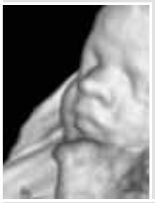
Liverpool Women's NHS
NHS Foundation Trust





Annual Report 2006·2007 and Accounts

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Presented to Parliament pursuant to Schedule 1 of the Health and Social Care (Community Health and Standards) Act 2003, Schedule 1, paragraph 25(4).

Contents

Chairman's Report

Welcome to our Annual Report for 2006/07: Liverpool Women's second year in operation as an NHS Foundation Trust. As Chairman I find myself in the enviable position of being able to reflect upon a year of excellent performance and achievement right across the organisation.

Having been rated as 'excellent' in terms of our financial management by the Healthcare Commission in its Annual Health Check assessment in October 2006, we look forward to sustaining this outcome this year when results are published in the autumn, based upon Monitor's key financial measures including the creation of a £1.8 million surplus which we will be able to invest in services. We were rated 'good' for our quality of services and are hoping to improve upon this result this year based upon our performance against national targets during 2006/07 and the confidence with which the Board of Directors has once again been able to declare full compliance with the Healthcare Commission's core standards.

The Trust was able to attain this level of performance in spite of the high degree of volatility that existed elsewhere within the NHS, as organisational reconfigurations at Strategic Health Authority and Primary Care Trust level took shape around us, coupled with the results of the new financial system making themselves felt across the service.

In this particular context therefore, the Board is all the more pleased with the progress that we have made during the year not only in performance terms, but also towards our strategic objectives. Particular highlights have been the success of the redesign work undertaken by the Hewitt Centre for Reproductive Medicine which has secured the future of both NHS and self-funded elements of the service. We are also very proud of the Hewitt Centre being awarded ISO 9001 accreditation, a nationally recognised quality marker.

In terms of achieving our vision of becoming a women's cancer centre, we continued to implement the Gynaecological cancer plan as the regional specialist unit and our service is now widely recognised as being 'Gold Standard.' In relation to breast cancer, the concept of 'contestability' was put into practice by Liverpool Primary Care Trust during the year, who elected to tender for the service which currently has different elements provided by two trusts, ourselves and the Royal Liverpool and Broadgreen University Hospital. The results of the tender process have been subject to public consultation in order to fulfil the requirements of section 11 of the Health and Social Care Act. The consultation indicated that the view of the public was two to one in favour of siting the service at the Women's Hospital. Notwithstanding this, the Primary Care Trust Board ultimately decided to transfer the service to the Royal Liverpool Hospital.

The Trust's Membership Council played a key role throughout the process and particularly during the consultation period and this in turn has proved to be a clear demonstration of the true meaning and purpose of our governance arrangements as a foundation trust. Both the Board and the Membership Council itself have learned much from the experience: the importance of focusing upon our external relationships - with partners, with our members and with the communities that we serve.

The outlook for Liverpool Women's NHS Foundation Trust holds many positive features, however the Board remains cautious of the unfolding implications of the choice agenda and the ongoing impact of Payment by Results in a market driven environment. Having said that, the organisation has a well-founded reputation for providing safe, clinically excellent services and we are therefore confident that our success will be sustained into 2007/08 and beyond.

Ken Morris

Ken Morris
Chairman

Chief Executive's Report

On behalf of the Board of Directors I am delighted to be able to report on our second successful year as an NHS Foundation Trust. In many ways our performance in 2006/07 has exceeded that of 2005/06, particularly in terms of the way that we are measured by Monitor, our independent Regulator: this year we achieved their highest possible ratings, hitting all financial and performance targets set at national level. In particular, our patients have benefited from:

- A further reduction in our waiting times in advance of meeting the 18 week target, giving us some of the shortest wait times for consultation and treatment in the country.
- As the Gynaecological Cancer Centre for Cheshire and Merseyside, ensuring that all patients needing diagnosis and treatment were seen within the 31 and 62 day targets.
- Implementation of the full electronic Choose and Book system across all of our services, giving patients and GPs nationally on-line access to appointments for our clinics.

Our strong financial performance continued during the year, further enhanced by more women choosing to have their treatment with us, resulting in a higher number of deliveries in our maternity unit and a 20% increase in couples wishing to access our Reproductive Medicine services. I am extremely proud of the way in which Trust staff embraced our drive for greater efficiency, actively contributing to ensuring that patients are seen as quickly as possible and delivering more effective use of our resources.

This has contributed hugely to our growing financial strength which in turn has given the organisation a platform from which to make continued investment in front line services for women and babies. In 2006/07 for example, we completed the refurbishment of the Antenatal facility at our Aintree site, installed a new modular building at Alder Hey Hospital to house our Clinical Genetics service and purchased brand new flats adjacent to our Crown Street site to enable parents of babies on our Neonatal unit to stay close to their infant.

The year was also notable for the work that we did to build stronger partnerships with other organisations. I would particularly wish to emphasise our ground-breaking partnership with North West Fertility Limited, a group of infertility consultants with whom we have created a unique model for caring for self-funding IVF patients within the Liverpool Women's setting. This new relationship has proved immensely successful within a few short months and we look forward to further developing services together next year. We also embarked upon preliminary discussions with the University of Liverpool on the potential development of a 'Centre for Better Births' based upon a shared vision for world class research and best practice in maternity services.

In addition to these new initiatives, we have focused on developing closer ties with our existing partners such as our Patient and Public Involvement Forum and a variety of patient support groups, with whom we have worked very closely in relation to the future provision of breast cancer services in Liverpool.

Looking ahead to 2007/08 we will be undertaking a far-reaching review of our maternity services, both to ensure that we continue to operate at the leading edge in clinical terms, and to reflect the changing needs and expectations of the women we care for. Another key element of our clinical strategy, in which our Membership Council have again been actively involved this year, is the development of integrated models of care with GPs and the potential for outreach services in the community in Gynaecology, particularly given the success and popularity of our community antenatal centres.

Finally, I would like to take the opportunity to thank each and every member of staff at Liverpool Women's on behalf of the Board, for their contribution to such an outstanding year; for their commitment, creativity and sheer hard work.

Louise Shepherd

Louise Shepherd
Chief Executive

About the Trust

Liverpool Women's NHS Foundation Trust was founded on 1st April 2005 under the Health and Social Care (Community Standards) Act 2003. Operating in its former guise as Liverpool Women's Hospital NHS Trust, the organisation had been created in 1995 when all services for women and babies in Liverpool came together under one roof in a state of the art building in the heart of Toxteth. In 2000 the Trust took over the Aintree Centre for Women's Health, which provides services to the women of north Liverpool, Sefton and Knowsley and in so doing became the largest women's hospital in Europe.

Each year, the Trust now delivers over 8,000 babies per year, carries out 11,500 gynaecological procedures and cares for 1,000 preterm infants on our Neonatal Unit.

Our clinical services have, in accordance with our mission, been created and developed in response to the specific needs of local women and their families. We manage our services through six directorates, each led by a Clinical Director who is a senior consultant and a Directorate Manager who reports directly to the Chief Executive. Directorate managers, clinical directors and the executive team sit on the Management Executive Board, which has overall responsibility for the operational management and leadership of the Trust and is accountable to the Board of Directors.

Corporate non-clinical support services are provided by the Finance, Human Resources, Operational Services, Quality and Information Management and Technology teams. The hotel services and security functions of the Trust are carried out by contractors working in partnership with us.

Staff are kept informed of strategic and operational developments through the monthly Team Brief which is delivered by the Chief Executive in the week following the Board meeting and is then cascaded through each directorate and department.

Developing our Workforce

At the frontline of our work in caring for women, their babies and families are our talented staff. Making sure they receive the best possible education, support and development is pivotal if we are to achieve our aim of delivering world class care. This year we have continued to push forward new initiatives to improve standards, implementing the new NHS Staff Electronic Record, delivering the renowned leadership programme LEO (Leading Empowered Organisations) in house.

In the 2006 staff survey, the Trust achieved the highest score of all the surveyed Trusts for the percentage of staff who had received training, learning and development in the previous 12 months. We were also rated in the best 20% of trusts in 13 of the key areas.

Leading an Empowered Organisation (LEO)

Leading an Empowered Organisation (LEO) is a 3 day Leadership programme aimed at all staff to help build confidence and competence in empowerment.

The LEO programme principle encourages participants to improve their ability to make decisions and communicate more effectively by identifying and fostering a climate of openness, trust, support and respect in intra- and inter-departmental relationships.

During the summer of 2006 the Trust successfully developed its own in-house cascade trainers who are accredited to deliver the LEO programme to all staff.

We are proud to report that since the commencement of the in-house sessions in August 2006, approximately 80 staff have benefited from attending a session. The general feedback from the participants is extremely positive with most areas of the programme scoring "excellent" on the evaluation sheets.

Gynaecology

- General gynaecology
- Urogynaecology
- Termination of pregnancy
- Gynaecological cancer
- Family planning
- Miscarriage clinic
- Emergency Room
- Menopause

Neonatology

- Neonatal Intensive Care
- Neonatal High dependency care
- Transitional care (with Obstetrics)
- Newborn hearing screening
- Newborn eye screening

Critical Care

- Theatres and Anaesthesia
- Radiology
- Pharmacy
- Physiotherapy

Reproductive Medicine

- IVF
- ICSI
- Donor insemination
- Sperm recovery
- Freezing of embryos
- Frozen embryo transfer
- Freezing sperm
- Ovum donation

Obstetrics

- Antenatal care – hospital or community based
- Fetal medicine
- Twin clinic
- Home births
- Midwifery led Unit
- Delivery Suite
- Infant feeding team
- Link clinics for minority ethnic communities
- Smoking cessation midwives
- Parent education
- Public health

Genetics

- Clinical Genetics
- Cytogenetics – laboratory based
- Molecular Genetics - laboratory based

Our Objectives and Key Achievements for 2006/07

1 To operate and develop as a successful NHS Foundation Trust

We have....

- Achieved ratings of GOOD (quality of services) and EXCELLENT (financial management) in the Health Care Commission 'Annual Health Check' ratings for 2005/6.
- Been cited by Monitor as one of the top 8 FTs at quarter 3.
- Achieved financial risk rating of 5 and 'green' on Governance.
- Had no significant breaches of core national targets in 2006/7

2 To ensure the Trust retains and enhances its position as provider of first choice for women and families who need and wish to access our services

We have....

- Increased the number of babies delivered, ahead of population trends
- The 'Choose and Book' system live from January 2007 with positive patient feedback - we are the top performer for percentage of electronic referrals in the North West.
- High level of positive feedback from patients regarding on site provision of breast services.

3 To further develop appropriate "women centred" and "managed pathway" models of care across organisational boundaries in conjunction with other healthcare partners

We have....

- Successfully re-engineered our assisted conception pathway resulting in a 20% increase in productivity.
- Started a review of gynaecology pathways to reduce unnecessary visits and reduce waiting times.
- Network agreement that all babies born at 27 weeks or less are referred to a level 3 unit.
- Launched the new neonatal transport service for Cheshire and Merseyside.

4 To further develop our Specialist Services in Conjunction with Specialist Commissioners and appropriate clinical networks

We have....

- Successfully implemented year 3 of the gynaecology cancer plan.
- Entered in to partnership with a private provider of reproductive medicine services.
- Secured recognition of specialist fetal medicine procedures by PCTs

5 To further enhance the Quality and Safety of all Services for all patients

We have....

- Had only one case of MRSA this year.
- Developed behavioural standards for staff following focus groups with patients.
- Introduced patient diaries in neonates to record babies' experiences for parents

6 To provide the best possible facilities and environment for patients and staff

We have....

- Opened new Clinical Genetics accommodation at Alder Hey.
- Completed the refurbishment of patient services accommodation at Aintree.
- Improved car parking for patients & visitors
- Opened new Neonatal parents' accommodation
- Improved access to refreshments out of hours for visitors
- Commenced an extensive programme of improvements to patient bathrooms

7 To ensure our staff are equipped with the right training and support to deliver this agenda

We have....

- Relaunched an improved corporate induction programme.
- 700 staff who have received PDR training (reviewers and reviewees).
- Implemented the new Electronic Staff Record system
- Refocused the HR team to work in partnership with Directorates

8 To further enhance the Trust's reputation as a centre of excellence for Research

We have....

- Established links with the University of Liverpool to develop the 'Centre for Better Births' project
- Refreshed the Trust's Research Strategy
- Transferred research into practice with the management of recurrent miscarriage
- Research outputs in 2006 that include: 100 peer review publications, 7 Cochrane systematic reviews, 14 book, chapter and learning modules.

9 To further develop our IT systems to support service delivery

We have...

- Implemented full disaster recovery and business continuity for all clinical and critical information systems to maintain 99.9% uptime.
- Redesigned the website and launched a full intranet / extranet solution to improve communication at all levels throughout all Trust locations and to host all policy documents.
- Established full electronic access for primary care referrals into the Trust through the Choose & Book system electronically linked to our Patient Administration system.
- Implemented a wireless network across the Trust for point of care access to all Trust systems.
- Implemented Single Sign On for single username / password access to all Trust clinical and critical systems.

10 To establish the Trust has a clinical centre of excellence and teaching

We have....

- Continued to invest in the training and education of our staff.
- Introduced leadership development for staff through the Leading Empowered Organisation programme.

Key Performance Indicators

The Trust has performed well during 2006/07 across the existing key performance indicators set out by the Healthcare Commission. The improvement in waiting times and offering patients a choice of date for both surgery and clinic attendance has been maintained throughout the year.

Performance Indicator	2005/06 Position	2006/07 Position 31.03.06
Total Time in A&E: 4 hours from arrival to admission, transfer or discharge	99.93%	99.95%
Convenience and choice - Directory of services uploaded - Information uploaded onto Dr Foster	 Yes Yes	 Yes Yes
Outpatient Booking (Q1-Q3) Outpatient Booking (Q4)	90.11% 99.66%	99.99%
Elective inpatient booking (Q1-Q3) Elective inpatient booking (Q4)	97.80% 100%	100%
Outpatients waiting longer than 13 weeks (Q1-Q3) Outpatients waiting longer than 13 weeks (Q4)	0.00% 0.00%	0.01%
Elective patients waiting longer than 6 months (Q1-Q3) Elective patients waiting longer than 6 months (Q4)	0.08% 0.51%	0.00%
All Cancers: Two week wait	99.85%	100%
All Cancers: One month diagnosis to treatment	98.15%	100%
All Cancers: Two month GP urgent referral to treatment	93.33%	98.42%
Cancelled operations – last minute cancellations for non clinical reasons/total number of finished consultant episodes.	0.54%	0.32%
Cancelled operations – cancellations for non clinical reasons not readmitted within 28 days/no of last minute cancellations for non clinical reasons	1.75%	0.0%

In year the Trust has reduced the number of patients whose operation was cancelled on the day of surgery for non clinical reasons, and was also able to offer all of these patients a new date within 28 days.

As a result of the late onward referral of patients from other hospitals, the Trust was unable to treat 3 patients with suspected cancer within the national timescales of 62 days. These breaches are shared with the referring hospital. Once patients were referred to the Trust they were treated as quickly as possible. However improvement was made on the 14 day and 31 day cancer target, and the Trust was able to see 100% of patients within the set timescales.

Waiting Lists and Waiting Times

At 31st March 2007, the Trust had 943 patients on our outpatient waiting list with 99% of patients having waited less than 9 weeks from referral from their GP. There were also 647 patients waiting for surgery with over 96% having waited less than 11 weeks. The reduction in waiting times for an outpatient attendance and surgery has been a result of work undertaken to move the Trust towards the 18 week target from referral to first definitive treatment.

Patient Quality Indicators

Smoke Free NHS

The Trust has actively participated in the Smoke Free Liverpool Campaign and the Trust became a completely smoke free site in January 2006. In order to assist patients, their smoking status is identified and recorded within their medical record. The Trust is then in a position to offer advice and onward referral for patients wishing to quit. Our staff are also able to benefit from smoking cessation services and support.

