Royal Liverpool Children's NHS
NHS Trust

Growing together

Annual Report and Accounts 07/08

Foreword

It has been yet another exciting and challenging year for Alder Hey. We were delighted to be rated 'excellent' by the Healthcare Commission, achieving their highest ranking for the fifth consecutive year, reflecting the excellent services that we provide in annually delivering over 244,000 episodes of care to children and young people.

This was underpinned by national recognition of the innovative work we are doing through a number of prestigious awards for patient care and patient safety. These achievements are solely due to the continued dedication and sheer hard work of all of our staff who pull together as a team to maintain the highest standards and continually strive to make things even better.

One of our biggest changes has been in our leadership and we welcomed our new Chief Executive Louise Shepherd who joined us in March from Liverpool Women's Hospital following the departure of Tony Bell.

"It was a real privilege to work with Tony over the time he was with us and it is thanks to his dynamic leadership that the Trust enjoys the excellent standing it has today," says Angela. "Louise is already making great strides towards achieving our vision and her experience and expertise in the Foundation Trust world is proving invaluable. It is already clear that she shares our passion for the special place that is Alder Hey."

"It has been an exciting start to my time at Alder Hey!" adds Louise. "We were delighted to have been authorised as a Foundation Trust in August 2008 after much effort by all of our staff, governors and Board"

Our membership has more than doubled this year and we have more than 13,500 members who are engaged and supportive of the Trust's aspiration. This important engagement with our patients, their families, the public and our partners will be instrumental in the way that we operate as a Foundation Trust in the future. Read more about being a Foundation Trust on page 8.

As one of Europe's biggest and busiest children's hospitals, we acknowledge our responsibilities for public health – with particular focus on addressing the serious health inequalities in the communities in which we operate. We were proud to launch our Public Health Strategy in October 2007 which is championed by our executive nurse and were honoured to become England's first paediatric public health promoting hospital accredited by the World Health Organisation in June 2008. Read more about our public health strategy on page 22.

Planning for the Children's Health Park – our new hospital in the adjacent Springfield Park – is progressing well and will go even further in helping to address health inequalities as we make our parkland and facilities available to our local community. The state-of-the art facility will be a true landmark and a testament to the highest quality of children's healthcare provided in the North of England. Find out more about our children's health park at www.childrenshealthpark.org.uk

Our permanent charity, the Alder Hey Imagine Appeal, whose patron is Yoko Ono, has enjoyed an amazing year; spearheaded by its inaugural major event The Imagine White Ball. The spectacular evening at Knowsley Hall raised an outstanding £800,000 which will buy medical equipment and fund a number of unique projects for our children. In particular we were honoured to receive the largest ever financial donation from the Barclay Foundation whose £3million will buy an inter-operative MRI scanner. Find out more about our Imagine Appeal on page 18.

On behalf of the Board we would like to take this opportunity to express our gratitude to everyone who makes Alder Hey the success that it is today. From our patients, their families and carers, the volunteers, our governors and members, fundraisers and partners and the many whose contributions support so many areas of our work, to our staff – whose commitment and sheer determination to continually provide world class care never ceases to amaze us. You all make Alder Hey a unique and very special place and for that we truly thank you.

Chair
OBE DL

Chief Executive

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Who we are

Alder Hey sees and treats more than 200,000 children and young people every year and serves a population of over seven million from the North-West, North Wales, Shropshire and the Isle of Man.

We offer a comprehensive range of specialist and general health services at our main site, Alder Hey hospital in West Derby, Liverpool, which was founded in 1914 and is one of the largest and busiest children's hospitals in Europe. Our specialist services include a dedicated intensive care unit, burns unit, a bone marrow transplant centre and we are a centre of excellence for children with cancer, heart, spinal, and brain disease. In the North West region we also provide specialist mental health services and are a national centre for head and face surgery.

Our general services include an accident and emergency department, which treats 65,000 children every year. We have 10 state-of-the-art operating theatres, 309 in-patient and day case beds, and a wide-reaching child and adolescent mental health service.

We offer community and mental health service at over 50 sites across Merseyside and are working closely with primary care trusts and local authorities to set up children's centres close to people's homes. This is in addition to more than 800 specialist clinical sessions a year delivered across the North West, North Wales, Shropshire and the Isle of Man. In fact, 40 per cent of our work is carried out in a community setting.

We have a world-class reputation for saving the lives of sick children and a proud history of medical achievement and clinical innovation. As a teaching hospital we are involved in training more than 600 medical students every year.

What guides us

Our vision is to lead world class healthcare for children and young people by committing to excellence through:

Partnership Research
Innovation Learning

Our

values are at the heart of everything we do:

Communicate effectively at the right time, in the right way, to the right people
Honesty and openness about how we work together
Innovate to continuously improve services
Lead others and improvements in service
Develop staff to ensure they can reach their full potential
Respect for all, at all times
Energise and enthuse others to deliver excellence in everything we do
Nationally and internationally promote research and best practice

To achieve our vision we work to our business goals and objectives:

1 Making sure we are financially sound by:
- Working efficiently
- Having the right financial controls in place

2 Improving the design and quality of our services by:
- Continual improvement through the values and behaviour of our staff
- Listening and responding to the views and experiences of patients and their families

3 Achieving high performance by:
- Achieving "excellence" in the Healthcare Commission's annual performance ratings
- Meeting service access targets
- Being able to respond quickly to change

4 Managing risk effectively by:
- Having the right systems to assess and manage risk
- Developing plans to reduce known risks

5 Continuing to develop our workforce by:
- Making sure our staff have the right skills
- Having the right policies for recruiting and retaining staff
- Developing our staff so they can progress within the Trust

6 Working with other organisations to:
- Improve services
- Safeguard children and young people
- Influence national policy

Becoming a Foundation Trust

We were delighted to have been authorised by Monitor as a Foundation Trust in August 2008.

Being a Foundation Trust will allow us much stronger links with children, families, carers and the communities that we serve so that they are at the heart of everything that we do. Our staff will have a greater involvement in shaping our future and we will be able to make crucial decisions about new services and facilities more independently. Importantly, we will have much greater say over how we manage our finances and where we reinvest any surpluses in the future.

We will remain part of the NHS, employing NHS staff and treating patients exactly as we do now and we will maintain the same high quality standards. We will continue to have independent inspections from the Healthcare Commission just like other NHS organisations.

We have a widely represented membership of over 13,500 from which our Council of Governors has been elected. We have recruited members from the areas we serve from Cumbria to Shropshire, ranging from children as young as seven to adults. Listening to and involving children, young people and their families is critical to the way we design and provide our services for the future.

Council of Governors & Membership

Working towards Foundation Trust status we achieved a number of milestones including:

- Holding Governor Inductions in July and November where our governors learned more about us and what we do and met the people they will be working with in the future.
- Engaging with our membership through correspondence and newsletters.
- Development of our membership engagement plan which will allow meaningful dialogue and facilitate further improvement of our services.
- Providing welcome 'goody' packs to more than 3,000 child members.
- The interests of our members and the many partner organisations with which we work are represented by the Council of Governors. The Council will work alongside the Trust Board to ensure that the views of the members are incorporated into future plans.

We have 36 Governors representing our member constituencies across the geographical boundaries which we serve.

How the Council is made up

9 Public Constituency
4 Patients (aged 16-19yrs from the patient, parent and carer constituency)
6 Parents or carers from the patient and carer constituency
6 Staff constituency
11 Appointed by partner organisations

(Members over the age of 16 can stand to be a Governor and we expect the next elections to take place in 2010.)

Celebrating diversity

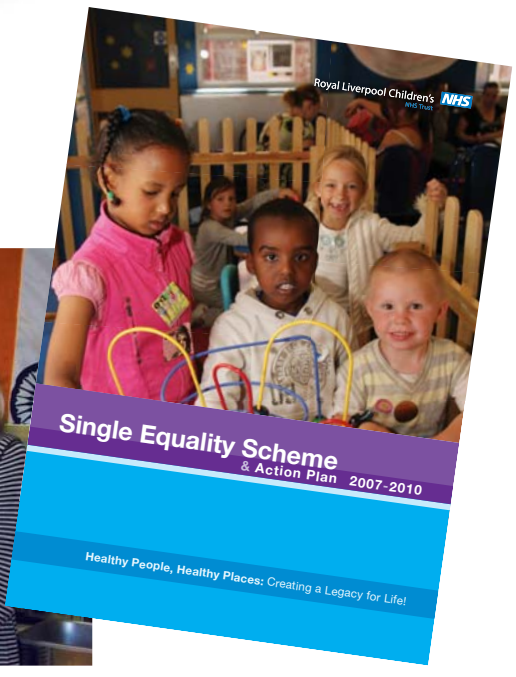
We celebrated the launch of our Single Equality Scheme at the hospital's Oasis restaurant with the theme 'Our World at Alder Hey'. The scheme describes what we will do to improve our services and employment opportunities to all sections of the community and ensure that people are not discriminated against on the basis of their race, disability, gender, sexuality, religion or belief or age.

We were joined by a range of organisations who work specifically with diverse groups. We further developed these collaborative partnerships - particularly in relation to disability - and are expanding this in other areas to further embed equality and diversity.

We have made significant progress in collating detailed information about our workforce and managers have received intensive training in equality and diversity and this will be extended to include all staff.

We have nominated equality and diversity advocates for each key area who have actively engaged staff throughout the year. These advocates also liaise with patients and their parents and carers.

Our public health strategy (see page 22) recognises health inequalities in our communities and it has helped us to focus on equality and diversity as an issue of importance in the way our services are delivered and developed. The appointment of a new service equality and diversity lead will allow us to build on improvements in the way we offer our services.


Royal Liverpool Children's NHS
Single Equality Scheme
& Action Plan 2007-2010
Healthy People, Healthy Places: Creating a Legacy for Life!

Changing for the better

Our organisation-wide change management programme 'Rapid Improvement'

We embarked on an organisation-wide Rapid Improvement programme supported by Lean Thinking methodology as part of our quest to become a world-class paediatric service provider.

Rapid Improvement means that we can improve the way we work, remove processes which do not add value to patients and at the same time ensure that we remain financially viable. Critically, we involve our staff in making the changes and achieving and delivering a patient experience second to none.

The important element of this programme is that it's rapid!

Areas for improvement are identified by our staff and escalated to a rapid improvement event which usually takes five days. Staff from that area and those who work with the team participate and examine every area of the process. By Day 5 the team has identified problems, devised solutions and is ready to trial the proposed changes. We seek input and feedback from our patients and their families at every opportunity to make sure we are delivering what they need rather than what we think they need.

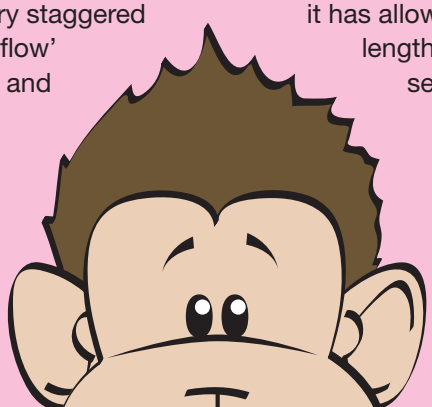
Although Rapid Improvement has been underway at Alder Hey for just a short time, more than 30 Rapid Improvement Events involving over 250 staff members have already taken place. One of our early but significant successes was the transformation of our surgical day case unit, Ward K1.

Case Study - Ward K1

Before...

After...

We have created a superior day case experience with reduced time between decision to admit to day of admission, virtually eliminating waiting times for day case patients! On the day of surgery staggered admission times allow patients to 'flow' smoothly through their procedures and be recovered and discharged with the minimum of distress.



As well as turning what used to be a drawn out, tedious process for patients and their families into a smoother, quicker and more enjoyable experience, it has allowed us to significantly reduce the average length of stay for patients. We can therefore see many more patients each day, from 30 patients per day to 44. This will generate an additional £3million of income for us which we will be able to plough back into further service developments.

Partnership working

We are committed to involving our patients and their parents and carers in how we plan and deliver our services as well as a large number of associated and external partners. Here we tell you about just some of them:

The Children & Young People's Council

We are extremely fortunate to have a dedicated number of children and young people who make up Communic8 and who are a hugely valuable consultative group for the hospital. The Council re-launched itself in the summer and is now Communic8 - Your Views, Your Voice and aims to provide a voice and a lobbying group on behalf of our young patients.

Their new logo was designed by a patient who entered a competition held by Communic8, winning an I-Pod for their efforts.

COMMUNIC8
Your Views, Your Voice
CHILDREN AND YOUNG PEOPLE'S COUNCIL

The Council has worked closely with Merseyside Youth Service and hosted the Community Youth Service Bus at Alder Hey for an evening, where our patients were able to come down from the wards and take part in games and competitions. With the support of the Youth Service the Council were successful in their bid for a £5,000 grant which they will use to furnish and equip a 'chill out' room for adolescent inpatients.

Some of the Council members were involved in selection process for the chief executive in January and put the candidates through their paces in their own inimitable manner! They also presented to the Trust Board and received wide acclaim for their achievements.

We have been able to seek their feedback on many issues and initiatives including sexual health with our urology team and the national Lord Ara Darzi review of the NHS for which Dr Steve Ryan, our medical director is the Children's Chair.

Communic8 is supported by executive nurse Moya Sutton, the patient experience manager and two clinical psychologists who help to coordinate and facilitate the agenda for meetings and events.

