

United Lincolnshire Hospitals Trust

Financial Statements for the

Year ended

31st March 2013

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FOREWORD TO THE ACCOUNTS

Financial Review - year ended 31 March 2013

The financial results achieved by the Trust are shown in the table below. In common with all NHS Trusts we are required to meet a number of financial targets set by the Department of Health. Our performance against these targets is set out in the table below:

Financial Target	Actual Performance		
	2012/13		2011/12
To break even on income and expenditure, taking one year with another. (Target excludes technical adjustments for impairment following revaluation and the impact of changes in accounting policy relating to Donated / Govt Granted Assets)	(5,207)	Surplus / (Deficit)	(7,060)
	5,192	Impairments	6873
	(139)	Other adjustments	507
	124	Reported Performance	320
	(8,083)	Cumulative position against breakeven duty surplus / (deficit)	(8,207)
To achieve a capital cost absorption rate of between 3% and 4%	3.5%		3.5%
To operate within an External Financing Limit set by the Department of Health	£0.96m	Undershoot	£3.37m
To operate within a Capital Resource Limit set by the Department of Health	£0.49m	Underspent	£1.32m
To pay 95% of creditor invoices within 30 days (by number of invoices)	89%	Trade	86%
	74%	NHS	78%

Pen Anderson
Acting Director of Finance
June 2013

STATEMENT OF THE CHIEF EXECUTIVE'S RESPONSIBILITIES AS THE ACCOUNTABLE OFFICER OF THE TRUST

The Chief Executive of the NHS has designated that the Chief Executive should be the Accountable Officer to the trust. The relevant responsibilities of Accountable Officers are set out in the Accountable Officers Memorandum issued by the Department of Health. These include ensuring that:

- there are effective management systems in place to safeguard public funds and assist in the implementation of corporate governance;
- value for money is achieved from the resources available to the trust;
- the expenditure and income of the trust has been applied to the purposes intended by Parliament and conform to the authorities which govern them;
- effective and sound financial management systems are in place; and
- annual statutory accounts are prepared in a format directed by the Secretary of State with the approval of the Treasury to give a true and fair view of the state of affairs as at the end of the financial year and the income and expenditure, recognised gains and losses and cash flows for the year.

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

Chief Executive

Date 6th June 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

By order of the Board

6th June 2013

Chief Executive

6th June 2013

Acting Finance Director

GOVERNANCE STATEMENT 2012/13

UNITED LINCOLNSHIRE HOSPITALS NHS TRUST

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, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the organisation is administered prudently and economically and that resources are applied efficiently and effectively. I acknowledge my responsibilities as set out in the Accountable Officer Memorandum which sets out my responsibilities of propriety and regulation of expenditure, and for putting in place effective management systems which safeguard public funds and allow for the keeping of proper accounts.

The Trust is accountable for the delivery of its patient services through the contract it has with its commissioners, the main commissioner being NHS Lincolnshire. The regulatory framework within which it is working is that of the Strategic Health Authority (NHS Midlands and East) being responsible for the performance management of NHS Lincolnshire, who hold the Trust to account through the contract. The Trust reports through NHS Midlands and East and the Department of Health on performance against national objectives.

The governance framework of the organisation

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 governance and system of internal control of the organisations 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 United Lincolnshire Hospitals NHS Trust for the year ended 31 March 2013 and up to the date of approval of the annual report and accounts.

Trust Board and Committee Structure

The Trust Board meets on a monthly basis and consists of a Chairman, 5 voting Executive Directors, including the Chief Executive and 5 Non Executive Directors. The Director of Operations, Director of Facilities, Director of Human Resources and Head of Governance also attend the Board meetings. The Board focusses on strategic issues, whilst also receiving assurances in relation to the organisational performance. The Trust is continuing to progress its application for Foundation Trust status, and as part of this process has completed a self assessment against the Board Governance Assurance Framework. This process has identified areas where the Boards effectiveness could be further developed.

The Board is compliant with the Corporate Governance Code.

Supporting Committee Structures

To support the Trust Board in carrying out its duties effectively, committees reporting to the Board are formally established. The remit of these committees was reviewed during the year to ensure robust governance and assurance. Each committee receives reports as outlined within their terms of reference and work programme, and provides an exception report to the Trust Board after each meeting.

The key sub committees for governance and assurance are as follows:

Audit Committee - delegated to approve the annual accounts on behalf of the board and provide assurance in relation to , Internal and external audit, counterfraud and security management, financial reporting, integrated governance, risk management and internal control, and the annual governance statement.

Governance Committee – to provide assurance that robust governance and risk management arrangements are in place within the Trust and that they are working effectively. This is achieved through consideration of the risk management arrangements and risk management report, scrutiny of the Board Assurance Framework and the key organisational risks. Exception reports from the Health and Safety Committee, Information Governance Committee and Quality and Safety Committee are considered by the Governance Committee.

Both Audit and Governance Committees have produced highlight reports following each meeting to report to the Trust Board. Covering those areas where assurance has been sought, received, and where further action to gain assurance was required.

Meeting	Attendance rate for voting members
Trust Board	76%
Audit Committee	80%
Governance Committee	67%

In addition the Board is supported by the Remuneration Committee, Charitable Funds Committee, Estates Committee and Foundation Trust Programme Board.

Risk assessment

Overall responsibility for risk management rests with all members of the Board. The Medical Director has an explicit responsibility for the risk management function within the organisation. The Director of Finance has specific responsibility for financial risks within the Trust. There is a defined structure for the management and ownership of governance, through the risk register and assurance framework which is regularly monitored in the Board committees and at Trust Board level. The Trust operates and maintains an approved Risk Management Strategy that identifies the levels of accountability and responsibility for all staff within the organisation.

Risk Management training commences at induction with further training in risk management provided through the mandatory training programme. The training reinforces individuals' accountabilities with respect to risk management and enables staff to assess and manage risks within their sphere of responsibility. More specialised risk management training is provided to staff in accordance with their role within the organisation.

The organisation also has the Quality and Safety Committee and a sharing lessons learned framework. These functions facilitate the dissemination of good practice across the organisation, through the Board Governance Committee and other forums. The principle of sharing lessons learned is simple, in that key lessons to be learned from all of the various clinical governance activities and performance reviews are identified and presented. The sharing lessons learned forum considers learning reports and ensures that lessons to be learned are shared across the organisation.

Trust Major Risks during 2012/13

During 2012/13 the Trust took a range of actions to continuously scrutinise and assure against the major risks facing the Trust.

- Challenges to achievement of full compliance with CQC outcomes across all sites.
- Not delivering the financial plan and challenging cost improvement programme and meet the financial pressures faced across the NHS.
- Reliability in providing accessible services with minimal waits to meet minimum national standards
- Overcoming barriers to achieve improved effectiveness and efficiencies through service transformation.
- Meeting the Clostridium Difficile trajectory target.
- The need to fully comply with the Health and Safety Executive for the management of violence and aggression and manual handling training.
- Further to significant improvement required to reduce the HSMR for the Trust.

During 2012/13 the Trust has recorded one incident related to an unauthorised breach of patient information that has been investigated and action taken to reduce the risk of recurrence, United Lincolnshire Hospitals NHS Trust has an information assurance management policy to manage and control risks in relation to data security. Risks relating to information and data security have been recorded in the Trust risk register where necessary and the Governance Committee has reviewed during the year the assurances provided that risks were being mitigated. Information risk management is reviewed and monitored by the Trust Information Governance Committee which meets monthly and reports directly to the Governance Committee.

The risk and control framework

Managing risk is the responsibility of all employees and not just the role of specialists, managers or the Trust Board. All employees are responsible for identifying, reducing and eliminating risk where possible. A key element of the Trust's Risk Management strategy is the integration of risk management into both the strategic and routine operational decision making processes within the Trust. The strategy is designed for prevention and deterrence of risks, and the Board are committed to minimising risk through the use of the risk register and Board Assurance Framework.

Policies are in place which encourage staff to report adverse incidents and near misses in order to minimise risk and take action to prevent recurrence. This message is reinforced through the risk management strategy.

An organisational risk register is maintained which comprises information from all key managers who have identified the main risks in their area of work. Risk assessments contribute to the Trust's risk register and encompass both clinical and non clinical risks. Risks are reviewed in respect of all reports presented to the Trust Board, along with the relevant equality impact assessment.

During 2012/13 the Trust has continued its work to create strong governance arrangements, suitable for its application for Foundation Trust status. Specifically:

- An established and experienced senior management structure
- A robust information governance framework in place
- A review of Standing orders, Standing Financial Instructions and Scheme of Delegation.
- NHSLA accreditation
- Compliance with NHS Protect directives.

The Board is responsible for setting the organisation's aims and objectives and ensuring that an Assurance Framework identifies the principal risks to the organisation meeting these aims and objectives, as well as confirming the key controls in place to manage these risks.

The Board Assurance Framework identifies the source of independent assurance in relation to each objective and risk. The framework is dynamic to reflect changes in priorities and developments in the external environment. It is a strategic management tool to support the annual governance statement, not designed to show every risk, but to focus attention on those which are most significant.

The Governance Committee and Audit Committee assess the adequacy of the Assurance Framework on behalf of the Accountable Officer and the Board, and advise the Board in relation to the systems, processes and controls in place in order to have co-ordinated and effective risk mitigation in achieving the Trust's objectives. This enables the Board to discharge its responsibilities for governance and understand the balance of clinical, operational and financial risk.

Throughout 2012/13, the Board has identified and monitored against key objectives within its Board Assurance Framework. The controls and assurances in relation to the objectives' risks were received by the Board during the year. The framework identified gaps in control for some financial, operational and clinical measures and the Trust has taken and continues to take remedial action to address them.

The Trust has involved the Patient Council in managing the risks that affect the Trust. They are represented on the Trust Board, the Governance Committee and Quality and Safety Committees and carry out periodic inspections within the Trust.

The Trust continues to put in place an adequately resourced plan of work for the Local Counter Fraud Specialist which includes proactive deterrence and prevention of fraud work

Review of the effectiveness of risk management and internal control

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 Internal Audit's work. The overall Head of Internal Audit Opinion gave significant assurance, although some weaknesses in the design and inconsistent application of controls put the achievement of particular objectives at risk. 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. My review is also informed by the Audit Commission, clinical audit, the Royal Colleges and the Multi professional Dean's visits, Dr Foster analysis and the Care Quality Commission.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board, Audit Committee and Governance Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

The Internal Audit reviews undertaken during 2012/13 led to the Head of Internal Audit providing a significant assurance opinion on the system of internal control in the Trust. In reaching this opinion the review assessed

- the design and operation of the assurance framework and supporting processes and the status or preparedness of the organisation with respect to risk management, control and review processes that it had in place for 2012/13.
- The range of individual opinions arising from risk based audit assignments

The Trust has produced a Quality Account, and has taken steps to assure itself of the accuracy of this document by referencing Information Services within the organisation, the Quality and Safety Committee and Internal and External audit processes.