Breast feeding

Trust-based and community-based midwives work closely with colleagues in primary care and Sure Start Centres to encourage breast feeding. The Trust is currently working towards the UNICEF Baby Friendly Initiative which it is hoping to be awarded in 2007/08.

Progress against Service Developments

Gynaecological Cancer Services

In 2006/07 the Trust has continued to implement the Improving Outcomes Guidance (IOG) for Gynaecology plan as agreed by the Mersey and Cheshire Cancer Network. £153,000 of non recurrent revenue secured from the specialist commissioning team supported the pump priming of a 4th Gynaecology Oncologist at the Trust allowing the transfer of all high risk patients to Liverpool Women's as the Gynaecological Cancer Centre for Cheshire and Merseyside.

Work continues on the transfer of high risk cancer surgery from cancer units within the Mersey and Cheshire Cancer Network to the Liverpool Women's.
The implementation of the IOG Plan is now in year two and has seen work transfer from three peripheral Trusts; Warrington, Southport & Ormskirk and Chester. During 2007/08, residual work from Wirral and Whiston will also transfer.

Specialist Urogynaecology Services

The development of specialist urogynaecology services in 2006/07 was supported by the additional investment in a 4th Consultant Urogynaecologist; giving the team two female and two male consultants working across two hospital sites.

One of the benefits of this investment in the team has been to take the lead on the community wide review of patient pathways for female continence. The Trust has worked with colleagues from Primary Care Trust commissioning teams and community services to identify best practice clinical guidelines and pathways. Project based redesign has resulted in the agreement of patient pathways and progress towards achieving the government's 18 week referral to treatment targets ahead of the national timetable.

Neonatal Transport Services

A key objective for the Trust in 2006/07 was to work with the neonatal network and the newly appointed Consultant Nurse in Neonatal Transport to develop a robust transport service for the Cheshire and Merseyside area.

The Consultant Nurse post was a joint appointment between the Network and the Trust and has resulted in a network wide review of transport services and an option appraisal being undertaken. In turn, this has culminated in the collective agreement of Primary Care Trusts to fund an interim neonatal transport service operating between Monday and Friday, 8am to 8pm and based at the Liverpool Women's. This is an initial phase of the wider plan to develop a dedicated 24 hour, 7 day a week neonatal transport service.

This service will ensure that babies receive the most appropriate level of care they need and in the most appropriate unit. The transport service is a fundamental part of the neonatal network strategy to move towards the standards set out by the British Association of Perinatal Medicine (BAPM) which recommends all babies born at less than 28 weeks are to be transferred to a level 3 neonatal unit. Liverpool Women's is the primary level 3 unit in the Cheshire and Merseyside Network.

Picture Archiving and Communications Systems (PACS)

Liverpool Women's continues to support the development and application of technology in healthcare with the implementation of PACS. The Trust established a project board and team in 2006 to develop a full business case that was approved by the Trust Board in November 2006. The implementation of PACS has been kept to the agreed timetable and will be functional within the Trust in July 2007. There are considerable benefits of PACS to the Trust and to patients. These include:

- All images being instantly available between departments, sites and units
- Shorter waiting times for appointments and during appointments
- Improved risk management due to images always being available
- Reduced use of administrative time to file and retrieve paper images
- Opportunities for improved efficiency due to being able to report images remotely
- Being able to offer patients access to expert opinion from any location.

Joint Venture for Hospital Sterile Services (HSSU)

Liverpool Women's is one of the partner organisations in the regional joint venture for the provision of a HSSU 'super site'. Staff in the Trust have been actively involved in the development of the business case for the super site and in the evaluation of the tenders that have been submitted. The process is now nearing conclusion with a preferred provider now having been agreed. The Board of each participating Trust will now receive a request for approval to award the contract.

The regional HSSU super site will provide efficiencies in processing costs and improved tracking and tracing of sterile equipment. This is line with government polices on safety.

Reproductive Medicine

2006/07 has seen three areas of work being undertaken within the Reproductive Medicine service; redesign to improve productivity, negotiation of a service contract with North West Fertility for the transfer of private work and exploring new ways to expand the portfolio of services offered to patients.

Redesign

Changes in eligibility criteria for access to secondary and tertiary infertility services were agreed by Commissioners following the publication of NICE Guidance and extensive public consultation. The Trust had to be able to respond quickly to the new criteria and the increase in the demand for IVF as a result of extending the maximum age for access to NHS treatment.

Staff in the Centre set themselves the challenge of redesigning their current service to cope with the increase in workload without additional resources.
The Reproductive Medicine Team commenced a rapid redesign project which identified the need to reschedule activities within the unit to make best use of staff and resources and to provide certainty for patients.

The redesign project saw over 50 proposals for improvement coming from the staff themselves which were combined with suggestions emerging from the structured redesign process. A 30% increase in patients seen has been achieved through the implementation of just a few of these suggestions; most notably the better co-ordination of work to optimise the availability of clinical space and clinical staff.

The increase in patients seen makes the Centre the largest NHS provider in the UK and will allow faster access for 1,100 couples per year from Cheshire, Merseyside, West Lancashire and North Wales.

North West Fertility Ltd

The Trust has been in negotiation with the newly formed North West Fertility Ltd to transfer the provision of private assisted conception services from the Trust to the new company. Contract negotiations and the finalisation of the service specification were on target for a transfer of private work to North West Fertility on 16th October 2006. All private patient IVF income is now the responsibility of our private partner, North West Fertility Ltd. The Trust will receive income for staffing, and diagnostic tests and a turnover related rental.

The Trust and NWF Ltd also agreed to the joint appointment of a Directorate Manager to support both parties.

Expanding the service portfolio

The Directorate of Reproductive Medicine has been keen to explore the potential to expand the portfolio of services it offers to patients within Cheshire, Merseyside and North Wales. A number of services have been identified and significant progress has been made to establish a sperm bank at Liverpool Women's. The Directorate have produced a full business case which would see the Trust recruiting sperm donors, undertaking strict screening of donor sperm and then offering assisted conception with donor sperm to couples who would otherwise be unable to conceive.

The screening of donor sperm is a strictly controlled process that can take up to six months. The length of this process dictates when the Directorate would be able to offer the service to patients. This is hoped to commence during the Summer of 2007.

Breast Cancer Services

The Trust has provided Breast Cancer surgery to Liverpool patients for the last ten years and more recently, supporting pre-operative clinics. The main contract for the service is held by the Royal Liverpool University and Broadgreen Hospitals NHS Trust. Liverpool PCT has recently conducted a competitive tendering exercise followed by a public consultation to select a single provider for the services provided by Liverpool Women's and the outpatient and diagnostic services currently provided by the Royal Liverpool Hospital. After a protracted process the contract has now been awarded to The Royal Liverpool Hospital. Staff who work in the service and are employed by the Trust will be transferred under TUPE regulations. Although there is considerable disappointment at the loss of this service, it now presents an opportunity for the Trust in terms of releasing a full-time operating theatre and a 14-bedded ward in which to develop alternative services.

Risk Management

The Board Assurance Framework is the main vehicle through which the Trust manages the key risks to the organisation, shaped around the Corporate Objectives and the annual Operational Plan. The framework maps the individual goals that underpin the corporate objectives to the principal risks that threaten the achievement of the goals. In addition, the goals are also mapped to the relevant domains contained within the Healthcare Commission's Standards for Better Health. This has been done in order to support the work required to monitor the Trust's ongoing compliance against the standards going forward. The principal aim of the framework is to provide a tool for the Board of Directors to regularly assess the level of risk for each goal against the degree of control in place to mitigate it and consider the adequacy of assurance that is in place.

During 2006/07 the Board has continued to operate its established approach to the regular monitoring of key risks. The Corporate Assurance and Standards Committee was created as part of the Trust's governance review in preparation for foundation trust status. It has been the task of this committee, on which all Board members serve, to consider the Trust's entire risk agenda and to assure itself and the Board that all appropriate processes and systems are in place to mitigate or manage the main threats to the business. It is this committee that has received bi-monthly progress reports against the Board Assurance Framework's priority risks. It has also focused upon the development of a more rigorous operational risk register and the arrangements required by the Trust to ensure Business Continuity in the event of a significant business interruption.

Information Management and Technology

IM&T has continued to follow the strategy, adopted in April 2005, of Simplification, Standardisation, Automation and Consolidation across all systems and processes. In addition, IM&T introduced the Information Lifecycle Management Strategy, which was applied to all clinical and non-clinical data held by the Trust. The strategy has facilitated the prioritisation of work programmes within the technical team, information systems team and information services.

• Technical Infrastructure

The Trust has replaced its entire fileserver infrastructure in a virtual environment with a migration to Microsoft Active Directory from Novell enabling the stabilisation of key systems as well as the consolidation of standalone systems. The patient services and medical records functions were consolidated across Trust sites and a new management structure was implemented. Full electronic access for primary care referrals into the Trust through the Choose & Book system electronically linked to our Patient Administration system was also implemented.

The hospital patient administration system MEDITECH was implemented in the Clinical Genetics department which will allow improved activity and waiting times reporting.

A redesigned website and a full intranet / extranet solution was launched to improve communication at all levels throughout all Trust locations, and to host all policy documents. The Trust procured and installed a wireless network across the Trust for point of care access to all Trust systems as well as allowing patients wireless access to the internet in waiting areas. A Single Sign On solution for single username / password access to all Trust clinical and critical systems, to speed up access to these systems, was deployed.

• Information Services

The production of reports in accordance with Schedule 5 of the Legally Binding Contract and regular reconciliation meetings with PCTs have continued to improve data and contract monitoring. Improvements to data quality have also been achieved through on an ongoing programme of Refresher training for all staff. The Trust's NHS number data quality accuracy rate has improved as follows:

- Inpatients from 95.8% in 2005/6 to 96.3%.
- Outpatients from 89.1% in 2005/6 to 96.6%.

The Information team have also become more actively involved in supporting Directorates to monitor and plan activity levels. Work has commenced on the roll out of a web-based tool to monitor and benchmark activity levels and clinical indicators.

Improvements to the timeliness and quality of clinical coding which commenced during 2006/07 have continued. The Team now consistently achieve 100% coding within 5 calendar days of month end for all activity. The external Clinical Coding audit carried out by the Cheshire and Merseyside Clinical Coding tutors has shown improvements to the accuracy of coding in most areas (see next column) which have been achieved by training, internal audit and the use of casenotes as source documentation.

Scores from the Clinical Coding audits, using a random sample of 100 casenotes are as follows:

	2005/06	2006/07
Primary diagnosis	69.1	81
Secondary diagnosis	71.5	91.8
Primary procedure	97.6	98.28
Secondary procedure	95.6	92.81

Research & Development

This year research active staff in the Trust have been responding to the new pressures of competitive research funding in the NHS, laid down in the 2006 NHS Strategy: *Best Research for Best Health*.

Nationally there are major changes occurring within NHS R&D with the establishment of the currently virtual, National Institute of Health Research, where Department of Health funding streams are commissioned. Aligned with the NIHR are the UK Clinical Research Networks, including the topic specific Medicines for Children Network (with Liverpool Women's Hospital as a founding partner) which became operational in the region this year. The Trust is also preparing for the introduction of regional Comprehensive Research Networks which will become operational in 2007/08.

These networks will bring new opportunities and challenges for the Trust's research community and much of this year has been spent creating the foundations to successfully exploit all of these new possibilities.

In order to optimise the Trust Research Strategy developed in 2006, the Research & Development Committee has evolved into an operational committee, the Research Governance Group, and a strategic committee, the Trust Research Executive Group. The six original theme groups reflecting the Trust's research strengths of:

- Miscarriage and preterm delivery
- Neonatology
- Optimising normal birth
- Cancer
- Reproductive medicine and
- Urogynaecology

work independently to develop their research plans and report twice yearly to the Executive group. The Genetics team have expanded their support group role, which capitalised on their specialist knowledge and expertise, into a new theme group. Each theme group is working towards submitting grant applications and success has already been achieved within neonatology and optimising normal birth. Opportunities have been maximised with the introduction of a fortnightly funding bulletin published by R&D and circulated to all research active staff.

The Trust continues to sponsor Trust investigator-led clinical trials and this year has initiated two trials in neonates and one in reproductive medicine. These contribute to the large research portfolio of the Trust which currently has 116 active research studies. These research studies have produced 100 original publications from Liverpool Women's researchers in the 2006 calendar year.

Our Future Developments

The Trust enters 2007/08 in both a strong financial position and with an enhanced reputation for provision of clinical services. As ever, the Trust is confident, but not complacent. The pace of change within the NHS is unrelenting and now, more than ever before, this is impacting directly on our Gynaecology and Obstetric services.

In order to maintain and build further on our clinical and financial success, we have embarked on a Trust-wide review of our clinical services involving staff from across all areas of the Trust. Proposals have been developed that respond to the challenges facing our clinical services and look to the longer term future of the Trust. They address the key risks and opportunities as they present themselves.

In 2007/08 the Trust will focus on four major schemes. These are:

- Development of the obstetric model of care in response to 'Maternity Matters' and the reconfiguration of the 1st floor estate.
- Development of gynaecology services out of hospital and in partnership with primary care in response to the Government White Paper.
- Increase access to assisted conception services in response to NICE Guidance.
- Opportunity to actively explore links/partnerships with the private sector.

In addition to the four major schemes, the Trust will be pursing a portfolio of service developments to achieve:-

- **Service growth**
  - Reconfigure neonatal cots in response to changes in neonatal network policy.
  - Work with primary care to develop one-stop diagnostic clinics and extend to new markets.
  - Work to further develop assisted conception services at the Trust and in the community.
  - Develop and then extend range of private patient services and associated facilities.
- **Productivity and Efficiency**
  - Mainstream clinical genetic outpatient services and extend to new markets.
  - Expand the portfolio of genetic testing following White Paper investment.
  - Introduce a theatre admissions lounge to optimise use of theatres and beds.
- **World class outcomes**
  - Continue to develop the regional gynaecology cancer service by extending access to One Stop Rapid Access Cancer Clinics
  - Review obstetric model of care and reconfiguration of 1st floor facilities - including antenatal, assessment, intrapartum and postnatal care.
- **Adding value to patient pathways**
  - Introduce patient care co-ordinators/patient trackers
  - Redesign imaging and outpatient services
  - Establish créche facilities for staff and visitors
  - Develop improved retail opportunities on-site
  - Develop a marketing strategy and resource
  - Ongoing support for organisational development

Patient Care

Patient and Public Involvement

The format of the Patient Quality Committee has been replaced by a sub committee of the Trust's Membership Council. The group has provided valuable input to the development of the Patient Quality Strategy and will regularly review progress of the strategy's action plan.

The development of the 'Matron for Patient Centred Care' role within the Patient Quality team will provide the Trust with an in-depth awareness of patients' experiences through direct discussion. Further information will be collated with the use of patient diaries, exit cards and semi structured interviews

Patient Information

Written information enables patients to make an informed decision regarding the management of their care and the treatment they receive at the Trust. The Trust has produced approximately 160 Patient Information leaflets, within the Gynaecology, Obstetric, Neonatal and Genetics Directorates.

The leaflets are written by a multidisciplinary team and have the benefit of containing information relating to the Trust's procedures specifically, whilst ensuring the risks and benefits of proposed treatment are clearly identified.

All written information is reviewed at the Patient Information Group, which consists of staff representatives from each Directorate and representation from patients and public members. The group review information leaflets and any correspondence from the Trust e.g. letters regarding appointments, ward information etc. The group members are asked to make comments on wording, readability and presentation. These are forwarded to the authors prior to publication in leaflet format. Approximately 30 documents have been reviewed by the group during this period.