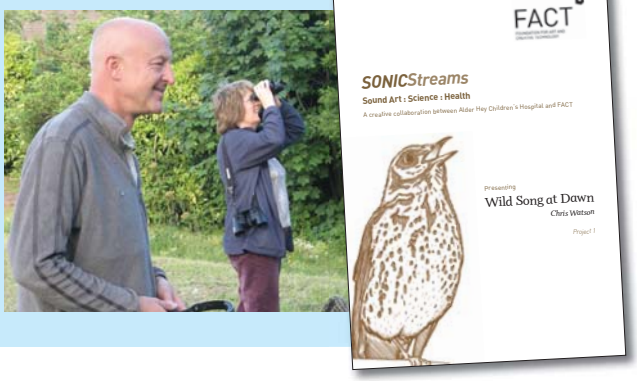
Alder Hey Arts

We champion our established and widely supported Alder Hey Arts programme which includes a varied and dynamic programme of arts ranging from dance, visual arts, comedy, poetry, performance, music and digital arts.

Arts for Health is funded entirely from charitable sources such as Arts Council North West, the Trust's Endowment Fund, Liverpool Cultural Company and Wallace and Gromit's Children's Hospital Fund. Alder Hey Arts received generous support from the Imagine White Ball in May. Arts for Health is centred on the patient and making their stay in hospital more enriching and enjoyable. We aim to provide a therapeutic experience and contribute to their sense of wellbeing by developing our programmes to ensure that each initiative meets our patients' needs.

We work with a number of leading arts agencies in Merseyside such as Bluecoat Arts Centre, Foundation for Arts and Creative Technology (FACT) to name but a few. These are known as our 'Cultural Champions'. During the year our collaboration with our Cultural Champions was cited as a model of good practice in a Department of Health and Arts Council of England publication A Prospectus for Arts and Health.

Bird Song - We worked with FACT and award-winning BBC sound recordist Chris Watson to explore how sound might impact on a healthcare environment and how bringing the outdoors in might provide an uplifting and therapeutic experience for patients. With the help of patients, families and staff, Chris made a recording of the dawn chorus in Springfield Park adjacent to the hospital, over a period of three mornings. The project was supported by The Welcome Trust and was featured on a Radio 4 broadcast, Nature – The Sounds of Britain, as well as local and national media.



Jungle mural - In September, the Trust was joined by artist-in-residence Karen Woods, funded through the Wallace and Gromit Children's Hospital Fund. Karen has already worked on a number of ward based projects including creating a wall piece for the waiting area on ward K1. Based on a jungle theme, Karen was able to work with patients, their families and staff to create a truly collaborative and spectacular piece.

Music Therapy - In January 2008, the Trust was joined by a part time music therapist, Joanna Lander. She has 25 years experience as a professional cellist playing with many UK symphony orchestras, including membership of the Royal Liverpool Philharmonic Orchestra for 13 years. Music therapy is a new service where music and sound are used to enable non-verbal communication and expression.

Patient and public involvement

We have worked in partnership with the Patient and Public Involvement Forum to undertake a number of assessments including Privacy and Dignity for Children and their Families, a Bug Watch and The Safety of Parents and Staff within the Trust. The PPI also contributed to our Patient Environment Assessment Team inspection. The amendments suggested have been very positive and provided an opportunity to address any areas of public concern. The PPI forum was dissolved in its present format in March 2008 and will be superseded by Local Involvement Networks known as LINks with whom we will continue this valuable work.

The Environment Agency

We have continued to work in partnership with the Environment Agency on a number of events over the year and in November 2007 we formalised our partnership by signing a Memorandum of Understanding. The MOU brings us together to work on key environment and sustainability issues surrounding our proposed children's hospital in Springfield Park. The document includes the management of the design and construction as well as provision of environmental advice for the existing hospital buildings. The Environment Agency will advise us at all stages of the new build as well as use of the existing buildings in the interim. Key areas include sustainable development, design, construction and procurement; re-use and recycling of materials, energy consumption and efficiency, use of natural resources and water; waste minimisation and the prevention of pollution.

Working with Trade Unions

Our relationship with the many trade unions recognised by the Trust is important and is highlighted by the fact that the partnership agreement developed in 2003 is being reviewed. An action plan to support implementation will be shared across the organisation on completion.

Medicines for Children Research Network

Alder Hey is home to the Cheshire, Merseyside and North Wales Medicines for Children Local Research Network. The UK Medicines for Children Research Network is a Department of Health initiative to increase the amount of research conducted into medicines used to treat children, mainly through clinical trials.

The network has seen much activity and growth in both its workforce and portfolio of trials over the last financial year.

The network is currently supporting 30 studies in various stages of development and more than 90 children have been recruited to 11 trials this year. The trials are active across a wide range of specialities and there is at least one running in each of the network sites. In addition, the network has undertaken 16 feasibility surveys capturing data on patient populations to help determine if trials are able to run in the UK and across the sites successfully.

Information packs and copies of the network annual report are available on request: 0151 252 5570. www.cmnwlrn.mcrn.org.uk. Find out more about research and development at Alder Hey on page 20.

Alder Hey Imagine Appeal

It has been an exceptional year for Alder Hey's Imagine Appeal. The charity's inaugural event – The Imagine White Ball – was held in May at Knowsley Hall where Jools Holland entertained 650 guests including Yoko Ono and a staggering £800,000 was pledged at the 'auction with a difference'. Only projects and specialist medical equipment the hospital needed to fund were available as auction items and supportive guests out-bid each other to provide the hospital with funds for Alder Hey Arts for Health, a bone scanner and a specialist microscope as well as many other items. The Imagine Appeal fundraising team were honoured to be finalists in the Chartered Institute of Public Relations' Pride Awards in the not-for-profit-category for their successes with the White Ball.

Cherie Blair held one of her last receptions at Downing Street in June exclusively for the Imagine Appeal's supporters. It was an opportunity to thank those who had been incredibly generous since the launch of the charity and for Cherie to support our major new project – the funding of an intra-operative MRI scanner for the hospital.

The Barclay Foundation helped us end the year on a high note when it agreed to fund the entire £3million cost of the intra-operative MRI scanner. This is the largest single donation ever received – the previous being the £2.25 million donated by Littlewoods Shop Direct Group for our Neurosciences unit – and we are truly humbled by this generosity.

Corporate Partnerships

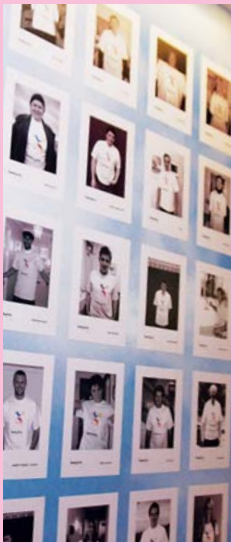
Our work with corporate partnerships continues to expand and in September, Iceland Foods held their annual charity golf tournament and raised an incredible £500,000 - to date, this adoption has raised almost £1million. John Smith's again chose our Imagine Appeal as its official charity for the Grand National and work has continued with Littlewoods Shop Direct Group and USP Creative.

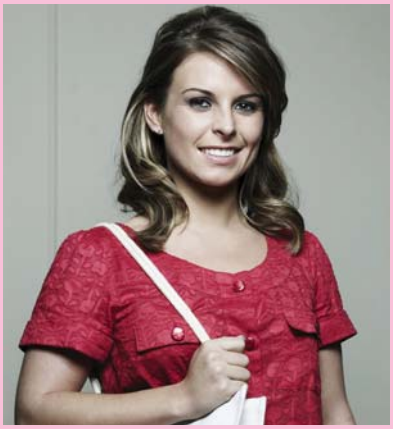
Deltasonic Records held its second Christmas Party Concert in aid of the charity raising £25,000 and as the official charity of the Summer Pops a further £20,000 was raised. The Wallace and Grommit Foundation pledged £10,000 to fund a poet in residence and the Hemby Trust donated £25,000 for medical equipment.

Celebrity Support

We have welcomed an incredible amount of celebrity support this year, including:

- Footballer Steven Gerrard and Alex Curran asked guests to make donations to the charity in lieu of wedding gifts
- Former footballer John Aldridge chose us as the beneficiary of his annual golf tournament in Portugal for the second year running.
- Coleen McLoughlin became a patron and designed a Bag for Life which has raised over £10,000 to date.
- The Former Liverpool FC Players Association also chose us as the beneficiary of its Golf Day and donated £12,000 from the proceeds
- Yoko Ono donated £50,000 at the Imagine White Ball.





Remember, you can make a donation online at www.imagineappeal.com

World Class Research

Research and Development

At the forefront of children's health research, we have faced some extreme challenges and great rewards as we continue with our quest to deliver 'world class research for world class care'.

The NHS research strategy Best Research for Best Health changed the way that we receive Government funding for research meaning that we now have to compete with 250 other NHS Trusts nationally for funding. We are delighted to have been successful in obtaining a number of prestigious research awards.

Together with the University of Liverpool we have been awarded the first NHS programme grant into paediatrics by the National Institute of Health Research (NIHR). This £2million, five year research programme aims to develop a range of instruments and guidelines to identify and manage adverse drug reactions in children and young people.

The NIHR Research for Patient Benefit funding stream has funded two projects: Assessing the impact and safety of home intravenous antibiotic treatment for children with cystic fibrosis, the outcomes of which will inform practitioners developing care packages once children have left hospital and are being cared for in the community. The second project, validation of early morning salivary cortisol as a non–invasive, patient friendly, reliable, cost effective measure of adrenal reserve in children receiving inhaled corticosteroid's is a study representing the first phase in a major programme of pharmacogenetic studies into adverse effects of inhaled corticosteroid use in children.

We actively support and develop research capacity and capability across the organisation. One of our senior research nurses was successful in securing funding for a nursing research programme in collaboration with Liverpool John Moores and Edge Hill Universities.

We continue to receive funding through research councils, charities and industry. We are also working closely with partners in Liverpool, regionally, nationally and internationally.

Being the Best

In the last year we have been recognised by many prestigious national organisations for outstanding and innovative work.

Well Child Nurse of the Year

Caroline Sanders, Urology Nurse Consultant was named the Well Child Nurse of the Year at a glittering ceremony in London. Caroline was nominated by one of her patients, Christopher Anderson, and his family.

BUPA Foundation Patient Safety Award

Our critical care team were recognised by the prestigious BUPA Foundation for pioneering work in patient safety, winning a £10,000 grant to continue their work in this vital area.

Nursing Times top 100 Trusts

We were named one of country's top 100 employers for nurses! NT's editor Rachel Downey wrote *'This is a tremendous achievement which reflects extremely well on your employment practices and is a reflection of how your employees feel about their place of work.'*

NURSING TIMES NT nursingtimes.net

UK Clinical Pharmacy Association

United Kingdom Clinical Pharmacy Association

Our pharmacy collected two prestigious gongs from the UK clinical pharmacy association with the Patient Safety Award going to Victoria Magnall and the Antimicrobial Management Award to Andrea Gill.

Merseyside's Radio City

Merseyside's Radio City recognised our Oncology Team in their annual Local Heroes awards – with the multidisciplinary team collecting the Unsung Heroes award nominated by the general public.

Promoting Health

We launched our public health strategy in October: 'Because Your Health Matters – A Public Health Strategy for Alder Hey' to address major health inequalities in the communities we serve. We were honored to have been accredited as England's first paediatric public health promoting hospital by the World Health Organisation in June 2008.

Healthy children are more likely to become healthy adults, so we need to give every child the best start in life. We also believe we have a duty to provide healthy places for our children to become well and strong again and for our staff to work in. Our vision for a children's health park will help bring this to life with the environment and sustainability topping the list of priorities.

Childhood obesity across Merseyside is increasing and overweight children tend to become overweight adults who carry a risk of developing serious health problems such as diabetes, heart disease and cancer. A large number of adult illnesses and conditions have their origins in childhood. We are also witnessing the harm caused by risk-taking behaviour in young people such as smoking, alcohol and substance abuse as well as early sexual activity.

The WHO promotes the use of a 'Charter for Children's Rights' within hospitals and health promoting hospitals commit themselves to integrating health promotion into their daily activities. There are five core standards in place to support this activity within the hospital setting and these, with the Standards for Better Health, form the framework of our strategy.

World Health Organization

SmokeFree Kids

Protecting children and young people

Smoke Free Liverpool

We have made significant in-roads in trying to reduce the number of children who are exposed to cigarette smoke. We have been working with Smoke Free Liverpool and have endorsed the 'Smoke Free Kids' initiative with Liverpool and Everton Football Clubs to help deliver those messages to parents of children in our hospital.

As part of this we have displayed outdoor banners, put up posters, distributed 'Quit cards' to parents and visitors who smoke and worked with the local media to highlight the dangers of smoking. Sadly this continues to be a major problem for us as visitors continue to congregate in our grounds to smoke and litter the site with butts regardless of our efforts. Read more about our plans to improve the health of our patients, parents/carers and our staff on page 27.