Significant Issues

During the year the Trust identified the following significant control issues

During 2012/13 the CQC visited Lincoln County Hospital in both April and October/November 2012. At the visit in April they reviewed outcome 9 (management of medicines) and judged it to be non-compliant. At the visit in October / November 8 out of the 9 outcomes reviewed were judged to be compliant. This included outcome 9. The current position at the end of March 2013 is that Lincoln County Hospital is compliant with 15 regulations/outcomes. There is still a minor impact relating to the following regulations/outcomes.

•	Regulation 22/Outcome 13	Staffing
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A Remedial action plan to address this impact on patients is being implemented.

During 2012/13 the CQC visited Pilgrim Hospital in both May and December 2012. At the visit in May they reviewed outcome 9 (management of medicines) and judged it to be non-compliant.. At the visit in December 8 out of the 10 outcomes reviewed were judged to be compliant. This included outcome 9. The position at the end of March 2013 is that Pilgrim Hospital is compliant with 14 regulations/outcomes. There is still a minor impact relating to the following regulations/outcomes.

•	Regulation 9/Outcome 4	Care and welfare of people who use services
•	Regulation 22/Outcome 13	Staffing

Remedial action plans to address these concerns are being implemented.

In August 2012, the CQC visited County Hospital, Louth as part of a national targeted dignity and nutrition inspection programme. The CQC reviewed 5 outcomes and they were all judged to be compliant. The position at the end of March 2013 is that County Hospital Louth is compliant with all 16 regulations/outcomes.

In February 2013 the CQC visited Grantham Hospital and although the report is yet to be published, 4 out of the 6 outcomes reviewed were judged to be compliant. The position at the end of March 2013 is that Grantham Hospital is compliant with 14 regulations/outcomes.. There are minor impacts relating to the following regulations/outcomes.

•	Regulation 17/Outcome 1	Respecting and involving people who use services
•	Regulation 22/Outcome 13	Staffing
•	Regulation 23/Outcome 14	Supporting Workers

Remedial action plans to address these concerns are being implemented.

The Trust has not participated in any special reviews by the CQC during 2012/13.

With the exception of the issues that I have outlined in this statement, my review confirms that United Lincolnshire Hospitals NHS Trust has a system of internal controls that supports the achievement of its policies, aims and objectives and that those issues highlighted have been or are being addressed.

Accountable Officer :

Chief Executive



INDEPENDENT AUDITOR'S REPORT TO THE BOARD OF DIRECTORS OF UNITED LINCOLNSHIRE HOSPITALS NHS TRUST

We have audited the financial statements of United Lincolnshire Hospitals NHS Trust ('the Trust') for the year ended 31 March 2013 on pages 15 to 57. These financial statements have been prepared under applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England. We have also audited the information in the Remuneration Report that is subject to audit.

This report is made solely to the Board of Directors of United Lincolnshire Hospitals NHS Trust, as a body, in accordance with Part II of the Audit Commission Act 1998. Our audit work has been undertaken so that we might state to the Board of the Trust, as a body, those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Board of the Trust, as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the Directors are responsible for the preparation of financial statements which give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of United Lincolnshire Hospitals NHS Trust as at 31 March 2013 and of its expenditure and income for the year then ended; and
- have been prepared properly 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 in England.

Opinion on other matters prescribed by the Code of Audit Practice 2010 for local NHS bodies

In our opinion:

- the part of the Remuneration Report subject to audit has been properly 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 in England; and
- the information given in the director's report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Code of Audit Practice 2010 for local NHS bodies requires us to report to you if:

- in our opinion, the Governance Statement does not reflect compliance with the Department of Health's requirements; or
- any matters have been reported in the public interest under the Audit Commission Act 1998 in the course of, or at the end of the audit.

We are considering whether to make a referral to the Secretary of State under section 19 of the Audit Commission Act 1998 on the grounds that the Trust has breached its cumulative statutory breakeven duty.

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

Trust's responsibilities

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

Auditor's responsibilities

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice 2010 for local NHS bodies issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

We report if significant matters have come to our attention which prevent us from concluding that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements

for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our work in accordance with the Code of Audit Practice 2010 for local NHS bodies, having regard to the guidance on the specified criteria, published by the Audit Commission in November 2012, as to whether the Trust has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice 2010 for local NHS bodies in satisfying ourselves whether the Trust put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2013.

We planned and performed our work in accordance with the Code of Audit Practice 2010 for local NHS bodies. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all material respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Basis for qualified conclusion

In considering the Trust's arrangements for securing financial resilience we identified that:

- Following a deficit of £13.9 million in 2010/11, the Trust agreed an informal recovery plan with the Strategic Health Authority. The recovery plan indicated a return to break even by 2015/16. The Trust made small surpluses in 2011/12 and 2012/13 and is projecting a deficit in 2013/14 of £17m. The Trust's draft financial plan for 2013/14 indicates that the Trust will now not return to cumulative breakeven until 2016/17. The Trust is in discussions with the NHS Trust Development Authority to develop a new formal recovery plan.

In considering the Trust's arrangements for challenging how it secures economy, efficiency and effectiveness we identified that:

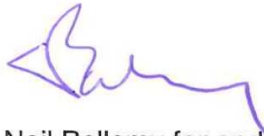
- Issues arising from aspects of the quality of service have impacted on the Trust's financial position. The Trust incurred £7.3m of fines in 2012/13 for breaching the C.Difficile target and other contractual Key Performance Indicators. The Trust will also need to fund additional nursing posts in 2013/14 in order to increase staffing levels in response to a Care Quality Commission report published in March 2013.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in November 2012, with the exception of the matters reported in the basis for qualified conclusion paragraph above, we are satisfied that in all significant respects United Lincolnshire Hospitals NHS Trust put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2013.

Certificate

We cannot issue an audit certificate until we have completed the work necessary to provide assurance over the Trust's annual quality accounts and have finalised our considerations in respect of making a referral to the Secretary of State under section 19 of the Audit Commission Act 1998. Completion of our limited assurance work on the annual quality accounts and our consideration of whether to refer matters to the Secretary of State are not expected to give rise to any issues which will have an impact on the statutory financial statements or on our use of resources conclusion.



Neil Bellamy for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
1 Waterloo Way,
Leicester,
LE1 6LP

6 June 2013

**Statement of Comprehensive Income for year ended
31 March 2013**

	NOTE	2012-13 £000	2011-12 £000
Gross employee benefits	10.1	(274,802)	(275,143)
Other costs	8	(146,790)	(133,605)
Revenue from patient care activities	5	382,688	373,380
Other Operating revenue	6	40,114	34,595
Operating surplus/(deficit)		1,210	(773)
Investment revenue	12	59	56
Other gains and (losses)	13	(372)	(445)
Finance costs	14	(207)	(170)
Surplus/(deficit) for the financial year		690	(1,332)
Public dividend capital dividends payable		(5,897)	(5,728)
Retained surplus/(deficit) for the year		(5,207)	(7,060)
Other Comprehensive Income		2012-13 £000	2011-12 £000
Impairments and reversals		728	34
Net gain/(loss) on revaluation of property, plant & equipment		6,415	3,907
Total comprehensive income for the year*		1,936	(3,119)

* This sums the rows above and the surplus / (deficit) for the year before adjustments for PDC dividend.

Financial performance for the year

Retained surplus/(deficit) for the year	(5,207)	(7,060)
Impairments	5,192	6,873
Adjustments in respect of donated asset/gov't grant reserve elimination	139	507
Adjusted retained surplus/(deficit)	124	320

Since the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10 the reported financial performance of NHS Trusts has been adjusted in line with HM Treasury guidance. The following are therefore excluded from measured performance in order to maintain comparability year on year:

- a) an impairment charge is not considered part of the organisation's operating position.
- b) the impact of changes in accounting policy relating to donated asset and Government Grant Reserves are discounted.

Note that prior year performance is not re-assessed following accounting restatements

PDC dividend: balance receivable/(payable) at 31 March 2013	(119)
PDC dividend: balance receivable/(payable) at 1 April 2012	(145)

The notes on pages 19 to 57 form part of this account.

**Statement of Financial Position as at
31 March 2013**

		31 March 2013	31 March 2012
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	15	203,798	205,160
Intangible assets	16	1,262	1,306
Trade and other receivables	22.1	1,795	1,994
Total non-current assets		206,855	208,460
Current assets:			
Inventories	21	6,669	6,335
Trade and other receivables	22.1	17,967	15,076
Other current assets	25	7	84
Cash and cash equivalents	26	5,976	2,156
Total current assets		30,619	23,651
Non-current assets held for sale	27	0	355
Total current assets		30,619	24,006
Total assets		237,474	232,466
Current liabilities			
Trade and other payables	28	(36,942)	(29,866)
Other liabilities	29	(503)	(503)
Provisions	35	(2,493)	(5,112)
Borrowings	30	(134)	(121)
Working capital loan from Department	30	0	(3,000)
Capital loan from Department	30	0	(216)
Total current liabilities		(40,072)	(38,818)
Non-current assets plus/less net current assets/liabilities		197,402	193,648
Non-current liabilities			
Other Liabilities	29	(16,100)	(16,604)
Provisions	35	(2,512)	(2,367)
Borrowings	30	(493)	(627)
Capital loan from Department	30	0	(3,976)
Total non-current liabilities		(19,105)	(23,574)
Total Assets Employed:		178,297	170,074
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		188,040	181,753
Retained earnings		(56,894)	(38,842)
Revaluation reserve	15	46,961	26,973
Other reserves		190	190
Total Taxpayers' Equity:		178,297	170,074

The notes on pages 19 to 57 form part of this account.

