance structure facilitates a clear distinction between assurance (non-executive led) and performance management (executive led). An annual review of the Trust's governance arrangements was undertaken in 2020/21, and adjustments made in relation to the pandemic response. During the year the Chair and Non-Executive Directors have worked remotely and the majority of Assurance Committee meetings have been held online. In some instances, work has been reprioritised to create capacity to focus on the national emergency and therefore some meetings were stood down and some agenda items deferred. Weekly online meetings have been held throughout the year to ensure that the Non-Executive Directors have been kept up to date. Command and control structures have operated to enable quick and effective decision making in response to the day to day operational challenges brought by the pandemic.

The Board set aside dedicated time within its annual business cycle to focus on strategic planning and Board development although some of this time was reprioritised in 2020/21. Despite the operational challenges, the Board has devoted time to focus on inclusivity, operational recovery, staff resilience, the People Plan and to consider the Trust's strategic positioning in relation to the external environment and NHS reforms. The membership of the executive team has been strengthened in 2020/21 through the appointment of a joint Chief Digital and Information Officer, in collaboration with Alder Hey.

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

In relation to oversight of the Trust's performance, the Board receives an integrated performance report at every meeting and exception reports with action plans are provided for any of underperformance. This year has seen considerable focus on the backlog of waiters, long waiters and ensuring robust clinical governance processes for review of patients waiting. A COVID dashboard was introduced at the start of the pandemic and has provided real time reporting of key indicators to support clinical and operational decision making. Board walkabouts have not been possible throughout 2020/21 due to social distancing requirements and cessation of visiting; however the Board has received patient and staff stories and has been updated weekly on a range of topics including staff wellbeing.

The Board Assurance Framework (BAF) is used as a tool to prioritise the Board's time through documentation of the principal risks to strategic objectives and regulatory compliance, identification of controls and assurances and actions needed to address any gaps. There is a clear process for regularly reviewing and updating the BAF and the BAF

drives the Board's agenda and business cycle. All Board and Committee papers are referenced to the BAF to enable any changes in risks or gaps in assurance to be highlighted.

Each of the Assurance Committees reports on BAF key issues to the Board and this informs regular review of the BAF. The Trust has consistently achieved a positive internal audit opinion in relation to its BAF processes: ***The organisation's Assurance Framework is structured to meet the NHS requirements, is visibly used by the Board and clearly reflects the risks discussed by the Board.*** This statement has again been confirmed for 2020/21.

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

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

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

Future risks

i) Operational Recovery

Trajectories are in place to recover waiting times for treatment and diagnostics and to eliminate the growth of long waiters, but there remain significant risks to operational recovery in relation to the national lifting of COVID restrictions, resilience and recovery of the workforce, possible mutations of the coronavirus, nosocomial infections and long term efficacy of the vaccine.

ii) Staff Engagement and Motivation

The impact of COVID on the resilience of the workforce and on recruitment and retention is a key focus and the People Plan priorities will be monitored closely with significant focus on staff wellbeing and inclusion.

iii) Board Leadership

Succession plans are in place to manage the retirements of the Chair at the end of 2021/22 and of two non-executive directors who will reach the end of their final terms in 2021/22. The recruitment campaign will focus on improving the diversity on the Board of Directors and allowing sufficient time for on-boarding and handover. The Executive Team has been strengthened in 2020/21 through the appointment of a new Chief People Officer a new Chief Digital & Information Officer (in collaboration with Alder Hey).

iv) Delivery of the 2021/22 Financial Plan

The Trust will need to understand the impact of the new financial regime in relation to its 2021/22 financial duties and underlying financial position and develop its financial planning assumptions accordingly to ensure ongoing financial viability. There is also a risk to the Trust's capital planning assumptions linked to the move to manage the capital resource envelop at ICS level.

v) Impact of external environment

The Board will consider the implications of the White Paper and planning guidance for 2021/22 in the context of its positioning within the wider health and social care system. The Board remains mindful of its wider catchment population, beyond Cheshire and Merseyside and will continue to consider all service changes in the context of benefits to patients.

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

With extensive clinical and managerial engagement the Trust has launched its ambitious strategic plan for the next five years 'Patients, Partnerships and Populations' and continues to carefully consider its role within a changing system and the complexity of caring for patients across such a significant geography. The LHCH Strategy demonstrates the Trust's conviction in providing outstanding care for patients within the hospital, to work, with partners outside of the hospital and to put prevention at the forefront of our intent in caring for the wider population.

Liverpool Heart and Chest Hospital NHS Foundation Trust is fully compliant with the registration requirements of the Care Quality Commission and is rated outstanding.

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

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

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

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

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

The financial plan is approved by the Board and submitted to NHS Improvement (NHSI). The plan, including forward projections, is monitored in detail by the Integrated Performance

Committee, a formal Assurance Committee of the Board. The Integrated Performance Committee also monitors productivity and has reviewed the range of KPIs during the course of 2020/21. The Board itself reviews a report on financial performance provided by the Chief Finance Officer including key performance indicators and NHSI metrics at each Board meeting. The Trust's resources are managed within the framework set by the Governance Manual, which includes Standing Financial Instructions. Financial governance arrangements are supported by internal and external audit to ensure economic, efficient and effective use of resources.

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

Information governance

Information governance risks are managed as part of the processes described above and assessed using the Data Security and Protection Toolkit. There have been no reportable data breaches.

The deadline for submission of the Data Security and Protection Toolkit Assessment for 2020/21 has been extended until the end of June and an independent assurance review has been commissioned from Mersey Internal Audit Agency to demonstrate that all actions are in place in readiness for the June submission and to provide assurance on the accuracy of the Trust's reported baseline position. A baseline submission was made at the end of February 2021. There have been zero serious information governance incidents classified level 2 or above during 2020/21. Information governance risks are managed as part of the Trust risk management framework and assessed using the Data Security and Protection Toolkit.

Data quality and governance

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

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

Each year, the Trust's quality priorities are informed by discussions and feedback with stakeholders (governors, patients, commissioners, Healthwatch and the local authority), on what is important to them and how the Trust can improve the quality and safety of services for our patients and their families. The quality priorities for 2019/20 were not fully addressed

due to the COVID pandemic and in consultation with stakeholders, have been rolled forward to 2021/22.

Implementation of the Quality Strategy and Organisational Learning Policy supports delivery of the Trust's key objective to provide high quality and safe care. At the centre of these strategies is an ambition to continually improve the quality of service, including staff consistently demonstrating their compassion, confidence and skills to champion the delivery of safe and effective care. The Organisational Learning Policy focuses on how the Trust learns from all available information and feedback about services; this sharing learning and good practice is monitored through the Quality Committee and communicated widely across the Trust through Divisional Governance structures. The Trust's Executive Team receives a weekly 'Harms Report' and the Council of Governors reviews the quality dashboard on a quarterly basis. A 'safety surveillance' process was introduced in 2020/21 to support triangulation of data and identification of learning.