Everton in the Community

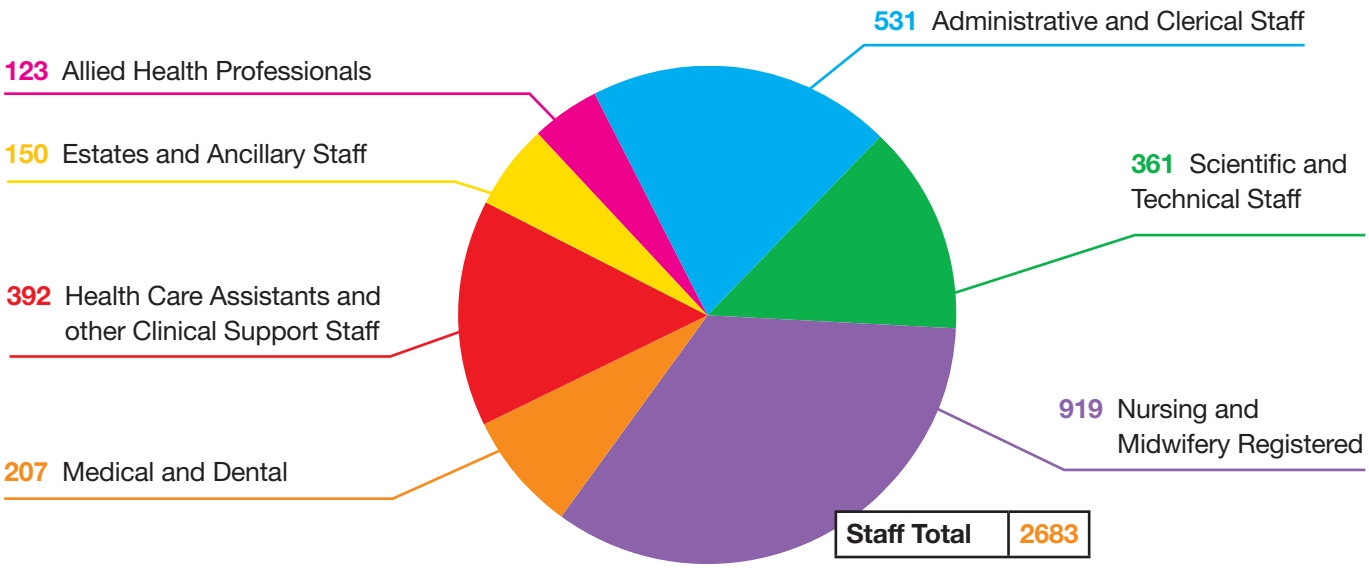
Everton Football Club joined forces with us to launch the Everton In The Community's multi-skills football workshops at the hospital as part of our public health strategy to improve the health and wellbeing of children and young people in Merseyside.
The skills workshops are designed to incorporate unique activities for children of all ages and abilities that are effective in encouraging them to engage in physical activity, to eat healthily and to be creative. They also aim to improve problem solving skills and spatial awareness.

Our most valuable resource!

Achieving world class care requires the ongoing commitment and motivation of our staff to deliver excellence on a daily basis. Our workforce strategy describes our commitment to ensuring that all staff are:

- Valued
- Supported in working differently to improve service delivery
- Aware of their role as a leader of care to deliver excellence at all levels

Our Staff



Our Employment Policies

All employment policies are subject to periodic review and the policy review is led by a human resources manager in conjunction with Staff Side colleagues and with input from operational managers. Our Terms and Conditions group meets bi-monthly to monitor policy review and development. All policies are formally ratified by the Workforce and Organisational Development Committee which is a sub-committee of the Trust Board and must be fully impact-assessed in accordance with the our Single Equality Scheme. HR Managers lead on the implementation of policy in their respective care groups, including training and awareness-raising.

- Recruitment Practices Policy
- Grievance Policy and Procedure
- Special Leave Policy
- Appeals Policy and Procedure
- Bullying and Harassment Policy
- Career Break Policy
- Flexible Working Policy
- Whistle Blowing Policy
- Managing Stress at Work
- Domestic Violence

Valuing Our People

Our Reward through Recognition programme identifies those who truly demonstrate our CHILDREN values in action. Parents and the Children's Council were included in the judging panel which chose 'Improvement Champion of the Year' and 'Innovative Team of the Year'. More than 150 staff members who had gained formal qualifications attended Celebrating Success events where their achievements were formally recognised.

People Working Differently

As a learning organisation we continue to support service improvement by supporting staff to work differently either through skills development, role re-design or organisational change.

We retained our Investors in People accreditation standard which assesses how we support and develop staff through good management practice to deliver the very best possible service.

Ten of our staff members are training as Assistant Practitioners which will support the work of other staff on wards and in departments to undertake more specialised work. This shows how working differently can support the development of staff at all levels while improving care received by the patient and their family.

INVESTOR IN PEOPLE

Training

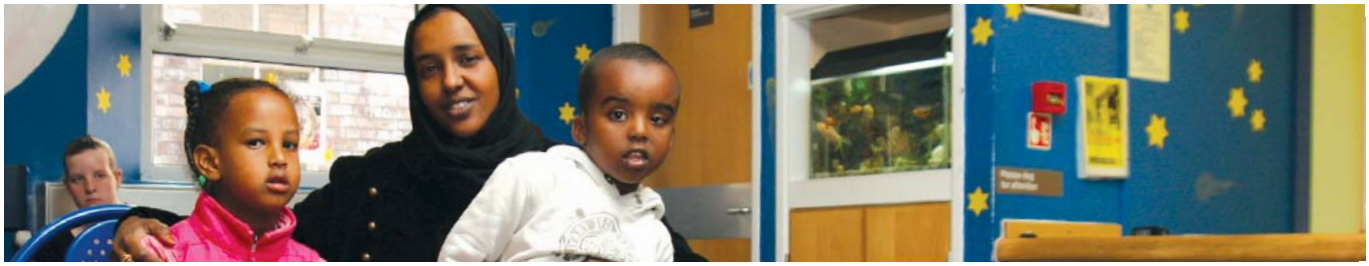
Those staff not required to maintain statutory professional registration were the beneficiaries of additional training funds which formed part of the negotiated pay award. Around 330 staff members benefited from training in numeracy, creative writing, business report writing, basic IT skills, deaf awareness and Makaton training, all of which will ensure we continually improve the safety and quality of the service we deliver to children, young people and their families.

Staff Survey

We test whether the plans and initiatives we are implementing as part of our workforce strategy are having the desired effect by seeking opinion and feedback from our staff. The national staff survey is just one method by which we measure how well we are delivering for our workforce.

Managers and staff side representatives discussed the results of the 2007 survey with the purpose of working in partnership to analyse the results and agree priorities for action over the coming months. The results highlighted a number of positives such as a significant increase in training activity across the organisation - particularly around e-learning and mandatory training. There has also been a reduction in the number of staff working extra hours and an increase in perceptions of staff feeling more involved in decisions that affect their work.

There are always opportunities for improvement and action plans are currently being developed that will focus on the agreed priorities such as team working and objective setting. In addition, there will be a huge emphasis on developing plans to ensure all staff members participate in well-structured and meaningful Performance Development Reviews. Progress against the agreed actions will be tracked through the Workforce and Organisation Development group and communicated to staff on a regular basis.



Effective Leadership at all levels

This strand of the workforce strategy is built on the principle of leadership for all and this is demonstrated though our commitment to support and develop leaders at all levels of our organisation.

289 staff members participated in (as part of corporate induction), The Way We Work around Here programme, 35 in the team leaders and supervisors programme and 22 clinicians and managers accessed the Delivering the Service leadership development programme. Four care group development days involved senior care group management team members and helped these groups work more effectively together in setting our direction.

We were awarded £30,000 from The Health Foundation (an independent charity) to explore sustaining the improvements made through the Rapid Improvement programme by investing in the development of leaders.

We established a Leadership and Service Improvement Academy (the Rapid Improvement Support Team) where staff with leadership potential can be given intensive training in improvement tools and techniques and the opportunity to apply those tools through the Rapid Improvement programme.

An internal mentorship scheme was established to support consultants new to their roles or the organisation and participants of the Delivering the Service leadership development programme.

Health and Wellbeing

A 'Health, Work and Wellbeing for Staff' group has been set up as part of our Public Health Strategy. The group will play a key role in championing a healthy work/life balance and in promoting continuous improvement of systems in the context of the Trust as a healthy workplace. Staff have welcomed the benefits of developing relationships with voluntary agencies such as the Ramblers Association, Roy Castle Foundation and Women's Health Information and Support Centre. We have also established an agreement to work in partnership with colleagues from Liverpool City Council to support implementation of the vision and aims of Liverpool: Active City as part of the Active Workplaces initiative – the first hospital to do so.

A New Occupational Health Service

A renewed occupational health service is provided by Aintree Hospital NHS Foundation Trust following a robust procurement process. It is delivered by an expert team whose primary aim is to maximise staff health and wellbeing. The service is provided from both the Aintree and refurbished Alder Hey sites, including counselling and support services offered by the Alder Centre which together provide increased ease of access and enhanced environments.

The Alder Centre

A key element of valuing our staff is providing support. The Alder Centre provided a range of preventive and remedial psycho-social support to over 100 staff, whose quality of health and wellbeing may have been undermined or exacerbated by work and work/life balance issues. This team also provides training around issues such as bullying, harassment and conflict management and is undertaking action research into the benefits of reflective practice and clinical supervision to patients and practitioners, for professionals in a range of healthcare settings.

We care for the environment

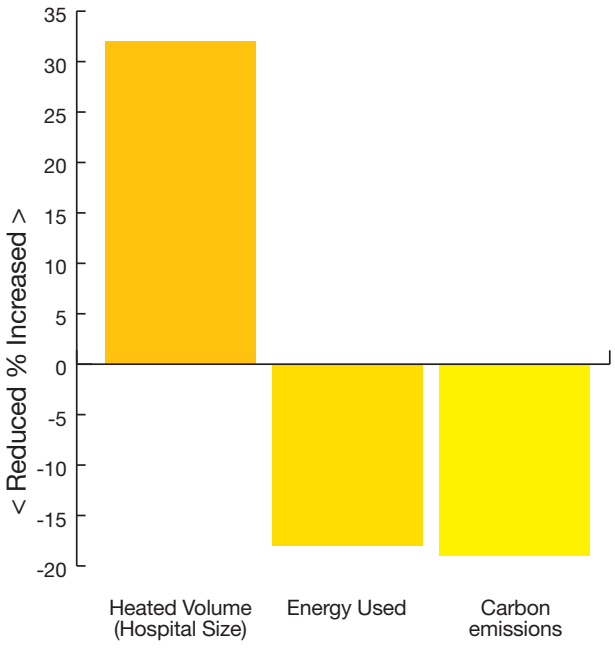
Planning a sustainable future

We are progressing our environmental strategy to include:

- Appointment of a new partnership building contractor which recycles 90percent of all building waste removed from site
- Signing of a sustainability contract with the Environment Agency to promote partnership working towards a more sustainable future - the first ever contract between an NHS Trust and the Environment Agency (see page 16)
- Approval of an NHS grant for £980k to be spent on energy schemes over two years
- Investment of the first year grant on repairing and improving loft and pipe insulation, heating controls, fan and motor controllers
- Roll-out of improved energy-efficient internal and external lighting - we have changed 13,000 tubes so far but hope to renew 180,000 fluorescent tubes across the organisation
- A Carbon Trust survey indicated an annual reduction in energy use of 17.5percent and related CO2 emissions of 19.5percent since 1999 - this equates to a reduction of 1377Tonnes of CO2 per year.

The good start made by the environmental strategy is already being developed into a more comprehensive Sustainability Strategy. This will encompass all areas of sustainability by taking the best of the existing strategy and adding the human elements that help to create and sustain community both local and within the wider context of Liverpool. Examples of these will include proposals for the promotion of local suppliers and local labour).

The appointment of a new Hotel Services Manager and new waste contractor has led to a full review of waste and exciting proposals for future recycling including plans for a new waste reception and recycling centre.



A New Children's Health Park

Work continues on the planning for our children's hospital in the park which we hope to compete under a private finance initiative by 2015. As well as working with many external partners on the planning and development of the new hospital and associated park, we continue to be informed by the results being delivered by our organisation-wide Rapid Improvement programme. This will ensure that the new hospital delivers optimum service in the right space at the right time.

Critically, we know that our patients and their families want access to the specialist care Alder Hey can offer closer to home and we have worked with our key commissioning partners at Knowsley, Liverpool and Sefton primary care trusts to plan the delivery of a seamless service in the community. For more information on the new hospital please visit www.childrenshealthpark.org.uk

Our business

We have continued to build on our consistently high standards and have met all of the national performance targets applicable to specialist trusts this year. These show how efficient we have been, how well we are doing against planned targets and how much work we are doing.

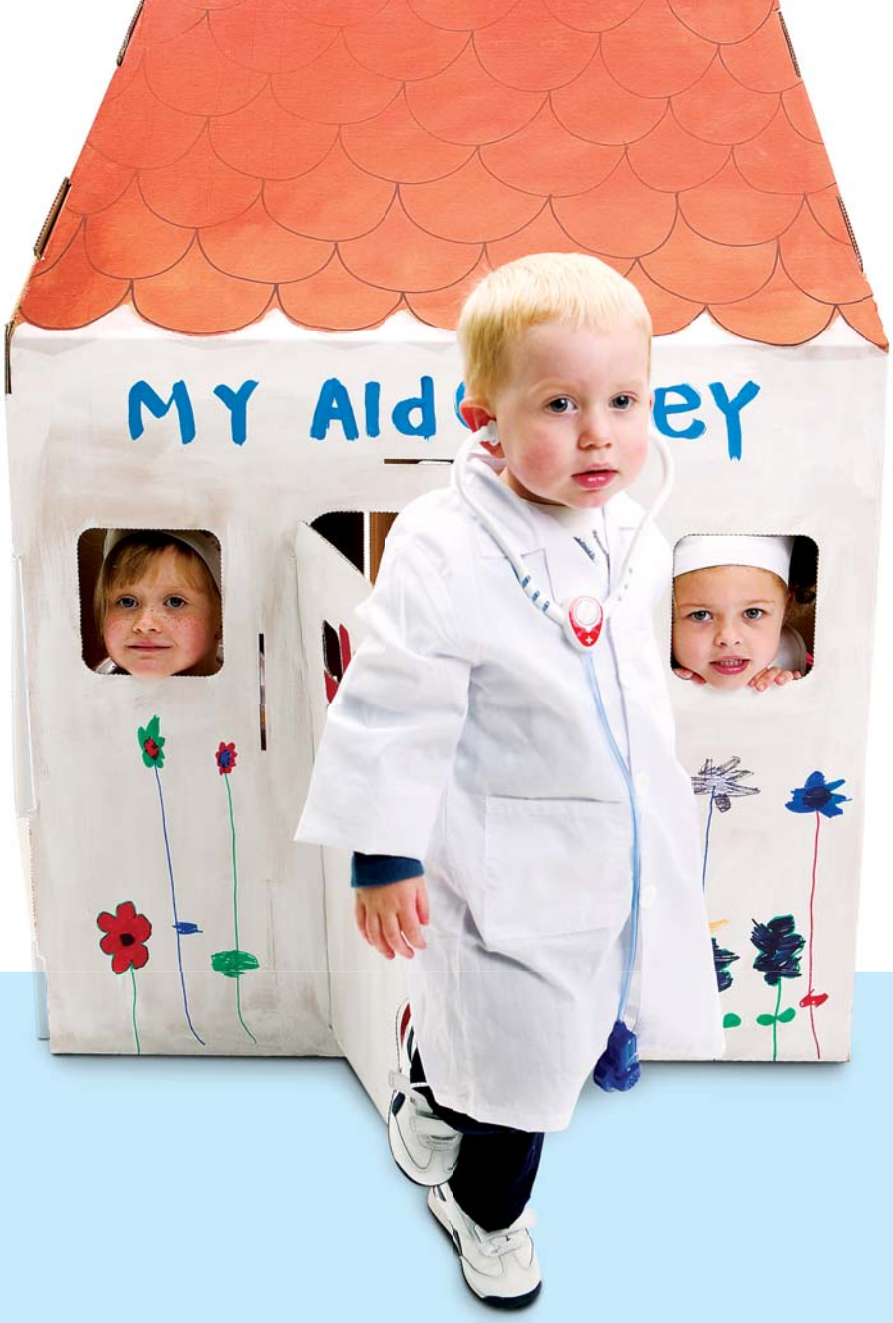
They include:

- No patients waiting more than 26 weeks for an operation
- No patients waiting more than 13 weeks for an outpatient appointment after being referred by their GP
- All patients to be seen at Accident and Emergency (A&E) within 4 hours
- No more than 12 MRSA infections
- Patients not waiting more than 6 weeks for diagnostic tests

18 weeks

18 weeks is a target for all NHS providers and states that by December 2008 no-one will wait more than 18 weeks from GP referral to treatment unless it is clinically appropriate to wait longer.

