

Annual Report & Summary Accounts 2006-07





Contents



| | |
|---|----|
| Foreword by Chairman and Chief Executive | 4 |
| Service developments and new appointments | 6 |
| Our patients | 10 |
| National inpatient survey | 10 |
| Equal opportunities | 10 |
| Complaints | 11 |
| Goals and objectives | 12 |
| Values and behaviours | 12 |
| Operating and financial review | 13 |
| Independent auditor's statement to the directors of the board of United Lincolnshire Hospitals NHS Trust | 18 |
| Remuneration report | 18 |
| Summary of the statement on internal control 2006/07 | 22 |

This document has been prepared in accordance with the 2006/2007
NHS Trust Manual for Accounts issued by the Department of Health

Foreword by Chairman and Chief Executive

As the Trust's new Chairman and Chief Executive we are pleased to introduce the Annual Report for the year ending 31 March 2007.



David Bowles
Chairman



Gary Walker
Chief Executive

The year was the most challenging and turbulent our organisation has seen. For many years we experienced significant financial problems (see chart below) and struggled to deliver consistent performance against many national targets. At the beginning of the financial year we were forecasting a deficit of £24.6 million. Historical performance and the forecast of an even greater financial loss than previous years led to our organisation being one of several requiring turnaround support from the Department of Health. The turnaround programme that followed planned for significant cost reductions and potential job losses. In August the Trust also reported several hundred patients who had their waiting times inappropriately adjusted.

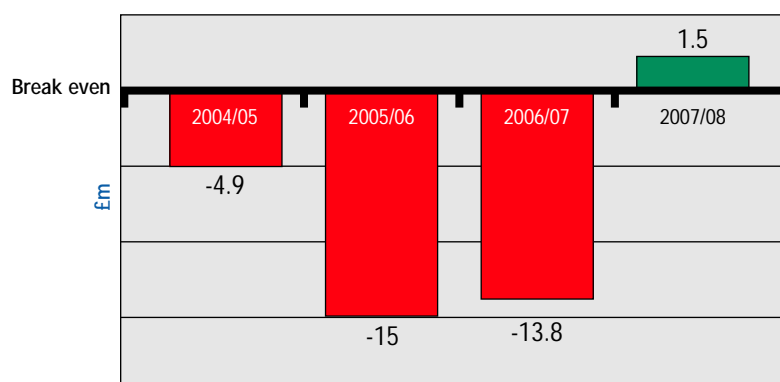
We joined the Trust in the Autumn of 2006. By the end of 2006/2007 the Trust Board had changed significantly with five new non-executive directors, two new executive directors and a new style of clinically driven management being implemented. The new Trust Board set about ensuring delivery of the existing turnaround plan and developing a future plan to ensure long-term performance improvement and financial stability.

The year ended with a deficit of £13.76 million which was within the agreement reached with NHS East Midlands and was the 54th most overspent organisation nationally. All those patients affected by the failure of the waiting list systems were treated by the end of February 2007. Job losses were kept to a minimum and only a handful of staff out of a total of over 7,000 were made compulsorily redundant compared to the approximately 200 planned job losses at the beginning of the turnaround process.

We owe a great deal of thanks to our staff, patients and their carers, and a wide range of organisations including the Patient and Public Involvement Forum for improving the way we worked over the year that helped us to deliver improvements in a very uncertain climate.

As we look to the future we now have a five year plan that provides much more certainty about the direction of the Trust. We have continued to see the improvements made towards the end of last year carry through to this year and have for example delivered the national target for A&E waiting time for the first three months of 2007/2008.

Financial Performance





Service developments and new appointments

There have been many clinical achievements for the Trust during the year. These developments include:



Parkinson's Disease Nurse Specialist

A specialised service was launched in Louth. Marion Smith, Parkinson's Disease Nurse Specialist, is available to patients on a full time basis. The specialist nurse is an invaluable source of help and support to people with the condition, their families and carers working both within the community and at the hospital. Marion assists people living with Parkinson's to improve their quality of life by identifying and linking to appropriate care service and therapies. Marion works alongside Consultant, Dr Christopher Cook who has a special interest in Parkinson's Disease and runs a Parkinson's Clinic at the hospital – one of very few specialised clinics in the country.