The financial statements on pages 15 to 57 were approved by the Board on 6th June 2013 and signed on its behalf by

Chief Executive:

Date:

**Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2013**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2012	181,753	(38,842)	26,973	190	170,074
Changes in taxpayers' equity for 2012-13					
Retained surplus/(deficit) for the year	0	(5,207)	0	0	(5,207)
Net gain / (loss) on revaluation of property, plant, equipment	0	0	6,415	0	6,415
Impairments and reversals	0	0	728	0	728
Transfers between reserves	0	(12,845)	12,845	0	0
Reclassification Adjustments					
New PDC Received	15,287	0	0	0	15,287
PDC Repaid In Year	(9,000)	0	0	0	(9,000)
Net recognised revenue/(expense) for the year	6,287	(18,052)	19,988	0	8,223
Balance at 31 March 2013	188,040	(56,894)	46,961	190	178,297
Balance at 1 April 2011	181,753	(35,897)	27,147	190	173,193
Changes in taxpayers' equity for the year ended 31 March 2012					
Retained surplus/(deficit) for the year	0	(7,060)	0	0	(7,060)
Net gain / (loss) on revaluation of property, plant, equipment	0	0	3,907	0	3,907
Impairments and reversals	0	0	34	0	34
Transfers between reserves	0	4,115	(4,115)	0	0
Reclassification Adjustments					
Net recognised revenue/(expense) for the year	0	(2,945)	(174)	0	(3,119)
Balance at 31 March 2012	181,753	(38,842)	26,973	190	170,074

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED

31 March 2013

	NOTE	2012-13 £000s	2011-12 £000s
Cash Flows from Operating Activities			
Operating Surplus/Deficit		1,210	(773)
Depreciation and Amortisation		10,565	11,478
Impairments and Reversals		5,192	6,873
Donated Assets received credited to revenue but non-cash		(358)	(151)
Interest Paid		(135)	(101)
Dividend (Paid) / Refunded		(5,923)	(5,635)
(Increase)/Decrease in Inventories		(381)	(117)
(Increase)/Decrease in Trade and Other Receivables		(2,692)	(3,794)
(Increase)/Decrease in Other Current Assets		77	585
Increase/(Decrease) in Trade and Other Payables		8,381	(8,585)
Increase/(Decrease) in Other Current Liabilities		(504)	(529)
Provisions Utilised		(1,213)	(2,965)
Increase/(Decrease) in Provisions		(1,333)	2,380
Net Cash Inflow/(Outflow) from Operating Activities		12,886	(1,334)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received		60	55
(Payments) for Property, Plant and Equipment		(12,348)	(14,887)
(Payments) for Intangible Assets		(164)	(455)
Proceeds of disposal of assets held for sale (PPE)		4,412	1,829
Net Cash Inflow/(Outflow) from Investing Activities		(8,040)	(13,458)
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		4,846	(14,792)
CASH FLOWS FROM FINANCING ACTIVITIES			
Public Dividend Capital Received		15,287	0
Public Dividend Capital Repaid		(9,000)	0
Loans received from DH - New Capital Investment Loans		0	4,300
Loans received from DH - New Revenue Support Loans		0	3,000
Loans repaid to DH - Capital Investment Loans Repayment of Principal		(4,192)	(108)
Loans repaid to DH -Revenue Support Loans		(3,000)	0
Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT		(121)	(109)
Net Cash Inflow/(Outflow) from Financing Activities		(1,026)	7,083
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,820	(7,709)
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		2,156	9,865
Cash and Cash Equivalents (and Bank Overdraft) at year end	26	5,976	2,156

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2012-13 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They 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 property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

1.2 Acquisitions and discontinued operations

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

1.3 Critical accounting judgements and key sources of estimation uncertainty

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

1.3.1 Critical judgements in applying accounting policies

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

Revenue derived from Payment by Results can be disputed for a period of up to 3 months from the quarter end, the Trust has assumed that all invoiced activity recorded as income as at 31st March 2013 will be paid in full.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.3.2 Key sources of estimation uncertainty

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

Note 15, an annual revaluation of Trust Property, Plant and Equipment is conducted by DTZ Debenham Tie Leung Ltd. As part of this revaluation process the Trust reviews the remaining useful life of its buildings in accordance with advice received from DTZ. This estimation of remaining useful life is in accordance with the Royal Institute of Chartered Surveyors (RICS) appraisal and valuation manual. The value of land, buildings and dwellings post revaluation was £181.5m.

Where assets are replaced during a major refurbishment, due to age, obsolescence, operational improvements etc, then the original asset is de-recognised from the balance sheet immediately the refurbishment work commences. As it is not possible to determine the carrying amount of the replaced part, the cost of the replacement is used as an indication of what the replaced part was at the time it was acquired or constructed. The cost of the replacement asset is then capitalised in full. The value derecognised in 2012-13 was

Note 10.5, Pension Costs details out the actuarial assumptions used in calculating the Trust's pension Liabilities.

In order to report within the government guidelines, the value of patient care activity for the year ended 31 March has been estimated based on data available at 1 April 2013.

Income for an inpatient stay can be recognised from the day of admission, but cannot be precisely calculated until the patient is discharged. For patients occupying bed as at 31 March 2013, the estimated income from partially completed spells was £2.9m (year ended 31 March 2012, £2.5m)

Assumptions around the timing of cash flows relating to provisions are based on information from the NHS Pensions Agency, expert legal opinion within the Trust and external advisors regarding when the legal issue may be settled.

Note 35, details the Provisions recognised by the Trust at 31 March 2013. These include legal actions against the Trust in relation to Employers and Public Liability Claims as well as employment related claims. The outcome of each individual case is uncertain and will only be determined through future legal proceedings. Key sources of information in determining the appropriate provision to recognise are reports from the NHS Litigation Authority and Trust Solicitors detailing on going claims against the Trust and which provide an assessment of the probable outcome and costs. Provision has also been made for employees who have applied or have contractual entitlement to re-grading / assimilation and would be entitled to arrears. Total provisions recognised at 31st March 2013 were £5.0m.

Note 36, Contingent Liabilities utilise reports from the Trust Solicitors to assess potential outcome and costs. Where the potential for the claim succeeding is less than 50% but considered not to be remote a contingent liability is recorded. These total £0.7m at 31st

Statement of Changes in Taxpayer's Equity, the Trust's Asset Register is unable to calculate the amount required to be transferred between the revaluation reserve and retained earnings for the excess of current cost depreciation over historical cost depreciation. The value is therefore estimated on the following basis:

Each asset's closing revaluation reserve balance is divided by its remaining useful life, with the resultant calculated value being transferred from the revaluation reserve to retained earnings, ensuring that the reserve value for each asset at the end of its life is written down to zero. The amount transferred in 2012-13 between the reserves was £1.1m.

The Trust information systems are unable to accurately identify the figures for 'Inventories recognised as expenses' under Note 21. The Trust has therefore estimated this figure by using the figures from the resus stock system for consumables and the ascribe stock system for drugs. These figures are £0.1m and £25.8m respectively.

The Trust entered into a contract with a third party in 2006 in which they provide accommodation to Trust employees. As part of the contract a minimum occupancy level was guaranteed. Costs of under-occupancy are met by the Trust.

Future under-occupancy charges have been estimated for the relevant properties based upon trends over the preceding 12 months ending February 2013.

The assets associated with this 'onerous' contract are impaired based upon this assessment.

Note 28, estimates of material outstanding pay liabilities have been made for the following:

Annual Leave - based upon average pay rates for 2012/13 and leave carried forward as assessed through a Trust wide sample

Maternity Leave - based upon actual employees on leave, taking account of NHS contractual entitlements

Overtime and Enhancements relating to March 2013 - based upon actual payments for a 'similar' accounting period

1.4 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period multiplied by an historic average daily income rate.

Where income is received for a specific activity that is to be delivered in the following year, that income is deferred.

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The Trust recognises the income when it receives notification from the Department of Work and Pension's Compensation Recovery Unit that the individual has lodged a compensation claim. The income is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.5 Employee Benefits

Short-term employee benefits

Salaries, wages and employment related payments are recognised in the period in which service is received from the employee. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. 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.

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 expenditure at the time the Trust commits itself to the retirement, regardless of the method of payment.

1.6 Other expenses

Other operating expenses are recognised when, and to the extent that, the goods or services have been received. They are measured at the fair value of the consideration payable.

1.7 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have 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
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

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

Land and buildings used for the trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any impairment.

Notes to the Accounts - 1. Accounting Policies (Continued)

Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost

Until 31 March 2008, the depreciated replacement cost of specialised buildings has been estimated for an exact replacement of the asset in its present location. HM Treasury has adopted a standard approach to depreciated replacement cost valuations based on modern equivalent assets and, where it would meet the location requirements of the service being provided, an alternative site can be valued.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they are brought into use.

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment being carried at the following amounts:-

Where assets are of low value (less than £1 million), and/or have short useful economic lives (less than 10 years), these are carried at depreciated historic cost as a proxy for current value as this is not considered to be materially different from fair value.

Assets above this threshold are carried at current value with, full professional valuations obtained every five years with interim professional valuations in year three

Assets purchased under a finance lease are held at the net present value of the minimum lease payments discounted using the implicit interest rate.

Equipment surplus to requirements is valued at net recoverable amount.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Gains and losses recognised in the revaluation reserve are reported as other comprehensive income in the Statement of Comprehensive Income.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.8 Intangible assets

Recognition

Intangible assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the trust's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the trust; where the cost of the asset can be measured reliably, and where the cost is at least £5000.

Intangible assets acquired separately are initially recognised at fair value. Software that is integral to the operating of hardware, for example an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware, for example application software, is capitalised as an intangible asset. Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred. Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use
- the intention to complete the intangible asset and use it

Notes to the Accounts - 1. Accounting Policies (Continued)

- the ability to sell or use the intangible asset
- how the intangible asset will generate probable future economic benefits or service potential
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it
- the ability to measure reliably the expenditure attributable to the intangible asset during its development

Measurement

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the criteria above are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at amortised replacement cost (modern equivalent assets basis), indexed for relevant price increases, as a proxy for fair value. Internally-developed software is held at historic cost to reflect the opposing effects of increases in development costs and technological advances.

1.9 Depreciation, amortisation and impairments

Freehold land, properties under construction, and assets held for sale are not depreciated.

Otherwise, depreciation and amortisation are charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, over their estimated useful lives, in a manner that reflects the consumption of economic benefits or service potential of the assets. The estimated useful life of an asset is the period over which the Trust expects to obtain economic benefits or service potential from the asset. This is specific to the Trust and may be shorter than the physical life of the asset itself. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over their estimated useful lives

At each reporting period end, the trust checks whether there is any indication that any of its tangible or intangible non-current assets have suffered an impairment loss. If there is indication of an impairment loss, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit should be taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set.

AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

1.10 Donated assets

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a donated asset reserve is no longer maintained. Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to Income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are as described above for purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.11 Government grants

Following the accounting policy change outlined in the Treasury FREM for 2011-12, a government grant reserve is no longer maintained. The value of assets received by means of a government grant are credited directly to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.12 Other Reserves

Liabilities transferred to the NHS Litigation Authority on 1st April 2000, have been recorded as 'other reserves'. This reserve is not expected to change.

1.13 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met when the sale is highly probable, the asset is available for immediate sale in its present condition and management is committed to the sale, which is expected to qualify for recognition as a completed sale within one year from the date of classification. Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.14 Leases

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

The trust as lessee

Property, plant and equipment held under finance leases are initially recognised, at the inception of the lease, at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate on interest on the remaining balance of the liability. Finance charges are recognised in calculating the trust's surplus/deficit.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

The trust as lessor

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

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

Notes to the Accounts - 1. Accounting Policies (Continued)

1.15 Inventories

Inventories are valued at the lower of cost and net realisable value using the first-in first-out cost formula. This is considered to be a reasonable approximation to fair value due to the high turnover of stocks.

1.16 Cash and cash equivalents

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

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

1.17 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms (2.8% for employee early departure obligations).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursements will be received and the amount of the receivable can be measured reliably.

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.18 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. 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 35.

1.19 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.

1.20 EU Emissions Trading Scheme

EU Emission Trading Scheme allowances are accounted for as government grant funded intangible assets if they are not expected to be realised within twelve months, and otherwise as other current assets. They are valued at open market value. As the NHS body makes emissions, a provision is recognised with an offsetting transfer from deferred income. The provision is settled on surrender of the allowances. The asset, provision and deferred income amounts are valued at fair value at the end of the reporting period.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.21 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

1.22 Financial assets

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, to the initial fair value of the financial asset.

At the end of the reporting period, the trust assesses whether any financial assets, other than those held at 'fair value through profit and loss' are impaired. Financial assets are impaired and impairment losses recognised if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in expenditure and the carrying amount of the asset is reduced directly/through a provision for impairment of receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.23 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.24 Liquidity Risk

The Trust's net operating costs are mainly incurred under legally binding contracts with local Primary Care Trusts (to be replaced by Clinical Commissioning Groups with effect from 1st April 2013), which are financed from resources voted annually by Parliament. Under Payment by Results, the Trust is paid for activity on the basis of nationally set tariffs. For contracted activity, the Trust is paid in 12 monthly instalments throughout the year, which significantly reduces the Trust's liquidity risk. Performance in excess of contracted levels is paid in accordance with the terms of the legally binding contracts.

1.25 Market Risk

Interest Rate risk

All of the Trust's financial liabilities carry nil or fixed rates of interest. In addition, the only element of the Trust's assets that are subject to a variable rate are short term cash investments. The Trust is not, therefore, exposed to significant interest-rate risk.

Foreign currency risk

The Trust has negligible foreign currency income or expenditure.

Credit risk

The Trust operates primarily within the NHS market and receives the majority of its income from other NHS organisations. There is therefore little risk that one party will fail to discharge its obligation with the other. Disputes can arise, however, around how the amounts owed are calculated, particularly due to the complex nature of the Payments by Results regime.

1.26 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.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.27 Foreign currencies

The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the trust's surplus/deficit in the period in which they arise.

1.28 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 42 to the accounts.

1.29 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the NHS trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances 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.

1.30 Losses and Special Payments

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

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.31 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

Subsidiaries that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'

For 2011-12 and 2012-13 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

Notes to the Accounts - 1. Accounting Policies (Continued)

1.32 Associates

Material entities over which the Trust has the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the Trust's accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the Trust's share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the Trust from the entity.

Associates that are classified as 'held for sale' are measured at the lower of their carrying amount or 'fair value less costs to sell'

1.33 Joint operations

Joint operations are activities undertaken by the Trust in conjunction with one or more other parties but which are not performed through a separate entity. The Trust records its share of the income and expenditure; gains and losses; assets and liabilities; and cashflows.

1.34 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

1.35 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012-13. The application of the Standards as revised would not have a material impact on the accounts for 2012-13, were they applied in that year:

IAS 27 Separate Financial Statements - subject to consultation
IAS 28 Investments in Associates and Joint Ventures - subject to consultation
IFRS 9 Financial Instruments - subject to consultation
IFRS 10 Consolidated Financial Statements - subject to consultation
IFRS 11 Joint Arrangements - subject to consultation
IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
IFRS 13 Fair Value Measurement - subject to consultation
IPSAS 32 - Service Concession Arrangement - subject to consultation

2. Pooled budgets

United Lincolnshire Hospitals NHS Trust does not have any pooled budgets.

3. Operating segments

The board (the Chief Operating Decision Maker as defined by IFRS 8 Operating Segments) has determined that the Trust operates one material business segment which is the provision of healthcare services. The operating results of this segment are regularly reviewed by the Board.

The provision of healthcare (including medical treatment, research and education) is within one main geographical segment the United Kingdom, and materially from Departments of HM Government in England.

Revenue from activities (medical treatment of patients) is analysed by customer type in note 5 to the financial statements on page 31. Other operating revenue is analysed in note 6 to the financial statements on page 31 and materially consists of revenues from education, training and research and other revenue.

The percentage of total revenue receivable from within the whole of HM Government is disclosed below.

	Year Ended 31 March '2013 £'000		Year ended 31 March '2012 £'000	
		%		%
Revenue from whole HM Government	412172	97.5	397738	97.5
Revenue from non HM Government sources	10630	2.5	10237	2.5
TOTAL	422802	100	407975	100

4. Income generation activities

The trust undertakes income generation activities with an aim of achieving profit, which is then used in patient care. The following provides details of income generation activities whose full cost exceeded £1m or was otherwise material.

Summary Table - aggregate of all schemes	2012-13 £000s	2011-12 £000s
Income	5,008	1,954
Full cost	4,670	2,324
Surplus/(deficit)	338	(370)

2012-13 figures comprise catering and car parking income from the public and staff (2011-12 catering only)

5. Revenue from patient care activities

	2012-13 £000s	2011-12 £000s
NHS Trusts	4	4
Primary Care Trusts - tariff	266,404	274,784
Primary Care Trusts - non-tariff	108,989	91,413
Primary Care Trusts - market forces factor	3,712	3,892
Local Authorities	87	56
Non-NHS:		
Private patients	847	1,129
Overseas patients (non-reciprocal)	55	50
Injury costs recovery	2,247	1,764
Other	343	288
Total Revenue from patient care activities	382,688	373,380

6. Other operating revenue

	2012-13 £000s	2011-12 £000s
Recoveries in respect of employee benefits	2,641	1,694
Education, training and research	19,210	19,394
Receipt of donations for capital acquisitions - NHS Charity	358	151
Non-patient care services to other bodies	45	239
Income generation	4,116	3,415
Rental revenue from finance leases	86	30
Rental revenue from operating leases	643	602
Other revenue	13,015	9,070
Total Other Operating Revenue	40,114	34,595

Total operating revenue

422,802	407,975
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Other revenue is analysed as below

SLA income	5,548	4,154
Pathlincs	796	910
Release of progress deferred income	479	479
Income re non pay recharges	3,093	0
Other	3,099	3,527
	13,015	9,070

7. Revenue

	2012-13 £000	2011-12 £000
From rendering of services	422,802	407,975
From sale of goods	0	0

Revenue is almost totally from the supply of services. Revenue from the sale of goods is immaterial.

8. Operating expenses (excluding employee benefits)	2012-13 £000s	2011-12 £000s
Trust Chair and Non-executive Directors	56	56
Supplies and services - clinical	84,923	71,271
Supplies and services - general	7,253	7,208
Consultancy services	1,138	1,775
Establishment	4,636	3,860
Transport	1,163	1,512
Premises	18,490	16,815
Impairments and Reversals of Receivables	63	176
Inventories write down	47	119
Depreciation	10,068	10,968
Amortisation	497	510
Impairments and reversals of property, plant and equipment	5,145	6,873
Audit fees	156	262
Clinical negligence	9,600	8,949
Education and Training	1,125	999
Change in Discount Rate	112	0
Other	2,318	2,252
Total Operating expenses (excluding employee benefits)	<u>146,790</u>	<u>133,605</u>
 Employee benefits		
Employee benefits excluding Board members	273,398	273,812
Board members	1,404	1,331
Total employee benefits	<u>274,802</u>	<u>275,143</u>
 Total operating expenses	<u>421,592</u>	<u>408,748</u>

9 Operating Leases

The majority of the Trust's leasing arrangements are for plant and equipment supplied under normal commercial terms by non-NHS suppliers. There is no contingent rent associated with the arrangements.

The Trust has entered in 2011-12 into a short term operating lease for land. This lease expires in the period to March 2014

The Trust has entered in 2012-13 into a short term operating lease for buildings. This lease expires in March 2018.

The Trust leases medical equipment, these leases expire in the period to December 2016. The Trust also has numerous vehicles leased which expire over the next 4 years

9.1 Trust as lessee	Land £000s	Buildings £000s	Other £000s	2012-13 Total £000s	2011-12 £000s
Payments recognised as an expense					
Minimum lease payments				588	538
Total				588	538
Payable:					
No later than one year	1,154	0	366	1,520	437
Between one and five years	4,427	0	265	4,692	389
Total	5,581	0	631	6,212	826
Total future sublease payments expected to be received:				0	0

9.2 Trust as lessor

The Trust has leased a number of buildings to non NHS organisations which provide ancillary services to patients.