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

The Trust has in place a dedicated waiting list validation team working alongside operational managers and consultants to routinely cleanse and validate waiting time data. The process is reviewed periodically as part of the Trust's internal audit programme. Throughout 2020/21 waiting time targets have breached due to the pandemic but patients waiting have been routinely clinically reviewed.

Accuracy of data is of the utmost importance for the trust and an area that will be strengthened by several measures over the coming year to improve on the existing structures that are in place.

The governance structure of data quality will be further improved in 2021/22 with the creation of a new data quality group that will review and action any data quality issues. The Trust already has several layers of data quality improvements in place including two RTT validators that will ensure that patients' RTT status is correct, SUS data quality compliance and batch tracing ran on the PAS system to improve the accuracy of information within that system.

The Trust's information platform houses several well used data quality reports and in 2021/22, these will be superseded with the development of a new data quality application that was developed in house, bespoke to the Trust's needs. Sign off for national returns ensure that data is validated but submitted and internal reports will also be subject to new sign off and version control procedures to ensure accuracy. In addition to the processes and technical reports, there is also investment in people; the informatics team working to obtain Level 1 accreditation with the ISD network to show continual staff development and the coding team have the required coding accreditations to complete their roles. Audits are also

taken in different areas on a regular basis to show the Trust's commitment to transparency and desire from improvement.

Review of effectiveness

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

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

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

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

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

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

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

- Board review of Board Assurance Framework through key issues reports from Assurance Committees and formal quarterly BAF review
- Audit Committee scrutiny of controls in place
- Audit Committee consideration (standing item on agenda) of issues which could impact upon the Annual Governance Statement
- Review of serious incidents and learning,
- Review of clinical audit, patient survey and staff survey information
- Assurance Committee review of compliance with CQC standards

- Internal audits of effectiveness of systems of internal control.

Conclusion

There were no significant control issues identified in 2020/21, however during the year the Trust has actively addressed the actions and organisational learning arising from the reported serious incidents and has maintained an active oversight of the effectiveness of controls in place to mitigate the risk of harm and ensure delivery of operational targets.

Jane Tomkinson
Chief Executive
28th June 2021

SECTION 3: ANNUAL ACCOUNTS

Liverpool Heart and Chest Hospital NHS Foundation Trust
Annual Report and Accounts 2020/21

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

Liverpool Heart and Chest Hospital NHS Foundation Trust

Annual accounts for the year ended 31st March 2021

Statement of Comprehensive Income

	Note	2020/21 £000	2019/20 £000
Operating income from patient care activities	3	154,243	144,710
Other operating income	4	24,123	12,922
Operating expenses	6, 8	(176,293)	(153,185)
Operating surplus/(deficit) from continuing operations		**2,073**	**4,447**
Finance income	11	6	169
Finance expenses	12	(72)	(33)
PDC dividends payable		(1,855)	(2,446)
Net finance costs		**(1,920)**	**(2,310)**
Other gains / (losses)	13	100	-
Share of profit / (losses) of associates / joint arrangements	18	(1)	(4)
Surplus / (deficit) for the year		**251**	**2,133**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	(1,680)	(854)
Revaluations	17	(0)	1,173
Total comprehensive income / (expense) for the period		**(1,429)**	**2,452**

Statement of Financial Position

	Note	31 March 2021 £000	31 March 2020 £000
Non-current assets			
Intangible assets	14	343	502
Property, plant and equipment	15	93,585	86,668
Investments in associates and joint ventures	18	43	44
Total non-current assets		**93,971**	**87,214**
Current assets			
Inventories	21	2,214	3,094
Receivables	22	6,799	11,275
Cash and cash equivalents	23	48,964	30,249
Total current assets		**57,977**	**44,618**
Current liabilities			
Trade and other payables	24	(31,076)	(21,984)
Borrowings	26	(337)	(321)
Provisions	29	(1,735)	(1,358)
Other liabilities	25	(3,987)	(1,125)
Total current liabilities		**(37,135)**	**(24,788)**
Total assets less current liabilities		**114,813**	**107,044**
Non-current liabilities			
Trade and other payables	24	(4,269)	-
Borrowings	26	(2,198)	(2,537)
Provisions	29	(4,360)	(1,181)
Other liabilities	25	(81)	(81)
Total non-current liabilities		**(10,908)**	**(3,799)**
Total assets employed		**103,905**	**103,245**
Financed by			
Public dividend capital		66,307	64,218
Revaluation reserve		9,898	11,595
Income and expenditure reserve		27,700	27,432
Total taxpayers' equity		**103,905**	**103,245**

The notes on pages 97 to 134 form part of these accounts.

Name Jane Tomkinson
Position Chief Executive
Date 28th June 2021

Statement of Changes in Equity for the year ended 31 March 2021

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2020 - brought forward	**64,218**	**11,595**	**27,432**	**103,245**
Surplus/(deficit) for the year	-	-	251	**251**
Impairments	-	(1,680)	-	**(1,680)**
Revaluations	-	-	-	**-**
Public dividend capital received	2,089	-	-	**2,089**
Other reserve movements	-	(17)	17	**-**
Taxpayers' and others' equity at 31 March 2021	**66,307**	**9,898**	**27,700**	**103,905**

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

	Public dividend capital	Revaluation reserve	Income and expenditure reserve	Total
	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**64,154**	**11,293**	**25,282**	**100,729**
Prior period adjustment	-	-	-	**-**
Taxpayers' and others' equity at 1 April 2019 - restated	**64,154**	**11,293**	**25,282**	**100,729**
Surplus/(deficit) for the year	-	-	2,133	**2,133**
Impairments	-	(854)	-	**(854)**
Revaluations	-	1,173	-	**1,173**
Other recognised gains and losses	-	(17)	17	**-**
Public dividend capital received	64	-	-	**64**
Taxpayers' and others' equity at 31 March 2020	**64,218**	**11,595**	**27,432**	**103,245**

Information on reserves

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

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

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

Statement of Cash Flows

	Note	2020/21 £000	2019/20 £000
Cash flows from operating activities			
Operating surplus / (deficit)		2,073	4,447
Non-cash income and expense:			
Depreciation and amortisation	6.1	5,803	5,402
Net impairments	7	955	1,525
Income recognised in respect of capital donations	4	(620)	(32)
(Increase) / decrease in receivables and other assets		4,708	5,219
(Increase) / decrease in inventories		880	319
Increase / (decrease) in payables and other liabilities		9,959	6,620
Increase / (decrease) in provisions		3,559	1,746
Net cash flows from / (used in) operating activities		**27,317**	**25,246**
Cash flows from investing activities			
Interest received		6	169
Purchase of PPE and investment property		(8,765)	(10,003)
Sales of PPE and investment property		100	-
Receipt of cash donations to purchase assets		452	32
Net cash flows from / (used in) investing activities		**(8,207)**	**(9,802)**
Cash flows from financing activities			
Public dividend capital received		2,089	64
Movement on other loans		(6)	(6)
Capital element of finance lease rental payments		(316)	(209)
Other interest		(3)	(5)
Interest paid on finance lease liabilities		(71)	(28)
PDC dividend (paid) / refunded		(2,088)	(2,735)
Net cash flows from / (used in) financing activities		**(395)**	**(2,919)**
Increase / (decrease) in cash and cash equivalents		**18,715**	**12,525**
Cash and cash equivalents at 1 April - brought forward		**30,249**	**17,724**
Cash and cash equivalents at 31 March	23	**48,964**	**30,249**