Nurse Cadet Scheme

The Trust launched a scheme for young people in the Grantham area who have an interest in nursing. The nurse cadet scheme which had already been run successfully at Lincoln County Hospital and Pilgrim Hospital at Boston was expanded to Grantham. The Trust offered the opportunity for 5 cadet placements on the 2 year scheme which offers 16-17 year olds the chance to gain an insight into health care as well as a sound academic qualification in preparation for a 3 year nurse training programme. The initiative is delivered in partnership with Grantham College.





Clinical and patient information officer

Thanks to a 2 year funding project from what was previously the Trent Workforce Development Confederation, the Trust appointed a clinical and patient information officer. The role involves ensuring information is available for patients about their care, to enable them to make decisions, in a way that is accessible for them.

High score in study by Saga Healthcare

A study by Saga Healthcare revealed that Grantham and District Hospital was one of England's top hospitals for the treatment of the over 50s, closely followed by Pilgrim Hospital, Boston and Lincoln County Hospital. The study also showed that mortality rates and waiting list times were down.

Leading the way in emergency care for babies and children

The Trust ran the first European Paediatric Life Support Course (EPLS) in the Trent region. The course attracted candidates from as far afield as London and Scotland. The Trust's resuscitation team forged links with other resuscitation teams with an interest in emergency paediatrics across the Trent region. The team has been teaching at Great Ormond Street Hospital and building links with emergency paediatric staff there as well as with their transfer and retrieval team.



Successful scheme supports patients with lung problems

A scheme to support patients with Chronic Obstructive Pulmonary Disorder (COPD) was hailed a success. The scheme, run by two specialist nurses at Grantham and District Hospital, involves assessing patients during their stay in hospital. The scheme has enabled patients to continue to be supported in their own homes for approximately 2 weeks following discharge from hospital. The scheme also allows for those patients who have been on it before, to refer themselves back to the scheme for further support if they become ill again. This enables one of the COPD nurse specialists to identify and obtain the most appropriate treatment for them, from either their own GP or from the hospital.



Specialist care for last days of life

A special designated team was established at Lincoln County Hospital to enhance care for patients who have a life expectancy in terms of weeks, days or hours. The discharge end of life team (DELTA) comprises of discharge liaison nurses, an occupational therapist, Macmillan nurses, Social Services community care officers, a Marie-Curie palliative care community link nurse and physiotherapist. Two key workers are identified for each patient who assess and plan the care required during the end stages of life. These members of staff are extremely sensitive to the needs and requests of the patient and their carers and will try and achieve the patient's preferred place of care.

Consultant Radiologist brings new expertise to Pilgrim

Pilgrim Hospital at Boston was delighted to welcome a new consultant radiologist to its team. Dr Amjad Iqbal joined the hospital from Dublin. Dr Iqbal used to visit the area to see friends and decided he would like to make his home in Lincolnshire. He works with various imaging procedures including CT, MRI and

ultrasound and specialises in the areas of vascular and non vascular intervention. Dr Iqbal's appointment means that local people are able to have certain procedures carried out locally rather than heading to Leicester University Hospital.



International recognition for work in breast care

Mandy Holland, Senior Radiographer at Pilgrim Hospital won the best scientific paper at a congress held in Vienna. The paper, which Mandy presented at the ECR Congress in Vienna, highlighted the UK's position as a world leader in the radiographer role extension. The Congress is one of the largest medical meetings in Europe and the second-largest radiological meeting in the world. The study compared radiographers' ultrasound reports to radiographers' reports in breast clinics for 78 females under the age of 35. As a result of the study, the breast service expanded by 20%. This has enabled patients to be seen sooner as now a radiographer has become the radiology lead in breast clinics which sees women under the age of 35.

Welcome improvements for Grantham and Sleaford Macmillan team

The Macmillan service based at Grantham and District Hospital moved into modern, spacious offices – a real improvement on the old offices they occupied. The new accommodation provides a cubicle for each nurse to work in as well as a private interview/counselling room.