In response to the Disability Awareness Act 2004, information leaflets are available in large font print and on audio cassette at patient's request. Production in Braille format is available at short notice as required.

Advice and instruction regarding the production, provision and dissemination of patient information has been documented in the Trust-wide 'Policy for the production of patient information'. This revised document was reviewed, approved and circulated to staff in October 2006.

The Link Information Project was awarded first prize in the Trust's Focusing on Excellence awards in the category of 'Working in Partnership'. The Patient Quality team anticipate expanding the variety of translated information ensuring equal opportunities to non English speaking women.

Some of the team's plans for the coming year include:

- Copyright all patient information
- All information to be accessible via the Trust website
- Review of provision accessibility of information in different languages

The Patient Survey

The Healthcare Commission 2006 Inpatient Survey results were released in February 2007. Postal questionnaires were sent to a random sample of 850 patients who attended the Gynaecology Ward during 2005. Exclusion criteria included women who had undergone a termination of pregnancy, early pregnancy loss and investigations and treatment within the Hewitt Centre for Reproductive Medicine.

- 500 patients completed and returned the questionnaire, a response rate of 59.3% which is slightly higher than the national average.
- The benchmarked survey results indicated that the Trust was significantly better than average for 56 questions, significantly worse than average for 3 questions and results fell in the average range for 21 questions, when compared to other acute and specialist Trusts
- The three areas which require review as a result of the survey are: quality of food and refreshments available, provision of copies of GP letters to patients and level of service provided by the ambulance service

Infection Control

Liverpool Women's is known for its high standards of cleanliness and has an excellent track record in infection control. This is demonstrated by:

- Our reportable cases of MRSA - just one case in the last year.
- Our reportable cases of c.diff - just 2 cases in the last year.
- Our history of 'excellent' ratings from the annual PEAT awards.
- Receiving two national Building Cleanability Awards from the Worshipful Company of Environmental Cleaners in 2006
- Our unique management arrangements for hotel services, with a Trust manager having direct responsibility for contracted cleaning services

In addition, our Infection Control Team has been working actively to meet the requirements of the Hygiene Code and has already put in place the following measures:

- the appointment of a Director of Infection Prevention and Control;
- Board approved and reviewed infection control programme including audit plan and surveillance programme;
- approved cleaning strategy with specified cleaning procedures and frequencies;
- provision of written information for service users and the public;
- education and training for all staff on healthcare associated infection and hand washing;
- audit evidence that policies are implemented and reviewed;
- an ongoing high profile 'Clean your Hands' campaign.

Stakeholder Relations

The Trust continues to develop strong partnership working with on site contractors. Sodexho, who deliver cleaning and catering for the Trust, have responded to our desire to integrate the expertise of the contractor with the management of services in the Trust. A revised management structure, which encompasses a Trust manager working alongside contractor management, has been developed. The partnership, thought to be the first of it's kind in the country, has identified challenging new quality improvement targets that will be implemented in early 2007/08.

We have formed close collaborative links with local partners including the three main local Primary Care Trusts, the Local Authorities in Liverpool, Sefton and Knowsley and other agencies such as the police, the NSPCC and the City Safe initiatives. This has led to such developments as:

- a DVD produced in six languages by local police for women who are subjected to domestic violence;
- a grant from the NSPCC to support one of our midwives in planning effective services for women who misuse substances; and
- the development of community peer support schemes, supported by Sure Start to empower women in local communities to support other women during pregnancy and beyond.

Other partnerships with local Sure Starts and the Local Authority have continued to ensure we are actively contributing to the development of Children's Centres to benefit women and families in our care.

We have placed particular emphasis this year upon developing relationships with patient groups and their representatives, resulting in a much enhanced partnership with our PPI Forum and a number of patient support groups within the city.

Complaints

The Trust responds to all complaints with equal seriousness and attention. Complaints are viewed in a positive manner and are a powerful tool for learning lessons and changing practice and procedures when appropriate. By listening to concerns raised by complaints, the Trust is able to continuously reflect on many aspects of the patients' experience and actively respond to any concerns constructively.

A complaint can be made by patients, relatives or visitors, although patient confidentiality is maintained at all times.

In September 2006, a further review of the NHS Complaints Procedure led to the response time being extended from 20 working days to 25 working days.

Formal complaints are described as written complaints, made within 6 months of an event occurring, or within 6 months of a situation or incident being brought to the complainant's attention. In line with the amended complaint procedure, a formal complaint document may be formulated following a meeting with the Patient Quality Manager, who transcribes concerns. The document is sent to the complainant for verification, which is confirmed in writing.

In the period between April 2006 and March 2007, the Trust received 101 formal complaints, which is a slight decrease compared to the previous year.

The main themes, which have emerged during this period, were:

- Treatment and care
- Communication
- Facilities
- Attitude of staff

Other themes included:

- Cleanliness of ward
- Provision of food to patients and visitors
- Waiting times in clinics

We aim to deal with all complaints within 20 days of receiving them and this was achieved in 79% of cases during 2006/07.

Outcome of complaints

59.5% upheld
25.5 % not upheld
15% partly upheld

3 complaints were referred to the Healthcare Commission during this period, all three complaints are currently under review by the commission. The Healthcare Commission have not undertaken any full investigations nor held an independent panel during this period.There were no referrals to the Health Service Ombudsman during this period

Meetings with complainants

Meeting the complainant is an excellent opportunity to learn about the experience in more detail and therefore this interaction is encouraged as part of the procedure. Meetings are facilitated by the Patient Quality Team, who provide a transcript of the meeting and when necessary provide any follow up action as a result.

Actions taken as a result of meeting with complainant include:

- Further support throughout their patient journey.
- Referral to Family Support team for counselling or one to one support.
- Referral to specialist team within or outside Trust.
- Involvement in patient groups.

Action taken as a result of complaints this year:

- Electronic message generated on Meditech system to remind medical staff of need to prescribe anti thrombolic medication.
- Revised management of babies who have medical problems noted antenatally on ultrasound scan.
- Review of admission process regarding notification of change of surgery date.
- Modification of kerbs to allow easy access.
- Provision of refreshments for visitors requiring refreshments during late evening and night time.
- Revised information provided regarding costs of copying medical notes.
- Revised system for storage and identification of X-rays on the Neonatal Unit
- Revised visiting times within Gynaecology Directorate.

Work in progress:

- Review of Pathology Services, which will include development of a Service Level Agreement.
- Review of Emergency Room assessment form to include algorithm for Emergency Room.
- Review of system for review of X-Ray findings.
- Review of electronic 'codes' used on birth notification form.
- Review of recovery facilities within Colposcopy Unit.
- Review of communication pathway when medical staff are unable to attend clinics.
- Review of electronically generated letter to patients.

Actions to be completed in forthcoming year:

- Maintenance and endorsement of 'Smoke free site'.
- Development of Patient information leaflet for labial reduction.
- Review of facilities within Assessment Room area in progress.
- Review of management of surgical treatment of miscarriage.

Performance

The Board of Directors is pleased to report achievement of an excellent financial performance in its second year of operation as an NHS Foundation Trust. This is summarised in the key financial measures set out below and detailed in full in the annual accounts on pages 35 - 62.

Measure		
Comparative Performance	**06/07**	05/06
Earnings before Tax, Depreciation and Amortisation (EBITDA)	**£5.9 million**	£4.5 million
EBITDA Margin	**7.6%**	6.4%
EBITDA Achievement of Plan	**117%**	73%
Income and Expenditure (I & E) Surplus	**£1.8 million**	£0.6 million
I & E Surplus	**2.3%**	0.9%
Return on Assets	**6.9%**	4.6%
Liquidity	**38 days**	25 days
Monitor Risk Rating	**5**	3

The Trust has improved its financial performance significantly from 2005/06 and has exceeded the plan agreed with Monitor at the beginning of the financial year. The key reasons for this improvement are:

- the provision of clinical activity above planned levels in both Obstetrics and Gynaecology;
- substantial increases to productivity and growth in Reproductive Medicine, and
- better budgetary control across the organisation.

We have had the benefit of a non-recurrent contract adjustment of £1.1 million within our clinical income from PCTs and we have used this principally to fund one-off costs associated with strategic development and improvements to efficiency.

The continuing evolution of tariff presents risks to income forecasts but the Trust is actively working with the Department of Health on the development of tariffs related to the services we provide. We are also engaged in reviewing service productivity and efficiency and aim to operate all of our services at costs below tariff. The development of service line reporting during the forthcoming year will improve our understanding of the relative levels of profitability for the services we provide.The national drive to promote the Patient Choice agenda and the availability of private sector alternatives presents a risk to the Gynaecology service in particular. However, we also see the Choice agenda as an opportunity to gain market share provided we can make our services as attractive as possible to women both inside and outside of our traditional catchment areas.

Private Patient Income

Performance against the Private Patient Cap is set out below.

	06/07	05/06
Total patient related income	**£70,815,000**	£64,205,000
Private patient income	**£1,037**	£1,230
Proportion of private patient income as a percentage	**1.5%**	1.9%
Private Patient Cap	**1.8%**	1.8%

The major component of private patient income for the Trust relates to In Vitro Fertilisation (IVF) services provided to self-funding patients. There are strict criteria for access to IVF services funded by the NHS and this restriction creates a demand for services to be provided privately. Due to increasing demand and a lack of alternative providers locally, the Trust, after discussion with Monitor, breached its Private Patient Cap for one month of 2005/06. In October 2006 the Trust transferred the private IVF service to North West Fertility Limited, a new company set up by a number of Consultant Gynaecologists and the Trust's Scientific Director. The Trust continues to provide staffing, services and accommodation to the company and is remunerated according to the terms of the contract. This income is categorised in the Trust's accounts as "Other Operating Income."

Prudential Borrowing Limit

The Trust had a prudential borrowing limit of £22.2 million in the year of which £17.2 million related to long term borrowing and £5 million to a working capital facility. The Trust has not borrowed against the limit during the year.

Capital Expenditure

A capital programme of £3.2 million was completed during the year. This was financed from a combination of internally generated funds and earmarked public dividend capital allocations from the Department of Health for specific projects. All capital expenditure related to protected assets providing the Trust's core clinical services. Schemes related principally to improving and upgrading the environment for staff and patients and to investment in medical and scientific equipment, ensuring the most up to date technology possible is available for the diagnosis, care and treatment of patients. Additionally, the Cheshire and Merseyside Neonatal Network funded the purchase of two apartments in a block adjacent to the hospital to provide residential accommodation for parents of babies in our Neonatal Unit.

Details of the capital programme are set out below.

£'000's Department of Health Allocations	
Information Technology	103
Additional Instrumentation for Off-Site Decontamination	55
Picture Archiving and Communication System (PACS)	112
Ultrasound Equipment	56
Audio Visual Equipment	72
Return on Assets	10
Cleanliness	45
Parental Accommodation & Transport Incubators	307
Total Externally Funded Projects	**760**

Internally Generated Capital:

Equipment	
Medical Equipment	916
Scientific Equipment	163
IM & T Infrastructure	377
CCTV	117
On-Call System	72
	1,645

Building	
Building Infrastructure	166
Building Environment	114
Clinical Genetics Accommodation at Alder Hey Site	474
Aintree Modernisation	18
	772
Internally Funded Projects	**2,417**
Total Capital Expenditure	**3,177**

Going concern

After making enquiries, the directors have a reasonable expectation that Liverpool Women's NHS Foundation Trust has adequate resources to continue in operational existence for the forseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Our Board of Directors

The Trust's constitution provides for a Board of Directors which is comprised of six executive and six non-executive directors including the Chairman. All of these roles have been occupied during 2006/07 in accordance with the policy developed by the Trust in support of the constitution. The Trust considers that it operates a balanced and unified Board with particular emphasis on achieving the optimum balance of skills and experience; this is reviewed whenever any vacancy arises.

Those non-executive directors in post before April 2005 were appointed by the NHS Appointments Commission and through the constitution's transition schedule continue in post for the unexpired period of their term of office.

From April 2005 non-executive directors have been appointed by the Membership Council at a general meeting, following a selection process undertaken on behalf of the Council by its Nominations Committee. The Chairman and non-executive directors can also be removed by the Membership Council through a process which is described in section 13 of the constitution.

Ken Morris - Chairman

Ken Morris commenced with the Trust in August 2005; his initial period of appointment is 3 years. Ken has had over 20 years experience of working at Executive and Non Executive Director level in a variety of organisations in the public, private and not-for-profit healthcare sectors. Immediately prior to joining the Trust he was Chair of a successful PCT. His management consultancy experience has been centred around change and improving overall performance in a variety of health and not for profit organisations. He has chaired and been a member of a number of national committees.

Non-Executive Directors

Hoi Yeung

Hoi Yeung was appointed in March 2005 for a period of 4 years. Hoi is a retired senior chartered accountant who has enjoyed a very successful and varied career with the Littlewoods Group spanning 29 years. He worked his way up through the finance function to the position of Director of group finance and accounting. From this role Hoi brings particular skills in audit, management and financial accounting, treasury management, tax and risk management. In addition, Hoi has a wealth of experience in public and voluntary sectors which includes his roles as a Governor of Liverpool Community College, a Trustee of the John Moores Liverpool Exhibition Trust and an observer at the board of the Liverpool Biennial of Contemporary Art. Hoi is the Chair of the Trust's Audit Committee.

Roy Morris

Roy Morris was appointed in February 2005 for a period of 4 years. Roy was formerly the Chief Executive of Rathbone Brothers Plc and Chairman of the Executive Committee, which manages the day to day affairs of the Group. Roy had been with Rathbones, involved in investment management throughout his working career. He was a Partner in Rathbone Bros. & Co and in 1988 he became Managing Director. He was appointed as Group Chief Executive in 1997. He is Chairman of the Mersey Partnership and a board member of several prominent local businesses. Roy is the Chair of the Trust's Finance and Contracts Committee

Ann McCracken

Ann McCracken first joined the Trust as a non-executive Director in December 2001 and served two terms of office under NHS arrangements. She was re-appointed last year for a further 3 years under the provisions of the constitution following a successful performance appraisal and approval by the Membership Council. A former journalist, she now works as Community Manager for 02 (UK) where she has responsibility for external affairs. Her other commitments include Mersey Common Purpose advisory group and the Mersey Partnership. Ann is the Trust's Vice Chairman and also chairs the Human Resources Committee.

David Carbery

David joined the Board in February 2004 for a period of 4 years after a long career in the civil service, working in a variety of government departments including social security. He was also the Regional Operations Manager in charge of the Charity Commission's Liverpool office, dealing with charities in the North West. He is the Senior Independent Director on the Board and is a member of the Audit Committee. David also Chairs the Charitable Funds Committee.

Yvonne Rankin

Yvonne joined the Board in July 2006 for a term of three years, bringing with her a successful leadership track record developed in the service and retail industries having spent 10 years with the Co-operative Group where she was CEO for Specialist Retail businesses. In 2005, Yvonne joined A S Watson (part of Hutchison Whampoa, a global conglomerate that operates retail companies on an international basis) where her role is CEO for Health and Beauty retailing in central and southern Europe. Yvonne is the Non-Executive member of the Trust's Clinical Governance Committee and advises on marketing strategy on behalf of the Board.

Independence of Non-Executive Directors

The Board considers all of its current non-executive directors to be independent as all appointments are of recent standing and the most recent have been made by the Membership Council specifically to meet foundation trust requirements.

Louise Shepherd MBA MA CPFA
Chief Executive

Louise Shepherd joined the Trust in August 2003 from the Countess of Chester NHS Trust where she was Deputy Chief Executive and Finance Director for five and a half years. During that time, she lead the Trust through a major financial recovery programme and, as part of the wider executive team, into a successful period of high performance and sustained service development. Prior to that, she was Director of Business Development at Birmingham Heartlands and Solihull NHS Trust.
She originally trained as an accountant in local government before spending four years with KPMG in Birmingham as a financial and management consultant to the public sector. She is currently Vice Chair of the Royal Liverpool Philharmonic Society and a Trustee of the Royal Liverpool Philharmonic Foundation.