Notes to the Accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

NHS Improvement, in exercising the statutory functions conferred on Monitor, has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2020/21 issued by the Department of Health and Social Care. The accounting policies contained in the GAM follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the GAM permits a choice of accounting policy, the accounting policy that is judged to be most appropriate to the particular circumstances of the Trust for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. These have been applied consistently in dealing with items considered material in relation to the accounts

Accounting convention

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

Note 1.2 Going concern

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

The changes to the NHS Financial architecture (ie move to block contracts) are not considered to create any material uncertainty over the Trust's ability to continue as a going concern.

Note 1.3 Interests in other entities

NHS Charitable Fund

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

The Charitable Fund's statutory accounts are prepared to 31 March in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Financial Reporting Standard (FRS) 102. please refer to the separate Trustees' Report and Accounts for this charity. However, the transactions are immaterial in the context of the group and the transactions have not been consolidated in 2020/21. Details of the transactions with the charity are included in the related parties note.

Joint ventures

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

Since November 2011, the Trust has participated in a joint venture with Royal Brompton & Harefield NHS Foundation Trust. The Joint Venture established by the partners is a company limited by guarantee "The Institute of Cardiovascular Medicine Science Ltd" (ICMS). Draft accounts of the company have been prepared for the year ended 31st March 2021 and the results are reflected in the accounts of the group in this financial year.

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

Liverpool Heart and Chest has taken over the hosting of the Innovation Agency from 1st April 2020. The Innovation Agency is the Academic Health Science Network for the North West. Their aim is to spread innovation at pace and scale across health and social care. The organisation was previously hosted by Lancashire and South Cumbria Care NHS Foundation Trust.

The Trust is now hosting Liverpool Network Alliance from 1st December 2020. The LNA arose from the need for a voice for general practice in Liverpool.

The aims of the LNA are twofold:
• Internal; developing, learning from and supporting each other during a time of dynamic change, and
• External; the voice of General Practice in Liverpool

In preparing for the appointment of a hosting provider the PCNs in Liverpool undertook a rigorous Options Appraisal regarding potential models. Practices and PCNs overwhelmingly supported the option of an NHS partner for transactional services. Following a rigorous assessment and procurement exercise Liverpool Heart & Chest has been identified as the lead `host` provider. Consequently, these ITQs will be procured by the LNA in partnership with LHCH.

Note 1.4 Revenue from contracts with customers

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

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

Revenue from NHS contracts

The accounting policies for revenue recognition and the application of IFRS 15 are consistently applied. The contracting arrangements in the NHS changed between 2019/20 and 2020/21 affecting the application of the accounting policy under IFRS 15. This difference in application is explained below.

<u>2020/21</u>

The main source of income for the Trust is contracts with commissioners for health care services. In 2020/21, the majority of the Trust's income from NHS commissioners was in the form of block contract arrangements. During the first half of the year the Trust received block funding from its commissioners. For the second half of the year, block contract arrangements were agreed at a Integrated Care System level. The related performance obligation is the delivery of healthcare and related services during the period, with the Trust's entitlement to consideration not varying based on the levels of activity performed.

The Trust has received additional income outside of the block and system envelopes to reimburse specific costs incurred and other income top-ups to support the delivery of services. Reimbursement and top-up income is accounted for as variable consideration.

Comparative period (2019/20)

In the comparative period (2019/20), the Trust's contracts with NHS commissioners included those where the Trust's entitlement to income varied according to services delivered. A performance obligation relating to delivery of a spell of health care was generally satisfied over time as healthcare was received and consumed simultaneously by the customer as the Trust performed it. The customer in such a contract was the commissioner, but the customer benefited as services were provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligned with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that were substantially the same and had a similar pattern of transfer. At the year end, the Trust accrued income relating to activity delivered in that year, where a patient care spell was incomplete. This accrual was disclosed as a contract receivable as entitlement to payment for work completed was usually only dependent on the passage of time.

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

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

In 2019/20, the Provider Sustainability Fund and Financial Recovery Fund enabled providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

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

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

Note 1.5 Other forms of income

Grants and donations

Government grants are grants from government bodies other than income from commissioners or Trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grants is used to fund capital expenditure, it is credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

Apprenticeship service income

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

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

Note 1.6 Expenditure on employee benefits

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

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as and when they become due.

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

Note 1.7 Expenditure on other goods and services

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

Note 1.8 Property, plant and equipment

Recognition
Property, plant and equipment is capitalised where:

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

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

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

Measurement

Valuation

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

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

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

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

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and meeting the location requirements of the services being provided. Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements.

Valuers Cushman & Wakefield have been appointed by LHCH to revalue Trust land and buildings. They have provided a desktop review as at the 31st March 2021.Valuer is a member of the Royal Institution of Chartered Surveyors and an RICS Registered Valuer.

C&W have no current, anticipated or previous recent involvement with the property or Trust or the Trust's Finance Officers responsible for the production of financial statements, other than in respect of the provision of valuation and remaining useful life assessment services and do not consider therefore that any conflict arises in preparing the advice requested.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowings costs. Assets are revalued and depreciation commences when the assets are brought into use.

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

Depreciation

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

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

Revaluation gains and losses

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

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

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

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

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

De-recognition
Assets intended for disposal are reclassified as 'held for sale' once all of the following criteria are met:

• the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
• the sale must be highly probable ie:

- management are committed to a plan to sell the asset
- an active programme has begun to find a buyer and complete the sale
- the asset is being actively marketed at a reasonable price
- the sale is expected to be completed within 12 months of the date of classification as 'held for sale' and
- the actions needed to complete the plan indicate it is unlikely that the plan will be abandoned or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

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

Donated and grant funded assets

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

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

In 2020/21 this includes assets donated to the Trust by the Department of Health and Social Care as part of the response to the coronavirus pandemic. As defined in the GAM, the Trust applies the principle of donated asset accounting to assets that the trust controls and is obtaining economic benefits from at the year end.

Useful lives of property, plant and equipment

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

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

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

Note 1.9 Intangible assets

Recognition

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

Internally generated intangible assets

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

Expenditure on research is not capitalised. Expenditure on development is capitalised where it meets the requirements set out in IAS 38.