Service developments and new appointments

Pilgrim beat national target for treating heart attack victims

Pilgrim Hospital, Boston dramatically exceeded the performance targets set by the government for patients suffering a heart attack. The Department of Health stipulates that thrombolytic drugs should be given to heart attack patients within 30 minutes of arriving at hospital, following an attack. A report from the Royal College of Physicians, Myocardial Infarction National Audit Project (MINAP) showed that Pilgrim achieved giving the clot busting treatment to 87% of patients within 30 minutes compared to the national target of 75%. A national award was won by the team in 2004 for Best Practice in Integrated Cardiac Care for the initiatives and team work in this specific area.

Water births available at Pilgrim

Midwives at Pilgrim Hospital were delighted to be able to offer water births for local mums to be. The inflatable pool allows the midwifery team to offer a mostly unassisted and natural delivery which reduces stress, labour pain and the need for drugs in childbirth.



21st century technology improves patient care

Picture Archiving and Communications System (PACS) went live across the Trust and community hospitals. The system was implemented on target across 7 sites. This new technology is paving the way for different working practices and improvements to patient care.

New radiographic images, such as xrays and scans, are available to all clinical staff as digital images. This means that radiological images can be accessed quickly within minutes of the image being taken without the need for films to be produced. Being film-less also enables the Trust to make cost savings each month of approximately £90,000.

Midwives gain national success at Royal College of Midwives Awards

Jane Kania and Alison Brodick, midwives at Lincoln County Hospital gained second place – Highly Commended at the Royal College of Midwives Awards. The Awards are an annual national event organised by the Royal College of Midwives and Jane and Alison won their award in the "Promoting Normality" category.

Pulling the plug on energy waste

The Trust achieved its second re-accreditation under the Energy Efficiency Accreditation Scheme, the UK's independent benchmark for energy use. This national recognition for achievements in energy efficiency was initially awarded to the Trust in December 2000. The Trust was particularly praised by the assessors for the clear commitment staff and management made to optimise energy practices.

New Consultant Maxillofacial Surgeon

Mr Martin Clark joined the Trust from Scotland as a maxillo facial consultant specialising in head and neck cancers. He works at Lincoln and Grantham seeing patients with large and aggressive skin cancers which cannot be treated by a dermatologist. His special interest is in mouth cancers. With skin cancer rates doubling every ten years Martin's addition to the team means patients can be seen more quickly and will help the Trust achieve more efficient waiting times for cancer.



New nurse led service means quicker diagnosis for patients

A new nurse led service commenced at the Trust thanks to the successful training of two staff nurses in endoscopy at Lincoln County Hospital. The procedure uses specialist equipment, an endoscope, to examine the bowel to identify problems including bowel cancer and the two

nurses undertake flexible sigmoidoscopies to free up consultants' time and help reduce waiting lists.

Doctors at the heart of Trust's decision making

Strong clinical leadership is at the heart of the Trust's clinical direction and six senior doctors at the Trust were appointed to be clinical directors to ensure the Trust provides high quality, patient centred services.

£2m breast unit at Boston gets go ahead

Breast services at Pilgrim Hospital Boston are set to benefit from the approval of a £2million investment in a new purpose built unit when the scheme was given the go ahead. Patients and their families were consulted over the design of the new unit and involved in decisions about the services it provides to further enhance the quality of patient care.

Improvements to the current service include:

- Purpose built unit
- Ultrasound and mammography will be available at review clinics to ensure patients only need to attend hospital once for each follow up appointment
- In some cases, same day diagnostic tests will be undertaken, such as liver ultrasound and chest x-ray
- Benign test results will be given over the telephone to the patient to reduce patient anxiety and the need for a follow up appointment
- An increase in the range of nurse led clinics
- An increase in patient and family counselling sessions.

New Consultant Physician

Dr Rashaad Gossiel, Consultant Physician in Acute Medicine and Infectious Diseases joined the Trust from Leeds. He is the dedicated consultant for the Emergency Admissions Unit at Lincoln County Hospital. The Trust was one of the first to have a dedicated consultant in EAU giving continuity of patient care and relieving pressure elsewhere in the hospital for on-call consultants.