Executive Directors

David Richmond FRCOG
Medical Director

David became Medical Director of the Trust in October 1993 following his appointment as a Consultant to Central Liverpool in 1990. During that time he has successfully steered the Trust through innumerable changes and developments, including the amalgamation of the previous hospitals into a brand new facility in Toxteth in 1995 and the subsequent merger with the Aintree Centre for Women's Health in 2000. His main interests lie in manpower planning (he currently contributes to local and national manpower working parties) and education and training. He is currently the RCOG workforce advisor and Council representative. David is also Chair of the Trust's Clinical Governance Committee.

Gill Core RGN
Director of Nursing, Midwifery and Patient Quality

Gill joined the Trust on the 1st of April 2006. She is the professional lead for nurses and midwives in the Trust as well as having wider responsibility for the quality of care delivered through clinical governance and clinical risk management; her remit also includes estates and facilities.

Gill joined the NHS as a nurse in 1981 and enjoyed a successful clinical career in critical care nursing, attaining a number of post registration clinical qualifications; she followed this with roles in quality management and operations management adding a BA Hons and diplomas in management and education. Since 1999 she has worked as Deputy Director of Nursing in two North West Trusts, most recently at Aintree Hospitals NHS Trust in North Liverpool.

She has a number of professional interests, particularly leadership development and education and has participated in the development of the national Knowledge and Skills Framework (KSF). Gill is a qualified coach and development facilitator but overall she has a passionate commitment to improving the patients' experience of their care.

Kim Doherty, MA, MCIPD, BA (Hons)
Director of Human Resources

Kim has been the Director of Human Resources at the Trust since September 2003. She is responsible for ensuring the Trust delivers its objectives as a model employer in order that we can recruit and retain a highly skilled and motivated workforce. Kim started her career as a graduate trainee in NHS Human Resources in the West Midlands where she held a number of posts. Prior to joining the Liverpool Women's Hospital NHS Trust she held the post of Head of Human Resources & Planning at Clatterbridge Centre for Oncology NHS Trust. Kim is a member of and has previously held roles within both the Chartered Institute of Personnel and Development and the Association of Heathcare Human Resource Management. She is also a mentor and assessor for the National Health Service Management Training Scheme.

Caroline Salden, MBA, BA (Hons), Dip M
Director of Service Development

Caroline joined the Trust in April 2004 as its Director of Service Development, a new post created to reflect the need to respond more proactively to the new external environment within which we will operate and to establish stronger links with our local Commissioners and other parties. She takes the lead on the Local Delivery Planning process and the Modernisation Agenda. In addition, Caroline has Executive responsibilities for Information Management and Technology. Caroline started her career as a Management Trainee in the Mersey Region and has undertaken a range of operational posts in both mental health and acute services in Chester. Latterly, Caroline held the post of Assistant Director of Service Development at Derbyshire Hospitals NHS Foundation Trust where she played a key role in the development of their Service Strategy and application to become a Wave 1 NHS Foundation Trust. Her management experience has been supported by the attainment of an MBA (Open University) and a Diploma in Marketing. Caroline maintains a close involvement with the Graduate Recruitment process.

Sue Lorimer, ACMA
Director of Finance

Sue joined the Trust as Director of Finance in April 2005, shortly after it gained foundation status. She has the lead on ensuring sound financial management and achievement of contract performance targets. Sue has been an NHS Finance Director since 1990 and has worked in a variety of organisations. Before joining us she worked for Cheshire and Wirral Partnership NHS Trust and for 2 years helped develop systems and consolidate financial performance in the newly formed organisation. Prior to that she worked at Clatterbridge Centre for Oncology NHS Trust for 6 years during which time the Trust enjoyed

a significant expansion of services. Sue is an Associate Member of the Chartered Institute of Management Accountants and until recently was a Member of its NHS Project Group producing technical guidance and support for NHS members and students.

A register of interests of each member of the Board of Directors is held by Erica Saunders, Trust Secretary which is accessible to the public through the office of the Trust Secretary at the Trust headquarters, Crown Street, Liverpool.

Board Performance

The Board of Directors has been mindful of the importance of evaluating its effectiveness during the year and to that end has reviewed its performance in the following ways:

- **Corporate Governance Review** - Mersey Internal Audit Agency was commissioned by the Board during 2006/07 to conduct an independent review of the effectiveness of the committee structure that was put in place on attaining foundation status and to recommend any changes necessary to support the organisation's business objectives. The outcome of this review is to be implemented during 2007/08.
- **Non-Executive Directors** - an appraisal system for non-executive directors was agreed by the Remuneration Committee of the Membership Council in April 2006 and has been utilised during the year to assess individuals' performance.
- **Executive Directors** - an appraisal system for executive directors, including the Trust Secretary, has been in operation during the year and a report on individuals' performance presented to the Remuneration Committee of the Board.

Board Operation and Decision-making

The Board of Directors operates to clear terms of reference which underpin the Trust's constitution and which are in turn supported by a Corporate Governance Manual that includes detailed Standing Financial Instructions and Standing Orders, a scheme of delegation and schedule of matters reserved for the Board. It is the role of the Board to set the organisation's strategic direction, but in the context of an overall operational planning framework. It is responsible for all key business decisions but delegates the operationalisation of these to an appropriate committee or project board.

Board Meetings and Attendance

The Board of Directors met formally six times during 2006/07. Attendance by directors is reported by exception below:

- April 2006 - full attendance
- June 2006 - apologies from Mr Roy Morris
- September 2006 - full attendance
- November 2006 - full attendance
- January 2007 - apologies from Mr Roy Morris
- March 2007 - apologies from Ms Yvonne Rankin

Audit Committee

The Audit Committee is chaired by Hoi Yeung; other members are David Carbery and Ann McCracken. The Committee met six times during 2006/07. Members' attendance was as follows:

- Hoi Yeung - full attendance
- David Carbery - five meetings
- Ann McCracken - four meetings

The work of the Audit Committee during 2006/07 has been to review the effectiveness of the organisation in the following key areas:

- Internal Control and Risk Management
- Internal Audit
- External Audit
- Financial Reporting

Nominations Committees

The Trust has established separate Nominations Committees to oversee the appointment of executive and non-executive directors.

- The **Nominations Committee of the Membership Council** is responsible for the appointment of non-executive directors. It is chaired by Ken Morris; other members are Paul Young, Godfrey Mazhindu and Deirdre Wood. The Committee met twice during 2006/07 in order to recruit and select a replacement for Dr Gill Vince who left the Trust in March 2006 and all members attended. They successfully appointed Yvonne Rankin who took up post in July 2006. For this appointment the established process was followed, specifically the use of open press advertisement together with a search undertaken by an external consultancy - in this case, Warren and Partners.

- The **Nominations Committee of the Board of Directors** is responsible for the appointment of executive directors. It is chaired by Ken Morris; other members are Louise Shepherd plus other non-executives as appropriate to the post. The committee did not meet during 2006/07 as there were no executive director vacancies.

Our Membership Council

The Membership Council was established on 1st April 2005. The Council has settled well into its role in terms of its advisory capacity to the Board and its level of involvement in setting Trust strategy. It carries out its functions as set out in the constitution with a pleasing sense of clarity, which means that it does not involve itself in operational matters or decisions. The Council met formally four times during 2006/07; details of individual attendance is contained within appendix 1 to this report.

The Membership Council is comprised of 33 governors under the leadership of Trust Chairman Ken Morris. Angela Douglas has remained as Deputy Chairman of the Council during the year. All Board members have a standing invitation to attend Membership Council meetings and the Chairman also uses the regular non-executive directors' meetings to brief the NEDs on the work of the Council and its committees.

Public and staff members of the Membership Council are elected by the membership. Elections are held in accordance with the rules appended to the constitution using a single transferable vote system. The initial elections were held in October 2004, administered by Electoral Reform Services Limited on the Trust's behalf. Eventually all governors will serve a three year term of office, however in order to ensure continuity on the Council in its early life, the constitution's transition schedule provides for a rolling programme of elections, such that the initial governors were appointed for a period of one, two or three years depending upon the number of votes polled. Terms of office of elected members are shown in the table below on an individual basis; the term of office for all appointed members is three years. A second round of elections was held in May 2006, the results of which are indicated in the table below, and the next will begin in May 2007.

During the year the Membership Council has been actively involved in many areas of the Trust's work. Councillors have been co-opted on to a number of committees and working groups including research ethics, the Smoke Free steering group and Patient Quality Committee.

The original three formal sub-committees of the Membership Council have continued to operate during the year: the Membership Strategy Committee, Nominations Committee and Remuneration Committee. The Membership Strategy Committee has been proactive in taking forward the Trust's Membership Strategy, described in more detail below. The Nominations Committee successfully appointed a new non-executive director, Yvonne Rankin, in July 2006. The Remuneration Committee has implemented the new appraisal system for non-executive directors and has continues to keep under review remunerations rate for non-executives based upon extensive market research.

Two new sub-committees of the Membership Council were created during 2006/07: The Public Engagement Committee was established largely in response to the workload generated by the breast cancer services consultation process, and the Citizenship Committee was set up as our first joint Membership Council and Board committee to develop the Trust's role as a corporate citizen and to strengthen links with the wider city-region as we move into Liverpool's year as European Capital of Culture in 2008.

The Membership Council continues to be actively involved in the development of the Trust's strategic direction and with governors participating in a range of activities designed to develop an inclusive and collective approach to strategic planning, including a 'peer review' session in which Directorates met together to present their clinical service strategies to a wide range of colleagues. The outcome of this session was presented to the Board resulting in a clear direction of travel for the next three years based on a joint understanding of clinical and business priorities.

Composition of the Membership Council

Public Governors
18 Elected Seats

Central Liverpool
Roberta Chidlow
Morag Day (elected 2006)
Jo Lazzari (resigned January 2006)
Shivakuru Selvathurai (re-elected)
Betty Stopforth
Maggi Williams

North Liverpool
Angela Parker
Brenda McGrath (elected 2006)

South Liverpool
Irene Drakeley (re-elected 2006)
Janine Wooldridge

Sefton
Patricia Jones (elected 2006)
Janet Gilbertson
Joanna Winter

Knowsley
Ronnie Kehoe
Anne Smith

Rest of England & Wales

Sheila Foley (elected 2006)
Charles Parkinson (re-elected, deceased July 2006)
Deirdre Wood (re-elected 2006)

Staff Governors
6 Elected Seats

Doctors
Jonathan Herod

Nurses
Gill Murphy

Midwives
Dorcas Akeju OBE (re-elected 2006)

Scientists & Technical staff
Angela Douglas

Non-clinical staff
Helen Gavin and Paul Young (both re-elected 2006)

PCT Governors
3 Appointed Seats

Dr Margaret Goddard, Medical Director, Liverpool PCT
Dr Janet Atherton, Director of Public Health, South Liverpool PCT
Dr Paula Grey, Director of Public Health, Liverpool PCT

Local Authority Governors
2 Appointed Seats

Jo Miller, Director of Consumer Services, Knowsley Borough Council
Liverpool Borough Council - vacancy

University of Liverpool
1 Appointed Seat

Professor Susan Wray

Community/Voluntary/other Partnership Organisations
3 Appointed Seats

Sue Ryrie, Chief Executive, Brook Merseyside
Professor Godfrey Mazhindu, Liverpool John Moores University
Margaret Hogan, Down's Syndrome Liverpool

A register of interests of each member of the Membership Council is held by Erica Saunders, the Trust Secretary which is accessible to the public through the office of the Trust Secretary at the Trust headquarters, Crown Street, Liverpool.

It is important to us that membership is relevant to all sections of the greater Liverpool community and we continue to make every effort to reach all groups within our membership constituencies. We seek to ensure that our membership reflects the social and cultural mix of the Liverpool conurbation.

We also need to ensure that our Membership Council reflects our membership and we aim to address this challenge by encouraging a large, genuine membership from all parts the community served by the trust.

The membership community of Liverpool Women's NHS Foundation Trust is drawn from our public and staff constituencies which are defined follows:

Constituency type	Sub-constituencies	Rationale and eligibility
Public	• Central Liverpool • North Liverpool • South Liverpool • Knowsley • Sefton England & Wales Defined by local authority electoral boundaries	60% of our activity is derived from within Liverpool. A further 31% comes from the boroughs of Knowsley and Sefton. The remaining 9% of activity relates to our specialist services and can bring in patients from across the country. Membership is open to any member of the public over the age of 12 who live within any of the local authority areas described.
Staff	• Doctors • Nurses • Midwives • Scientists, Technicians & Allied Health Professionals • Administrative, Clerical & Managerial staff • Clinical Support & Ancillary/Maintenance staff	Our staff constituency is defined by those who have a permanent employment contract or who have worked for the trust for at least 12 months. Staff who are employed by contractors to the trust or who are based at the trust but employed by another NHS organisation are also eligible for membership.

Membership Strategy

The Trust has developed a Membership Strategy which is led by a committee of the Membership Council called the Membership Strategy Committee. This group has been very active during the year and has given careful consideration to the development of the Trust as a membership organisation. The focus of the group during 2006/07 has been on the ongoing issues related to the Liverpool Primary Care Trusts's tender and subsequent consultation in relation to the breast cancer service and in particular ensuring that the Trust was properly engaging its members on this vital issue.
This resulted in member involvement in shaping the Trust's response via a specific focus group which consisted of members who had experience of breast cancer themselves.

The main communication method with members continued to be via *Foundation Express*, which was published three times during the year. However, the Committee also took the step of issuing additional information to members via 'stop press' type bulletins which generated feedback by letter and email from concerned individuals.

The Membership Strategy Committee consider the whole process of consultation in relation to the breast cancer service to have been an invaluable learning exercise and has enabled the Trust to engage with its members on a much deeper level. However, the committee is keen not to lose sight of the needs of the wider membership because of single issue campaigns such as this which may arise in the future; for this reason it will renew its broad focus during 2007/08 on the principles of the membership strategy set out below.

Building and sustaining a representative membership

Liverpool Women's NHS Foundation Trust primarily serves local residents in Liverpool, Sefton and Knowsley. Our ongoing focus needs to be on continuing to build and engage with the membership community from these areas. Given the socio-economic structure of the local area, an additional challenge is presented by the need to ensure that under-represented populations, such as young people, black and ethnic minority groups and those from more disadvantaged backgrounds, are approached and included. The public section of the membership community should include as diverse a range as possible and be representative of the local area. The following specific cohorts will continue to be our focus:

- **18-34 year olds:** this is almost the most difficult cohort with which to engage. According to the Liverpool Public Health Annual Report, people of this age comprise approximately 18% of the local population. Therefore, we seek to ensure that the percentage of public constituency members in this age range reflected this number.

- **Black and Minority Ethnic Groups:** again, according to the public health report, Asian, Black, Chinese and other ethnic groups make up approximately 6% of the local population. Again, we seek to ensure that the public constituency is comprised of a similar percentage.
- **Men:** whilst the services provided by the Trust are primarily aimed at women, it is critical to ensure that men are also active members of the Foundation Trust community. Therefore, we will seek to attain a balance of 85% women and 15% men.
- **Social class:** there is a social class correlation with regard to community engagement, which in turn correlates with health disadvantage. This makes it particularly important that we ensure that the Trust membership properly reflects the socio-economic strata of the local area.

Membership Profile

Constituency	Public	Staff	Total
Number at year start (1st April 2006)	9,383	705	**10,088**
Members joining	133	33	**166**
Members leaving	467	62	**529**
Number at year end (31st March 2007)	9,049	676	**9,725**

Membership numbers overall fell slightly during the year. We found this to be due to the mobile nature of certain sections of our population who moved house without notifying the Trust of their new address.