Software

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

Measurement

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

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

Amortisation

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

Useful lives of intangible assets

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

	Min life Years	Max life Years
Software licences	2	10

Note 1.10 Inventories

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

In 2020/21, the Trust received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

Note 1.11 Cash and cash equivalents

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

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

Note 1.12 Financial assets and financial liabilities

Recognition

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

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

Classification and measurement

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

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

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

Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

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

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

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

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

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

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

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

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

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

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

Derecognition

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

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

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

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

Note 1.13 Leases

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

The Trust as a lessee

Finance leases

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

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

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

Operating leases

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

Leases of land and buildings

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

Note 1.14 Provisions

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

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.95% in real terms.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the Trust is disclosed at note 32.2 but is not recognised in the Trust's accounts.

Non-clinical risk pooling

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

Note 1.15 Contingencies
Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 33 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 33, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

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

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

Note 1.16 Public dividend capital
Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

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

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, with certain additions and deductions as defined by the Department of Health and Social Care.

This policy is available at https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts.

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

Note 1.17 Value added tax

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

Note 1.18 Corporation tax

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

Note 1.19 Climate change levy

Expenditure on the climate change levy is recognised in the Statement of Comprehensive Income as incurred, based on the prevailing chargeable rates for energy consumption.

Note 1.20 Foreign exchange

The functional and presentational currency of the Trust is sterling.

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

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

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

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

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

Note 1.21 Third party assets

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

Note 1.22 Losses and special payments

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

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

Note 1.23 Gifts

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

Note 1.24 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2020/21.

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

IFRS 16 Leases
IFRS 16 Leases will replace *IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease* and other interpretations and is applicable in the public sector for periods beginning 1 April 2022. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

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

On transition to IFRS 16 on 1 April 2022, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The Trust's incremental borrowing rate will be defined by HM Treasury. Currently this rate is 0.91% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. . No adjustments will be made on 1 April 2022 for existing finance leases.

For leases commencing in 2022/23, the trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

	£000
Estimated impact on 1 April 2022 statement of financial position	
Additional right of use assets recognised for existing operating leases	6,355
Additional lease obligations recognised for existing operating leases	-
Changes to other statement of financial position line items	-
Net impact on net assets on 1 April 2022	**6,355**
Estimated in-year impact in 2022/23	
Additional depreciation on right of use assets	(563)
Additional finance costs on lease liabilities	(60)
Lease rentals no longer charged to operating expenditure	584
Other impact on income / expenditure	-
Estimated impact on surplus / deficit in 2022/23	**(39)**
Estimated increase in capital additions for new leases commencing in 2022/23	**-**

Of the £6,355k changes to other statement of financial position line items £6,315k relates to rental property and room hire agreements and £40k relates to Machinery and equipment from embedded leases.

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

IFRS 14
Applies to first time adopters of IFRS after 1 January 2016. Therefore, not applicable to DHSC group bodies.

Note 1.26 Critical judgements in applying accounting policies

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

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

Impairment of Assets
At each balance sheet date, the Trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually. The impairment value recognised in the year ending 31st March 2021 is disclosed at note 6.

Note 1.27 Sources of estimation uncertainty

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

Asset valuation and impairments: the valuation of the Trust's Land and Buildings is subject to a significant estimation uncertainty, since it derives from estimates provide by the Trusts external valuers who base their estimates on local market data as well as other calculations.

Note 2 Operating Segments

The activities of the Foundation Trust are all healthcare-related and treated as a single segment for the purpose of the accounts. The Foundation Trust's total revenue for the year ended 31 March 2021 was £178,366m of which 86% related to patient care activities for which NHS England and Clinical Commissioning Groups account for 84% of the revenue.

Note 3 Operating income from patient care activities

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

Note 3.1 Income from patient care activities (by nature)	**2020/21**	**2019/20**
	£000	**£000**
Block contract / system envelope income*	130,234	85,743
High cost drugs income from commissioners (excluding pass-through costs)	9,934	7,362
Other NHS clinical income	-	40,569
Community services		
Block contract / system envelope income*	5,580	5,055
All services		
Private patient income	1,252	2,944
Additional pension contribution central funding**	3,547	3,037
Other clinical income	3,696	-
Total income from activities	**154,243**	**144,710**

*As part of the coronavirus pandemic response, transaction flows were simplified in the NHS and providers and their commissioners moved onto block contract payments at the start of 2020/21. In the second half of the year, a revised financial framework built on these arrangements but with a greater focus on system partnership and providers derived most of their income from these system envelopes. Comparatives in this note are presented to be comparable with the current year activity. This does not reflect the contracting and payment mechanisms in place during the prior year.

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

Note 3.2 Income from patient care activities (by source)

	2020/21	**2019/20**
Income from patient care activities received from:	**£000**	**£000**
NHS England	100,338	97,914
Clinical commissioning groups	29,143	23,865
Other NHS providers	-	39
Non-NHS: private patients	1,252	3,017
Non-NHS: overseas patients (chargeable to patient)	-	66
Non NHS: other	23,510	19,809
Total income from activities	**154,243**	**144,710**
Of which:		
Related to continuing operations	154,243	144,710

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

	2020/21	2019/20
	£000	£000
Income recognised this year	-	66
Cash payments received in-year	-	51
Amounts written off in-year	-	18

Note 4 Other operating income

	2020/21			2019/20		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	1,021	-	**1,021**	1,672	-	**1,672**
Education and training	3,298	188	**3,486**	2,569	-	**2,569**
Non-patient care services to other bodies	13,351		**13,351**	5,284		**5,284**
Provider sustainability fund (2019/20 only)			**-**	1,927		**1,927**
Reimbursement and top up funding	2,853		**2,853**			**-**
Receipt of capital grants and donations		620	**620**		32	**32**
Charitable and other contributions to expenditure		1,644	**1,644**		-	**-**
Other income	1,148	-	**1,148**	1,438	-	**1,438**
Total other operating income	**21,671**	**2,452**	**24,123**	**12,891**	**32**	**12,922**
Of which:						
Related to continuing operations			24,123			12,922

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

	2020/21	2019/20
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	620	1,033

Note 5.2 Income from activities arising from commissioner requested services

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

	2020/21	2019/20
	£000	£000
Income from services designated as commissioner requested services	149,340	137,172
Income from services not designated as commissioner requested services	4,902	7,538
Total	**154,242**	**144,710**