Starters and leavers

During the 12 months ending March 2007, the Trust has seen an overall reduction in staff of 100 headcount (120.92 full time equivalent).

Against this trend nursing and midwifery registered staff numbers continued to show a year on year increase, with a rise of 41 headcount (13.18 FTE). Allied health professionals and professional and technical staff also again saw a slight increase in the number of full time equivalent employees.

The overall Trust sickness absence rate for the 12 months was 5.37%, the same as at the previous month-end but an increase from 5.24% on the previous year.

Our patients

| | 2005/2006 | 2006/2007 |
|----------------------------------|-----------|-----------|
| Planned inpatients | 14,656 | 14,217 |
| Day cases | 51,180 | 54,043 |
| Emergency inpatients | 92,609 | 91,883 |
| New/first outpatients | 125,333 | 139,303 |
| Follow up/subsequent outpatients | 335,305 | 333,889 |

National Inpatient Survey

A national independent patient survey showed that 88% of patients who responded rated their care as good to excellent, with 78% reporting that they were always treated with dignity and respect.

The survey, undertaken in the autumn of 2006, asked patients across the Trust's hospitals for their views on their care as inpatients.

Over 500 patients responded from 850 who were sent a form asking for their views.

The areas highlighted in the survey for the Trust to address in their future plans were consistent with the national trend and included improving communication and having greater involvement to give patients more information about their care and procedures.

Areas where the Trust showed improvement from the previous year were:

- the length of time patients waited to be admitted
- changes to admission dates
- the way in which doctors communicated with patients.



Equal opportunities

| | | | | | | | | | | | | | | | | | |
|---------------|-------------|-------------|-------------------------|-----------------------|---------------|-------------|--------|-----------|-------------|-------------|-----------------|---------------|-------------|---------|-------|---------|-------|
| White British | White Irish | White Other | White & Black Caribbean | White & Black African | White & Asian | Mixed Other | Indian | Pakistani | Bangladeshi | Asian Other | Black Caribbean | Black African | Black Other | Chinese | Other | Unknown | TOTAL |
| 89.32 | 0.62 | 1.68 | 0.06 | 0.19 | 0.14 | 0.13 | 3.22 | 1.16 | 0.06 | 0.74 | 0.09 | 0.82 | 0.21 | 0.40 | 1.03 | 0.14 | 6983 |

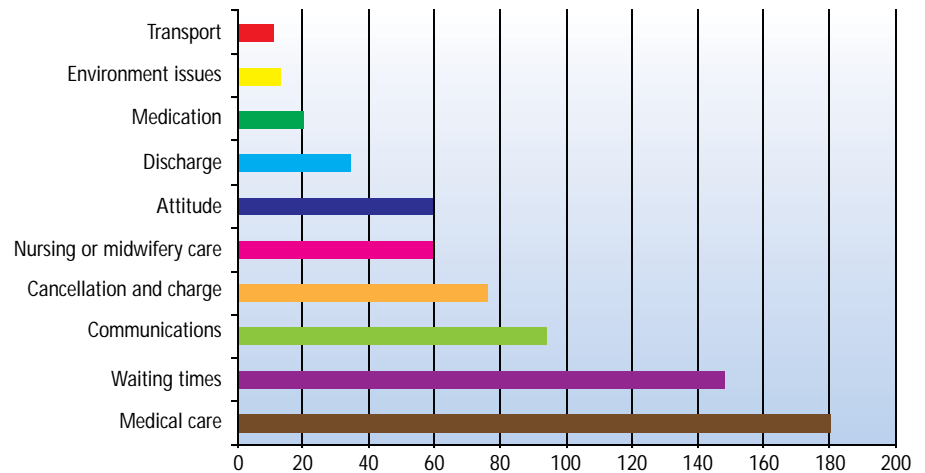
Complaints

During the year 2006/2007 the Trust received 786 formal complaints, a reduction from the previous year when 823 formal complaints were received. The concerns raised covered such areas as communication, medical care and waiting times. The graph (right, top) provides a breakdown of the top ten reasons for complaint received by the Trust for the year 2006/2007.