	2012-13 £000	2011-12 £000s
Recognised as income		
Rental revenue	413	180
Contingent rents	230	422
Total	643	602
Receivable:		
No later than one year	386	510
Between one and five years	1,325	1,755
After five years	476	658
Total	2,187	2,923

10 Employee benefits and staff numbers

10.1 Employee benefits

	2012-13		
	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	233,300	199,285	34,015
Social security costs	16,933	16,933	0
Employer Contributions to NHS BSA - Pensions Division	24,155	24,155	0
Termination benefits	520	520	0
Total employee benefits	274,908	240,893	34,015
Less recoveries in respect of employee benefits (table below)	(2,641)	(2,641)	0
Total - Net Employee Benefits including capitalised costs	272,267	238,252	34,015
Employee costs capitalised	106	106	0
Gross Employee Benefits excluding capitalised costs	274,802	240,787	34,015

Employee Benefits 2012-13 - income

Salaries and wages	2,190	2,190	0
Social Security costs	186	186	0
Employer Contributions to NHS BSA - Pensions Division	265	265	0
TOTAL excluding capitalised costs	2,641	2,641	0

	2012-13			2011-12
	Total £000s	Permanently employed £000s	Other £000s	
Gross Employee Benefits & Net expenditure 2011-12				
Salaries and wages	230,924	202,904	28,020	
Social security costs	18,130	18,130	0	
Employer Contributions to NHS BSA - Pensions Division	24,515	24,515	0	
Termination benefits	1,668	1,668	0	
TOTAL - including capitalised costs	275,237	247,217	28,020	
Less recoveries in respect of employee benefits	(1,694)	(1,694)	0	
Total - Net Employee Benefits including capitalised costs	273,543	245,523	28,020	
Recognised as				
Employee costs capitalised	94	94	0	
Net Employee Benefits excluding capitalised costs	275,143	247,123	28,020	

10.2 Staff Numbers

	2012-13			2011-12
	Total Number	Permanently employed Number	Other Number	
Average Staff Numbers				
Medical and dental	855	735	120	864
Administration and estates	1,144	1,112	32	1,176
Healthcare assistants and other support staff	1,694	1,625	69	1,744
Nursing, midwifery and health visiting staff	1,982	1,902	80	1,990
Scientific, therapeutic and technical staff	720	684	36	719
Other	0	0	0	1
TOTAL	6,395	6,058	337	6,494
Of the above - staff engaged on capital projects	2	2	0	2

10.3 Staff Sickness absence and ill health retirements

	2012-13 Number	2011-12 Number
Total Days Lost	69,843	71,429
Total Staff Years	6,136	6,295
Average working Days Lost	11.38	11.35

* Sickness figures provided are based on calendar year ending 31 December 2012

	2012-13 Number	2011-12 Number
Number of persons retired early on ill health grounds	12	8
Total additional pensions liabilities accrued in the year	£000s 729	£000s 519

10.4 Exit Packages agreed in 2012-13

Exit package cost band (including any special payment element)	2012-13			2011-12		
	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band	*Number of compulsory redundancies	*Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	6	0	6	2	1	3
£10,001-£25,000	4	0	4	0	9	9
£25,001-£50,000	2	1	3	2	6	8
£50,001-£100,000	0	1	1	2	7	9
£100,001 - £150,000	0	0	0	1	2	3
Total number of exit packages by type (total cost)	12	2	14	7	25	32
Total resource cost (£000s)	171	108	280	326	1,073	1,399

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Scheme. **Exit costs in this note are accounted for in full in the year of departure.** Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

The reported "other departures agreed" consist of departures agreed under the Trust's:-
 -Voluntary redundancy scheme
 -Mutually Agreed Resignation Scheme (MARS)

This disclosure reports the number and value of exit packages taken by staff leaving in the year. Note: The expense associated with these departures may have been recognised in part or in full in a previous period.

10.5 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.nhsbsa.nhs.uk/pensions. The scheme is an unfunded, defined benefit scheme that covers NHS employers, GP 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.

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

a) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

c) Scheme provisions

The NHS Pension Scheme provided defined benefits, which are summarised below. This list is an illustrative guide only, and is not intended to detail all the benefits provided by the Scheme or the specific conditions that must be met before these benefits can be obtained:

The Scheme is a "final salary" scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.

With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as "pension commutation".

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. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

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 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 employer.

Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC's run by the Scheme's approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

11 Better Payment Practice Code

11.1 Measure of compliance

	2012-13 Number	2012-13 £000s	2011-12 Number	2011-12 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	105,726	140,091	102,181	113,112
Total Non-NHS Trade Invoices Paid Within Target	93,735	114,769	87,739	91,902
Percentage of NHS Trade Invoices Paid Within Target	88.66%	81.92%	85.87%	81.25%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	2,100	32,477	2,302	41,973
Total NHS Trade Invoices Paid Within Target	1,551	29,215	1,805	36,237
Percentage of NHS Trade Invoices Paid Within Target	73.86%	89.96%	78.41%	86.33%

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

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

	2012-13 £000s	2011-12 £000s
Amounts included in finance costs from claims made under this legislation	0	0
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	0	0

12 Investment Income

	2012-13	2011-12
	£000s	£000s
Interest Income		
Bank interest	<u>59</u>	<u>56</u>
Subtotal	<u>59</u>	<u>56</u>
Total investment income	<u>59</u>	<u>56</u>

13 Other Gains and Losses

	2012-13	2011-12
	£000s	£000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	(397)	(368)
Gain/(Loss) on disposal of assets other than by sale (intangibles)	0	(77)
Gain (Loss) on disposal of assets held for sale	<u>25</u>	<u>0</u>
Total	<u>(372)</u>	<u>(445)</u>

14 Finance Costs

	2012-13	2011-12
	£000s	£000s
Interest		
Interest on loans and overdrafts	87	44
Interest on obligations under finance leases	<u>49</u>	<u>57</u>
Total interest expense	<u>136</u>	<u>101</u>
Provisions - unwinding of discount	71	69
Total	<u>207</u>	<u>170</u>

15.1 Property, plant and equipment

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
2012-13									
Cost or valuation:									
At 1 April 2012	16,187	143,539	22,045	4,068	46,056	551	6,119	293	238,858
Additions of Assets Under Construction	0	0	0	7,272	0	0	0	0	7,272
Additions Purchased	0	416	0	0	2,469	0	903	9	3,797
Additions Donated	0	0	0	0	317	0	0	0	317
Reclassifications	0	5,939	0	(8,589)	2,291	0	111	0	(248)
Reclassifications as Held for Sale and reversals	355	0	(375)	0	(479)	0	0	0	(499)
Disposals other than for sale - cumulative deprec adj	(5,228)	(5,930)	(2,609)	0	(967)	0	(781)	0	(15,515)
Upward revaluation/positive indexation	3	3,348	3,064	0	0	0	0	0	6,415
Impairments/negative indexation	(1,892)	(1,250)	0	0	0	0	0	0	(3,142)
Reversal of Impairments	0	3,870	0	0	0	0	0	0	3,870
At 31 March 2013	9,425	149,932	22,125	2,751	49,687	551	6,352	302	241,125
Depreciation									
At 1 April 2012	0	0	0	0	29,256	405	3,972	65	33,698
Reclassifications as Held for Sale and reversals	0	0	0	0	(479)	0	0	0	(479)
Disposals other than for sale - cumulative deprec adj	(1,228)	(5,628)	(2,609)	0	(859)	0	(781)	0	(11,105)
Impairments	1,228	1,612	2,347	0	0	0	0	0	5,187
Reversal of Impairments	0	0	(42)	0	0	0	0	0	(42)
Charged During the Year	0	4,016	304	0	4,613	56	1,045	34	10,068
At 31 March 2013	0	0	0	0	32,531	461	4,236	99	37,327
Net Book Value at 31 March 2013	9,425	149,932	22,125	2,751	17,156	90	2,116	203	203,798
Purchased	9,425	149,366	22,125	2,751	16,154	90	2,104	203	202,218
Donated	0	490	0	0	1,002	0	12	0	1,504
Government Granted	0	76	0	0	0	0	0	0	76
Total at 31 March 2013	9,425	149,932	22,125	2,751	17,156	90	2,116	203	203,798
Asset financing:									
Owned	9,425	149,932	0	2,751	16,702	90	2,116	203	181,219
Held on finance lease	0	0	22,125	0	454	0	0	0	22,579
Total at 31 March 2013	9,425	149,932	22,125	2,751	17,156	90	2,116	203	203,798

Revaluation Reserve Balance for Property, Plant & Equipment

	Land	Buildings	Dwellings	Assets under construction & payments on account	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
At 1 April 2012	4,757	16,811	5,149	0	244	1	11	0	26,973
Movements (see below)	(4,754)	21,990	2,894	0	(130)	(1)	(11)	0	19,988
At 31 March 2013	3	38,801	8,043	0	114	0	0	0	46,961
Analysis of movements									
Unpooling of revaluation reserve	0	16,928	0	0	0	0	0	0	16,928
Elimination of revaluation reserve on disposal of asset	(2,865)	(57)	(101)	0	(4)	0	0	0	(3,027)
Excess depreciation	0	(849)	(69)	0	(126)	(1)	(11)	0	(1,056)
Revaluations / impairments	(1,889)	5,968	3,064	0	0	0	0	0	7,143
	(4,754)	21,990	2,894	0	(130)	(1)	(11)	0	19,988

In previous years the Trust pooled the revaluation reserve on a site by site basis. This has now been replaced by an individual building basis and resulted in the unpooling of revaluation reserve adjustment set out above.

Additions to Assets Under Construction in 2012-13

	£000's
Buildings excl Dwellings	4,748
Plant & Machinery	2,524
Balance as at YTD	7,272