Note 6.1 Operating expenses

	2020/21	2019/20
	£000	£000
Staff and executive directors' costs	96,013	86,157
Remuneration of non-executive directors	232	134
Supplies and services - clinical (excluding drugs costs)	25,951	33,295
Supplies and services - general	4,814	3,677
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	23,406	10,242
Inventories written down	36	-
Consultancy costs	719	838
Establishment	2,877	1,949
Premises	7,307	4,488
Transport (including patient travel)	564	461
Depreciation on property, plant and equipment	5,661	5,250
Amortisation on intangible assets	142	152
Net impairments	955	1,525
Movement in credit loss allowance: contract receivables / contract assets	149	195
Increase/(decrease) in other provisions	1,502	1
Change in provisions discount rate(s)	3	8
Audit fees payable to the external auditor		
audit services- statutory audit	79	60
other auditor remuneration (external auditor only)	-	5
Internal audit costs	112	33
Clinical negligence	994	1,003
Legal fees	102	118
Insurance	195	167
Research and development	1,740	1,817
Education and training	1,317	1,042
Rentals under operating leases	351	356
Losses, ex gratia & special payments	54	82
Other	1,018	128
Total	**176,293**	**153,185**
Of which:		
Related to continuing operations	176,293	153,185

Note 6.2 Other auditor remuneration

	2020/21	2019/20
	£000	£000
Other auditor remuneration paid to the external auditor:		
Audit-related assurance services	-	5
Total	**-**	**5**

Note 6.3 Limitation on auditor's liability

The limitation on auditor's liability for external audit work is £2 million (2019/20: £2 million).

Note 7 Impairment of assets

	2020/21	2019/20
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	955	1,525
Total net impairments charged to operating surplus / deficit	**955**	**1,525**
Impairments charged to the revaluation reserve	1,680	854
Total net impairments	**2,635**	**2,379**

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

Note 8 Employee benefits

	2020/21	2019/20
	Total	Total
	£000	£000
Salaries and wages	78,841	70,320
Social security costs	7,167	6,158
Apprenticeship levy	366	297
Employer's contributions to NHS pensions	11,654	10,020
Temporary staff (including agency)	407	1,901
Total gross staff costs	**98,435**	**88,697**
Recoveries in respect of seconded staff	-	-
Total staff costs	**98,435**	**88,697**
Of which		
Costs capitalised as part of assets	289	303

Note 8.1 Retirements due to ill-health

During 2020/21 there were 3 early retirements from the Trust agreed on the grounds of ill-health (1 in the year ended 31 March 2020). The estimated additional pension liabilities of these ill-health retirements is £106k (£41k in 2019/20).

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

Note 9 Pension costs

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2021, is based on valuation data as 31 March 2020, updated to 31 March 2021 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6% of pensionable pay. The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

The Government subsequently announced in July 2020 that the pause had been lifted, and so the cost control element of the 2016 valuations could be completed. The Government has set out that the costs of remedy of the discrimination will be included in this process. HMT valuation directions will set out the technical detail of how the costs of remedy will be included in the valuation process. The Government has also confirmed that the Government Actuary is reviewing the cost control mechanism (as was originally announced in 2018). The review will assess whether the cost control mechanism is working in line with original government objectives and reported to Government in April 2021. The findings of this review will not impact the 2016 valuations, with the aim for any changes to the cost cap mechanism to be made in time for the completion of the 2020 actuarial valuations.

Note 10 Operating leases

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

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

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

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

The Foundation Trust make payments under leases as follows:
- Photocopiers under a lease agreement expiring in 2023/2024.
- Portakabins under a lease agreement expiring in 2024/25.

The Foundation Trust makes land lease payments to the Liverpool University Hospitals Foundation Trust in respect of the land it occupies at the Broadgreen site. Whilst the arrangement with Liverpool University Hospitals Foundation Trust falls within the definition of an operating lease, the term of the arrangement for future years has not yet been agreed. Consequently, the table below does not include future minimum lease payments for this arrangement beyond 2021/22.

	2020/21	2019/20
	£000	£000
Operating lease expense		
Minimum lease payments	351	356
Total	**351**	**356**

	31 March 2021	31 March 2020
	£000	£000
Future minimum lease payments due:		
- not later than one year;	272	269
- later than one year and not later than five years;	411	506
- later than five years.	-	-
Total	**683**	**775**
Of Which:		
Land	119	119
Buildings	503	600
Other	61	56
	683	**775**

Note 11 Finance income

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

	2020/21	2019/20
	£000	£000
Interest on bank accounts	6	169
Total finance income	**6**	**169**

Note 12.1 Finance expenditure

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

	2020/21	2019/20
	£000	£000
Interest expense:		
Overdrafts	4	5
Finance leases	71	28
Total interest expense	**75**	**33**
Unwinding of discount on provisions	(3)	-
Total finance costs	**72**	**33**

Note 13 Other gains / (losses)

	2020/21	2019/20
	£000	£000
Gains on disposal of assets	100	-
Total gains / (losses) on disposal of assets	**100**	**-**

Note 14 Intangible assets - 2020/21

	Software licences	Total
	£000	£000
Valuation / gross cost at 1 April 2020 - brought forward	**1,820**	**1,820**
Additions	-	**-**
Reclassifications	(16)	**(16)**
Valuation / gross cost at 31 March 2021	**1,804**	**1,804**
Amortisation at 1 April 2020 - brought forward	**1,318**	**1,318**
Provided during the year	142	**142**
Amortisation at 31 March 2021	**1,460**	**1,460**
Net book value at 31 March 2021	**343**	**343**
Net book value at 1 April 2020	**502**	**502**

Note 14.1 Intangible assets - 2019/20

	Software licences	Total
	£000	£000
Valuation / gross cost at 1 April 2019 - as previously stated	**1,820**	**1,820**
Prior period adjustments	-	**-**
Valuation / gross cost at 1 April 2019 - restated	**1,820**	**1,820**
Additions	-	**-**
Valuation / gross cost at 31 March 2020	**1,820**	**1,820**
Amortisation at 1 April 2019 - as previously stated	**1,166**	**1,166**
Prior period adjustments	-	**-**
Amortisation at 1 April 2019 - restated	**1,166**	**1,166**
Provided during the year	152	**152**
Amortisation at 31 March 2020	**1,318**	**1,318**
Net book value at 31 March 2020	**502**	**502**
Net book value at 1 April 2019	**654**	**654**

Note 15.1 Property, plant and equipment - 2020/21

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2020 - brought forward	**1,834**	**62,223**	**801**	**835**	**37,371**	**19,442**	**2,530**	**125,036**
Additions	-	1,647	-	8,696	3,300	1,553	1	**15,197**
Impairments	-	(2,605)	(30)	-	-	-	-	**(2,635)**
Revaluations	-	(1,554)	(21)	-	-	-	-	**(1,575)**
Reclassifications	-	320	34	(253)	(129)	3	41	**16**
Disposals / derecognition	-	-	-	-	(1,960)	-	-	**(1,960)**
Valuation/gross cost at 31 March 2021	**1,834**	**60,031**	**784**	**9,278**	**38,582**	**20,998**	**2,572**	**134,079**
Accumulated depreciation at 1 April 2020 - brought forward	**-**	**-**	**-**	**-**	**22,628**	**13,329**	**2,411**	**38,368**
Provided during the year	-	1,554	21	-	2,339	1,668	81	**5,663**
Revaluations	-	(1,554)	(21)	-	-	-	-	**(1,575)**
Disposals / derecognition	-	-	-	-	(1,960)	-	-	**(1,960)**
Accumulated depreciation at 31 March 2021	**-**	**-**	**-**	**-**	**23,005**	**14,997**	**2,492**	**40,496**
Net book value at 31 March 2021	**1,834**	**60,031**	**784**	**9,278**	**15,577**	**6,001**	**80**	**93,585**
Net book value at 1 April 2020	**1,834**	**62,223**	**801**	**835**	**14,743**	**6,113**	**119**	**86,668**