We had milestone targets to achieve by March to ensure that 85% of admitted pathways and 90percent of non-admitted pathways were completed in 18 weeks. As this is a new system of recording pathways the data is also subject to a data-completeness scoring system to ensure that the right number of pathways are being identified and monitored.



On an average day we...

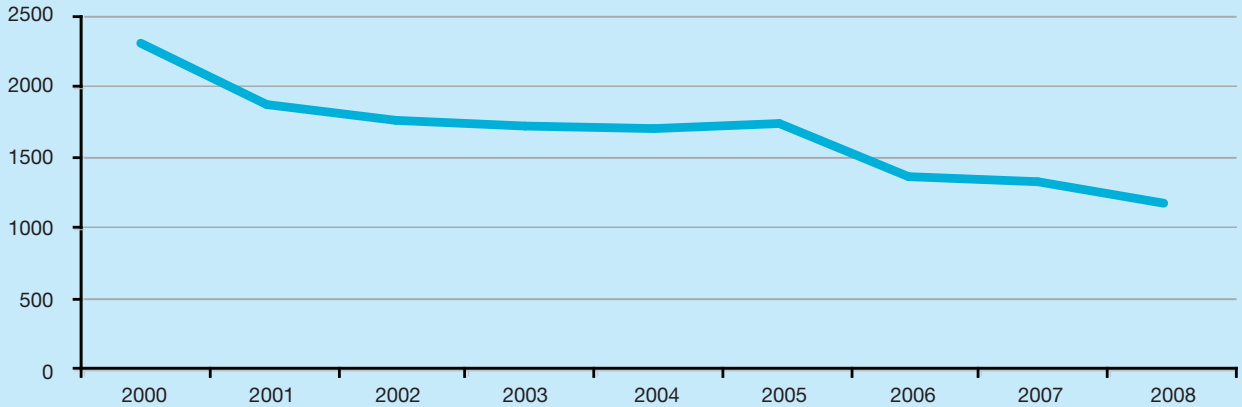
- Treat **160** patients in the A&E
- Perform **198** radiology examinations
- Care for **200** inpatients
- Admit **104** patients
- See **304** outpatients

The year at a glance

Day Case patients	**12,473**
Inpatients	**21,017**
A&E attendances	**58,686**
Outpatients	**136,988**
Radiology tests	**72,530**

Increase in planned work	**4.50%**
Increase in planned operations	**6.90%**

Waiting times – by year



Working closely with suppliers

Procurement provides a service to all wards and departments in the selection and management of suppliers, competitive tendering exercises, contracting, negotiation and making improvements to our purchasing arrangements. Improved clinical engagement has been achieved by the continued development of the Clinical Procurement Nurse role which enables clinical and commercial aspects to be managed more effectively.

The Head of Procurement is also the Chair of the NHS Paediatric Purchasing Consortium (PPC) of which Alder Hey is a key participant. The PPC includes all of the UK's specialist paediatric hospitals and has widened its membership to include several other NHS organisations with large children's units. By collaborating with other NHS colleagues in relation to the procurement of paediatric-specific products, we can ensure that best value is obtained and patient care is enhanced. We continue to provide a Purchasing Management Service to Liverpool Women's NHS Foundation Trust so both organisations benefit from economies of scale, collaborative contracting and the sharing of knowledge.

An integrated finance and procurement system was procured and implemented. The system was supplied by TechnologyOne®.

Procurement made a major contribution towards the achievement of our overall cost improvement programme target with savings of c.£600,000. This was achieved by working closely with user departments to identify areas for potential savings and testing the market to ensure value for money was obtained.

Corporate Governance

Our Corporate Governance strategy is set by the Trust Board which is the main mechanism for public accountability and meets in public every other month. Agendas and reports can be found on our website www.alderhey.com

Our most senior management team, the Executive Team, meets fortnightly to ensure the strategy becomes reality. The Board has a number of committees and their proceedings are recorded as part of the main Board agenda:

Audit committee (meets at least four times a year)
Endowment and Investment committee (meets bi-monthly)
Clinical Governance committee (meets monthly)
Finance and Performance committee (meets monthly)
Workforce and Organisational Development committee (meets bi-monthly)
Appointments and Remuneration committee (at least once a year and then as required)

Safeguarding High Standards

Being prepared for an emergency

Under the Civil Contingency Act 2005 we have a comprehensive business continuity plan which explains how we would continue to deliver critical services in an emergency. Our executive lead for business continuity and emergency preparedness has worked across the organisation to develop the plan to address several potential threats. These include a flu pandemic, fire or a flood. The Emergency Planning Group meets regularly and updates the Internal Disaster Plans and Major Incident Plans annually. Work continues to ensure that plans are in place and available to staff.

Aspects of the plan are tested in the following ways:

1. Communication exercises to test the availability of key staff - (a communication cascade is activated twice each year)
2. Exercises and training days to test our response to different scenarios including:

- A table-top exercise as part of the hospital major incident management and support course
- A table-top exercise on pandemic flu led by local emergency planning officer
- A decontamination exercise to test the response to a mass decontamination scenario in conjunction with the local Fire and Rescue Service.

3. A live exercise with 50 simulated casualties involving the entire hospital and local emergency services
4. Fire and Rescue training for the fire response team with local fire and rescue service.
5. Responses to actual incidents including mass evacuation of a school, a local swimming pool and a coach crash involving many children.

Managing Risk

Risk Management works to ensure we identify and reduce risk to patients, visitors, staff and the organisation. Identified risks are assessed and addressed at the most appropriate level and the Patient Safety Group oversees and reviews this activity. All areas and staff within the organisation have responsibilities for risk management. The strategy for risk management developed by the Patient Safety Group has been approved by the Board.

Risk Management also provides evidence and assurance that we are a safe organisation to various inspecting bodies including the Healthcare Commission and the National Health Service Litigation Authority (NHSLA). We successfully complied with NHSLA level 2 assessment in March and are striving for success at level 3 which is the highest level obtainable.

PALS and Patient Information

Our Patient Advice and Liaison service (PALS) continues to be an integral part of the service we provide to our communities. Proactive, collaborative working has allowed many valuable inter-organisation relationships to develop with the goal of enhancing our patients' experience.

PALS provides a professional, friendly, sensitive and supportive service to patients, parents, carers and staff and tries, wherever possible, to provide on-the-spot assistance and resolution wherever possible. During the year it dealt with over 540 issues raised through a number of channels.

Patients, their parents, carers or visitors frequently approach PALS with issues beyond health and Trust services and PALS is able to signpost most enquirers to relevant support organisations. This supports our aim of providing a seamless service and acting as a gateway to independent sources of support or advice.

PALS continued to act as a vital channel for feedback from service users and acted as a catalyst for change. This ranged from concerns about evening access to a unit to completing feedback forms and requesting that bedpans on a ward are replaced because they looked worn.

Clinical Governance

All trusts have a statutory duty to have comprehensive arrangements for monitoring and improving quality of healthcare. This is called clinical governance and includes:

- Ensuring that professional principles are developed and applied to all services
- Working openly and co-operatively with external organisations who audit and inspect our services

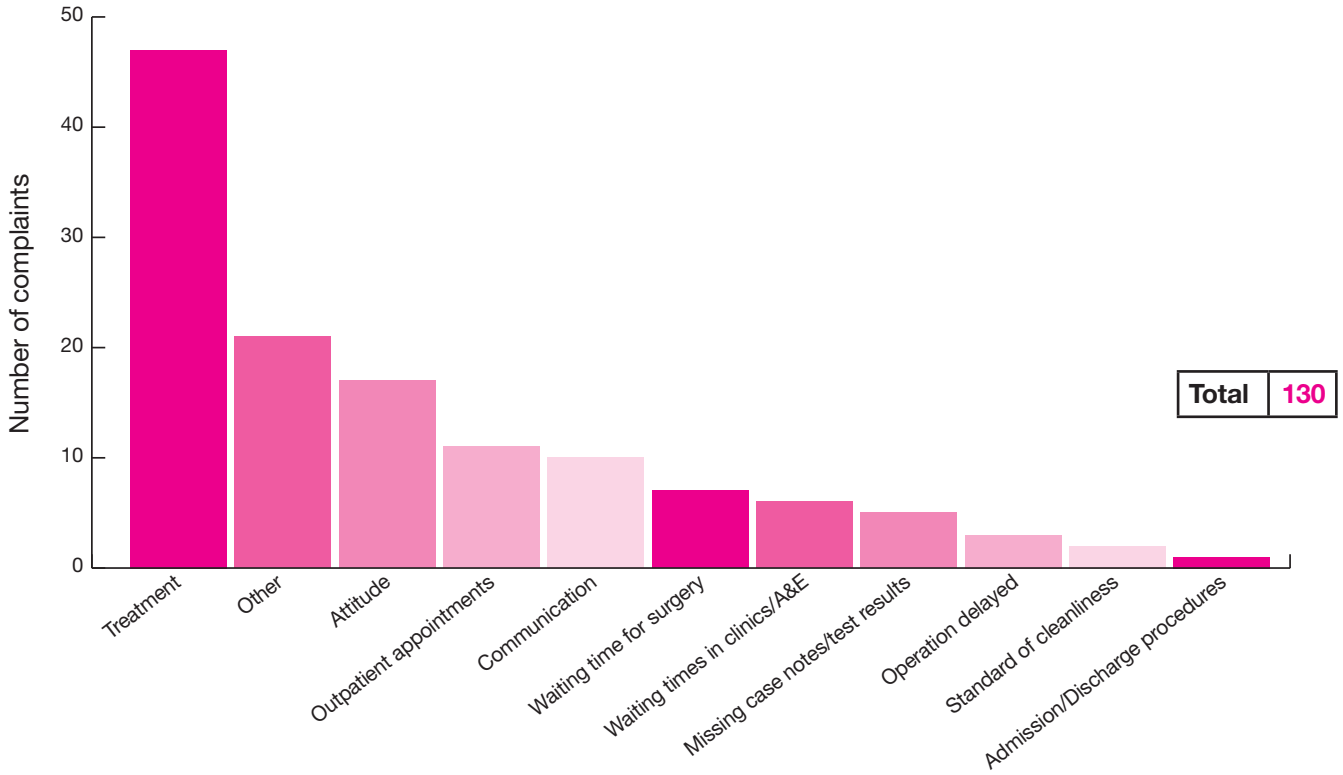
Our Clinical Governance committee (formerly the Board of Clinical Governance) is the mechanism through which the Trust Board is assured of matters related to clinical governance. A three-year strategy and annual plan for clinical governance has been developed and approved by the Trust Board.
During the past year the committee oversaw major programmes of work required to meet standards set by the Healthcare Commission and NHS Litigation Authority.

These are essential standards that are expected of health care organisations as defined by the Parliamentary Acts. We declared full compliance with all of the core standards for better health.

Complaints

We received 130 complaints during the year to which 128 (98 percent) were responded to within the nationally agreed response time of 25 working days. This compares with 133 complaints received in the previous year where 113 (84 percent) were responded to within the same time frame. There have been three requests to the Healthcare Commission for independent reviews and the outcomes of these reviews are awaited. Where maladministration or poor service has led to injustice or hardship we take steps to provide an appropriate and proportionate remedy following the principles set out by the Public Service Ombudsman. Complaints are dealt with in accordance with the National Health Service Complaints Procedure implemented in 2004 and are dealt with as quickly as possible within the established timescales. They are dealt with fairly and openly, with apologies where appropriate and from the appropriate person, a full written response is provided including information on any action taken and follow up meetings are held as requested. Follow up action to improve services where appropriate/necessary is taken by the care groups.

Categories of Complaints



Examples of the improvements and/or changes as a result of complaints include:

Confusing information and long waiting times when patients referred by clinics to pathology for blood tests.

- New procedures implemented in outpatient clinics to ensure that parents/carers are fully informed of process and waiting times kept to a minimum

Confusion regarding collection times of appliances.

- New procedures implemented to agree individually with parents/carers a specific time and date for collection of items

Waiting time for surgery.