15.2 Property, plant and equipment prior-year

	Land	Buildings excluding dwellings	Dwellings	Assets under construction & payments on account £000s	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
2011-12									
Cost or valuation:									
At 1 April 2011	13,676	147,113	20,391	3,790	48,239	551	7,289	1,022	242,071
Additions - purchased	0	413	(29)	10,757	1,263	0	201	113	12,718
Additions - donated	0	0	0	0	133	0	12	0	145
Reclassifications	0	8,248	0	(10,479)	2,193	0	38	0	0
Reclassifications as Held for Sale and reversals	(900)	0	0	0	(631)	0	0	0	(1,531)
Disposals other than by sale	0	(607)	0	0	(5,141)	0	(1,421)	(842)	(8,011)
Revaluation & indexation gains	3,411	9	490	0	0	0	0	0	3,910
Impairments	0	(2,136)	0	0	0	0	0	0	(2,136)
Reversals of impairments	0	2,170	0	0	0	0	0	0	2,170
Cumulative dep netted off cost following revaluation	0	(11,671)	1,193	0	0	0	0	0	(10,478)
At 31 March 2012	<u>16,187</u>	<u>143,539</u>	<u>22,045</u>	<u>4,068</u>	<u>46,056</u>	<u>551</u>	<u>6,119</u>	<u>293</u>	<u>238,858</u>
Depreciation									
At 1 April 2011	0	0	0	0	28,707	338	4,009	627	33,681
Reclassifications as Held for Sale and reversals	0	0	0	0	(618)	0	0	0	(618)
Disposals other than for sale	0	(13)	0	0	(4,674)	0	(1,335)	(706)	(6,728)
Impairments	0	8,539	1,505	0	0	0	0	0	10,044
Reversal of Impairments	0	(193)	(2,978)	0	0	0	0	0	(3,171)
Charged During the Year	0	3,338	280	0	5,841	67	1,298	144	10,968
Cumulative dep netted off cost following revaluation	0	(11,671)	1,193	0	0	0	0	0	(10,478)
At 31 March 2012	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>29,256</u>	<u>405</u>	<u>3,972</u>	<u>65</u>	<u>33,698</u>
Net book value at 31 March 2012	<u>16,187</u>	<u>143,539</u>	<u>22,045</u>	<u>4,068</u>	<u>16,800</u>	<u>146</u>	<u>2,147</u>	<u>228</u>	<u>205,160</u>
Purchased	16,187	142,966	22,045	4,068	15,632	146	2,132	228	203,404
Donated	0	494	0	0	1,168	0	15	0	1,677
Government Granted	0	79	0	0	0	0	0	0	79
Total at 31 March 2012	<u>16,187</u>	<u>143,539</u>	<u>22,045</u>	<u>4,068</u>	<u>16,800</u>	<u>146</u>	<u>2,147</u>	<u>228</u>	<u>205,160</u>
Asset financing:									
Owned	16,187	143,539	383	4,068	16,232	146	2,147	228	182,930
Held on finance lease	0	0	21,662	0	568	0	0	0	22,230
Total at 31 March 2012	<u>16,187</u>	<u>143,539</u>	<u>22,045</u>	<u>4,068</u>	<u>16,800</u>	<u>146</u>	<u>2,147</u>	<u>228</u>	<u>205,160</u>

15.3 Property, plant and equipment

The Trust has received donated assets in the financial year as follows:-

Description	£'000
United Lincolnshire Hospitals NHS Trust Charitable Fund	358
Total Donated assets received in 2012/13	<u>358</u>

The Trust revalued its land, buildings and dwellings in March 2013. This revaluation was conducted by Mr D. M. Wilson MRICS of DTZ Debenham Tie Leung Ltd and was based upon depreciated replacement cost using the modern equivalent basis of valuation. Land and Buildings on the Louth site were valued at open market value in 2011-12 and disposed of in 2012-13.

Land and Buildings on the Sleaford site Laundon House were valued at open market value in 2012-13 and 2011-12.

Accounting policies note 1.7 provides further information regarding the method of valuation.

All other items of property, plant and equipment acquired after 1st January 2009 are held at historic cost.

Other assets acquired prior to the 1st January 2009 are held at a revalued amount. The revaluation was calculated by reference to annual indices published by the Department of Health.

The minimum and maximum asset lives by asset category are as follows:-

	Minimum Asset Life	Maximum Asset Life
Intangibles		
Software Licences	0	6
Property, Plant and Equipment		
Buildings exc Dwellings	8	90
Dwellings	59	76
Plant & Machinery	0	13
Transport Equipment	0	5
Information Technology	0	8
Fixtures & fittings	0	10

The value of land held at open market value is £50,000 (2011-12 £4,000,000).

The value of dwellings at open market value is £22,125,000 (2011-12 £22,037,000)

The value of buildings held at open market value is £116,000 (2011-12 NIL)

The gross value of fully depreciated assets still in use is £7,865,000

The Trust lease a number of buildings which it owns on operating leases, the net book value of the assets at March 2013 was £4.1m (March 2012 £4.3m).

The Depreciation charged to the statement of comprehensive income in 2012-13 in respect of these assets amounted to £78,000

(2011/12 £72,000). These assets were revalued as at 31 March 2013 resulting in an upward revaluation of £65,000, impairment losses of £297,000 and reversals of previous impairments of £40,000. The net movement was therefore a reduction of £192,000.

16.1 Intangible non-current assets

	Software internally generated £000's	Software purchased £000's	Total £000's
2012-13			
At 1 April 2012	20	3,154	3,174
Additions - purchased	0	164	164
Additions - donated	0	41	41
Reclassifications	0	248	248
Disposals other than by sale	0	(55)	(55)
At 31 March 2013	20	3,552	3,572
Amortisation			
At 1 April 2012	11	1,857	1,868
Disposals other than by sale	0	(55)	(55)
Charged during the year	4	493	497
At 31 March 2013	15	2,295	2,310
Net Book Value at 31 March 2013	5	1,257	1,262
Net book value at 31 March 2013 comprises:			
Purchased	5	1,217	1,222
Donated	0	40	40
Total at 31 March 2013	5	1,257	1,262
Revaluation reserve balance for intangible non-current assets			
	£000's	£000's	£000's
At 1 April 2012	0	0	0
Movements	0	0	0
At 31 March 2013	0	0	0

16.2 Intangible non-current assets prior year

	Software internally generated £000s	Software purchased £000s	Total £000s
2011-12			
Cost or valuation:			
At 1 April 2011	20	3,309	3,329
Additions - purchased	0	455	455
Additions - donated	0	6	6
Disposals other than by sale	0	(616)	(616)
At 31 March 2012	<u>20</u>	<u>3,154</u>	<u>3,174</u>
Amortisation			
At 1 April 2011	7	1,890	1,897
Disposals other than by sale	0	(539)	(539)
Charged during the year	4	506	510
At 31 March 2012	<u>11</u>	<u>1,857</u>	<u>1,868</u>
Net book value at 31 March 2012	9	1,297	1,306
Net book value at 31 March 2012 comprises:			
Purchased	9	1,291	1,300
Donated	0	6	6
Total at 31 March 2012	<u>9</u>	<u>1,297</u>	<u>1,306</u>

16.3 Intangible non-current assets

All intangible assets are held at historical cost, less accumulated amortisation, and are amortised on a straight line basis over 5 years.

17 Analysis of impairments and reversals recognised in 2012-13

2012-13
Total
£000s

Property, Plant and Equipment impairments and reversals taken to SoCI

Loss or damage resulting from normal operations	0
Over-specification of assets	2,305
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	2,305

Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	2,840
Total charged to Annually Managed Expenditure	2,840

Property, Plant and Equipment impairments and reversals charged to the revaluation reserve

Loss or damage resulting from normal operations	0
Over Specification of Assets	0
Abandonment of assets in the course of construction	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	(728)
Total impairments for PPE charged to reserves	(728)

Total Impairments of Property, Plant and Equipment **4,417**

Intangible assets impairments and reversals charged to SoCI

Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	0

Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total charged to Annually Managed Expenditure	0

Intangible Assets impairments and reversals charged to the Revaluation Reserve

Loss or damage resulting from normal operations	0
Over-specification of assets	0
Abandonment of assets in the course of construction	0
Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total impairments for Intangible Assets charged to Reserves	0

Total Impairments of Intangibles **0**

17 Analysis of impairments and reversals recognised in 2012-13

2012-13
Total
£000s

Non-current assets held for sale - impairments and reversals charged to SoCI.

Loss or damage resulting from normal operations	0
Abandonment of assets in the course of construction	0
Total charged to Departmental Expenditure Limit	0

Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	0
Changes in market price	0
Total charged to Annually Managed Expenditure	0

Total impairments of non-current assets held for sale **0**

Inventories - impairments and reversals charged to SoCI.

Loss or damage resulting from normal operations	0
Total charged to Departmental Expenditure Limit	0

Unforeseen obsolescence	0
Loss as a result of catastrophe	0
Other	47
Changes in market price	0
Total charged to Annually Managed Expenditure	47

Total impairments of Inventories **47**

Total Impairments charged to Revaluation Reserve *

(728)

Total Impairments charged to SoCI - DEL **2,305**

Total Impairments charged to SoCI - AME ** **2,887**

Overall Total Impairments **4,464**

Of which:

Impairment on revaluation to "modern equivalent asset" basis 0

Donated and Gov Granted Assets, included above

PPE - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL 6

Intangibles - Donated and Government Granted Asset Impairments: amount charged to SOCI - DEL 0

* Comprises:

Impairments 2012-13	3,142
Less reversal previous impairments	(3,870)
	(728)

** Comprises:

Impairments 2012-13	5,234
Less reversal previous impairments	(42)
	5,192

As set out in note 1.3.2 the Trust entered into a contract with a third party in 2006 in which they provide accomodation to Trust employees. As part of the contract a minimum occupancy level was guaranteed. Costs of under-occupancy are met by the Trust.

The assets associated with this 'onerous' contract are reviewed and impaired annually as appropriate based upon an assessment of future occupancy levels.

18 Investment property

The Trust holds no investment properties.

19 Commitments

19.1 Capital commitments

Contracted capital commitments at 31 March not otherwise included in these financial statements:

	31 March 2013	31 March 2012
	£000s	£000s
Property, plant and equipment	1,135	2,819
Intangible assets	2	0
Total	1,137	2,819

19.2 Other financial commitments

The Trust has not entered into non-cancellable contracts.

20 Intra-Government and other balances

	Current receivables	Non-current receivables	Current payables	Non-current payables
	£000s	£000s	£000s	£000s
Balances with other Central Government Bodies	9,913	0	13,141	0
Balances with Local Authorities	3	0	66	0
Balances with NHS bodies outside the Departmental Group	46	0	0	0
Balances with NHS Trusts and Foundation Trusts	3,249	0	798	0
Balances with bodies external to government	4,756	1,795	22,937	0
At 31 March 2013	17,967	1,795	36,942	0
prior period:				
Balances with other Central Government Bodies	7,566	0	5,440	0
Balances with Local Authorities	0	0	104	0
Balances with NHS Trusts and Foundation Trusts	2,699	0	1,711	0
Balances with bodies external to government	4,811	1,994	22,611	0
At 31 March 2012	15,076	1,994	29,866	0

21 Inventories

	Drugs £000s	Consumables £000s	Energy £000s	Work in progress £000s	Total £000s
Balance at 1 April 2012	2,121	4,191	23	0	6,335
Additions	26,044	243	18	0	26,305
Inventories recognised as an expense in the period	(25,814)	(99)	(11)	0	(25,924)
Write-down of inventories (including losses)	(33)	(14)	0	0	(47)
Balance at 31 March 2013	2,318	4,321	30	0	6,669

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
NHS receivables - revenue	12,340	9,507	0	0
NHS prepayments and accrued income	3	4	0	0
Non-NHS receivables - revenue	1,241	738	0	0
Non-NHS prepayments and accrued income	1,935	2,195	0	0
Provision for the impairment of receivables	(395)	(453)	(259)	(234)
VAT	498	615	0	0
Operating lease receivables	114	93	0	0
Other receivables	2,231	2,377	2,054	2,228
Total	17,967	15,076	1,795	1,994
Total current and non current	19,762	17,070		
Included in NHS receivables are prepaid pension contributions:	0	0		

The great majority of trade is with Primary Care Trusts, as commissioners for NHS patient care services. As Primary Care Trusts are funded by Government to buy NHS patient care services, no credit scoring of them is considered necessary.