In terms of our diversity targets we have maintained just over 20% of members aged between 18 and 34. We maintained around 5.4% of members from black and minority ethnic communities which is slightly below target and our gender balance was steady at 17% men and 83% women.

Geographically, membership in our public constituencies is broadly reflective of our activity profile:

- 60% of our members are resident in Liverpool
- 12% of our members are resident in Knowsley
- 14% of our members are resident in Sefton
- 14% of our members are from other parts of England and Wales

In the coming year therefore we will aim to recruit more members from the Sefton and Knowsley areas and from our local black and minority ethnic communities, however we do not intend to grow large numbers of additional members until the committee is satisfied with the level of engagement with our existing cohort.

Members are provided with contact details in each publication and mailout that is issued; this includes a freephone telephone number, freepost correspondence address and dedicated email address.

About our Staff

Anti-Bullying Campaign

Following feedback from staff and the results of two staff surveys focussing on bullying, a significant Anti-Bullying Campaign was launched in the Autumn with the establishment of a Task Force to develop and deliver recommendations for action. This has been hugely successful with high levels of interest displayed across the Trust and the agreement of Behavioural Standards for all staff. Formal evaluation of the campaign will take place at the end of 2007/early 2008 with the issuing of the 2007 Staff Survey.

Employment Partnership is Revitalised

Working relationships between managers and Trade Union representatives have been strengthened thanks to the "Partnership for Patients" initiative. This has led to the introduction of a Partnership Agreement with detailed action plans to continue delivering improvements in partnership working for the benefit of staff and patients alike.

The Trust promotes Equality & Human Rights

The Trust has been part of a Department of Health pilot scheme to develop a Single Equality Scheme since June 2006. Formal consultation on the scheme was launched to over 3000 Foundation Trust members (staff, patients and the public) in March 2007 with the final scheme and detailed action plans due to be published in the summer. This will incorporate the requirements of the current Race Equality Scheme, the Disability Scheme (from December 2006) and the introduction of a Gender Equality Scheme in April 2007.

Recognising Excellence

The Trust held its second annual 'Focussing on Excellence' Awards in 2006/07, which are aimed at celebrating the efforts and innovations of staff in finding new ways to improve patient care and the patient experience. Entries are invited from categories including:

- Supporting workforce development and welfare
- Research and evidence into practice
- Working in partnership
- Supporting healthcare through technological change
- Improving the patient experience

There is also an overall award - the 'Foundation Award' - which is in the gift of the Membership Council for outstanding achievements in care. In 2006/07 this went to the Trust's Macmillan Team for their work with Gynaecological cancer sufferers.

A Big Thank You to our Committed Staff

Each year the Trust pays tribute to staff who have made an exceptional contribution or "gone the extra mile" for colleagues or patients. Award winners in 2006/07 were drawn from across the organisation and included porters, domestic staff, nurses and midwives - they were all united by the manner in which they had especially touched the lives of individual patients at a moment of great joy or sadness.

Volunteers

The Trust has continued to develop its active volunteering programme and currently there are approximately 60 volunteers with an age range between 18 and 80, who over the last 12 months have completed approximately 8,850 working hours.

The volunteers provide invaluable support to patients by befriending them, listening to their concerns, escorting them around the hospital, supporting new mums with babies, accompanying anxious patients to theatre, making them snacks and drinks, running errands to the shop or just by taking the time to talk and simply listen to them. They also provide a great support to staff by helping to compile patient information packs, photocopying, collecting notes, answering telephones and assisting with stationery stocks. Staff welcome volunteers into their areas because they have the time to offer companionship, reassurance and comfort. A friendly face is essential when you are vulnerable. Volunteers save time by doing tasks that allow staff to do more skilled work.

People volunteer for a number of reasons; for work experience, (some want to become doctors or midwives), others find themselves with free time on their hands and want to give something back, or want to get back into society if they have been ill or overcome social problems. As volunteers they receive travel expenses, a uniform, formal induction and receive certificates when they reach milestones such as 100, 200 or 300 hours of volunteering. In recognition of their dedication we promise to support them and help develop their skills by offering opportunities to attend in-house training relevant to them. We will also supply written references if requested.

Our plans for the volunteer services for the next 12 months include:

- increasing the volunteer numbers to provide a wider range of duties that can be undertaken by the volunteers eg, beauty/hand therapies;
- fundraising for the Trust;
- developing a work experience scheme;
- further enhancement of existing volunteer roles within departments.

At present, we do not operate a work experience scheme but this is something that is being worked on jointly with the Training and Education Department. It is hoped that this scheme will be up and running by September 2007.

Blair Bell Conference Centre - Part of the Community

The Blair bell Education Centre is a multi-disciplinary conference and educational facility housed within the Liverpool Women's Hospital. It has recently been considerably extended and upgraded to include a state of the art clinical skills laboratory, library and IT training facilities, so that the Trust is now able to offer it out as a venue to a wide variety of local organisations and partners as well as for internal training and development purposes. Some examples of this include: the NSPCC, Mersey Region Group for Family Planning Training, The Advocacy Project, Learning Partnerships and Integrated Radiological Services.

Health and Safety

The Trust made an appointment to the vacant Health and Safety Manager post during the summer of 2006. The Trust established a Risk Management Committee in early 2007 and as a member the Health and Safety manager now has a comprehensive reporting structure to ensure that Health and Safety issues are addressed and escalated appropriately where necessary.

During the course of the year an increasing number of incidents reporting falls in Maternity wards indicated a need for action. A problem with the polish being used on floor surfaces was identified and work was undertaken with Sodexho to strip and re-seal floors resulting in a reduction of incidents.

Counter Fraud Activities

The Trust obtains effective support in this area from the NHS Counter Fraud and Security Management Service with local counter fraud specialists being part of our internal audit service. The Trust's policies are set out in our Standing Financial Instructions and we also operate a 'Raising Concerns' policy via our Senior Independent Director.

Working with partners

Environmental Issues

The Trust has throughout the year continued to develop its environmental programme. Specifically we have introduced an action plan based on the findings of two independent energy audits. Included in these actions have been the forming of an Environmental Management group, producing a capital investment programme to reduce energy emissions and commenced an energy awareness campaign.

The Trust continues to explore ways of improving our recycling targets and is developing a specification with Alder Hey Children's Hospital to improve waste management systems across the site.

The Trust has also worked in co-operation with Mersey Travel to ensure all policies and procedures conform with the requirements of the Green Travel Plan.

Consultations

During 2006/07 we have again undertaken consultation with local partners in relation to the declarations required by the Healthcare Commission as part of its new Annual Health Check assessment. The Trust submitted information for consultation with the Overview and Scrutiny Committees of Liverpool City Council, Knowsley Borough Council and Sefton Borough Council. In addition, the Trust undertook a more detailed consultation on the standards with its Patient and Public Involvement Forum and with a task group established by the Membership Council whereby the evidence portfolio was scrutinised by those individuals in order that the Trust's position of full compliance could be objectively tested.

We also participated very actively in the public consultation run by Liverpool Primary Care Trust at the behest of the Health and Adult Social Care Scrutiny Panel of Liverpool City Council in relation to the proposed changes to the future provision of breast cancer services in the city. The Membership Council led this process on behalf of the Trust, engaging numerous mechanisms to encourage public participation. The PCT received over 4000 written responses to the consultation at its close.

Remuneration Report

The Remuneration Committee of the Board of Directors comprises all non-executive directors. This Committee is responsible for determining the remuneration and terms and conditions of the Chief Executive, Executive Directors and Trust Secretary, taking into account the results of the annual appraisal process. The Chairman undertakes the annual appraisal of the Chief Executive; who in turn is responsible for assessing the performance of the Executive Directors and Trust Secretary. The Committee met once during 2006/07 and all non-executives were in attendance.

The Remuneration Committee of the Membership Council comprises two public, one staff and one appointed members. One of the public members took the role of chair during the year. This Committee is responsible for determining the remuneration of the Chairman and Non Executive Directors, taking into account the results of the annual appraisal process. The Committee met once during 2006/07 and all members were in attendance. The Chairman is responsible for assessing the performance of the non-executive directors. The Chairman's appraisal is undertaken by the Remuneration Committee in accordance with their policy which has been developed to reflect best practice nationally.

Executive Directors are employed on permanent contracts of employment, subject to three months notice on either side. The Chief Executive is also employed on a permanent contract and is subject to a six months notice period.

Rates of pay for all senior managers are based on job size, market intelligence (including published remuneration surveys) and performance. Chief Executive and Executive Director remuneration packages comprise annual basic salary and normal NHS pension contributions; there are no non-pay benefits or bonus payments.

For non-executive directors comparative data was provided to the Remuneration Committee from other Foundation Trusts, mutual organisations and the private sector.

The remuneration of all directors is set out at note 5.4.1 of the annual accounts below.

Signed Louise Shepherd

Louise Shepherd
Chief Executive
June 2007

Statement of Accounting Officer's responsibilities as the accounting officer of Liverpool Women's NHS Foundation Trust

The Health and Social Care (Community Health and Standards) Act 2003 states that the Chief Executive is the accounting officer of the NHS foundation trust. The relevant responsibilities of accounting officers 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 accounting officers' Memorandum issued by the Independent Regulator of NHS Foundation Trusts ('Monitor').

Under the Health and Social Care (Community Health and Standards) Act 2003, Monitor has directed the Liverpool Women's NHS Foundation Trust to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of Liverpool Women's NHS Foundation Trust and of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts the Accounting Officer is required to comply with the requirements of the NHS foundation trust Financial Reporting Manual and in particular to:

- Observe the Accounts Direction issued by Monitor, 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 Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on a going concern basis.

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

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

Signed Louise Shepherd

Louise Shepherd
Chief Executive
June 2007

Statement on Internal Control

Scope of responsibility

As Accounting Officer and Chief Executive, 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 Women's NHS Foundation Trust;
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The principal mechanisms for this is the Board Assurance Framework and risk registers generated at Directorate and Department level, which address the totality of strategic and operational risks to the organisation. During 2006/07 the Trust's responsibilities for internal control have been considered in the quarterly monitoring returns and discussions with Monitor. Monitor utilises a risk based approach across the key areas of finance, governance and mandatory services in accordance with the compliance framework criteria.

The system of internal control has been in place at Liverpool Women's NHS Foundation Trust for the year ended 31st March 2007 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Trust's Risk Management Strategy sets out the responsibility and role of the Chief Executive in relation to risk management. During the year 2006/07, delegated responsibility operated through the Clinical Governance Committee and the Corporate Assurance and Standards Committee. The latter was created to provide the Board of Directors with a formal structure for addressing risk at the corporate level; the committee, whose membership consists of all Board members, meets on alternate months. Together these Committees embrace strategic risk issues, implementation of the Standards for Better Health, the Board Assurance Framework and key risk performance indicators and have reported regularly to the Board of Directors. The revised committee structure based upon principles of integrated governance and designed to better support the Trust's operation as an NHS foundation trust, which was put in place from 1st April 2005 continued to operate efficiently during the year. A planned review of internal governance arrangements after 18 months of operation was undertaken during the year, which resulted in some changes to the risk management structure including the creation of a Trust Risk Committee which reports via the Clinical Governance Committee to the Board.

The Trust built upon and developed its Board Assurance Framework during 2006/07, contributing towards the achievement of an overall rating of 'significant assurance', confirmed by the Director of Internal Audit Opinion 2006/07.

Ward, departmental and directorate risk registers have been in place for the full year and continue to be promulgated by robust systems for risk assessment across all areas of the organisation. Significant work was undertaken during the year on the development of the operational risk register, to ensure that risks are being identified, scored and treated in a consistent and systematic way throughout the Trust. There is an escalation process whereby risks that cannot be managed locally are reviewed at the appropriate level within the organisation to ensure that reasonable measures are taken. This is a continuous process that assists with the development of an organisation-wide risk-aware culture, sharing of lessons learned and enables risk management decision making to occur as near as practicable to the risk source. The Trust continues to be one of only three NHS organisations nationally to have secured CNST Level 3 for both general and maternity standards and has been working with the NHS Litigation Authority in relation to the development of the new, more broadly based standards which will replace the CNST scheme from 2007/08.

Risk management, risk assessment and incident reporting is included in core induction and within the Trust's mandatory training programme. This approach will be continued during 2007/08 with specific emphasis on maintaining the exceptional standards of training required for CNST level 3 across all staff groups.

The risk and control framework

The risk management framework is set out in the Risk Management Strategy and is underpinned by the policies and procedures for risk management, which have been approved by the Corporate Assurance and Standards Committee.

The key elements of the strategy include:

- A statement of the purpose of the strategy document.
- A definition of risk management.
- The Trust's policy statement and organisational philosophy in relation to risk management as an integral part of our corporate objectives, goals and management systems.
- Strategic vision for risk management across the organisation.
- Acceptable levels of risk and the levels of delegated authority to act.
- Roles, responsibilities and accountabilities.

- The risk management process, including risk identification, risk assessment and risk treatment.
- Governance structures in place to support risk management, including terms of reference.
- Planning, resourcing and prioritisation.
- Implementation plan.

The Board Assurance Framework, which focuses on identifying the principal risks at corporate level has been embedded within the foundation trust and is regularly reviewed and updated. The Assurance Framework has been a standing item on the agenda of the Corporate Assurance and Standards Committee during the year and covers the following:

- Corporate objectives and goals.
- Identification of the principal risks to the achievement of objectives and goals, mapped to the relevant Standard for Better Health.
- Identification and description of mechanisms of internal control in place to manage the risks.
- Identification and description of the review and assurance mechanisms which relate to the effectiveness of the system of internal control.
- Records the actions taken by the Trust to address control and assurance gaps, with progress identified through the year.

In terms of the Healthcare Commission's Standards for Better Health, the Trust submitted a position of full compliance against the core standards in its final Declaration in May 2006. The Trust also declared 'excellent progress' against the shadow developmental standard.

In addition, the Trust has in place a range of control mechanisms which support the risk management and assurance agenda:

- Ward, department and directorate risk assessments which are formally updated on an annual basis. The finance risk register includes areas of financial risk emerging from the impact of NHS reforms, such as Payment by Results and Agenda for Change.
- The Ulysses system, a software package for risk management that has been utilised to record non-clinical incidents, complaints and claims for a number of years and which generates risk registers. The roll-out process to encompass clinical incident reporting was completed during 2006/07, to support the aim of an integrated risk management system across the Trust and enable direct reporting to the National Patient Safety Agency.
- Education and training programmes throughout the organisation.
- Policy approval and ratification by appropriate committees of the Board in support of the integrated governance framework.
- A timetable of directorate progress reports to the Clinical Governance Committee.
- Risk assessment inbuilt within all new projects.

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 in to 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.

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

As Accountable Officer, I am responsible for ensuring that the organisation has arrangements in place for securing value for money in the use of its resources. To do this I have implemented systems to:

- Set, review and implement strategic and operational objectives.
- Engage with patients, members and other stakeholders to ensure key messages about services are received and acted upon.
- Monitor and review organisational performance.
- Deliver efficiency gains and savings targets.

Annually, the Trust produces a service strategy which incorporates a supporting financial plan for approval by the Board of Directors. This informs the annual detailed operational plan and budget which is also approved by the Board. Views of the Trust's 10,000 members are gained through their representatives on the Trust's Membership Council. In 2006/07 members of the Membership Council were involved in the development of the Trust's clinical service strategy through participation in the facilitated workshops which were held with each clinical directorate. The resulting plan informs the Trust's corporate objectives and provides the basis for quarterly performance reviews at directorate level. The Board of Directors monitors performance monthly through the corporate report which provides integrated information on financial performance, achievement of savings targets, contract activity, human resource indicators and key service performance indicators. The Finance and Contracts Committee of the Board also meets monthly to provide dedicated time to review financial and contract performance in detail prior to Board meetings.