- Extra surgery list provided by surgeon on Saturday morning

Waiting time for non-urgent plastic surgery

- Initiatives implemented to minimise the waiting time: 'Early Bird' clinic established to manage minor plastic surgery patients, trained nurse specialist to fast-track treatment of minor plastic surgery injuries; appointment of additional specialist registrars.

Two patients with the same name and date of birth resulted confusion regarding appointments.

- New system of yellow same/similar name labels has been developed to be placed on front cover of each case note, to alert users to double check details. An electronic alert has also been entered on the computerised patient information system

The Board

Non-Executive Directors

Angela Jones
Chair (R)

Lorraine Dodd
Non-Executive Director (A)(R)

Susan Rutherford*
Non-Executive Director (R)

Chris Vellenoweth
Non-Executive Director (A)(R)

Susan Musson
Non-Executive Director (R)

Ed Oliver
Non-Executive Director (A)(R)

(R) Indicates that the individual is a member of the Remuneration Committee
(A) Indicates that the individual is a member of the Audit Committee

*correct at time of production. Susan Rutherford no longer a Non-Executive Director from 30.4.08 - replacement Michael Yuille commenced in post on 1.5.08.

Executive Directors

Louise Shepherd
Chief Executive from
10 March 2008

Tony Bell
Chief Executive to
30th November 2007

Moya Sutton
Executive Nurse

Jayne Shaw
Director of Human Resources

Dr Steve Ryan
Medical Director

Alan Sharples**
Director of Finance,
Information & Commissioning

Terry Windle
Director of Corporate Services/
Deputy Chief Executive

Paul Hetherington
Director of Performance &
Service Improvement

**Colin Perry appointed as Interim Director of Finance from 7.4.08.

Associate Partners

Prof Ros Smyth

Appointments

The chief executive and executive directors are recruited and appointed following public advertisement and a recruitment panel which usually includes the chairman (or a nonexecutive nominee) and an external assessor. The appointments made do not have fixed terms; they are the normal contracts of employment that apply to all staff. Their salary and performance is reviewed by the remuneration committee. Should questions arise about performance, they are dealt with through the same arrangements as all employees.

The chair and non executive directors are appointed by arrangements overseen by the Appointments Commission. This is an independent body that covers appointments to public bodies of non-executive members. The terms of office are specified when appointed.

Financial Review

Financially we have had another good year. The work done, with other specialist children's hospitals, to highlight the problem with the Payment by Results tariffs, has borne fruit. The Department of Health have designated Alder Hey as a specialist paediatric hospital which will receive the specialist top-up. This will resolve the tariff underfunding from 2008/2009 onwards. During the year we also received £1.25m additional Public Dividend Capital from Knowsley PCT to correct the cash shortfall which the Trust has had since its inception in 1991.

Our total income for 2007/08 compared to 2006/07 has increased by 7.5% to £144.8m. This increase includes a 4.1% increase in inpatient activity, year-on-year. Changes in clinical governance rules mean that local hospitals are questioning whether to maintain their children's services and we expect that this trend will continue. This is further demonstrated in the fact that we have taken over responsibility for St Helens and Knowsley's community paediatricians and for the North Sefton Child and Adolescent Mental Health service. Further developments include the development of a clinical network with North Stoke involving the joint appointment of a consultant; the setting up of a transitional care unit for patients requiring long-term ventilation to prepare them to be looked after at home; and a Neuromuscular service. The creation of the Local Research Network has allowed us to make successful bids for research monies and we expect our research income will continue to rise in the coming years because of the infrastructure the Local Research Network provides.

During the year we have started to address some of the backlog maintenance issues with the hospital including the replacement of old wooden windows with UPVC and other outstanding repair jobs. We have also embarked on a significant energy saving scheme as outlined earlier in "caring for the environment" part of the report. This will be continued into 2008/09 when we are installing a combined heat and power unit which will generate the hospital's electricity and heat the buildings. We hope that these easures will help to largely protect us from the expected increases in energy prices. We have also carried out a deep clean to our clinical areas as part of the national infection control initiative.

We started the year with a savings target of £3.8m. The Rapid Improvement Support Team (RIST) and the lean thinking process helped us to achieve in-year savings of £5.5m of which £4.1m are recurrent savings. Next year the government has set us a savings target of £4.5m which we are confident of achieving.

We met all our financial targets including the duty to achieve a financial balance and made a surplus of £296k. Details of the financial statements are on pages 42 to 77. We spent a total of £6m on capital and slightly undershot our capital resource limit by £67k. This money will be spent in 2008/09. We overachieved

our capital absorption duty achieving a rate of 4.1% against the target of 3.5% because the actual capital charges proved to be lower than estimated.

We are looking forward to another exciting year in 2008/09 in which we hope to become a Foundation Trust. We expect to see our activity rise by at least 4% and achieve a urplus of £1.7m. We are also planning to spend in excess of £9m on capital which will include an upgraded burns unit and an Intraoperative MRI Scanner which will be the first of its kind in the UK. The scanner will be paid for by the generous donation from 38 the Barclay Foundation.

Like all public bodies we are required to demonstrate that our procurement (the buying of our goods) provide best value for money and complies with the relevant European Directives. The specialist nature of many of the items we use in the Trust means that they can only be obtained from multi-national companies. Despite this we estimate that about half of our non-pay spend is with companies in the North West of England, which is where most of our patients also originate.

2007/2008 was another year of continuing progress and achievement. This excellent performance is due to the hard work and dedication of all our staff. We would also wish to acknowledge that the success of the Trust has been made possible by the continued confidence and support of service commissioners, the SHA and the warm hearted generosity of all those who have contributed to our charitable funds. We are very grateful to all these people.

Salary and pension entitlements of senior managers

Remuneration

Name and title		2008 Salary (Bands of £5000) £000	2008 Other Remuneration (bands of £5000) £000	2008 Benefits in Kind Rounded to the nearest £100	2007 Salary (Bands of £5000) £000	2007 Other Remuneration (bands of £5000) £000	2007 Benefits in Kind Rounded to the nearest £100
Ms L Shepherd Chief Executive from 10.03.08		5-10	0	0	0	0	0
Mr A P Bell Chief Executive to 30.11.07		90-95	0	0	125-130	0	0
Mr A Sharples Director of Finance & Information		90-95	0	0	90-95	0	0
Ms M Sutton Executive Nurse		80-85	0	0	80-85	0	0
Dr S Ryan Medical Director		100-105	50-55	0	70-75	80-85	0
Ms J Shaw Director of Human Resources		70-75	0	0	65-70	0	0
Mr T Windle Director of Corporate Services / Deputy Chief Executive		85-90	0	31	85-90	0	33
Mr P Hetherington Director of Performance and Service Improvement		75-80	0	0	0	0	0
Ms A Jones Chair	R	20-25	0	0	15-20	0	0
Mrs L Dodd Non-Executive Director	A R	5-10	0	0	5-10	0	0
Ms S Rutherford Non-Executive Director	R	5-10	0	0	5-10	0	0
Mr C Vellenoweth Non-Executive Director	A R	5-10	0	0	5-10	0	0
Mr L Taylor Duff Non-Executive Director to 31.08.06		0	0	0	0-5	0	0
Mrs S Malthouse Non-Executive Director to 31.01.07		0	0	0	0-5	0	0
Mr G E Oliver Non-Executive Director from 27.11.06	A	5-10	0	0	0-5	0	0
Ms S Musson Non-Executive Director from 14.02.07	R	5-10	0	0	0-5	0	0

Pension Benefits

Name and title	Real increase in pension and related lump sum at age 60 (bands of £2500) £000	Total accrued pension and related lump sum at age 60 at 31.03.08 (bands of £5000) £000	Cash Equivalent Transfer Value at 31.03.08 £000	Cash Equivalent Transfer Value at 31.03.07 £000	Real Increase in Cash Equivalent Transfer Value £000	Employers Contribution to Stakeholder Pension To nearest £000
Ms L Shepherd Chief Executive from 10.03.08	0 - 2.5	115-120	374	337	1	0
Mr A P Bell Chief Executive to 30.11.07	0 - 2.5	200-205	731	726	-7	0
Mr A Sharples Director of Finance & Information	2.5 - 5	140-145	605	567	16	0
Ms M Sutton Executive Nurse	0 - 2.5	90-95	326	296	16	0
Dr S Ryan Medical Director	20 - 22.5	165-170	647	538	67	0
Ms J Shaw Director of Human Resources	0 - 2.5	75-80	251	220	18	0
Mr T Windle Director of Corporate Services / Deputy Chief Executive	12.5 - 15	165-170	709	627	46	0
Mr P Hetherington Director of Performance and Service Improvement	2.5 - 5	110-115	396	370	12	0

- A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme, or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures, and from 2004-2005 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS Pension Scheme. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

- (R) Indicates that the individual is a member of the remuneration committee. (A) Indicates that the individual is a member of the audit committee.

- The salary paid to Mrs L Dodd is paid to Rathbone Brothers Ltd.

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

- Mr Windle has a leased car provided by the Trust.

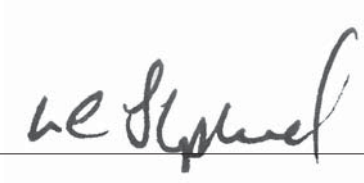
- The Chief Executive is appointed by the Chair and the Executive Directors are appointed by the Chief Executive, both in conjunction with other representatives. Their remuneration is not performance related, is determined by the Trust Remuneration Committee and they are employed on individual contracts with notice periods ranging from 3-6 months. Non-Executive Directors are appointed by the Secretary of State for Health, usually for a period of 3 years. Their remuneration is that determined by the Secretary of State for Health.

- The statement of Directors' responsibility in respect of internal control can be found in the Trust's annual accounts.

- Pensions - Past and present employees are covered by the provisions of the NHS Pension Scheme. Further details are available in the notes to the accounts, the remuneration report and on the NHS Pensions Agency website at www.nhspa.gov.uk.

Statement as to disclosure of information to auditors

The directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.



Signed: _____

Louise Shepherd - Chief Executive

Date: 18 June 2008

These accounts for the year ended 31 March 2008 have been prepared by the Royal Liverpool Children's NHS Trust under Section 98(2) of the National Health Service Act 1977 (as amended by Section 24(2), Schedule 2 of the National Health Service and Community Care Act 1990) in the form which the Secretary of State has, with the approval of the Treasury, directed.

The enclosed accounts for 2007/2008 provide a detailed analysis of the Trust's financial performance during its fifteenth year as an NHS Trust.

Income and Expenditure Account for the Year Ended 31st March 2008

			2006/07
Name and title	**Note**	**£000**	**£000**
Income from activities: Continuing operations	3	127,832	120,424
Other operating income: Continuing operations	4	16,982	14,301
Operating expenses: Continuing operations	5 - 7	(141,969)	(132,800)
OPERATING SURPLUS/(DEFICIT):			
Continuing operations		2,845	1,925
Cost of fundamental reorganisation/reconstruction		0	0
Profit/(Loss) on disposal of fixed assets	8	(1)	(10)
SURPLUS/(DEFICIT) BEFORE INTEREST		2,844	1,915
Interest receivable		389	376
Interest payable	9	0	0
Other finance Costs - unwinding of discount		(12)	(12)
Other finance costs - change in discount rate on provisions		0	0
SURPLUS/(DEFICIT) FOR THE FINANCIAL YEAR		3,221	2,279
Public Dividend Capital dividends payable		(2,925)	(2,258)
RETAINED SURPLUS/(DEFICIT) FOR THE YEAR		296	21

Note to the NHS Trust Income and Expenditure Account	**£000**	**£000**
Retained surplus/(deficit) for the year	296	21
Financial support included in retained surplus/(deficit) for the year - NHS Bank	0	0
Financial support included in retained surplus/(deficit) for the year - Internally Generated Retained surplus/(deficit) for the year excluding financial support	296	21

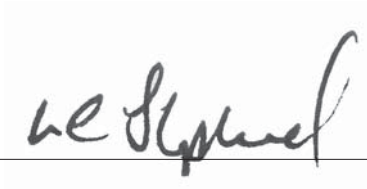
The notes on pages 46 to 77 form part of these accounts.
All income and expenditure is derived from continuing operations.