Other receivables includes £4.24m relating to the injury cost recovery scheme administered by the Department of Work and Pensions

22.2 Receivables past their due date but not impaired

	31 March 2013 £000s	31 March 2012 £000s
By up to three months	1,217	856
By three to six months	928	409
By more than six months	265	902
Total	2,410	2,167

22.3 Provision for impairment of receivables

	2012-13 £000s	2011-12 £000s
Balance at 1 April 2012	(687)	(577)
Amount written off during the year	96	66
Amount recovered during the year	172	22
(Increase)/decrease in receivables impaired	(235)	(198)
Balance at 31 March 2013	(654)	(687)

Provisions for the impairments of receivables are based on specific issues where the Trust believes that it is unlikely to receive payment for outstanding invoices. General provisions are not made.

23 NHS LIFT investments

The Trust has no NHS LIFT investments.

24.1 Other Financial Assets - Current

The Trust has no current Other Financial Assets.

24.2 Other Financial Assets - Non Current

The Trust has no non current Other Financial Assets.

24.3 Other Financial Assets - Non Current - Capital Analysis

The Trust has no non current Other Financial Assets.

25 Other current assets

	31 March 2013 £000s	31 March 2012 £000s
EU Emissions Trading Scheme Allowance	<u>7</u>	<u>84</u>
Total	<u>7</u>	<u>84</u>

26 Cash and Cash Equivalents

	31 March 2013 £000s	31 March 2012 £000s
Opening balance	2,156	9,865
Net change in year	<u>3,820</u>	<u>(7,709)</u>
Closing balance	<u>5,976</u>	<u>2,156</u>
Made up of		
Cash with Government Banking Service	5,967	2,148
Cash in hand	9	8
Cash and cash equivalents as in statement of financial position	<u>5,976</u>	<u>2,156</u>
Cash and cash equivalents as in statement of cash flows	<u>5,976</u>	<u>2,156</u>
Patients' money held by the Trust, not included above	<u>0</u>	<u>1</u>

27 Non-current assets held for sale

	Land	Buildings, excl. dwellings	Dwellings	Plant and Machinery	Total
	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2012	355	0	0	0	355
Plus assets classified as held for sale in the year	0	0	375	0	375
Less assets sold in the year	0	0	(375)	0	(375)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(355)	0	0	0	(355)
Balance at 31 March 2013	0	0	0	0	0
Liabilities associated with assets held for sale at 31 March 2013	0	0	0	0	0
Balance at 1 April 2011	355	0	0	0	355
Plus assets classified as held for sale in the year	900	0	0	13	913
Less assets sold in the year	(900)	0	0	(13)	(913)
Balance at 31 March 2012	355	0	0	0	355
Liabilities associated with assets held for sale at 31 March 2012	0	0	0	0	0

In 2009/10 the Trust classified land at Welland previously used as Hospital buildings as 'held for sale'.

The Trust has been unable to sell this property and is not actively marketing at the current time, the land value has therefore been transferred back to PPE in 2012/13.

The dwellings sold in year related to 4 houses at Louth which were sold to external parties with a profit of £15,000.

28 Trade and other payables

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Interest payable	0	19	0	0
NHS payables - revenue	2,382	3,004	0	0
NHS payables - capital	1	0	0	0
NHS accruals and deferred income	284	78	0	0
Non-NHS payables - revenue	8,356	7,300	0	0
Non-NHS payables - capital	82	1,361	0	0
Non_NHS accruals and deferred income	16,590	17,748	0	0
Social security costs	2,744	87	0	0
Tax	2,948	1	0	0
Other	3,555	268	0	0
Total	36,942	29,866	0	0
Total payables (current and non-current)	36,942	29,866		

Included above:

to Buy Out the Liability for Early Retirements Over 5 Years	0	0
number of Cases Involved (number)	0	0
outstanding Pension Contributions at the year end	3,289	4

29 Other liabilities

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Lease incentives	24	24	776	801
Other	479	479	15,324	15,803
Total	503	503	16,100	16,604
Total other liabilities (current and non-current)	16,603	17,107		

The Trust entered into an agreement with Progress Housing in 2006, whereby the Trust transferred ownership of a number of staff accommodation flats to Progress, who agreed to refurbish the flats and build additional units. The Trust does not make any payments to Progress Housing, as they receive income from Employees who pay for accommodation. Due to the nature of the Transaction, the Trust has recorded the Assets on its balance sheet in accordance with IAS 17, with the corresponding liability being shown as an other liability. This Other liability is amortised to the income and expenditure account to offset the depreciation.

30 Borrowings

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Loans from Department of Health	0	3,216	0	3,976
Finance lease liabilities	134	121	493	627
Total	134	3,337	493	4,603
Total other liabilities (current and non-current)	627	7,940		

Loans - repayment of principal falling due in:

	31 March 2013 DH £000s	Other £000s	Total £000s
0-1 years	0	134	134
1 - 2 Years	0	134	134
2 - 5 Years	0	359	359
TOTAL	0	627	627

31 Other financial liabilities

The Trust has no other Financial Liabilities.

32 Deferred income

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Opening balance at 1 April 2012	768	1,774	0	0
Deferred income addition	611	768	0	0
Transfer of deferred income	(768)	(1,774)	0	0
Current deferred income at 31 March 2013	611	768	0	0
Total deferred income (current and non-current)	611	768		

33 Finance lease obligations as lessee

The Trust entered into a finance lease with Dalkia Utility Services PLC in 2002 for the provision of a combined heat and power system. Dalkia also manage and maintain the equipment during the term of the lease which is 15 years. The Unitary charge increases by reference to RPI. Gas prices vary by reference to gas commodity indices.

The legal title to the equipment transfers to the Trust at the end of the lease term.

Amounts payable under finance leases (Buildings)

	Minimum lease payments		Present value of minimum lease	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Present value of minimum lease payments	0	0	0	0
Included in:				
Current borrowings			0	0
Non-current borrowings			0	0
			0	0

Amounts payable under finance leases (Land)

	Minimum lease payments		Present value of minimum lease	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Present value of minimum lease payments	0	0	0	0
Included in:				
Current borrowings			0	0
Non-current borrowings			0	0
			0	0

Amounts payable under finance leases (Other)

	Minimum lease payments		Present value of minimum lease	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Within one year	174	170	134	121
Between one and five years	550	724	493	627
Less future finance charges	(97)	(146)	0	0
Present value of minimum lease payments	627	748	627	748
Included in:				
Current borrowings			134	121
Non-current borrowings			493	627
			627	748

Finance leases as lessee

	31 March 2013 £000s	31 March 2012 £000s
Future Sublease Payments Expected to be received	0	0
Contingent Rents Recognised as an Expense	0	0

34 Finance lease receivables as lessor

The Trust owns 3 properties where they have granted long leases to other NHS bodies.

Ambulance Station at Boston Pilgrim Hospital	125 Years from 1992, annual rent of 1 peppercorn
Manthorpe Centre at Grantham Hospital	80 Years from 1997, annual rent of 1 peppercorn
Adult Mental Illness Unit at Boston Pilgrim Hospital	125 Years from 1993, annual rent 1 peppercorn

The above properties revert to the Trust at the end of the lease term.

Amounts receivable under finance leases (buildings)	Gross investments in leases		Present value of minimum lease	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Of minimum lease payments				
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Present value of minimum lease payments	0	0	0	0
Less allowance for uncollectible lease payments:	0	0	0	0
Total finance lease receivable recognised in the statement of financial position	0	0	0	0
Included in:				
Current finance lease receivables			0	0
Non-current finance lease receivables			0	0
			0	0
Amounts receivable under finance leases (land)				
Of minimum lease payments				
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Present value of minimum lease payments	0	0	0	0
Less allowance for uncollectible lease payments:	0	0	0	0
Total finance lease receivable recognised in the statement of financial position	0	0	0	0
Included in:				
Current finance lease receivables			0	0
Non-current finance lease receivables			0	0
			0	0
Amounts receivable under finance leases (Other)				
Of minimum lease payments				
Within one year	0	0	0	0
Between one and five years	0	0	0	0
After five years	0	0	0	0
Less future finance charges	0	0	0	0
Present value of minimum lease payments	0	0	0	0
Less allowance for uncollectible lease payments:	0	0	0	0
Total finance lease receivable recognised in the statement of financial position	0	0	0	0
Included in:				
Current finance lease receivables			0	0
Non-current finance lease receivables			0	0
			0	0
	31 March 2013	31 March 2012		
	£000	£000		
The unguaranteed residual value accruing to the Trust	0	0		
Accumulated allowance for uncollectible minimum lease payments receivable	0	0		
	31 March 2013	31 March 2012		
Rental income				
Contingent rent	86	30		
Other	0	0		
Total rental income	86	30		
Finance lease commitments	0	0		

35 Provisions

	Comprising:						
	Total	Pensions to Former Directors	Pensions Relating to Other Staff	Legal Claims	Restructuring	Continuing Care	Other
	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2012	7,479	0	2,544	625	2,423	0	1,887
Arising During the Year	1,382	0	164	518	410	0	290
Utilised During the Year	(1,213)	0	(191)	(287)	(246)	0	(489)
Reversed Unused	(2,826)	0	0	(175)	(1,428)	0	(1,223)
Unwinding of Discount	71	0	71	0	0	0	0
Change in Discount Rate	112	0	112	0	0	0	0
Balance at 31 March 2013	5,005	0	2,700	681	1,159	0	465

Expected Timing of Cash Flows:

No Later than One Year	2,493	0	188	681	1,159	0	465
Later than One Year and not later than Five Years	708	0	708	0	0	0	0
Later than Five Years	1,804	0	1,804	0	0	0	0

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:

As at 31 March 2013	91,033
As at 31 March 2012	77,940

The amount and timings of these provisions are based on facts that were known at the time of completion of the Trust's accounts. Subsequent changes may alter the estimated value of the

The provision for Pensions relating to other staff has been assessed using average life expectancies, and is thus uncertain as to amount and timing of cash flows.