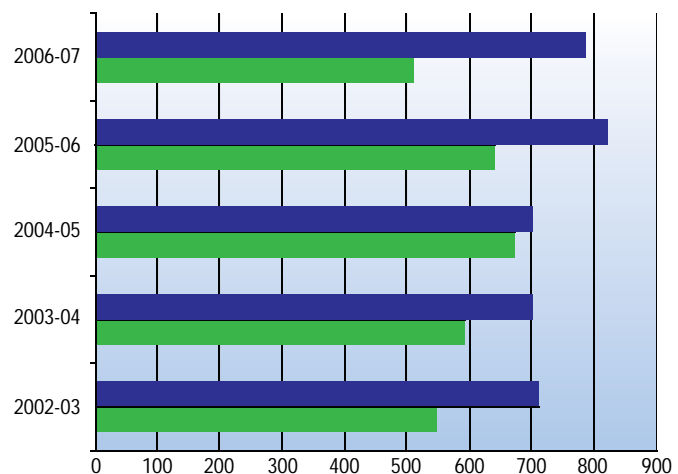
Complaint response times

65% of complaints were responded to in the timescale. The timescale changed from 20 days to 25 days mid-year to provide organisations with flexibility and to assist and support organisations achieving local resolution. The complaints management team relocated during the year and consolidated all resources on to the same hospital site as Trust headquarters. The aim of this was to improve the consistency of approach to complaints handling and for the system to come under one manager. This has been successful, however, staff vacancies in the department and changes within the Trust management team has led to a reduction in the timeliness of responses which is disappointing. Nevertheless, the Trust has importantly focused on achieving local resolution, also seeing complaints as an avenue for learning and service improvement.

Reasons for complaints (Top 10)



Complaints analysis



■ Number of written complaints

■ Number replied within timescale

Complaints are an excellent way for the Trust to learn and improve services for patients and carers.

Some examples of improvement are:

- GPs are notified when clinicians have changed roles or sub-specialised
- Midwives review patient records when taking over care to improve communication
- Guidance has been produced to ensure records are filed consistently
- Introduction of a consultant led multi-disciplinary notes audit

- Additional training provided to help nursing staff carry out patient monitoring following an operation
- Matrons follow up audits on ward cleanliness
- Review of drug stock levels and the availability of drugs
- Information is provided above beds for patients and visitors on how they can access the medical team
- Additional training has been provided on tissue viability and the use of aids
- A trauma co-ordinator now provides an outreach service to non-orthopaedic patients.

NHS Litigation Authority Standards and Clinical Negligence Scheme for Trusts (CNST)

The Trust currently meets level 2 of the standards for acute general care and maternity. Just under half of acute Trusts nationally achieve this standard. Importantly, this demonstrates that the Trust provides safe clinical care and takes patient safety seriously. It also means the Trust saves money on the 'insurance premiums' paid as a member of the scheme. The Trust is preparing for re-assessment during 2007/2008.

Goals and objectives

To deliver the overall strategic direction the Trust has established seven key goals which will be achieved over the next three to five years. Each goal is supported by a number of objectives which will form the basis of the organisation's business plan for subsequent years. In addition, there are values and behaviours that our staff are expected to uphold.

Goals

We will:

- Provide quality healthcare
- Put education, training and evidence based practice at the heart of patient care

- Meet the needs of patients more fully by involving them in the design of services and the delivery of their care
- Build strategic alliances to identify opportunities to improve patient outcomes
- Become a nationally recognised model employer
- Develop our commercial expertise in order to operate effectively in the new market-oriented environment
- Use new technology to improve patient care.



Values and behaviours

The Trust wishes to change the culture into an organisation that performs at every level, is progressive about change and improving health outcomes, is able to influence commissioning decisions, can communicate well with patients at every level and one that delivers on its promises.

To achieve this, the Trust has set out goals and objectives, and also considered what is important to how Trust staff work together.

Values

Every employee will uphold the following values:

- Put the patient and public at the centre of our work
- Lead and take responsibility, not blame others
- Work together, not undermine each other
- Fully understand problems, their cause, and find solutions and answers not excuses
- Be responsive and flexible to enhance the experience of all those who use our services.