Balance Sheet as at 31st March 2008

				2007
	Note	£000	£000	£000
FIXED ASSETS:				
Intangible assets	10	1,429		165
Tangible assets	11	80,094		74,467
Investments	14	0		0
			81,523	74,632
CURRENT ASSETS:				
Stocks and work in progress	12	721		700
Debtors	13	11,560		11,113
Investments	14	0		0
Cash at bank and in hand	18.3	637		380
			12,918	12,193
Creditors: Amounts falling due within one year	15		(12,417)	(11,990)
NET CURRENT ASSETS/(LIABILITIES)			501	203
TOTAL ASSETS LESS CURRENT LIABILITIES			82,024	74,835
Creditors: Amounts falling due after more than one year	15		0	0
PROVISIONS FOR LIABILITIES AND CHARGES	16		(1,638)	(1,748)
TOTAL ASSETS EMPLOYED			80,386	73,087

FINANCED BY:				
TAX PAYERS EQUITY				
Public dividend capital	22		43,243	41,693
Revaluation reserve	17		29,334	24,557
Donated asset reserve	17		4,319	4,182
Government grant reserve	17		0	0
Other reserves	17		126	143
Income and expenditure reserve	17		3,364	2,512
TOTAL TAX PAYERS EQUITY			80,386	73,087

The financial statements on pages 42 to 77 were approved by the Board on 18 June 2008 and signed on its behalf by:



Signed: _____

Louise Shepherd - Chief Executive

Date: 18 June 2008

Statement of Total Recognised Gains & Losses for the Year Ended 31 March 2008

		2006/07
	£000	£000
Surplus/(deficit) for the financial year before dividend payments	3,221	2,279
Fixed asset impairment losses	0	0
Unrealised surplus/(deficit) on fixed asset revaluations/indexation	5,652	5,201
Increases in the donated asset and government grant reserve due to receipt of donated and government grant financed assets	213	125
Reduction in the donated asset and government grant reserve due to the depreciation, impairment and disposal of donated assets and government grant financed assets	(395)	(473)
Additions/(reductions) "Other Reserves"	(17)	(17)
Total recognised gains and losses for the financial year	8,674	7,115
Prior period adjustment	0	0
Total gains and losses recognised in the financial year	8,674	7,115

Cashflow Statement for the Year Ended 31 March 2008

				2006/07
	NOTE	£000	£000	£000
OPERATING ACTIVITIES				
Net Cash Inflow from operating activities	18.1		7,194	8,748
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE				
Interest received		389		376
Interest paid		0		0
Interest element of finance leases		0		0
Net cash (outflow) from returns on investments and servicing of finance			389	376
CAPITAL EXPENDITURE				
Payments to acquire tangible fixed assets		(4,844)		(2,683)
Receipts from sale of tangible fixed assets		7		0
(Payments to acquire)/receipts from sale of intangible assets		(1,327)		(165)
(Payments to acquire)/receipts from sale of fixed asset investments		0		0
Net cash inflow/(outflow) from capital expenditure			(6,164)	(2,848)
DIVIDENDS PAID			(2,925)	(2,258)
Net cash inflow/(outflow) before management of liquid resources and financing			(1,506)	4,018
MANAGEMENT OF LIQUID RESOURCES				
Purchase of current asset investments		0		0
Sale of current asset investments		0		0
Net cash inflow/(outflow) from management of liquid resources			0	0
Net cash inflow/(outflow) before financing			(1,506)	4,018
FINANCING				
Public dividend capital received		1,550		0
Public dividend capital repaid (not previously accrued)		0		(4,110)
Public dividend capital repaid (accrued in prior period)		0		0
Loans received		0		0
Loans repaid		0		0
Repayable cash brokerage (paid to)/from other NHS bodies		0		0
Other capital receipts		213		125
Capital element of finance leases		0		0
Cash transferred (to)/from other NHS bodies		0		0
Net cash inflow/(outflow) from financing			1,763	(3,985)
Increase/(decrease) in cash			257	33

Notes to the Accounts

1. Accounting Policies and Other Information

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS trusts Manual for Accounts which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2007/2008 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow UK generally accepted accounting practice for companies (UK GAAP) and HM Treasury's Government Financial Reporting Manual to the extent they are meaningful and appropriate to the NHS. The accounting policies have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

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

Income recognition

Income is accounted for applying the accruals convention. The main source of income for the Trust is from commissioners in respect of healthcare services provided under local agreements. Income is recognised in the period in which the 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. Income for partially completed spells is accounted for where there is a contractual obligation.

1.2 Intangible fixed assets

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

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

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

1.3 Tangible fixed assets

Capitalisation

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

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

Valuation

Tangible fixed assets are stated at the lower of replacement cost and recoverable amount. On initial recognition they are measured at cost (for leased assets, fair value) including any costs such as installation directly attributable to bringing them into working condition. They are restated to current value each year. The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

All land and buildings are restated to current value using professional valuations in accordance with FRS 15 every five years and in the intervening years by the use of indices. The buildings index is based on the All in Tender Price Index published by the Building Cost Information Service (BCIS). The land index is based on the residential building land values reported in the Property Market Report published by the Valuation Office.

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

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

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

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

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

Operational equipment which is considered to have nil inflation is valued at net current replacement costs. All equipment, other than IT equipment is uplifted annually by the change in the GDP deflator. Equipment surplus to requirements is valued at net recoverable amount.

Depreciation, amortisation and impairments

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

Assets in the course of construction 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 advised by the District Valuer. Leaseholds are depreciated over the primary lease term.

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

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

Where the useful economic life of an asset is reduced from that initially estimated due to the revaluation of an asset for sale, depreciation is charged to bring the value of the asset to its value at the point of sale.

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

1.4 Donated fixed assets

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

1.5 Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. This is considered to be a reasonable approximation to current cost due to the high turnover of stocks. Work-in-progress comprises goods in intermediate stages of production. Partially completed contracts for patient services are not accounted for as work-in-progress.

1.6 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 certainly as to:
- its technical feasibility;
- its resulting in a product or service which will eventually be brought into use;
- adequate resources exist, or are reasonably expected to be available, to enable the project to be completed and to provide any consequential increases in working capital.

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

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

1.7 Provisions

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

Clinical negligence costs

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

Since financial responsibility for clinical negligence cases transferred to the NHSLA at 1 April 2002, the only charge to operating expenditure in relation to clinical negligence in 2007/2008 relates to the Trust's contribution to the Clinical Negligence Scheme for Trusts.

Non-clinical risk pooling

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

1.8 Pension costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.pensions.nhsbsa.nhs.uk. 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. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying Scheme assets and liabilities. Therefore, the Scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the Scheme is taken as equal to the contributions payable to the Scheme for the accounting period.

The Scheme is subject to a full actuarial valuation every four years (until 2004, based on a five year valuation cycle), and a FRS17 accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date.

The conclusion from the 2004 valuation was that the Scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004. However, after taking into account the changes in the benefit and contribution structure effective from 1 April 2008, the Scheme actuary reported that employer contributions could continue at the existing rate of 14% of pensionable pay. On advice from the Scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities. Up to 31 March 2008, the vast majority of employees paid contributions at the rate of 6% of pensionable pay. From 1 April 2008, employees contributions are on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

b) FRS17 Accounting valuation

In accordance with FRS17, a valuation of the Scheme liability is carried out annually by the Scheme Actuary as at the balance sheet date by updating the results of the full actuarial valuation.

Between the full actuarial valuations at a two-year midpoint, a full and detailed member data-set is provided to the Scheme Actuary. At this point the assumptions regarding the composition of the Scheme membership are updated to allow the Scheme liability to be valued.

The valuation of the Scheme liability as at 31 March 2008, is based on detailed membership data as at 31 March 2006 (the latest midpoint) updated to 31 March 2008 with summary global member and accounting data.

The latest assessment of the liabilities of the Scheme is contained in the Scheme Actuary report, which forms part of the annual NHS Pension Scheme (England and Wales) Resource Account, published annually. These accounts can be viewed on the NHS Pensions website. Copies can also be obtained from The Stationery Office.

Scheme provisions as at 31 March 2008

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

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

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the income and expenditure account at the time the Trust commits itself to the retirement, regardless of the method of payment.

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

Scheme provisions from 1 April 2008

From 1 April 2008 changes have been made to the NHS Pension Scheme contribution rates and benefits. Further details of these changes can be found on the NHS Pensions website www.pensions.nhsbsa.nhs.uk.

1.9 Liquid resources

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

1.10 Value Added Tax

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

1.11 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.

1.12 Third Party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the Trust has no beneficial interest in them. Details of third party assets are given in note 28 to the accounts.

1.13 Leases

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

1.14 Public Dividend Capital (PDC) and PDC Dividend

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

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

1.15 Losses and Special Payments

Losses and Special Payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way each individual case is handled.

Losses and Special Payments are charged to the relevant functional headings in the income and expenditure account on an accruals basis, including losses which would have been made good through insurance cover had NHS Trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure). However, Note 30 is compiled directly from the Losses and Compensation Register which is prepared on a cash basis.

1.16 Other reserves

The 'Other Reserve' relates to income, received as revenue funding, for the purchase of capital assets. The Reserve is wound down over the assets useful economic life to provide an income for the assets depreciation.

1.17 Prior year comparators

Prior year comparators have been amended to allow a true comparison with the current year.

2. Segmental Analysis

For the purposes of SSAP 25: Segmental Reporting, the Trust's sole class of business is the provision of healthcare.

3. Income From Activities

	2007/08	2006/07
	£000	£000
Strategic Health Authorities	**1,685**	47
NHS Trusts	**627**	579
Primary Care Trusts	**105,732**	99,057
Foundation Trusts	**0**	0
Local Authorities	**1,642**	2,071
Department of Health	**8,459**	10,423
NHS Other	**0**	0
Non-NHS:		
- Private Patients	**72**	48
- Overseas Patients (non-reciprocal)	**21**	0
- Injury Costs Recovery Scheme	**245**	259
- Other	**9,349**	7,940
TOTAL	**127,832**	120,424

Injury Costs Recovery income is subject to a provision for doubtful debts of 7.8% to reflect expected rates of collection.

4. Other Operating Income

	2007/08	2006/07
	£000	£000
Patient Transport Services	**0**	0
Education, Training and Research	**8,243**	7,321
Charitable and other contributions to expenditure	**470**	675
Transfers from the donated asset reserve	**395**	473
Transfers from government grant reserve	**0**	0
Non-patient care services to other bodies	**1,663**	1,607
Income generation	**1,170**	1,126
Other income	**5,041**	3,099
TOTAL	**16,982**	14,301

5. Operating Expenses

5.1 Operating expenses comprise:

	2007/08	2006/07
	£000	£000
Goods and services from other NHS - Trusts	**846**	707
- bodies	**1,139**	1,024
- Foundation Trusts	**627**	547
Purchase of healthcare from non-NHS bodies	**851**	828
Directors' costs	**819**	718
Staff costs	**97,482**	92,871
Supplies and services - clinical	**19,866**	18,495
- general	**1,687**	1,434
Consultancy services	**367**	0
Establishment	**2,001**	1,870
Transport	**225**	210
Premises	**7,710**	6,507
Bad debts	**80**	75
Depreciation and amortisation	**4,814**	4,160
Fixed asset impairments and reversals	**0**	0
Audit fees	**148**	144
Other auditor's remuneration	**0**	0
Insurance for clinical negligence	**835**	797
Redundancy costs	**216**	20
Other	**2,256**	2,393
TOTAL	**141,969**	132,800

Staff costs include £589k of holiday pay which has been accrued for the first time in 2007/2008.

5.2 Operating leases

5.2.1 Operating Expenses include:

	2007/08	2006/07
	£000	£000
Hire of plant and machinery	**0**	0
Other operating lease rentals	**55**	60
	55	60

5.2.2 Annual commitments under non-cancellable operating leases:

	Land & Buildings		Other Leases	
	2007/08	2006/07	2007/08	2006/07
	£000	£000	£000	£000
Operating leases which expire:				
Within 1 year	**0**	0	**0**	0
Between 1 and 5 years	**0**	0	**101**	156
After 5 years	**0**	0	**0**	0
	0	0	**101**	156

6. Staff Costs and Numbers

6.1 Staff Costs

	2007/08 Total	Permanently Employed	Other	2006/07
	£000	£000	£000	£000
Salaries and wages	83,263	82,030	1,233	79,692
Social security costs	6,001	6,001	0	5,529
Employer contributions to NHSBSA Pensions Division	8,983	8,983	0	8,307
Other pension costs	0	0	0	0
TOTAL	98,247	97,014	1,233	93,528

6.2 Average number of persons employed

	2007/08 Total	Permanently Employed	Other	2006/07
	WTE	WTE	WTE	WTE
Medical & dental	308	306	2	305
Ambulance staff	0	0	0	0
Administration & estates	486	476	10	473
Healthcare assistants & other support staff	249	249	0	254
Nursing, midwifery & health visiting staff	979	974	5	984
Nursing, midwifery & health visiting learners	0	0	0	0
Scientific, therapeutic & technical staff	371	370	1	367
Social care staff	0	0	0	0
Other	0	0	0	0
TOTAL	2,393	2,375	18	2,383

WTE = Whole Time Equivalents

6.3 Employee benefits

In 2007/2008 Trust employees received no non-pay benefits.

6.4 Management Costs

	2007/08	2006/07
	£000	£000
Management Costs	**6,332**	5,573
Income	**143,770**	133,618

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

6.5 Retirements due to ill-health

During 2007/2008 there were 5 (2006/2007: 0) early retirements from the Trust agreed on the grounds of ill-health. The estimated additional pension liabilities of these ill-health retirements will be £164,821 (2006/07: £nil). The cost of these ill-health retirements will be borne by the NHS Business Services Authority - Pensions Division.