Note 15.2 Property, plant and equipment - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2019 - as previously stated	**1,750**	**59,347**	**791**	**2,389**	**32,516**	**18,446**	**2,445**	**117,683**
Prior period adjustments	-	-	-	-	-	-	-	**-**
Valuation / gross cost at 1 April 2019 - restated	**1,750**	**59,347**	**791**	**2,389**	**32,516**	**18,446**	**2,445**	**117,683**
Transfers by absorption	-	-	-	-	-	-	-	**-**
Additions	-	4,039	32	835	4,355	996	21	**10,278**
Impairments	-	(2,499)	(31)	-	-	-	-	**(2,530)**
Reversals of impairments	-	151	-	-	-	-	-	**151**
Revaluations	-	(355)	16	-	-	-	-	**(339)**
Reclassifications	84	1,540	(7)	(2,389)	707	-	65	**(0)**
Disposals / derecognition	-	-	-	-	(207)	-	-	**(207)**
Valuation/gross cost at 31 March 2020	**1,834**	**62,223**	**801**	**835**	**37,371**	**19,442**	**2,530**	**125,036**
Accumulated depreciation at 1 April 2019 - as previously stated	**-**	**-**	**(0)**	**-**	**20,889**	**11,597**	**2,351**	**34,837**
Prior period adjustments	-	-	-	-	-	-	-	**-**
Accumulated depreciation at 1 April 2019 - restated	**-**	**-**	**(0)**	**-**	**20,889**	**11,597**	**2,351**	**34,837**
Transfers by absorption	-	-	-	-	-	-	-	**-**
Provided during the year	-	1,494	19	-	1,946	1,732	60	**5,250**
Revaluations	-	(1,494)	(19)	-	-	-	-	**(1,512)**
Disposals / derecognition	-	-	-	-	(207)	-	-	**(207)**
Accumulated depreciation at 31 March 2020	**-**	**-**	**(0)**	**-**	**22,628**	**13,329**	**2,411**	**38,368**
Net book value at 31 March 2020	**1,834**	**62,223**	**801**	**835**	**14,743**	**6,113**	**119**	**86,668**
Net book value at 1 April 2019	**1,750**	**59,347**	**791**	**2,389**	**11,627**	**6,848**	**94**	**82,846**

Note 15.3 Property, plant and equipment financing - 2020/21

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2021									
Owned - purchased	1,834	59,221	357	9,198	12,758	-	5,620	75	**89,063**
Finance leased	-	-	-	-	2,540	-	332	-	**2,872**
Owned - donated/granted	-	811	427	80	277	-	50	5	**1,650**
NBV total at 31 March 2021	**1,834**	**60,032**	**784**	**9,278**	**15,575**	**-**	**6,002**	**80**	**93,585**

Note 15.4 Property, plant and equipment financing - 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020									
Owned - purchased	1,834	61,586	377	835	11,979	-	5,658	114	**82,383**
Finance leased	-	-	-	-	2,663	-	452	-	**3,115**
Owned - donated/granted	-	637	424	-	101	-	3	5	**1,170**
NBV total at 31 March 2020	**1,834**	**62,223**	**801**	**835**	**14,743**	**-**	**6,113**	**119**	**86,668**

Note 16 Donations of property, plant and equipment

During the year there were donations of £452K received from the Liverpool Heart & Chest Hospital Charity to fund the specific purchase of capital property, plant and equipment.

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

Note 17 Revaluations of property, plant and equipment

Professional valuations are carried out by the Cushman & Wakefield. The valuations are carried out in accordance with the Royal Institute of Chartered Surveyors (RICS). Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the Department of Health and HM Treasury. The Trust has had its land and buildings revalued using depreciated replacement cost on a modern equivalent asset basis as 31st March 2021.

Note 18 Investments in associates and joint ventures

	2020/21	2019/20
	£000	£000
Carrying value at 1 April - brought forward	**44**	**48**
Share of profit / (loss)	(1)	(4)
Carrying value at 31 March	**43**	**44**

Note 20 Disclosure of interests in other entities

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

Note 21 Inventories

	31 March 2021	31 March 2020
	£000	£000
Drugs	373	497
Consumables	1,841	2,597
Total inventories	**2,214**	**3,094**
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £39,717k (2019/20: £29,216k). Write-down of inventories recognised as expenses for the year were £36k (2019/20: £0k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2020/21 the Trust received £1,536k of items purchased by DHSC.

These inventories were recognised as additions to inventory at deemed cost with the corresponding benefit recognised in income. The utilisation of these items is included in the expenses disclosed above.

Note 22 Receivables

	31 March 2021	31 March 2020
	£000	£000
Current		
Contract receivables	6,285	11,102
Allowance for impaired contract receivables / assets	(2,646)	(2,636)
Prepayments (non-PFI)	555	400
PDC dividend receivable	762	530
VAT receivable	262	216
Other receivables	1,581	1,664
Total current receivables	**6,799**	**11,275**
Of which receivable from NHS and DHSC group bodies:		
Current	3,801	9,570
Non-current	-	-

Note 22.1 Allowances for credit losses

	2020/21 Contract receivables and contract assets	2019/20 Contract receivables and contract assets
	£000	£000
Allowances as at 1 April - brought forward	**2,636**	**3,026**
Prior period adjustments	-	-
Allowances as at 1 April - restated	**2,636**	**3,026**
Transfers by absorption	-	-
New allowances arising	336	4,638
Changes in existing allowances	(187)	(3,760)
Reversals of allowances	-	(683)
Utilisation of allowances (write offs)	(139)	(585)
Allowances as at 31 Mar 2021	**2,646**	**2,636**

Note 22.2 Exposure to credit risk

The trust is not exposed to material financial credit risk.

Note 23 Cash and cash equivalents movements

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

	2020/21	2019/20
	£000	£000
At 1 April	**30,249**	**17,724**
Net change in year	18,715	12,525
At 31 March	**48,964**	**30,249**
Broken down into:		
Cash at commercial banks and in hand	9	8
Cash with the Government Banking Service	48,955	30,242
Total cash and cash equivalents as in SoFP	**48,964**	**30,249**

Note 23.1 Third party assets held by the trust

There are no third party assets held by the Trust.