Behaviours

Every employee will:

- Treat patients, colleagues and visitors with respect, dignity and empathy
- Recognise that patient care is improved by

effective team work. We will recognise our individual responsibility to contribute to the success of the team

- Involve team members as early as possible
- Speak well of each other – inside and outside of work
- Give authority to team members to act, we let them deliver
- Raise concerns about safety, health or patient care promptly and appropriately without fear of victimisation
- Respect the right of confidentiality.



Operating and financial review

• 2006/07 Financial Position

The Trust reported a deficit in the financial year of £13.76 million which is in line with the agreed plan. This is an improvement from the position reported in the last financial year and it is also the first time in five years that the Trust has delivered its financial commitment unaided.

• Where our money comes from

Total income received by the Trust was £294.2 million, a 1.6% increase on the previous year. The majority of the Trust's income comes from the provision of patient care services (£274.95 million), the remainder of income comes from such things as education, training and research, income generation (car parking, staff catering and accommodation) and the provision of non-patient related services to other bodies.

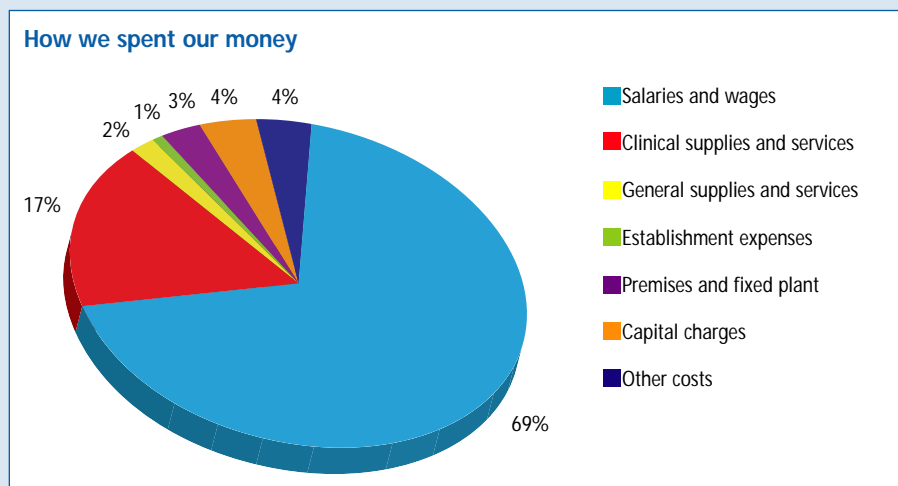
• How we spent our money

The Trust spent £300.8 million in the financial year, the largest component of this expenditure was salaries and wages where we spent £205.4 million with the average number of staff

employed being 5,786 whole time equivalents. The average staff numbers included 861 doctors, 3,285 nurses, healthcare assistants and other support staff and 691 scientific and technical staff. The overall pay bill increased by 1.6%, although the cost of agency staff reduced by 23% due to an improved recruitment in key areas of the workforce.

A further £48.3 million was spent on clinical supplies and services such as drugs and consumables used in providing healthcare to patients.

The chart below shows a breakdown of the main categories of expenditure for 2006/07



• How is our financial performance assessed?

The Department of Health measures NHS Trust financial performance against the following four targets:

- Break even: to balance income and expenditure after payment of a public dividend, taking one year with another
- Capital Cost Absorption Rate: to achieve a capital cost absorption rate of between 3% and 4%
- External Financing Limit (EFL): to operate within the approved EFL
- Capital Resource Limit (CRL): to remain within the CRL as set by the Department of Health.

The Trust is committed to following the 'Better Payment Practice Code' in dealing with our suppliers. The code sets out the following principles:

- agree payment terms at the outset of a deal and stick to them
- pay bills in accordance with any contract agreed with the supplier or as agreed by law
- tell suppliers without delay when an invoice is contested and settle disputes quickly.