The provision for other legal claims relates to third party liability and property expenses claims, and claims made against the Trust in relation to Employment issues. In addition to the amount provided within the Trust's accounts, details of contingent liabilities and assets relating to these claims are given in note 36. The Trust's legal advisors have assessed each claim and a provision has been made, based upon the expected outcome of the claim, the related probability and the expected settlement date.

The restructuring provision supports the review of management and business unit structures and potential associated exit costs.

Other provisions (£0.5m) relate principally to the following:

- Costs associated with potential obligations under the NHS Consultant Contract (£0.20m)
- Provision for costs associated with emissions under the Carbon Reduction Scheme (£0.22m)

36 Contingencies

	31 March 2013 £000s	31 March 2012 £000s
Contingent liabilities		
Other	(2,041)	(400)
Net Value of Contingent Liabilities	(2,041)	(400)
Contingent Assets		
Contingent Assets	0	0
Net Value of Contingent Assets	0	0

The contingent liability reported above comprises three elements:

- Employment related legal claims (£0.7m)

A provision for legal claims brought against the Trust in relation to Employment issues has been disclosed at Note 35. This provision is assessed based upon the most likely outcome. The contingent liability reported within this note takes account of the potential liability in the event the Trust assessment is underestimated. The specific breakdown of contingent liabilities has not been disclosed as this information could prejudice the position of the Trust in certain cases.

- Contractual disputes (£0.8m)

The Trust is involved in a long running contractual dispute for which a reasonable estimate has been provided and accounted for within trade payables. The Trust believes the value provided will be sufficient to settle the claim in full, however a contingent liability has been recorded for the disputed amount.

- Potential fines / prosecutions (£0.5m)

The Trust is facing a legal action brought by the Health and Safety Executive relating to an incident in 2012. The Trust believes it has a robust defence but there remains an element of uncertainty while the prosecution continues.

There are no other contingent gains or liabilities which require disclosure in the accounts.

37 Financial Instruments

37.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS trust has with 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 listed companies, to which the financial reporting standards mainly apply. 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.

The trust's treasury management operations are carried out by the finance department, within parameters defined formally within the trust's standing financial instructions and policies agreed by the board of directors. Trust treasury activity is subject to review by the trust's internal auditors.

Currency risk

The trust is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based. The trust has no The trust therefore has low exposure to currency rate fluctuations.

Interest rate risk

The trust borrows from government for capital expenditure, subject to affordability as confirmed by the strategic health authority. The borrowings are for 1 – 25 years, in line with the life of the associated assets, and interest is charged at the National Loans Fund rate, fixed for the life of the loan. The trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the trust's income comes from contracts with other public sector bodies, the trust has low exposure to credit risk. The maximum exposures as at 31 March 2013 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

The trust's operating costs are incurred under contracts with primary care trusts, which are financed from resources voted annually by Parliament. The trust funds its capital expenditure from funds obtained within its prudential borrowing limit. The trust is not, therefore, exposed to significant liquidity risks.

	At 'fair value through profit and loss' £000s	Loans and receivables £000s	Available for sale £000s	Total £000s
37.2 Financial Assets				
Receivables - non-NHS	0	1,795	0	1,795
Cash at bank and in hand	0	5,976	0	5,976
Total at 31 March 2013	0	7,771	0	7,771
Receivables - non-NHS	0	1,994	0	1,994
Cash at bank and in hand	0	2,156	0	2,156
Total at 31 March 2012	0	4,150	0	4,150

	At 'fair value through profit and loss' £000s	Other £000s	Total £000s
37.3 Financial Liabilities			
PFI & finance lease obligations	0	627	627
Other financial liabilities	0	7,080	7,080
Total at 31 March 2013	0	7,707	7,707
Other borrowings	0	7,192	7,192
PFI & finance lease obligations	0	748	748
Other financial liabilities	0	6,622	6,622
Total at 31 March 2012	0	14,562	14,562

	£000
38 Events after the end of the reporting period	
There are no events that require disclosing after the reporting period. The financial statements were authorised for issue on 6th June 2013 by the Chief Executive.	0

39 Related party transactions

Details of related party transactions with individuals are as follows:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£	£	£	£
Mr K Darwin (Non Executive Director ULHT) / Trustee St Barnabus Hospice	66,750	241,547	0	46,287
Mr K Darwin (Non Executive Director ULHT) / Governor University of Lincoln	19,200	59,393	0	2,275
Mr K Darwin (Non Executive Director ULHT) / Chairman Investors in Lincoln	20,017	0	0	0
Mr N Muntz (Non Executive Director ULHT) / Managing Director Siemens Industrial Turbo Ltd Lincoln	243,252	0	109	0
Mrs J Lowe (Interim Director ULHT) / Director Interchange HR Ltd	149,624	120	0	0
Mr M Oko (ENT Consultant) / The Snoring Disorders Centre Ltd	1,266,628	0	0	0

Non Executive Director Nick Muntz is Managing Director of Siemens Industrial Turbo Ltd, part of the larger Siemens Group. No contractual relationship exists between the Trust and Siemens Industrial Turbo Ltd. Mr Muntz has not been engaged in any part of the decision making processes affecting the contractual relationship with the wider Siemens Group. The payments made to Siemens in 2012/13 were made to Siemens PLC, Siemens Energy and Siemens Health. No payments were made to Siemens Industrial Turbo Ltd.

The Trust employs a number of consultants who in addition to their NHS duties derive varying levels of income from their work at the Trust's private patient unit. In 2012/13 this amounted to £409,000

Ian Warren (Interim Director of Human Resources) is also Human Resources Director for Lincolnshire Community Health Services NHS Trust. Nigel Myhill (Interim Director of Facilities) is also Director of Facilities for Northern Lincolnshire and Goole Hospitals NHS Trust.

The Department of Health is regarded as a related party. During the year United Lincolnshire Hospitals 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. *For example :*

Strategic Health Authorities
 NHS Foundation Trusts
 NHS Trusts
 NHS Litigation Authority
 NHS Business Services Authority
 Primary Care Trusts
 NHS Blood and Transport

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 the Department of Work and Pensions, HM Revenue and Customs, the National Insurance Fund, NHS Pension Scheme and City of Lincoln, Boston and North and South Kesteven Local Authorities and Lincolnshire County Council.

The Trust has also received revenue and capital payments amounting to £1.008m (2011/12 - £1.419m) from a number of charitable funds, certain of the trustees for which are also members of the Trust board. The audited accounts of the Funds Held on Trust are included in this annual report and accounts.

40 Losses and special payments

The total number of losses cases in 2012-13 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	135,202	211
Special payments	300,542	215
Total losses and special payments	435,744	426

The total number of losses cases in 2011-12 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	339,115	233
Special payments	306,732	274
Total losses and special payments	645,847	507

Details of cases individually over £250,000

There were no individual cases exceeding £250,000.

41. Financial performance targets

The figures given for periods prior to 2009-10 are on a UK GAAP basis as that is the basis on which the targets were set for those years.

41.1 Breakeven performance	2005-06 £000s	2006-07 £000s	2007-08 £000s	2008-09 £000s	2009-10 £000s	2010-11 £000s	2011-12 £000s	2012-13 £000s
Turnover	289,429	294,154	344,309	353,280	391,141	392,202	407,975	422,802
Retained surplus/(deficit) for the year	(15,043)	(13,761)	12,488	366	(4,002)	(14,177)	(7,060)	(5,207)
Adjustment for:								
Timing/non-cash impacting distortions:								
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0	0	0	0	0	0	0	0
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0	0	0	0	0	0	0
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0	0	0	0	0	0
Adjustments for Impairments	0	0	0	4,821	5,284	297	6,873	5,192
Adjustments for impact of policy change re donated/government grants assets	0	0	0	0	0	0	507	139
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*	0	0	0	0	0	0	0	0
Adsorption Accounting Adjustment	0	0	0	0	0	0	0	0
Other agreed adjustments	4,913	15,043	0	0	0	0	0	0
Break-even in-year position	(10,130)	1,282	12,488	5,187	1,282	(13,880)	320	124
Break-even cumulative position	(14,886)	(13,604)	(1,116)	4,071	5,353	(8,527)	(8,207)	(8,083)

* Due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009-10, NHS Trust's financial performance measurement needs to be aligned with the guidance issued by HM Treasury measuring Departmental expenditure. Therefore, the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which has no cash impact and is not chargeable for overall budgeting purposes, is excluded when measuring Breakeven performance. Other adjustments are made in respect of accounting policy changes (impairments and the removal of the donated asset and government grant reserves) to maintain comparability year to year.

The Trust has not achieved the statutory three year breakeven duty. A recovery plan is to be agreed with the Trust Development Authority.

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %	2011-12 %	2012-13 %
Materiality test (i.e. is it equal to or less than 0.5%):								
Break-even in-year position as a percentage of turnover	-3.50	0.44	3.63	1.47	0.33	-3.54	0.08	0.03
Break-even cumulative position as a percentage of turnover	-5.14	-4.62	-0.32	1.15	1.37	-2.17	-2.01	-1.91

The amounts in the above tables in respect of financial years 2005/06 to 2008/09 inclusive have **not** been restated to IFRS and remain on a UK GAAP basis.

41.2 Capital cost absorption rate

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

41.3 External financing

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

	£000s	2012-13 £000s	2011-12 £000s
External financing limit		(3,884)	18,159
Cash flow financing	(4,846)		14,792
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement		<u>(4,846)</u>	<u>14,792</u>
Undershoot/(overshoot)		<u>962</u>	<u>3,367</u>

41.4 Capital resource limit

The trust is given a capital resource limit which it is not permitted to exceed.

	2012-13 £000s	2011-12 £000s
Gross capital expenditure	11,591	13,324
Less: book value of assets disposed of	(4,785)	(2,267)
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(358)	(151)
Charge against the capital resource limit	<u>6,448</u>	<u>10,906</u>
Capital resource limit	<u>6,940</u>	<u>12,221</u>
(Over)/underspend against the capital resource limit	<u>492</u>	<u>1,315</u>

42 Third party assets

The Trust held cash and cash equivalents which relate to monies held by the NHS Trust on behalf of patients or other parties. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March £000s	31 March £000s
Third party assets held by the Trust	<u>0</u>	<u>1</u>