Note 24 Trade and other payables

	31 March 2021	31 March 2020
	£000	£000
Current		
Trade payables	4,738	6,041
Capital payables	7,308	1,044
Accruals	13,309	10,252
Receipts in advance and payments on account	1,131	-
Social security costs	1,177	1,045
Other taxes payable	1,061	988
Other payables	2,352	2,613
Total current trade and other payables	**31,076**	**21,984**
Non-current		
Receipts in advance and payments on account	4,269	-
Total non-current trade and other payables	**4,269**	**-**
Of which payables from NHS and DHSC group bodies:		
Current	5,499	3,812
Non-current	-	-

Note 25 Other liabilities

	31 March 2021 £000	31 March 2020 £000
Current		
Deferred income: contract liabilities	3,987	1,125
Total other current liabilities	**3,987**	**1,125**
Non-current		
Deferred income: contract liabilities	81	81
Total other non-current liabilities	**81**	**81**

Note 26.1 Borrowings

	31 March 2021 £000	31 March 2020 £000
Current		
Other loans	6	6
Obligations under finance leases	331	315
Total current borrowings	**337**	**321**
Non-current		
Other loans	3	10
Obligations under finance leases	2,195	2,527
Total non-current borrowings	**2,198**	**2,537**

Note 26.2 Reconciliation of liabilities arising from financing activities - 2020/21

	Other loans	Finance leases	Total
	£000	£000	£000
Carrying value at 1 April 2020	**17**	**2,842**	**2,859**
Cash movements:			
Financing cash flows - payments and receipts of principal	(6)	(316)	**(322)**
Financing cash flows - payments of interest	-	(71)	**(71)**
Non-cash movements:			
Application of effective interest rate	-	71	**71**
Other changes	(1)	-	**(1)**
Carrying value at 31 March 2021	**10**	**2,526**	**2,536**

Note 26.3 Reconciliation of liabilities arising from financing activities - 2019/20

	Other loans	Finance leases	Total
	£000	£000	£000
Carrying value at 1 April 2019	**23**	**220**	**243**
Prior period adjustment	-	-	**-**
Carrying value at 1 April 2018 - restated	**23**	**220**	**243**
Cash movements:			
Financing cash flows - payments and receipts of principal	(6)	(209)	**(215)**
Financing cash flows - payments of interest	-	(28)	**(28)**
Non-cash movements:			
Additions	-	2,945	**2,945**
Application of effective interest rate	-	28	**28**
Other changes	-	(114)	**(114)**
Carrying value at 31 March 2020	**17**	**2,842**	**2,859**

Note 27 Other financial liabilities

There are no other financial liabilities

Note 28 Finance leases

Note 28.1 Liverpool Heart and Chest Hospital NHS Foundation Trust as a lessor

Future lease receipts due under finance lease agreements where the trust is the lessor:

The Foundation Trust does not have finance leases as a lessor.

Note 28.2 Liverpool Heart and Chest Hospital NHS Foundation Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	31 March 2021	31 March 2020
	£000	£000
Gross lease liabilities	**2,526**	**2,842**
of which liabilities are due:		
- not later than one year;	331	315
- later than one year and not later than five years;	1,507	1,434
- later than five years.	688	1,093
Net lease liabilities	**2,526**	**2,842**

	Other	Other
of which payable:		
- not later than one year;	331	315
- later than one year and not later than five years;	1,507	1,434
- later than five years.	688	1,093

Of Which:		
Other	2,526	2,842

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

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

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

Note 29.1 Provisions for liabilities and charges analysis

	Pensions: injury benefits	Legal claims	Redundancy	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2020	**126**	**24**	**1,062**	**1,327**	**2,539**
Change in the discount rate	3	-	-	-	**3**
Arising during the year	-	1,452	1,302	1,529	**4,283**
Utilised during the year	(7)	(3)	-	(104)	**(114)**
Reversed unused	-	(27)	-	(586)	**(613)**
Unwinding of discount	(3)	-	-	-	**(3)**
At 31 March 2021	**119**	**1,446**	**2,364**	**2,166**	**6,095**
Expected timing of cash flows:					
- not later than one year;	8	24	-	**1,703**	**1,735**
- later than one year and not later than five years;	111	1,422	2,364	**463**	**4,360**
- later than five years.	0	0	(0)	**(0)**	**(0)**
Total	**119**	**1,446**	**2,364**	**2,166**	**6,095**

The Foundation Trust has total provisions as at 31st March 2021 of £6,095k. The redundancy provision relates to Liverpool Health Partners and Innovation Agency. Other provisions of £2,166k includes provisions for payments relating to European Working Time Directive, time owed and holiday pay, and land charges. Provision has been made for legal claims, including estimated excesses as advised by the NHS Litigation Authority.

Note 29.2 Clinical negligence liabilities

At 31 March 2021, £1,123k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of Liverpool Heart and Chest Hospital NHS Foundation Trust (31 March 2020: £2,805k).

Note 30 Contingent assets and liabilities

	31 March 2021 £000	31 March 2020 £000
Value of contingent liabilities		
NHS Resolution legal claims	(2)	(10)
Gross value of contingent liabilities	**(2)**	**(10)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**(2)**	**(10)**
Net value of contingent assets	**-**	**-**

Note 31 Contractual capital commitments

	31 March 2021 £000	31 March 2020 £000
Property, plant and equipment	13,937	1,118
Total	**13,937**	**1,118**

Note 32 Other financial commitments

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

	31 March 2021 £000	31 March 2020 £000
not later than 1 year	814	832
after 1 year and not later than 5 years	840	1,752
Total	**1,654**	**2,584**

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

Note 33 Financial instruments

Note 33.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS Foundation Trust has with Clinical Commissioning Groups (CCG's) and NHS England and the way CCG's and NHS England are financed, The Foundation Trust is not exposed to the degree of financial risk faced by business entities.

Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The Foundation Trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the Trust in undertaking its activities.

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

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

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

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

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

Note 33.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2021	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
Trade and other receivables excluding non financial assets	5,220	-	-	**5,220**
Other investments / financial assets	43	-	-	**43**
Cash and cash equivalents	48,964	-	-	**48,964**
Total at 31 March 2021	**54,227**	**-**	**-**	**54,227**

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

Note 33.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2021	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Loans from the Department of Health and Social Care	-	-	**-**
Obligations under finance leases	2,526	-	**2,526**
Other borrowings	10	-	**10**
Trade and other payables excluding non financial liabilities	27,707	-	**27,707**
Total at 31 March 2021	**30,243**	**-**	**30,243**

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Obligations under finance leases	2,842	-	**2,842**
Other borrowings	17	-	**17**
Trade and other payables excluding non financial liabilities	19,951	-	**19,951**
Total at 31 March 2020	**22,810**	**-**	**22,810**

Note 33.4 Maturity of financial liabilities

The following maturity profile of financial liabilities is based on the contractual undiscounted cash flows. This differs to the amounts recognised in the statement of financial position which are discounted to present value.