Reports on specific issues relating to economy, efficiency and effectiveness are commissioned by the Audit Committee within the Internal Audit plan and the implementation of recommendations made by Internal Audit is overseen by the Audit Committee. Within the 2006/07 risk based Internal Audit Plan specific resource has been utilised in evaluating the effectiveness of committee structures and governance arrangements within the Trust, both at Board level and within the clinical directorates.

In 2005/06 the Healthcare Commission commissioned the Trust's external auditors to undertake comprehensive benchmarking exercises on the Trust's processes for Medicines Management and Diagnostic Services as part of national work on the Acute Hospitals Portfolio.

Subsequently the Diagnostic Services review was withdrawn by the Healthcare Commission as not relevant to the Trust. The report from the Medicines Management review was considered by the Audit Committee during 2006/07 and an action plan approved to further enhance the high level of performance already achieved.

Specific management reviews have also been identified by the Board of Directors, Executive Directors and Directorate Management as a result of risks to performance identified from the performance management system. In 2006/07 reviews were undertaken of Pathology service level agreements with other NHS trusts, the income and costs associated with the provision of Gynaecology services on the Aintree site and the capacity and demand for Gynaecology services across the Trust. These reviews will all continue into next financial year although the latter two have already identified increases to productivity and cost savings which will be implemented during 2007/08.

Review of effectiveness

As Accountable 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 and the executive managers within the Liverpool Women's NHS Foundation Trust who have responsibility for the development and maintenance of the internal control framework and 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 the Corporate Assurance and Standards Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

The process that has been applied in maintaining and reviewing the effectiveness of the system of internal control includes the following elements:

- The Board of Directors provides active leadership of the Trust within a framework of prudent and effective controls that enable risk to be assessed and managed.
- The Audit Committee, as part of an integrated governance structure, is pivotal in advising the Board on the effectiveness of the system of internal control.
- The Corporate Assurance and Standards Committee which was specifically created as part of the Trust's wide-ranging review of governance during 2004/05 facilitates regular discussion of risk issues at the highest level.
- The sub-committees of the Board are key components by which I am able to assess the effectiveness and assure the Board of risk management generally and clinical risk.
- Internal Audit provides quarterly reports to the Audit Committee and full reports to the Director of Finance and other Trust Officers. The Audit Committee also receives details of actions that remain outstanding following any follow up of previous audit work. The Director of Finance also meets regularly with the Audit Manager.
- Other explicit review and assurance mechanisms include Directorate risk registers linked to the Operational Plan, the Healthcare Commission's acute hospital portfolio assessments and a range of other independent assessments against key areas of control, as set out in the Assurance Framework.

Any significant internal control issues would be reported to the Corporate Assurance and Standards Committee via the appropriate sub-committee. There have been no significant internal control issues identified during 2006/07. All significant risks identified within the Board Assurance Framework have been regularly reviewed in-year by the Corporate Assurance and Standards Committee and appropriate control measures put in place.

Independent assessment has been provided by the NHS Litigation Authority assessors who awarded the Trust CNST Level 3 for general standards in October 2004, CNST Level 3 for maternity standards in January 2005. The Trust has been designated as a pilot site by the NHSLA for the new CNST standards and has been undertaking the first tranche of this work during the year. The Trust performed well in a bench-marking exercise undertaken in relation to the Healthcare Commission's Standards for Better Health undertaken by Mersey Internal Audit Agency and continues to declare compliance with all core standards.

During the year continued progress has been made with the action plan to manage the risk of hospital-acquired infection, led by the Director of Infection Prevention and Control. Major initiatives have included the Matrons' Charter, the Clean Your Hands Campaign and the Winning Ways Action Plan. I receive reports from the Royal Colleges and following Deanery visits. In addition, there are a range of other independent assessments against key areas of control, for example:

- Healthcare Commission's Annual Health Check 2005/06 (reported in October 2006) resulted in ratings of 'excellent' for use of resources and 'good' for quality of services, placing the Trust in the top 10% of NHS organisations nationally.
- Achievement of ISO 9001 accreditation by the Hewitt Centre for Reproductive Medicine.
- CPA accreditation for Genetics Laboratories (unconditional accreditation until 2007).
- Achievement of 'excellent' category in the annual PEAT assessment.

The Board of Directors is committed to continuous improvement and development of the systems of internal control.

Signed Louise Shepherd

Louise Shepherd
Chief Executive
June 2007

Attendance at Membership Council meetings 2006/07

Key:

Attendance at meetings marked with ▬ Apologies sent marked with ▬

Blank squares = not in attendance, no apologies received

	31 Jan 2007	11 Oct 2006	12 July 2006	5 April 2006
Public Members				
Roberta Chidlow	▬	▬	▬	▬
Morag Day	▬	▬	elected Aug 2006	
Irene Drakeley	▬	▬	▬	▬
Shelia Foley		▬	elected Aug 2006	
Janet Gilbertson		▬	▬	▬
Patricia Jones	▬	▬	elected Aug 2006	
Ronnie Kehoe	▬	▬	▬	▬
Jo Lazzari	▬	▬	▬	▬
Brenda McGrath	▬	▬	elected Aug 2006	
Angela Parker	▬	▬	▬	▬
Shivakuru Selvathurai		▬	▬	▬
Anne Smith	▬	▬	▬	▬
Betty Stopforth		▬	▬	▬
Maggi Williams	▬	▬	▬	▬
Joanna Winter	▬	▬	▬	▬
Deirdre Wood	▬	▬	▬	▬
Janine Wooldridge	▬	▬	▬	▬
Staff Members				
Dorcas Akeju	▬	▬	▬	▬
Angela Douglas	▬	▬	▬	▬
Helen Gavin	▬	▬	▬	▬
Jonathan Herod		▬	▬	▬
Gill Murphy	▬	▬	▬	
Paul Young	▬	▬	▬	▬
Appointed Members				
Janet Atherton	▬	▬	▬	▬
Margaret Goddard		▬	▬	▬
Paula Grey		▬	▬	▬
Margaret Hogan	▬	▬	▬	▬
Godfrey Mazhindu	▬	▬	▬	▬
Sue Ryrie	▬	▬		▬
Susan Wray		▬	▬	▬

FOREWORD TO THE ACCOUNTS

These accounts for the year-ended 31st March 2007 have been prepared by the Liverpool Women's NHS Foundation Trust under schedule 1 sections 24 and 25 of the Health and Social Care (Community Health and Standards) Act 2003 in the form which Monitor, the Independent Regulator of NHS Foundation Trusts has, with the approval of the Treasury directed.

Louise Shepherd

Louise Shepherd
Chief Executive
June 2007

Income and Expenditure Account for the financial year ended 31st March 2007

	Note	2006/07 £000	2005/06 £000
Income from activities	3.1 - 3.3	**70,815**	64,205
Other operating income	4.1	**7,360**	6,794
Operating expenses	5.1	**(74,960)**	(68,776)
OPERATING SURPLUS		**3,215**	2,223
Profit/(Loss) on disposal of fixed assets	7.1	**(35)**	(9)
SURPLUS BEFORE INTEREST		**3,180**	2,214
Interest receivable		**329**	161
Interest payable	8.1	**(1)**	0
Other finance costs - unwinding of discount	8.1	**(22)**	(24)
Other finance costs - change in discount rate on provisions	8.1	**0**	(94)
SURPLUS FOR THE FINANCIAL YEAR		**3,486**	2,257
Public Dividend Capital (PDC) dividends payable		**(1,714)**	(1,614)
RETAINED SURPLUS FOR THE YEAR		**1,772**	643

Balance Sheet for the financial year ended 31st March 2007

	Note	31st March 2007 £000	1st March 2006 £000
FIXED ASSETS			
Intangible assets	11.1	**131**	137
Tangible assets	11.2	**50,547**	50,108
TOTAL FIXED ASSETS		**50,678**	50,245
CURRENT ASSETS			
Stocks and work in progress	12.1	**437**	571
Debtors	13.1	**3,341**	3,789
Current Asset Investments		**2,500**	0
Cash at bank and in hand		**6,177**	4,152
TOTAL CURRENT ASSETS		**12,455**	8,512
CREDITORS			
Amounts falling due within one year	14.1	**(9,295)**	(8,337)
NET CURRENT ASSETS/(LIABILITIES)		**3,160**	175
TOTAL ASSETS LESS CURRENT LIABILITIES		**53,838**	50,420
PROVISION FOR LIABILITIES AND CHARGES	15.1	**(2,075)**	(1,172)
TOTAL ASSETS EMPLOYED		**51,763**	49,248
FINANCED BY TAXPAYERS' EQUITY	21.1		
Public dividend capital	21.2	**33,133**	32,373
Revaluation reserve	16.1	**16,324**	16,411
Donated asset reserve		**207**	244
Income and expenditure reserve		**2,099**	240
TOTAL TAXPAYERS' EQUITY		**51,763**	49,248

The financial statements were approved by the Board of Directors on 8th June 2007 and are signed on its behalf by:

Louise Shepherd

Louise Shepherd
Chief Executive

Statement of total recognised gains and losses for the financial year ended 31st March 2007

	2006/07 £000	2005/06 £000
Surplus for the financial year before dividend payments	**3,486**	2,257
Increase in the donated asset reserve due to receipt of donated assets	**11**	45
Reductions in the donated asset reserve due to depreciation, impairment, and/or disposal of donated assets	**(28)**	(23)
TOTAL RECOGNISED GAINS AND LOSSES IN THE FINANCIAL YEAR	**3,469**	**2,279**

Cash flow statement for the financial year ended 31st March 2007

	Note	2006/07 £000	2006/07 £000	2005/06 £000
Operating Activities				
Net cash inflow from operating activities	18.1		**8,113**	6,998
Returns on Investments and Servicing of Finance				
Interest received		**314**		161
Net Cash inflow from returns on investments and servicing of finance			**314**	161
Capital Expenditure				
Payments to acquire tangible fixed assets		**(2,948)**		(2,186)
Receipts from sale of tangible fixed assets		**0**		4
Net cash outflow from capital expenditure			**(2,948)**	(2,182)
Dividends Paid			**(1,714)**	(1,614)
Net cash outflow before financing			3765	3,363
Management of Liquid Resources				
Movement in short-term deposits		**(2,500)**		0
Net cash outflow from management of liquid deposits			**(2,500)**	0
Net cash inflow before financing			**1,265**	3,363
Financing				
Public dividend capital received		**760**		592
Net cash inflow from financing			**760**	592
Movement in cash			**2,025**	3,955

1. Accounting policies and other information

Monitor has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the *NHS Foundation Trust Financial Reporting Manual*, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the *2006/07 NHS Foundation Trust Financial Reporting Manual* issued by Monitor. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's *Financial Reporting Manual* to the extent that they are meaningful and appropriate to NHS foundation trusts. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of tangible fixed assets. NHS foundation trusts, in compliance with HM Treasury's *Financial Reporting Manual*, are not required to comply with the FRS 3 requirements to report "earnings per share" or historical profits and losses.

1.2 Acquisitions and discontinued operations

Activities are considered as 'discontinued' where they meet all of the following conditions:

- the sale (this may be at nil consideration for activities transferred to another public sector body) or termination is completed either in the period or before the earlier of three months after the commencement of the subsequent period and the date on which the financial statements are approved;
- if a termination, the former activities have ceased permanently;
- the sale or termination has a material effect on the nature and focus of the reporting NHS foundation trust's operations and represents a material reduction in its operating facilities resulting either from its withdrawal from a particular activity or from a material reduction in income in the NHS foundation trust's continuing operations; and
- the assets, liabilities, results of operations and activities are clearly distinguishable, physically, operationally and for financial reporting purposes.

Operations not satisfying all these conditions are classified as continuing. Activities are considered as 'acquired' whether or not they are acquired from outside the public sector. There have been no such activities during 2006/07

1.3 Income recognition

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

The NHS foundation trust changed the form of its contracts with NHS commissioners to follow the Department of Health's Payment by Results (PbR) methodology in 2005/06. To manage the financial impact of this change on the NHS foundation trust and its commissioners PbR is being phased in.

The Trust therefore accounts for its income from Commissioners at full tariff with an adjustment levied by the Department of Health (DoH) to either clawback the benefit or provide relief from the shortfall arising from the introduction of PbR. In both 2005/06 and 2006/07 the adjustment levied by the DoH has equated to 50% and it is envisaged that this will reduce to 25% and 0% in subsequent financial years.

Expenditure

Expenditure is accounted for applying the accruals convention.

1.4 Tangible fixed assets

Capitalisation

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

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

Valuation

Tangible fixed assets are stated at the latest revaluation amount or in the case of newly acquired assets, at cost. On initial recognition they are measured at cost (for leased assets, fair value) including any costs, such as installation, directly attributable to bringing them into working condition. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable. The costs arising from financing the construction of the fixed asset are not capitalised but are charged to the income and expenditure account in the year to which they relate.

All land and buildings are revalued using professional valuations in accordance with FRS 15 every five years. A three yearly interim valuation is also carried out.

Valuations are carried out by professionally qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) *Appraisal and Valuation Manual*. The last asset valuations were undertaken in 2004 as at the prospective valuation date of 1 April 2005.

The revaluation undertaken at that date was accounted for on 31 March 2005.

The valuations are carried out primarily on the basis of depreciated replacement cost for specialised operational property and existing use value for non-specialised operational property. The value of land for existing use purposes is assessed at existing use value. For non-operational properties including surplus land, the valuations are carried out at open market value.

Additional alternative open market value figures have only been supplied for operational assets scheduled for imminent closure and subsequent disposal.

Assets in the course of construction are valued at cost and are valued by professional valuers as part of the five or three-yearly valuation or when they are brought into use.

Operational equipment is valued at net current replacement cost. Equipment surplus to requirements is valued at net recoverable amount.

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

An asset in the course of construction and residual interests in off-balance sheet PFI contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

Buildings, installations and fittings are depreciated on their current value over the estimated remaining life of the asset as assessed by the NHS foundation trust's professional valuers. Leaseholds are depreciated over the primary lease term.

Equipment is depreciated on current cost evenly over the estimated life utilising the following lives:

	Years
Medical equipment and engineering plant and equipment	5 to 15
Furniture	10
Mainframe information technology installations	8
Soft Furnishings	7
Office and information technology equipment	5

Fixed asset impairments resulting from losses of economic benefits are charged to the income and expenditure account. All other impairments are taken to the revaluation reserve and reported in the statement of total recognised gains and losses to the extent that there is a balance on the revaluation reserve in respect of the particular asset.

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

Intangible fixed assets held for operational use are valued at historical cost and are amortised over the estimated life of the asset on a straight line basis. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable.

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

Donated fixed assets
Donated fixed assets are capitalised at their current value on receipt and this value is credited to the donated asset reserve. Donated fixed assets are valued and depreciated as described above for purchased assets. Gains and losses on revaluations are also taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to the income and expenditure account.

Similarly, any impairment on donated assets charged to the income and expenditure account is matched by a transfer from the donated asset reserve. On sale of donated assets, the net book value of the donated asset is transferred from the donated asset reserve to the Income and Expenditure Reserve.

1.5 Investments

Investments in subsidiary undertakings, associates and joint ventures are treated as fixed asset investments and valued at market value. Fixed asset investments are reviewed annually for impairments.

Deposits and other investments that are readily convertible into known amounts of cash at or close to their carrying amounts are treated as liquid resources in the cashflow statement. These assets, and other current assets, are valued at cost less any amounts written off to represent any impairments in value, and are reviewed annually for impairments.

1.6 Government Grants

Government grants are grants from Government bodies other than income from primary care trusts or NHS trusts for the provision of services. Grants from the Department of Health, and grants from the Big Lottery Fund, are accounted for as Government grants. Where the Government grant is used to fund revenue expenditure it is taken to the Income and Expenditure account to match that expenditure. Where the grant is used to fund capital expenditure the grant is held as deferred income and released to the income and expenditure account over the life of the asset on a basis consistent with the depreciation charge for that asset. There have been no such transactions during 2006/07.