7. Better Payments Practice Code

7.1 Better payments practice code - measure of compliance

	2007/08 Number	2007/08 £000
Total Non-NHS trade invoices paid in the year	34,413	30,212
Total Non-NHS trade invoices paid within target	32,218	28,005
Percentage of Non-NHS trade invoices paid within target	93.62%	92.70%

	2007/08 Number	2007/08 £000
Total NHS trade invoices paid in the year	1,865	9,228
Total NHS trade invoices paid within target	1,690	7,893
Percentage of NHS trade invoices paid within target	90.62%	85.53%

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

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

	2007/08 £000	2006/07 £000
Amounts included within Interest Payable (Note 9) arising from claims made by small businesses under this legislation	0	*0*
Compensation paid to cover debt recovery costs under this legislation	0	*0*

8. Profit/(Loss) on Disposal of Fixed Assets

Profit/loss on the disposal of fixed assets is made up as follows:

	2007/08 £000	2006/07 £000
Profit on disposal of intangible fixed assets	**0**	*0*
Loss on disposal of intangible fixed assets	**0**	*0*
Profit on disposal of land and buildings	**0**	*0*
Loss on disposal of land and buildings	**0**	*0*
Profit on disposal of plant and equipment	**0**	*0*
Loss on disposal of plant and equipment	**(1)**	*(10)*
TOTAL	**(1)**	*(10)*

9. Interest Payable and Similar Charges

	2007/08 £000	2006/07 £000
Finance leases	**0**	*0*
Late payment of commercial debt	**0**	*0*
Other	**0**	*0*
Total	**0**	*0*

10. Intangible Fixed Assets

	Software Licences £000
Gross cost at 1 April 2007	165
Reclassifications	10
Additions purchased	1,460
Additions donated	0
Disposals	0
Gross cost at 31 March 2008	**1,635**
Amortisation at 1 April 2007	0
Charged during the year	206
Disposals	0
Amortisation at 31 March 2008	**206**
Net book value:	
- Purchased at 1 April 2007	165
- Donated at 1 April 2007	0
- Government granted at 1 April 2007	0
- Total at 1 April 2007	**165**
- Purchased at 31 March 2008	**1,429**
- Donated at 31 March 2008	0
- Government granted at 31 March 2008	0
- Total at 31 March 2008	**1,429**

11. Tangible Fixed Assets

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

	Total £000	Land £000	Buildings, excluding Dwellings £000	Dwellings £000	Assets under Construction and Payments on account £000	Plant and Machinery £000	Transport Equipment £000	Information Technology £000	Furniture& Fittings £000
Cost or Valuation: At 1/04/07	95,049	3,658	63,059	416	463	24,263	58	2,645	487
Additions - purchased	4,388	0	1,028	0	579	2,474	0	292	15
Additions - donated/ government granted	213	0	39	0	0	169	0	0	5
Impairments	0	0	0	0	0	0	0	0	0
Reclassification	(10)	0	111	0	(472)	0	0	345	6
Indexation	6,161	197	5,255	35	9	651	1	0	13
Other in-year revaluation	0	0	0	0	0	0	0	0	0
Disposals	(1,067)	0	0	0	0	(1,067)	0	0	0
National Revaluation Exercise	0	0	0	0	0	0	0	0	0
At 31/03/08	**104,734**	**3,855**	**69,492**	**451**	**579**	**26,490**	**59**	**3,282**	**526**
Accumulated depreciation at 1/04/07	20,582	0	0			18,511	58	1,593	420
Provided during the year	4,608	0	2,438	13	0	1,745	0	390	22
Impairments	0	0	0	0	0	0	0	0	0
Reversal of Impairments	0	0	0	0	0	0	0	0	0
Reclassification	0	0	0	0	0	0	0	0	0
Indexation	509	0	0	0	0	497	1	0	11
Other in-year revaluation	0	0	0	0	0	0	0	0	0
Disposals	(1,059)	0	0	0	0	(1,059)	0	0	0
Accumulated depreciation 31/03/08	**24,640**	**0**	**2,438**	**13**	**0**	**19,694**	**59**	**1,983**	**453**
Net book value:									
Purchased at 1/04/07	70,285	3,658	59,396	416	463	5,241	0	1,044	67
Donated at 1/04/07	4,182	0	3,663	0	0	511	0	8	0
Government granted at 1/04/07	0	0	0	0	0	0	0	0	0
Total at 1/04/07	**74,467**	**3,658**	**63,059**	**416**	**463**	**5,752**	**0**	**1,052**	**67**
Net book value:									
Purchased at 31/03/08	75,775	3,855	63,193	438	579	6,349	0	1,293	68
Donated at 31/03/08	4,319	0	3,861	0	0	447	0	6	5
Government granted at 31/03/08	0	0	0	0	0	0	0	0	0
Total at 31/03/08	**80,094**	**3,855**	**67,054**	**438**	**579**	**6,796**	**0**	**1,299**	**73**

Of the totals at 31 March 2008, £117,000 related to land valued at open market value, £nil related to buildings valued at open market value and £438,000 related to dwellings valued at open market value.

The Trust has no assets held under finance leases and hire purchase contracts.

11.2 The net book value of land and buildings at 31 March 2008 comprises:

	2007/08 £000	2006/07 £000
Freehold	**71,347**	67,133
Long leasehold	**0**	0
Short leasehold	**0**	0
TOTAL	**71,347**	67,133

11.3 Economic lives of fixed assets

	Minimum Life Years	Maximum Life Years
Software licences	3	5
Buildings ex dwellings	7	66
Dwellings	13	44
Plant and machinery	5	15
Transport equipment	5	5
Information technology	5	5
Furniture and fittings	10	10

12. Stocks and Work in Progress

	2007/08 £000	2006/07 £000
Raw materials and consumables	**721**	700
Work in progress	**0**	0
Finished processed goods	**0**	0
	721	700

13. Debtors

	2007/08 £000	2006/07 £000
Amounts falling due within one year:		
NHS debtors	**3,346**	3,956
Provision for irrecoverable debts	**(617)**	(578)
Other prepayments and accrued income	**3,379**	3,411
Other debtors	**5,452**	4,324
	11,560	11,113
Amounts falling due after more than one year:		
NHS debtors	**0**	0
Provision for irrecoverable debts	**0**	0
Other prepayments and accrued income	**0**	0
Other debtors	**0**	0
Sub Total	**0**	0
TOTAL	**11,560**	11,113

14. Investments

At the balance sheet date, the Trust had no investments.

15. Creditors

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

	2007/08 £000	2006/07 £000
Amounts falling due within one year:		
Bank overdrafts	**0**	0
Current instalments due on loans	**0**	0
Interest payable	**0**	0
Payments received on account	**0**	0
NHS creditors	**3,426**	3,337
Non-NHS trade creditors - revenue - other	**1,625**	1,517
Non-NHS trade creditors - capital	**1,428**	1,538
Tax	**1,238**	1,110
Social security costs	**919**	855
Obligations under finance leases and hire purchase contracts	**0**	0
Other creditors	**2,312**	1,806
Accruals and deferred income	**1,469**	1,827
	12,417	11,990
Amounts falling due after more than one year:		
Long-term loans	**0**	0
Obligations under finance leases and hire purchase contracts	**0**	0
NHS creditors	**0**	0
Other	**0**	0
	12,417	11,990

Other creditors include £nil for payments due in future years under arrangements to buy out the liability for early retirements over 5 years; and £1,118,519 outstanding pension contributions at 31 March 2008 (2006/07: £1,028,311).

15.2 Loans

At the balance sheet date, the Trust had no loans.

15.3 Finance lease obligations

In 2007/2008 the Trust had no finance lease obligations.

15.4 Finance lease commitments

At 31 March 2008 the Trust had no finance lease commitments.

16. Provisions for Liabilities and Charges

	Pensions relating to former Directors £000	Pensions relating to Other Staff £000	Other Legal Claims £000	Agenda for Change £000	Other Provisions £000	Total £000	2006/07 £000
At 1 April 2007	92	464	140	1,029	23	1,748	1,180
Change in the discount rate	0	0	0	0	0	0	0
Arising during the year	0	0	103	320	117	540	1,141
Utilised during the year	(8)	(42)	(80)	(379)	0	(509)	(567)
Reversed unused	0	0	(14)	(116)	(23)	(153)	(18)
Unwinding of discount	2	10	0	0	0	12	12
At 31 March 2008	86	432	149	854	117	1,638	1,748
Expected timing of cashflows:							
Within 1 year	8	54	149	854	117	1,182	1,249
1 - 5 years	33	180	0	0	0	213	191
Over 5 years	45	198	0	0	0	243	308

£8,893,665 (2006/07: £6,772,211) is included in the provisions of the NHS Litigation Authority at 31 March 2008 in respect of clinical negligence liabilities of the Trust.

The figure above represents provisions held in respect of formal legal claims only, and so is prepared on a different basis to those reported by the Trust in previous periods. The NHSLA accounts for provisions arising other than for current legal claims separately, determining these nationally on an actuarial basis. Certain of these liabilities would, in previous periods, have been included in the Trust's gross clinical negligence provisions.

Other provisions relate to expenditure for which the Trust is liable which do not fall into the other headings.

17. Movements on Reserves

	Revaluation Reserve £000	Donated Asset Reserve £000	Government Grant Reserve £000	Other Reserves £000	I&E Reserve £000	Total £000
At 1/4/07 as previously stated	24,557	4,182	0	143	2,512	31,394
Prior period adjustment	0	0	0	0	0	0
At 1/4/07, as restated	24,557	4,182	0	143	2,512	31,394
Transfer from I&E account	0	0	0	0	296	296
Fixed asset impairment	0	0	0	0	0	0
Surplus/(deficit) on other revaluation/ indexation of fixed assets	5,333	319	0	0	0	5,652
Transfer of realised profits/(losses) to the income and expenditure reserve	0	0	0	0	0	0
Receipt of donated/government granted assets	0	213	0	0	0	213
Depreciation impairment and disposal of donated/ government granted assets	0	(395)	0	0	0	(395)
Other transfers between reserves	(556)	0	0	0	556	0
Other reserve movements	0	0	0	(17)	0	(17)
At 31 March 2008	**29,334**	**4,319**	**0**	**126**	**3,364**	**37,143**

The 'Other Reserve' relates to income, received as revenue funding, for the purchase of capital assets. The Reserve is wound down over the assets useful economic life to provide an income for the assets depreciation.

18. Notes to the Cash Flow Statement

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

	2007/08 £000	2006/07 £000
Total operating surplus/(deficit)	**2,845**	1,925
Depreciation and amortisation charge	**4,814**	4,160
Fixed asset impairment and reversals	**0**	0
Transfers from the donated asset reserve	**(395)**	(473)
Transfer from the government grant reserve	**0**	0
(Increase)/decrease in stocks	**(21)**	(28)
(Increase)/decrease in debtors	**(447)**	(1,260)
Increase/(decrease) in creditors	**520**	3,868
Increase/(decrease) in provisions	**(122)**	556
Net cash inflow from operating activities before restructuring costs	**7,194**	8,748
Payments in respect of fundamental reorganisation/ restructure	**0**	0
Net cash inflow from operating activities	**7,194**	8,748

18.2 Reconciliation of net cash flow to movement in net debt

	£000	2007/08 £000	2006/07 £000
Increase/(decrease) in cash in the period	257		33
Cash inflow from new debt	0		0
Cash outflow from debt repaid and finance lease capital payments	0		0
Cash (inflow)/outflow from decrease/increase in liquid resources	0		0
Change in net debt resulting from cash flows		257	33
Non-cash changes in debt			0
Net debt at 1 April 2007		380	347
Net debt at 31 March 2008		637	380

18.3 Analysis of changes in net debt

	At 31/03/08 £000	Cash Flows £000	Non-cash Changes £000	At 1/04/07 £000
OPG cash at bank	560	230	0	330
Commercial cash at bank and in hand	77	27	0	50
Bank overdraft	0	0	0	0
Loan from DH due within one year	0	0	0	0
Other debt due within 1 year	0	0	0	0
Loan from DH due after 1 year	0	0	0	0
Other debt due after 1 year	0	0	0	0
Finance leases	0	0	0	0
Current asset investments	0	0	0	0
	637	257	0	380

Cash at bank and in hand at 31 March 2008 includes £560,000 in accounts with the Office of HM Paymaster General.

19. Capital Commitments

Commitments under capital expenditure contracts at the balance sheet date were £503,000 (2006/07: £1,395,000) and relates to completion of ongoing building schemes and implementation of new financial ledger.

20. Post Balance Sheet Events

The Trust is in the process of applying for Foundation Trust status and hopes to become a Foundation Trust on 1 August 2008.

21. Contingencies

	2007/08 £000	2006/07 £000
Amounts (excluding Clinical Negligence):		
Gross value	**0**	0
Amounts recoverable	**0**	0
Net Value (excluding Clinical Negligence)	**0**	0

22. Movements in Public Dividend Capital

	2007/08 £000	2006/07 £000
Public Dividend Capital as at 1 April 2007	**41,693**	45,803
New Public Dividend Capital received	**1,550**	0
Public Dividend Capital repaid in year	**0**	(4,110)
Public Dividend Capital written off	**0**	0
Public Dividend Capital transferred to Foundation Trust	**0**	0
Other movements in Public Dividend Capital in year	**0**	0
Public Dividend Capital as at 31 March 2008	**43,243**	41,693

23. Financial Performance Targets

23.1 Breakeven performance

The Trust's breakeven performance for 2007/2008 is as follows:

BREAKEVEN DUTY	2003/04 £000	2004/05 £000	2005/06 £000	2006/07 £000	2007/08 £000
a) Turnover	562,227	116,871	126,040	134,725	144,814
b) Retained surplus/(deficit) for the year	(257)	10	1	21	296
c) Adjustments for:					
timing/non-cash impacting distortions	0	0	0	0	0
use of pre-1/4/97 surpluses [FDL(97)24 agreements]	0	0	0	0	0
1999/2000 prior period adjustment (relating to 1997/98 & 1998/99)	0	0	0	0	0
2003/04 prior period adjustment (relating to 1997/98 to 2002/03)	785	0	0	0	0
2004/05 prior period adjustment (relating to 1997/98 to 2003/04)	0	0	0	0	0
005/06 prior period adjustment (relating to 1997/98 to 2004/05)					0
2006/07 prior period adjustment (relating to 1997/98 to 2005/06)					0
2007/08 prior period adjustment (relating to 1997/98 to 2006/07)					0
d) Breakeven in-year position (i.e. b + c)	528	10	1	21	296
e) Breakeven cumulative position	528	538	539	560	856
f) If a breakeven cumulative deficit - anticipated financial year of recovery					
g) If anticipated financial year of recovery is more than two years state the period agreed with SHA					
Materiality test (ie is it equal to or less than 0.5%)					
h) Breakeven in year position (%) (ie d/a x 100)	0.1%	0.0%	0.0%	0.0%	0.2%
i) Breakeven cumulative position (%) (i.e. e/a x 100)	0.1%	0.5%	0.4%	0.4%	0.6%

23.2 Capital cost absorption rate

The Trust is required to absorb the cost of capital at a rate of 3.5% of average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital, totalling £2,925,000, bears to the average net relevant assets of £72,041,000 that is 4.1%. An error occurred in the calculation of the Capital Charge Estimates resulting in an overstatement of the dividend. As a result, the capital cost absorption rate is just outside the materiality range of 3.0% to 4.0%.