	31 March 2021	31 March 2020 restated*
	£000	£000
In one year or less	28,046	20,274
In more than one year but not more than five years	1,510	1,441
In more than five years	688	1,096
Total	**30,244**	**22,811**

* This disclosure has previously been prepared using discounted cash flows. The comparatives have therefore been restated on an undiscounted basis.

Note 33.5 Fair values of financial assets and liabilities

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

Note 34 Losses and special payments

	2020/21		2019/20	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	51	47	-	-
Bad debts and claims abandoned	111	124	215	506
Stores losses and damage to property	-	-	3	17
Total losses	**162**	**171**	**218**	**523**
Special payments				
Ex-gratia payments	14	24	3	7
Extra-statutory and extra-regulatory payments	-	-	1	58
Total special payments	**14**	**24**	**4**	**65**
Total losses and special payments	**176**	**195**	**222**	**588**
Compensation payments received		-		-

Note 35 Gifts

The Foundation Trust received no material gifts during the year ended 31 March 2021 (31 March 2020: nil)

Note 36 Related parties

During the year none of the Department of Health Ministers, Trust board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with Liverpool Heart and Chest Hospital NHS Foundation Trust.

The Department of Health and Social Care is regarded as a related party. During the year Liverpool Heart and Chest Hospital NHS Foundation Trust have had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department. The principal entities are:

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

Note 37 Prior period adjustments

There were no prior period adjustments in the Financial Statements of the Foundation Trust for the year ended 31 March 2021.

Note 38 Events after the reporting date

There are events to report after the reporting date.

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

In our auditor's report issued on 29 June 2021, we explained that we could not formally conclude the audit and issue an audit certificate for the Trust for the year ended 31 March 2021, in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice, until we had:

- Completed our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources. We have now completed this work, and the results of our work are set out below.

Opinion on the financial statements

In our auditor's report for the year ended 31 March issued on 29 June 2021 we reported that, in our opinion, except for the possible effect of the matter described in the Basis for qualified opinions section of our report, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2020 to 2021; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

The Basis for qualified opinion section of our opinion was as follows:

- Due to the national lockdown arising from the Covid-19 pandemic in March 2020, the Trust did not count all its physical inventories at 31 March 2020, and we were unable to satisfy ourselves by alternative means concerning the inventory quantities held at that date, which had a carrying amount in the Statement of Financial Position of £3,094,000. Consequently, we were unable to determine whether there was any consequential effect on the drug costs and supplies and services for the year ended 31 March 2020. Our audit opinion on the financial statements for the year ended 31 March 2020 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures

No matters have come to our attention since that date that would have a material impact on the financial statements on which we gave this opinion.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

Responsibilities of the Accounting Officer

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

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

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

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Trust ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services.

We have documented our understanding of the arrangements the Trust has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we have considered whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Liverpool Heart and Chest Hospital NHS Foundation Trust for the year ended 31 March 2021 in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice.

Use of our report

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

Georgia Jones

Georgia Jones, Key Audit Partner
for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

24 August 2021

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Liverpool Heart and Chest Hospital NHS Foundation Trust (the 'Trust') for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Accounts Directions issued under Schedule 7 of the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2020 to 2021.

In our opinion, except for the possible effects on the corresponding figures of the matter described in the Basis for qualified opinion section of our report, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2021 and its expenditure and income for the year then ended;
- have been properly prepared in accordance with international accounting standards as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2020 to 2021; and
- have been prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for qualified opinion

Due to the national lockdown arising from the Covid-19 pandemic in March 2020, the Trust did not count all its physical inventories at 31 March 2020, and we were unable to satisfy ourselves by alternative means concerning the inventory quantities held at that date, which had a carrying amount in the Statement of Financial Position of £3,094,000. Consequently, we were unable to determine whether there was any consequential effect on the drug costs and supplies and services for the year ended 31 March 2020. Our audit opinion on the financial statements for the year ended 31 March 2020 was modified accordingly. Our opinion on the current year's financial statements is also modified because of the possible effect of this matter on the comparability of the current year's figures and the corresponding figures.

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Accounting Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

In our evaluation of the Accounting Officer's' conclusions, and in accordance with the expectation set out within the Department of Health and Social Care Group Accounting Manual 2020 to 2021 that the

Trust's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Trust. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Trust and the Trust's disclosures over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the Accounting Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Accounting Officer with respect to going concern are described in the 'Responsibilities of the Accounting Officer and Those Charged with Governance for the financial statements' section of this report.

Other information

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

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

As described in the basis for qualified opinion section of our report, we were unable to satisfy ourselves concerning the inventory quantities of £3,094,000 held as at 31 March 2020, and related balances. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the disclosure requirements set out in the NHS foundation trust annual reporting manual 2020/21 or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit:

- the parts of the Remuneration Report and the Staff Report to be audited have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Accounts Directions issued under Schedule 7 of the National Health Service Act 2006; and
- based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Trust, the other information published together with the financial statements in the annual report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

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

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

As explained more fully in the Statement of Accounting Officer responsibilities, the Chief Executive, as Accounting Officer, is responsible for the preparation of the financial statements in the form and on the basis set out in the Accounts Directions included in the NHS foundation trust annual reporting manual 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Accounting Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Trust and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (international accounting standards and the National Health Service Act 2006, as interpreted and adapted by the Department of Health and Social Care Group Accounting Manual 2020 to 2021).

- We enquired of management and the Audit Committee, concerning the Trust's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.
- We enquired of management and the Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Trust's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - unusual journals made during the year and after the draft accounts stage
  - accounting estimates and critical judgements made by management

- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual and high risk journals;
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and building valuations, depreciation and significant year end accruals;
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and/or expenditure recognition, and the significant accounting estimates related to land and buildings valuations, depreciation and significant year end accruals.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the health sector and economy in which the Trust operates
  - understanding of the legal and regulatory requirements specific to the Trust including:
    - the provisions of the applicable legislation
    - NHS Improvement's rules and related guidance
    - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Trust's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances,

expected financial statement disclosures and business risks that may result in risks of material misstatement.

- the Trust's control environment, including the policies and procedures implemented by the Trust to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

Our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Trust's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in our Audit Completion Certificate. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2021.

Responsibilities of the Accounting Officer

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Trust plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Trust ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Trust uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Trust has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Liverpool Heart and Chest Hospital NHS Foundation Trust for the year ended 31 March 2021 in accordance with the requirements of Chapter 5 of Part 2 of the National Health Service Act 2006 and the Code of Audit Practice until we have completed our work on the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources.

Use of our report

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

Georgia Jones

Georgia Jones, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Liverpool

29 June 2021