1.7 Private Finance Initiative (PFI) Transactions

The NHS follows HM Treasury's Technical Note 1 (Revised) "How to Account for PFI transactions" which provides definitive guidance for the application of application note F to FRS 5.

Where the balance of the risks and rewards of ownership of the PFI property are borne by the PFI operator, the PFI payments are recorded as an operating expense. Where the trust has contributed land and buildings, a prepayment for their fair value is recognised and amortised over the life of the PFI contract by charge to the income and expenditure account. Where, at the end of the PFI contract, a property reverts to the trust, the difference between the expected fair value of the residual on reversion and any agreed payment on reversion is built up over the life of the contract by capitalising part of the unitary charge each year, as a tangible fixed asset.

Where the balance of risks and rewards of ownership of the PFI property are borne by the trust, it is recognised as a fixed asset along with the liability to pay for it which is accounted for as a finance lease. Contract payments are apportioned between an imputed finance lease charge and a service charge.

There have been no such transactions during 2006/07

1.8 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Work-in-progress comprises goods and services in intermediate stages of production.

1.9 Cash bank and overdrafts

Cash, bank and overdraft balances are recorded at the current values of these balances in the NHS foundation trust's cashbook. These balances exclude monies held in the NHS foundation trust's bank account belonging to patients (see "third party assets" below). Account balances are only set off where a formal agreement has been made with the bank to do so. In all other cases overdrafts are disclosed within creditors. Interest earned on bank accounts and interest charged on overdrafts is recorded as, respectively, "interest receivable" and "interest payable" in the periods to which they relate. Bank charges are recorded as operating expenditure in the periods to which they relate.

1.10 Research and Development

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

- there is a clearly defined project;
- the related expenditure is separately identifiable;
- the outcome of the project has been assessed with reasonable certainty as to its technical feasibility and its resulting in a product or services that will eventually be brought into use; and
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.
- Expenditure so deferred is limited to the value of future benefits expected and is amortised through the income and expenditure account on a systematic basis over the period expected to benefit from the project. It is revalued on the basis of current cost. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

Where possible, NHS foundation trusts disclose the total amount of research and development expenditure charged in the Income and Expenditure account separately. However, where research and development activity cannot be separated from patient care activity it cannot be identified and is therefore not separately disclosed.

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

1.11 Provisions

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

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 as a note where an inflow of economic benefits is probable.

Contingent liabilities are provided for where a transfer of economic benefits is probable. Otherwise, they are not recognised, but are disclosed as note 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.

Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk-pooling scheme under which the NHS foundation trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with the NHS foundation trust.

The total value of clinical negligence provisions carried by the NHSLA on behalf of the NHS foundation trust is disclosed at note 15.1.

Non-clinical risk pooling

The NHS foundation trust participates in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which the trust pays an annual contribution to the NHS Litigation Authority and in return receives assistance with the costs of claims arising.

The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses when the liability arises. The Trust has also taken out "top up" property insurance via a commercial insurer with premiums charged to operating expenses.

Pension costs

The provisions of the NHS Pensions Scheme cover past and present employees. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practices and other bodies, allowed under the direction of Secretary of State, in England and Wales. As a consequence it is not possible for the NHS foundation trust to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme under FRS 17.

Employers pension cost contributions are charged to operating expenses as and when they become due.

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

Employer contribution rates are reviewed every four years following the scheme valuation. At the last valuation on which contribution rates were rebased (March 1999) employer contribution rates from 2003/04 were set at 14% of pensionable pay.

1.12 Value Added Tax

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

1.13 Corporation Tax

The Trust has determined that it has no corporation tax liability having reviewed "Guidance on the tax treatment of non core health care commercial activities of NHS Foundation Trusts" issued by HM Revenue and Customs supplemented by access to specific specialist advice when necessary.

1.14 Foreign Exchange

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

1.15 Third Party Assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the NHS foundation trust has no beneficial interest in them. However, they are disclosed in a separate note to the accounts in accordance with the requirements of the HM Treasury *Financial Reporting Manual*.

1.16 Leases

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

1.17 Public Dividend Capital (PDC)

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities i.e. the net assets of a public benefit corporation.

A charge, reflecting the forecast cost of capital utilised by the NHS foundation trust, is paid over as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the NHS foundation trust.

Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for donated assets and cash held with the Office of the Paymaster General. Average relevant net assets are calculated as a simple mean of opening and closing relevant net assets.

1.18 Prior Year Comparatives

Liverpool Women's Hospital NHS Trust was authorised as a Foundation Trust with effect from 1st April 2005. As this is the second year of operation as a Foundation Trust comparative figures are provided.

Segmental Recording

2.1 The Liverpool Women's NHS Foundation Trust (The Trust) is not required to complete a segmental analysis of its accounts as the totality of its operations relate to Healthcare.

Income from Activities

3.1 Income from Activities comprises

	2006/07 £000	2005/06 £000
Elective income	**10,576**	8,739
Non elective income	**21,072**	21,805
Outpatient income	**13,297**	11,830
Other type of activity income	**22,530**	21,425
Accident and Emergency income	**1,321**	1,065
Total Income	**68,796**	64,864
PbR relief or (clawback)	**982**	(1,889)
Income from Activities (before private patient income)	**69,778**	62,975
Private patient income	**1,037**	1,230
TOTAL INCOME FROM ACTIVITIES	**70,815**	64,205

3.2 Private Patient Income

	2006/07 £000	Base Year 2002/03 £000	2005/06 £000
Private patient income	**1,037**	**939**	1,230
Total patient related income	**70,815**	**52,145**	64,205
Proportion of private patient income as a percentage	**1.5%**	**1.8%**	1.9%

Section 15 of the Health and Social Care (Community Health and Standards) Act 2003 requires that the proportion of private patient income to the total patient related income of NHS Foundation Trusts should not exceed its proportion whilst the body was an NHS Trust in 2002/03. The Trust was compliant with this requirement in 2006/07.

3.3 Income from Activities comprises

	2006/07 £000	2005/06 £000
NHS Foundation Trusts	**216**	114
NHS Trusts	**2,119**	1,916
Primary Care Trusts	**61,750**	60,956
Department of Health - other	**4,357**	(641)
NHS other	**1,252**	589
Non NHS - Private patients	**1,037**	1,230
Non NHS - Overseas patients (non reciprocal)	**2**	0
Road Traffic Act (RTA)	**13**	14
Non NHS – other	**69**	27
TOTAL INCOME FROM ACTIVITIES	**70,815**	**64,205**

Other Operating Income

4.1 Other operating income comprises

	2006/07 £000	2005/06 £000
Research and development	**613**	595
Education and training	**4,089**	4,354
Transfers from the donated asset reserve	**28**	23
Other	**2,630**	1,822
TOTAL OTHER OPERATING INCOME	**7,360**	**6,794**

The Education and Training income arises from the provision of mandatory education and training set out in the Trust Terms of Authorisation. All other operating income is non protected and includes:

	2006/07 £000	2005/06 £000
Provision of clinical support services to North West Fertility Ltd	**857**	0
Car Parking Income	**316**	259
Provision of Laboratory Services	**211**	200
Improving Hospitals Programme	**0**	150
Catering	**140**	140
Perinatal Audit	**169**	118

Operating Expenses

5.1 Operating expenses comprise:

	2006/07 £000	2005/06 £000
Services from NHS Foundation Trusts	**2,896**	13
Services from NHS Trusts	**3,634**	6,497
Services from other NHS bodies	**69**	69
Executive director costs	**718**	665
Non-executive director costs	**67**	52
Staff costs	**47,236**	42,983
Drug costs	**2,331**	2,277
Supplies and Services – clinical (excluding drug costs)	**3,055**	3,008
Supplies and Services – general	**2,556**	2,394
Establishment	**940**	975
Research and development *	**0**	0
Transport	**125**	107
Premises	**2,538**	2,213
Bad debts	**221**	0
Depreciation and amortisation	**2,557**	2,330
Fixed asset impairments and reversals	**163**	0
Audit fees	**58**	65
Clinical negligence	**3,590**	3,553
Other	**2,206**	1,575
TOTAL OPERATING EXPENSES	**74,960**	68,776

* Research and development expenditure is not separately disclosed above as it cannot be identified separately from Trust patient care activity.

5.2 Operating Leases:

5.2.1 Operating expenses include:

	2006/07 £000	2005/06 £000
Hire of plant and machinery	**25**	30
Other operating lease rentals	**28**	29
TOTAL OPERATING LEASE RENTALS	**53**	59

5.2.2 Annual commitments under non-cancellable operating leases are:

Operating leases which expire:	Other Leases 2006/07 £000	Other Leases 2005/06 £000
Within 1 year	17	21
Between 1 and 5 years	11	13
After 5 years	0	0
TOTAL OPERATING LEASE RENTALS	**28**	**34**

The Trust held no operating leases in respect of land and buildings during both 2006/07 and 2005/06

5.3 Audit fees comprise:

	2006/07 £000	2005/06 £000
Audit services – statutory audit	**39**	65
Audit services – audit related regularity reporting	**0**	0
Other auditors remuneration further assurance services	**0**	0
Other auditors remuneration other services	**19**	0
TOTAL AUDIT FEES	**58**	65

5.4 Salary and Pension Entitlements of Senior Managers:

5.4.1 Salary entitlements:

		Salary (bands of£5,000) 2006/07 £000	Other Remuneration (bands of£5,000) 2006/07 £000	Salary (bands of£5,000) 2005/06 £000	Other Remuneration (bands of£5,000) 2005/06 £000
Louise Shepherd	Chief Executive	**110 - 115**	**0**	105 - 110	0
David Richmond	Medical Director	**40 - 45**	**145 - 150**	35 - 40	115 - 120
Sue Lorimer	Director of Finance	**85 - 90**	**0**	75 - 80	0
Gill Core	Director of Nursing Commenced 1st April 2006	**65 - 70**	**0**	0	0
Caroline Salden	Director of Service Development	**65 - 70**	**0**	55 - 60	0
Kim Doherty	Director of Human Resources	**50 - 55**	**0**	45 - 50	0
Ken Morris	Chair	**20 - 25**	**0 - 5**	15 - 20	0
David Carbery	Non executive director	**5 - 10**	**0**	5 - 10	0
Roy Morris	Non executive director	**5 - 10**	**0**	5 - 10	0
Hoi Yeung	Non executive director	**5 - 10**	**0**	5 - 10	0
Ann McCracken	Non executive director	**5 - 10**	**0**	5 -10	0
Yvonne Rankin	Non executive director Commenced 14th July 2006	**5 - 10**	**0**	5 - 10	0

Note: There were no benefits in kind payable to senior managers, and there were no compensation payments for loss of office.

5.4.2 Pension entitlements:

Executive Directors		Real increase in pension and related lump sum at age 60 (bands of £2,500)	Total accrued pension and related lump sum at age 60 31st March 2007 (bands of £2,500)	Real increase in CETV £000	CETV at 31st March 2007 £000	Cash Equivalent Transfer Value (CETV) at 31st March 2006 £000
Louise Shepherd	Chief Executive	**10 - 12.5**	**107.5 - 110**	**44**	337	293
David Richmond	Medical Director	**52.5 - 55**	**210 - 212.5**	**236**	899	663
Sue Lorimer	Director of Finance	**5 - 7.5**	**90 - 92.2**	**31**	338	307
Gill Core	Director of Nursing	**Not applicable**	**90 - 92.5**	**Not applicable**	300	Not available
Caroline Salden	Director of Service Development	**5 - 7.5**	**45 - 47.5**	**24**	122	98
Kim Doherty	Director of Human Resources	**2.5 - 5**	**37.5 - 40**	**12**	99	87

As non executive directors do not receive pensionable remuneration there are no entries in respect of pensions for non executive directors.

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

Real increase in CETV reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Staff Costs and Numbers

6.1 Staff costs including director costs:

	2006/07 £000	2005/06 £000
Salaries and wages	**40,313**	36,473
Social Security costs	**2,782**	2,725
Employer contributions to the NHS pensions agency	**4,401**	4,061
Agency and Contract staff	**458**	389
Seconded-in staff	**0**	0
TOTAL STAFF COSTS	**47,954**	43,648

6.2 Average number of persons employed:

	TOTAL 2006/07 Number	Senior Managers Number	Others Number	Staff on Inward Secondment	Agency, Temporary and Contract staff Number	Total 2005/06 Number
Medical and Dental	**127**	1	126	0	0	125
Administration & Estates	**246**	5	238	0	3	234
Healthcare Assistants & Other Support staff	**117**	0	117	0	0	109
Nursing, Midwifery & Health visiting staff	**671**	0	633	0	38	668
Nursing, Midwifery, & Health visiting learners	**0**	0	0	0	0	0
Scientific, Therapeutic & Technical staff	**112**	0	109	0	3	109
TOTAL	**1,273**	**6**	**1,223**	**0**	**44**	**1,245**

6.3 Employee benefits:

There were no employee benefits attributable to individual employees during 2006/07 (2005/06 nil)

6.4 Retirements due to ill-health

This note discloses the number and additional pension costs for individuals who retired early on ill-health grounds during the year. There were 2 (2005/06 0) retirements at an additional cost of £102,807.67 (£0). This information has been provided by NHS Pensions.

6.5 Pension Costs:

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

The Scheme is subject to a full valuation by the Government Actuary every four years which is followed by a review of the employer contribution rates. The last valuation took place as at 31st March 2003 and has yet to be finalised.The last published valuation covered the period 1st April 1994 to 31st March 1999. Between valuations the Government Actuary provides an update of the scheme liabilities on an annual basis. The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions Agency website at www.nhspa.gov.uk. Copies can also be obtained from the Stationery Office.

The conclusion of the 1999 valuation was that the scheme continues to operate on a sound financial basis and the notional surplus of the scheme is £1.1 billion. It was recommended that employers' contributions remain at 7% of pensionable pay until 31st March 2003 and then be increased to 14% of pensionable pay with effect from 1st April 2003. On advice from the actuary the contribution may be varied from time to time to reflect changes in the scheme's liabilities. Employees pay contributions of 6% (manual staff 5%) of their pensionable pay.

Disposal of Fixed Assets

7.1 Profit and (Loss) on disposal of fixed assets comprises:

	2006/07 £000	2005/06 £000
Profit on disposal of other tangible fixed assets (equipment)	**0**	0
Loss on disposal of other tangible fixed assets (equipment)	**(35)**	(9)
TOTAL PROFIT/(LOSS) ON DISPOSAL OF FIXED ASSETS	**(35)**	(9)

Interest Payable and Similar Charges

Assets disposed of were unprotected, there being no disposals of protected assets in the period.

8.1 Interest payable:

	2006/07 £000	2005/06 £000
Overdrafts	**0**	0
Finance leases	**0**	0
Other • other interest payable • unwinding of discount	 **(1)** **(22)**	 0 (118)
TOTAL INTEREST PAYABLE	**(23)**	(118)

8.2 The late payment of commercial debts (interest) Act 1998:

	2006/07 £000	2005/06 £000
Amounts included within other interest payable arising from claims made under this legislation	**0**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0

Public Dividend Capital Dividend

9.1 The Trust is required to pay a dividend to the Department of Health at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on PDC, totalling £1,714,000 (2005/06 £1,614,000) bears to the average relevant net assets of £44,996,949 (2005/06 £46,197,500) that is 3.8% (2005/06 3.5%).

Losses and Special Payments

10.1 NHS Foundation Trusts are required to record cash payments and other adjustments that arise as a result of losses and special payments. In the year 2006/07 (prior year 2005/06) the Trust had 137 (24) separate losses and special payments, totalling £100,814 (£19,425). The bulk of these were in relation to the write-off of bad debts and claims abandoned.