During 2006/07 the percentage of bills paid within target was:

- number of bills : 99%
- value of bills : 91%

• Capital investment

The total capital expenditure in 2006/07 totalled £14.9 million. The main areas of investment were:

| | £'m |
|--|-----|
| • Replacement medical equipment | 3.1 |
| • Picture Archiving and Communications System (PACS) | 5.2 |
| • Maintenance of buildings and estate | 2.6 |
| • Cancer equipment | 0.6 |

Table 1 – Our performance against the Department of Health finance targets

| | | Target | Actual | Target Met |
|----------------------------------|-----|--------|--------|------------|
| Break Even - Surplus / (Deficit) | £'m | 0 | (13.8) | No |
| Capital Cost Absorption | % | 3 - 4 | 3.6 | Yes |
| EFL | £'m | 3.778 | 3.327 | Yes |
| CRL | £'m | 16.697 | 14.888 | Yes |

Operating and financial review

• Financial Outlook – 2007/2008 to 2009/2010

During the next three years the Trust will need to substantially improve its performance on delivering both national and local targets. In general, The Trust's performance in the past few years is about average against most national indicators. The Trust's financial performance has been amongst the worst nationally.

The healthcare market is changing rapidly and with at least one choice in five providers expected to be from the private sector by 2008, the market is becoming increasingly competitive.

During the next three years the Trust will need to improve efficiency and reduce operating costs by at least £44.6 million to ensure that it delivers the national efficiency targets and repays historical debt.

The Trust will during the next three years, deliver a significant reduction in waiting times to ensure that the maximum waiting time from referral to treatment is under 18 weeks.

A summary of the key financial indicators is given below:

| | 2007/08 £'m | 2008/09 £'m | 2009/10 £'m |
|--------------------------|----------------|----------------|----------------|
| Income | 320.0 | 309.0 | 293.0 |
| Expenditure | -318.5 | -304 | -285.7 |
| Surplus/(Deficit) | 1.5 | 5.0 | 7.3 |

Savings required in order to achieve the forecast I & E performance are:

| | 2007/08 £'m | 2008/09 £'m | 2009/10 £'m |
|------------------------------------|----------------|----------------|----------------|
| Tariff reduction (2.5% efficiency) | 7.3 | 8.0 | 8.0 |
| Loss of transitional support | 1.0 | 1.0 | |
| Other cost savings | 2.0 | 2.0 | 2.0 |
| Repayment of historical debt | 1.5 | 3.5 | 2.3 |
| Reduced income at end of 18 weeks | | | 6.0 |
| Total savings | 11.8 | 14.5 | 18.3 |
| Savings over three years | | | 44.6 |

A Service and Financial Plan has been developed for 2007/08 which delivers a planned surplus of £1.5 million. Monitoring financial performance and taking corrective action has been given much greater management focus and the Trust is committed to the delivery of this challenging financial target.

The challenges for Year 2 and Year 3 are great. In order to reduce costs further the Trust will adopt a strategy that reduces fixed costs (such as estates) but the Trust will still need to plan to:

- Through a process of turnover and transfer of staff to other providers, reduce headcount by around 500 – 700 whole time equivalents,
- Become even more efficient in the use of resources,
- Reduce our Trusts reliance on overheads such as land and buildings,
- Reduce the time patients stay in hospital and close or transfer approximately 200 beds.

Operating and financial review

Summary financial statements 2006/07

These financial statements are summaries of the information contained in the annual accounts of United Lincolnshire Hospitals NHS Trust. The Trust's auditors have issued an unqualified report on the annual accounts. A full set of accounts is attached to this report and is also available from the Trust website www.ulh.nhs.uk or on request from:

Mr Colin Hills

Assistant Director of Finance – Financial Management

Finance Department
United Lincolnshire Hospitals NHS Trust
Lincoln County Hospital
Greetwell Road
Lincoln
Lincolnshire
LN2 5QY

The Annual Accounts Audit has been carried out by the Audit Commission. Costs associated with the Audit were £217,000