23.3 External financing

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

	£000	2007/08 £000	2006/07 £000
External financing limit		**1,293**	(4,143)
Cash flow financing	**1,506**		(4,018)
Finance leases taken out in the year	**0**		0
Other capital receipts	**(213)**		(125)
External financing requirement		**1,293**	(4,143)
Undershoot (overshoot)		**0**	0

23.4 Capital Resource Limit

The Trust is given a Capital Resource Limit which it is not permitted to overspend.

	2007/08 £000	2006/07 £000
Gross capital expenditure	6,061	3,906
Less: Book value of assets disposed of	(8)	(10)
Less: Loss on disposal of donated assets	0	0
Less: Capital grants	0	0
Less: Donations	(213)	(125)
Charge against the CRL	5,840	3,771
Capital resource limit	5,907	5,185
(Over)/Underspend against the CRL	67	1,414

24. Related Party Transactions

The Royal Liverpool Children's NHS Trust is a corporate body established by order of the Secretary of State for Health.

During the year none of the Board Members or members of the key management staff, or parties related to them, has undertaken any material transactions with the Royal Liverpool Children's NHS Trust.

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

- Liverpool Primary Care Trust
- Sefton Primary Care Trust
- Halton and St Helens Primary Care Trust
- Knowsley Primary Care Trust
- Western Cheshire Primary Care Trust (act as Specialist Commissioners for the PCTs in the North West Region)
- Central Lancashire Primary Care Trust
- North West Strategic Health Authority
- Birmingham East & North Primary Care Trust
- Shropshire County Primary Care Trust
- North West Ambulance NHS Trust
- NHS Supply Chain
- NHS Blood and Transplant Authority
- Liverpool Women's Hospital NHS Foundation Trust
- Department of Health
- The Royal Liverpool and Broadgreen University Hospitals NHS Trust
- NHS Litigation Authority
- Central Manchester & Manchester Children's Hospital NHS Trust

The wife of the Director of Finance is the Chief Executive of Halton & St Helens Primary Care Trust.

In addition, the Trust has had a number of material transactions with other Government Departments and other central and local Government bodies. Most of these transactions have been with:

- Liverpool City Council
- Revenue & HM Customs
- Contributions Agency
- NHS Pensions Agency
- University of Liverpool
- Health Commission Wales

The Royal Liverpool Children's NHS Trust is the corporate trustee of the Royal Liverpool Children's Charitable Funds which administers donations on behalf of the hospital. At 31 March 2008, the amount due from the Charity was £2,580k (31 March 2007 £1,516k) in relation to payments made for which funding has been promised by the Charity.

The Trust has also received revenue and capital payments from a number of charitable funds, certain of the Trustees of which are also members of the Trust Board.

25. Managed Service Arrangements (Msa)

25.1 Managed Service Arrangements deemed to be off-balance sheet

	2007/08 £000	2006/07 £000
Amounts included in operating expenses in respect of MSA transactions deemed to be off-balance sheet - gross	**3,397**	3,368

The Trust is committed to make the following payment during the next year:

	2007/08 £000	2006/07 £000
Schemes which expire within - 1 to 5 years	750	724
- 6 to 10 years	2,647	453
- 11 to 15 years	0	2,191

Scheme Details:

Description: Managed Hospital Information System

Estimated Capital value of the MSA scheme £1.8m
Contract start date 01.07.97
Contract end date 22.06.08

The Trust is currently negotiating to extend the contract to provide the Hospital Information System until it can be replaced by the national system.

Description: Oncology Building

Estimated Capital value of the scheme £9m
Contract start date 28.03.03
Contract end date 29.03.14

Description: Modular Theatres and Ward

Estimated Capital value of the scheme £6.3m
Contract start date 18.03.05
Contract end date 17.03.17

Description: Ward Outpatient Facilities and Consultant Accommodation

Estimated Capital value of the scheme £5.4m
Contract start date 18.03.06
Contract end date 17.03.18

26. Financial Instruments

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

As allowed by FRS 13, debtors and creditors that are due to mature or become payable within 12 months from the balance sheet date have been omitted from all disclosures other than the currency profile.

Liquidity risk

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

Interest-rate risk

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

27. Financial Assets

27.1 Financial Assets

					Fixed Rate	Non-interest bearing
Currency	Total £000	Floating rate £000	Fixed Rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed	Weighted average term
At 31 March 2008							
Sterling	637	0	0	637	0	0	0
Other	0	0	0	0	0	0	0
Gross financial assets	637	0	0	637	0	0	0
At 31 March 2007							
Sterling	380	0	0	380	0	0	0
Other	0	0	0	0	0	0	0
Gross financial liabilities	380	0	0	380	0	0	0

27.2 Financial Liabilities

					Fixed Rate		Non-interest bearing
Currency	Total £000	Floating rate £000	Fixed Rate £000	Non-interest bearing £000	Weighted average interest rate %	Weighted average period for which fixed	Weighted average term until maturity
At 31 March 2008							
Sterling	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Gross financial liabilities	0	0	0	0	0	0	0
At 31 March 2007							
Sterling	0	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
Gross financial liabilities	0	0	0	0	0	0	0

Foreign currency risk

The Trust has negligible foreign currency income or expenditure.

27.3 Fair Values

Set out below is a comparison by category, of book values and fair values of the NHS Trust's financial assets and liabilities as at 31 March 2008.

	Book Value £000s	Fair Value £000s	Basis of fair valuation
Financial assets			
Cash	637	637	
Investments	0	0	
Total	637	637	

Financial liabilities	Book Value £000s	Fair Value £000s	Basis of fair valuation
Overdraft	0	0	
Creditors over 1 year:			
- Finance leases	0	0	
Provisions under contract			
Loans	0	0	
Total	**0**	**0**	

28. Third Party Assets

The Trust held £0 cash at bank and in hand at 31 March 2008 (2006/07: £0) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from cash at bank and in hand figure reported in the accounts.

29. Intra-Government and Other Balances

	Debtors: amounts falling due within one year £000	Debtors: amounts falling due after more than one year £000	Creditors: amounts falling due within one year £000	Creditors: amounts falling due after more than one year £000
Balances with other Central Government Bodies	3,214	0	4,758	0
Balances with Local Authorities	1,034	0	8	0
Balances with NHS Trusts and Foundation Trusts	880	0	1,896	0
Balances with Public Corporations & Trading Funds	0	0	48	0
Balances with bodies external to government	6,432	0	5,707	0
At 31 March 2008	11,560	0	12,417	0

Balances with other Central Government Bodies	3,499	0	4,133	0
Balances with Local Authorities	1,553	0	124	0
Balances with NHS Trusts and Foundation Trusts	1,111	0	2,205	0
Balances with Public Corporations & Trading Funds	0	0	34	0
Balances with bodies external to government	4,950	0	5,494	0
At 31 March 2007	11,113	0	11,990	0

30. Losses and Special Payments

There were 196 cases of losses and special payments (2006/07: 23 cases) totalling £126,271 (2006/07: £51,458) paid during 2007/2008.

Directors' Statements

Statement of the Chief Executive's responsibilities as the Accountable Officer of the Trust

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

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

Signed: _____

Louise Shepherd - Chief Executive

Date: 18 June 2008

Statement of Directors' responsibilities in respect of the accounts

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

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

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

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

By order of the Board

Signed:

Louise Shepherd - Chief Executive

Date: 18 June 2008

Signed:

Colin Perry - Director of Finance

Date: 18 June 2008

Independent auditor's report to the Board of Directors of Royal Liverpool Children's NHS Trust

Opinion on the financial statements

We have audited the financial statements of Royal Liverpool Children's NHS Trust for the year ended 31 March 2008 under the Audit Commission Act 1998. The financial statements comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement, the Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service set out within them. We have also audited the information in the Remuneration Report that is described as having been audited.

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

Respective responsibilities of Directors and auditor

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

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

We report to you our opinion as to whether the financial statements give a true and fair view in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We report whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England. We also report to you whether, in our opinion, the information which comprises the commentary on the financial performance included within the Financial Review, included in the Annual Report, is consistent with the financial statements.

We review whether the directors' Statement on Internal Control reflects compliance with the Department of Health's requirements, set out in 'The Statement on Internal Control 2003/04' issued on 15 September 2003 and the further guidance relating to that Statement issued on 7 April 2006, 2 April 2007, 7 April 2008 and 20 May 2008.

We report if it does not meet the requirements specified by the Department of Health or if the statement is misleading or inconsistent with other information we are aware of from our audit of the financial statements. We are not required to consider, nor have considered, whether the directors' Statement on Internal Control covers all risks and controls. Neither are we required to form an opinion on the effectiveness of the Trust's corporate governance procedures or its risk and control procedures.

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

Basis of audit opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that:

- the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error; and
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England, of the state of the Trust's affairs as at 31 March 2008 and of its income and expenditure for the year then ended;
- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State as being relevant to the National Health Service in England; and
- information which comprises the commentary on the financial performance included within the Financial Review, included within the Annual Report, is consistent with the financial statements.

BAKER TILLY UK AUDIT LLP
Chartered Accountants and
Registered auditor
Brazennose House
Lincoln Square
Manchester
M2 5BL

Date: 18 June 2008

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

Directors' Responsibilities

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

Auditor's Responsibilities

We are required by the Audit Commission Act 1998 to be satisfied that proper arrangements have been made by the Trust for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion in relation to proper arrangements, having regard to the criteria for NHS bodies specified by the Audit Commission. We report if significant matters have come to our attention which prevent us from concluding that the Trust has made such proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Conclusion

We have undertaken our audit in accordance with the Code of Audit Practice and having regard to the criteria for NHS bodies specified by the Audit Commission and published in December 2006, we are satisfied that, in all significant respects, Royal Liverpool Children's NHS Trust made proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2008.

BAKER TILLY UK AUDIT LLP
Chartered Accountants and
Registered auditor
Brazennose House
Lincoln Square
Manchester
M2 5BL

Baker Tilly UK Audit LLP

Date: 18 June 2008

STATEMENT ON INTERNAL CONTROL 2007/08

Royal Liverpool Children's NHS Trust

1. Scope of responsibility

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

In carrying out these responsibilities, actions are delegated through the Trust's Scheme of Delegation and the performance of the Trust is monitored internally through the reports provided to the Board. The Strategic Health Authority provides advice, guidance and support through regular monitoring meetings and provided external monitoring of the Trust's systems of internal control.

2. The purpose of the system of internal control

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

The system of internal control has been in place in Royal Liverpool Children's NHS Trust for the year ended 31 March 2008 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

The Trust Board has approved a Risk Management Strategy and established a Risk Management Committee, reporting to the Board of Clinical Governance. Lead roles for risk management, the assurance framework, counter fraud and security management have been allocated to appropriate Executive Directors. Relevant staff are trained to manage risk in a way appropriate to their authority and duties. Appropriate guidance is provided including the need to seek out and learn from good practice, both within the Trust and from other organisations. A risk register has been created and the contents are regularly reviewed by the Care Group management teams, the Risk Management Committee and the Board. All incidents are investigated and when appropriate a full root cause analysis is carried out to determine if lessons can be learnt to reduce the risk of further occurrences.

4. The risk and control framework

The Trust's Risk Management Strategy defines risk management as a framework for the systematic identification, assessment, treatment and monitoring of risk. The strategy sets out in detail the purpose, objectives and approach of the Trust's risk management arrangements. Risk management is embedded in the activity of the organisation through its governance systems, incident reporting processes and management arrangements. The Assurance Framework is a process which draws together the major risks facing the Trust which could potentially prevent the achievement of corporate objectives. For each risk, the key controls, the Trust Board subcommittee or executive director responsible and sources of independent assurance are identified.

There are a number of issues which impact on the Trust but which are outside its control, the principle one being the impact of Payment by Results (PbR) and patient choice. As a specialist children's hospital the Trust draws it patients from a wide geographical area and must maintain its income flows and key relationships with commissioners. The Trust is also subject to referral drift caused by service reconfigurations in other health economies. The Strategic Health Authorities have set up specialist commissioning units to deal with the commissioning of children's services and the Trust is working closely with them to manage the referral and income patterns.

The Trust has established forums for both our patients and their parents/carers to assist us in identifying the issues important to them. The Chairs of these forums attend the Trust Board meetings and there are a number of lay members on key Trust Committees.

The Trust takes seriously its responsibility regarding the confidentiality of patient and other data. The Director of Finance and Information is responsible for managing information risk at board level and the Trust has an Information Governance Co-ordinator who deals with all the operational issues regarding information risk. There have been no serious untoward incidents involving data loss or confidentiality breach in 2007/2008.

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.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The head of internal audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of the internal audit work. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. Mersey Internal Audit Agency have reviewed the assurance arrangements and concluded that an Assurance Framework has been established which is designed and operating to meet the requirements of the 2007/2008 Statement of Internal Control and provide reasonable assurances that there is an effective system of internal control to manage the principal risks identified by the organisation. My review is also informed by reviews undertaken by external auditors, including the Auditors Local Evaluation, the NHS Litigation Authority and Healthcare Commission and internal assessments on compliance with the Standards for Better Health. A thorough exercise has been carried out to assess our performance against the Standards for Better Health and after reviewing the results I am satisfied that the Trust is fully compliant with the applicable standards.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Audit Committee, the Board of Clinical Governance, the Risk Management Committee, the Corporate Management Board and by the Trust Board. The Head of Internal Audit has given his opinion that the Board has significant assurance that there is a generally sound system of control designed to meet the organisation's objectives. However, some weaknesses in the design or inconsistent application of controls put the achievement of particular objectives at risk. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Trust expects to become a Foundation Trust during 2008/09 and is working on ensuring that the internal control mechanisms will be appropriate for the different regulatory regime that will be applicable.

Signed: 

Louise Shepherd - Chief Executive
(on behalf of the Board)

Date: 18 June 2008

If you would like more information about any of the details in this report, contact:

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Translation available on request from the address above.

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