Fixed Assets

11.1 Intangible fixed assets at the balance sheet date comprise the following:

	Software Licences £000
Gross Cost at 1st April 2006	**291**
Additions – purchased	41
Cost or Valuation at 31st March 2007	**332**
Amortisation at 1st April 2006	154
Provided during year	47
Amortisation at 31st March 2007	**201**
Net book value:	
Total purchased as at 1st April 2006	**137**
Total purchased at 31st March 2007	**131**

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

	Land £000	Buildings ex dwellings £000	Dwelling £000	Assets under construction £000	Plant & Machinery £000	Information Technology £000	Furniture & Fittings £000	Total £000
Cost or Valuation at 1st April 2006	**8,055**	**37,517**	**0**	**481**	**11,476**	**1,274**	**192**	**58,995**
Additions – purchased	0	733	259	430	1,259	432	23	**3,136**
Additions – donated	0	0	0	0	11	0	0	**11**
Impairments	0	0	0	(138)	0	(42)	0	**(180)**
Disposals	0	0	0	0	(156)	0	0	**(156)**
Cost or Valuation at 31st March 2007	**8,055**	**38,250**	**259**	**773**	**12,590**	**1,664**	**215**	**61,806**
Accumulated depreciation at 1st April 2006	0	1,110	0	0	7,382	341	54	8,887
Provided during year	0	1,152	6	0	1,086	233	33	2,510
Impairments	0	0	0	0	0	(17)	0	(17)
Disposals	0	0	0	0	(121)	0	0	(121)
Accumulated depreciation at 31st March 2007	**0**	**2,262**	**6**	**0**	**8,347**	**557**	**87**	**11,259**
Net book value								
Purchased at 1st April 2006	8,055	36,282	0	481	4,007	933	126	49,884
Donated at 1st April 2006	0	125	0	0	87	0	12	224
Total as at 1st April 2006	**8,055**	**36,407**	**0**	**481**	**4,094**	**933**	**138**	**50,108**
Purchased at 31st March 2007	8,055	35,866	253	773	4,168	1,107	118	50,340
Donated at 31st March 2007	0	122	0	0	75	0	10	207
Total at 31st March 2007	**8,055**	**35,988**	**253**	**773**	**4,243**	**1,107**	**128**	**50,547**

There are no restrictions on the use of donated assets

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

	2006/07 £000	2005/06 £000
Freehold	**44,043**	44,462
Long Leasehold	**253**	0
Total	**44,296**	44,462

The assets are used in the provision of mandatory services and are therefore classified as protected

Stocks and Work in Progress

12.1 Stocks and work in progress comprise:

	2006/07 £000	2005/06 £000
Raw materials and consumables	**437**	571

Debtors

13.1 Debtors comprise:

	2006/07 £000	2005/06 £000
Amounts falling due within one year:		
NHS Debtors	**2,173**	2,220
Amounts recoverable on contracts	**182**	137
Provision for irrecoverable debts	**(250)**	(40)
Other Debtors	**1,091**	738
Other Prepayments and Accrued Income	**145**	734
TOTAL DEBTORS	**3,341**	**3,789**

Creditors

14.1 Creditors comprise:

	2006/07 £000	2005/06 £000
Amounts falling due within one year:		
NHS creditors	**2,229**	1,733
Tax and Social Security	**1,486**	1,441
Other creditors	**3,511**	3,368
Accruals and deferred income	**2,069**	1,795
TOTAL CREDITORS	**9,295**	8,337

Provisions for Liabilities and Charges

15.1 Provisions for liabilities and charges comprise:

	TOTAL £000	Pensions Other Staff £000	Other Legal Claims £000	Other £000	Total 31st March 2006 £000
As at 1st April 2006	**1,172**	1,149	0	23	1,966
Change in discount rate to 2.2%	**0**	0	0	0	94
Arising during the year	**1,075**	65	76	934	20
Utilised during the year	**(118)**	(59)	(43)	(16)	(692)
Transfer to accruals	**0**	0	0	0	(240)
Reversed unused	**(76)**	(76)	0	0	0
Unwinding of discount	**22**	22	0	0	24
As at 31st March 2007	**2,075**	**1,101**	**33**	**941**	**1,172**
Expected timing of cashflows:					
- within one year	**189**	55	33	101	83
- between one and five years	**1,065**	225	0	840	232
- after five years	**821**	821	0	0	857

Pensions relating to other staff are for early retirements and reflect actuarial forecasts in respect of the duration of payments.

Other Legal Claims comprises amounts due as a result of third party and employee liability claims. The values are informed by information provided by the Trust's insurer the NHS Litigation Authority.

Other provisions comprise amounts provided for legal claims for back pay from the implementation of Agenda for Change.

£29,851,134 is included within the provisions of the NHS Litigation Authority as at the 31st March 2007 in respect of the clinical negligence liabilities of the Trust. (31st March 2006 £25,445,297)

15.2 Contingent Liability

The Trust has a contingent liability of £27,750 at the 31st March 2007 in respect of Liabilities to third parties claims which has not been provided for.

Movement on Reserves

16.1 Movements on reserves in the year comprise:

	Revaluation Reserve £000	Donated Asset Reserve £000	Other Reserves £000	Income and Expenditure Reserve £000	TOTAL £000
As at 1st April 2006	16,411	224	0	240	**16,875**
Transfer from the income and expenditure account	0	0	0	1,772	**1,772**
Transfers of realised profits/(losses) to the income and expenditure reserve	(33)	0	0	33	**0**
Transfers to the income and expenditure account in respect of depreciation charge in excess of that on historic cost	(41)	0	0	41	**0**
Surplus on other revaluations	0	0	0	0	**0**
Receipt of donated assets	0	11	0	0	**11**
Transfers to the Income and Expenditure Account for depreciation, impairment and disposal of donated assets	0	(28)	0	0	**(28)**
Other transfers between reserves	(13)	0	0	13	**0**
As at 31st March 2007	**16,324**	**207**	**0**	**2,099**	**18,630**

Prudential Borrowing Limit

17.1 The Liverpool Women's NHS Foundation Trust is required to comply and remain within a Prudential Borrowing Limit (PBL). This is made up of two elements:

a) the maximum cumulative amount of long term borrowing. This is set by reference to five ratio tests set out in Monitor's Prudential Borrowing Code further details of which can be found on the website of Monitor.
b) the amount of any working capital facility approved by Monitor

The Trust had a prudential borrowing limit (PBL) of £22.2million (£20.7million in 2005/06) of which £17.2m (£15.7m) related to long-term borrowing and £5m (£5m) to a working capital facility. The Trust has not yet borrowed against this limit and thus the only ratio of relevance is that of the Minimum Dividend Cover. The table below confirms that the Trust was within the approved ratios

	2006/07 Actual Ratio	2006/07 Approved Ratio	2005/06 Actual Ratio	2005/06 Approved Ratio
Maximum Debt/Capital Ratio		**25%**		25%
Minimum Dividend Cover	**3.6**	**1**	2.94	1
Minimum Interest Cover		**3**		3
Minimum Debt Service Cover		**2**		2
Maximum Debt Service to Revenue		**3%**		3%

On 31st March 2007 the Trust had in place an actual working capital facility of £5million.

Notes to the Cash Flow Statement

18.1 Reconciliation of operating surplus to net cash flow from operating activities

	2006/07 £000	2005/06 £000
Total Operating Surplus	3,215	2,223
Depreciation and amortisation	2,557	2,330
Fixed asset impairments	163	0
Transfer from donated asset reserve	(28)	(23)
Other Movements	0	(118)
(Increase)/Decrease in Stocks	134	398
(Increase)/Decrease in Debtors	464	(171)
Increase/(Decrease) in Creditors	729	3,153
Increase/(Decrease) in Provisions	879	(794)
Net Cash inflow from operating activities	**8,113**	**6,998**

18.2 Reconciliation of net cash flow to movement in cash and liquid resources

	2006/07 £000	2005/06 £000
Increase in cash in the year	**2,025**	3,955
Cash used to increase liquid resources	**2,250**	0
Cash and Liquid resources 1st April 2006	**4,152**	197
Cash and Liquid Resources 31st March 2007	**8,677**	**4,152**

18.3 Analysis of changes in cash and liquid resources

	As at 31st March 2007 £000	Cash Changes in Year £000	As at 31st March 2006 £000
Cash at bank and in hand	6,177	2,025	4,152
Liquid resources	2,500	2,500	0
Total	**8,677**	**4,525**	**4,152**

Liquid resources comprise short term deposits with the National Loans Fund.

Capital Commitments

19.1 At the balance sheet date of 31st March 2007 the Trust had a capital commitment of £1,032,049 (2005/06 £104,575) in respect of the implementation of the PACS and clinical information systems within the Genetics and Neonatal directorates.

Post Balance Sheet Events

20.1 There are no disclosable post balance sheet events.

Movements in Taxpayers Equity

21.1 Movement in taxpayers equity comprises.

	2006/07 £000
Taxpayers equity at 1st April 2006	49,248
Surplus for the financial year	3,486
Public Dividend capital dividends	(1,714)
Gains from revaluation/indexation of purchased fixed assets	0
New Public Dividend Capital received	760
Movement on Donated Asset reserve	(17)
Taxpayers equity at 31st March 2007	**51,763**

21.2 Movement in Public dividend capital comprises.

	2006/07 £000
Public dividend capital at 1st April 2006	32,373
Public dividend capital received in year	760
Public dividend capital at 31st March 2007	**33,133**

Related Party Transactions

22.1 The Liverpool Women's NHS Foundation Trust is a public interest body authorised by Monitor the Independent Regulator for NHS Foundation Trusts.

During the year the Trust has undertaken the following material transactions with North West Fertility Limited with whom senior clinical and scientific managers within the Trust hold directorships and shareholdings:

	Income £000	Expenditure £000
Provision of clinical support services to North West Fertility Limited	857	0

Non material transactions were also undertaken with the Liverpool John Moores University, and Mace and Jones Solicitors as part of the normal day to day running of the Trust with whom a non executive director of the Trust holds a directorship and chairmanship respectively.

As NHS Foundation Trusts are independent bodies, not controlled by the Secretary of State, the Trust does not automatically deem other Government departments to be related parties.

The Trust has also received a number of non material revenue payments reimbursing staff expenditure from a number of charitable funds for which the Trust acts as Corporate Trustee.

22.2 At the 31st March 2007 the following balances were held by the Trust in respect of related parties:

	Debtors £000	Creditors £000
North West Fertility Ltd.	233	0

Financial Instruments

23.1 FRS 13 Derivatives and other Financial Instruments, requires disclosure of the role that financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities.

As allowed by FRS13 debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile

Liquidity Risk

The Liverpool Women's NHS Foundation Trust net operating costs are incurred under legally binding contracts with local Primary Care Trusts. The Trust receives regular monthly payments from PCTs based on an agreed contract value with adjustments made for actual services provided. The availability of a working capital facility with the Trust's bankers mitigates the risk arising from potential variations in income arising from delivery of patient care services.

The Trust finances its capital expenditure from internally generated funds or Public Dividend Capital made available by the Department of Health. The Trust is therefore not exposed to significant liquidity risks.

Interest Rate Risk

All of the Trust's financial assets carry nil or fixed rates of interest. The Trust is not exposed to significant interest rate risk.

Foreign Currency Risk

The Trust has negligible foreign currency income or expenditure.

23.2 Financial Assets

	TOTAL £000	Floating Rate £000	Fixed Rate £000	Non Interest Bearing £000	Fixed Rate	
					Weighted Average interest rate %	Weighted average period for which fixed
At 31st March 2007						
Sterling	**8,677**	8,623	0	54		
Gross financial Assets	**8,677**	**8,623**	**0**	**54**		
At 31st March 2006						
Sterling	**4,152**	4,152	0	0		
Gross financial Assets	**4,152**	**4,152**	**0**	**0**		

23.3 Financial Liabilities

	TOTAL £000	Floating Rate £000	Fixed Rate £000	Non Interest Bearing £000	Fixed Rate	
					Weighted Average interest rate %	Weighted average period for which fixed
At 31st March 2007						
Sterling	(34,234)	0	(1,101)	(31,133)	2.2%	indeterminate
Gross financial Liabilities	(34,234)	0	(1,101)	(31,133)		
At 31st March 2006						
Sterling	(35,522)	0	(1,149)	(32,373)	2.2%	indeterminate
Gross financial Liabilities	(35,522)	0	(1,149)	(32,373)		

The non-interest bearing financial liability relates to PDC and so is of unlimited term although the Secretary of State can require repayment of PDC at any time.

23.4 Fair values

	Book Value £000	Fair Value £000	Basis of fair valuation
Financial Assets			
Cash	6,177	6,177	
Investments	2,500	2,500	
Total	8,677	8,677	
Financial Liabilities			
Provisions under contract	(1,101)	(1,101)	a)
Public Dividend Capital	(33,133)	(33,133)	
Total	**(34,234)**	**(34,234)**	

a) Fair value is not significantly different from book value since in the calculation of book values the expected cashflows have been discounted by the treasury discount rate of 2.2%

Third Party Assets

24.1 The Trust held no cash or other assets on behalf of patients at the 31st March 2007.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERSHIP COUNCIL OF LIVERPOOL WOMEN'S NHS FOUNDATION TRUST

We have audited the financial statements on pages 35 - 59.

This report is made solely to the Membership Council of Liverpool Women's NHS Foundation Trust ("the Trust"), as a body, in accordance with the Health and Social Care (Community Health and Standards) Act 2003. Our audit work has been undertaken so that we might state to the Trust 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective **responsibilities** of the Chief Executive and auditors

The Chief Executive's responsibilities for preparing the financial statements in accordance with directions issued by Monitor and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Accounting Officer's responsibilities on page 30.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland) and to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with directions issued under paragraph 25 of Schedule 1 of the Health and Social Care (Community Health and Standards) Act 2003, and whether the accounts comply with the requirements of all other provisions contained in, or having effect under, any enactments which are applicable to the accounts. We also report to you if, in our opinion, the Trust has not observed proper practices in compilation of the accounts, the information given in the Annual Report is not consistent with the financial statements, the Trust has not kept proper accounting records, we have not received all the information and explanations we require for our audit, if information specified regarding directors' remuneration and other transactions is not disclosed or if we cannot conclude that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We review whether the Statement on Internal Control on page 31 is misleading or inconsistent with other information we are aware of from our audit of the financial statements and our knowledge of the Trust. We are not required to consider, nor have we considered, whether the Statement on Internal Control covers all risks and controls. We are also not required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and Audit Code for Foundation Trusts issued by Monitor. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Chief Executive in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

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

Opinion
In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Trust's affairs at 31 March 2007 and of its surplus for the year then ended and have been properly prepared in accordance with the direction issued by Monitor on 21 December 2006 under the Health and Social Care (Community Health and Standards) Act 2003.

Certificate
We certify that we have completed the audit of the accounts in accordance with the requirements of the Health and Social Care (Community Health and Standards) Act 2003 and the Audit Code for Foundation Trusts issued by Monitor.

Baker Tilly UK Audit LLP
Chartered Accountants
Brazennose House
Lincoln Square
Manchester M25BL

8th June 2007

INDEPENDENT AUDITORS' REPORT TO MONTOR ON LIVERPOOL WOMEN'S NHS FOUNDATION TRUST CONSOLIDATION SCHEDULES

We have examined the consolidation schedules (FTCs) of Liverpool Women's NHS Foundation Trust for the year ended 31 March 2007.

This report is made solely to Monitor in accordance with the Audit Code for Foundation Trusts.

In our opinion these consolidation schedules are consistent with the audited accounts.

Baker Tilly UK Audit LLP
Chartered Accountants
Brazennose House
Lincoln Square
Manchester M25BL

8th June 2007

Liverpool Women's NHS
NHS Foundation Trust

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