• Income and expenditure account for the year ended 31 March 2007

| | 2006/07 £'000 | 2005/06 £'000 |
|--|------------------|------------------|
| Income from activities | 274,945 | 264,362 |
| Other operating income | 19,209 | 25,067 |
| Operating expenses | (300,799) | (296,776) |
| OPERATING DEFICIT | (6,645) | (7,347) |
| Profit/(Loss) on disposal of asset | (104) | 2 |
| DEFICIT BEFORE INTEREST | (6,749) | (7,345) |
| Interest receivable | 1,102 | 509 |
| Interest payable | 0 | (2) |
| Other finance costs – unwinding of discount | (58) | (49) |
| Other finance costs – change in discount rate on provisions | 0 | (282) |
| DEFICIT FOR THE FINANCIAL YEAR | (5,705) | (7,169) |
| Public Dividend Capital Dividend Payable | (8,056) | (7,874) |
| RETAINED DEFICIT FOR THE YEAR | (13,761) | (15,043) |
| Financial support included in retained surplus/(deficit) for the year - NHS Bank | | 0 |
| Financial support included in retained surplus/(deficit) for the year - Internally Generated | | 6,600 |
| RETAINED SURPLUS/(DEFICIT) FOR THE YEAR EXCLUDING FINANCIAL SUPPORT | (13,761) | (21,643) |

All income and expenditure is derived from continuing operations.

The summary financial statements were approved by the Board on 31 July 2007 and signed on its behalf by:

Signature
Removed

Gary Walker
Chief Executive

Signature
Removed

Bernard G Chalk
Director of Finance

• Balance sheet at 31 March 2007

| | 2006/07 £'000 | 2005/06 £'000 |
|--|------------------|------------------|
| FIXED ASSETS | | |
| Intangible assets | 1,646 | 664 |
| Tangible assets | 247,889 | 231,328 |
| | 249,535 | 231,992 |
| CURRENT ASSETS | | |
| Stock and work in progress | 4,479 | 4,558 |
| Debtors | 7,412 | 14,445 |
| Investments | 11 | 471 |
| Cash at bank and in hand | 604 | 662 |
| | 12,506 | 20,136 |
| CREDITORS: Amounts falling due within one year | (24,816) | (21,639) |
| NET CURRENT ASSETS/(LIABILITIES) | (12,310) | (1,503) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | 237,225 | 230,489 |
| CREDITORS: Amounts falling due after more than one year | 0 | 0 |
| PROVISIONS FOR LIABILITIES AND CHARGES | (5,910) | (4,237) |
| TOTAL ASSETS LESS CURRENT LIABILITIES FINANCED BY: | 231,315 | 226,252 |
| Public dividend capital | 176,684 | 173,014 |
| Revaluation reserve | 74,676 | 60,765 |
| Donated asset reserve | 3,547 | 3,655 |
| Government grant reserve | 7 | 338 |
| Other reserves | 190 | 190 |
| Income and expenditure reserve | (23,789) | (11,710) |
| TOTAL CAPITAL AND RESERVES | 231,315 | 226,252 |

Operating and financial review

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

| | 2006/07 £'000 | 2005/06 £'000 |
|---|------------------|------------------|
| Surplus/(deficit) for the financial year before dividend payments | (5,705) | (7,169) |
| Fixed asset impairment losses | 0 | 0 |
| Unrealised surplus on fixed asset revaluation /indexation | 15,328 | 5,273 |
| Increase in the donated assets reserve due to receipt of donated assets | 526 | 975 |
| TOTAL GAINS AND LOSSES RECOGNISED IN THE FINANCIAL YEAR | 10,149 | (921) |

• Cash flow statement for the year ended 31 March 2007

| | 2006/07 £'000 | 2005/06 £'000 |
|--|------------------|------------------|
| OPERATING ACTIVITIES | | |
| Net cash inflow from operating activities | 16,754 | 5,219 |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | |
| Interest received | 1,102 | 501 |
| Interest paid | 0 | (2) |
| Net cash inflow from returns on investments and servicing of finance | 1,102 | 499 |
| CAPITAL EXPENDITURE | | |
| (Payments) to acquire tangible fixed assets | (13,030) | (9,163) |
| Receipts from sale of tangible fixed assets | 1,021 | 203 |
| (Payments) to acquire intangible fixed assets | (1,234) | (80) |
| Receipts from sale of intangible fixed assets | 0 | 30 |
| Net cash (outflow) from capital expenditure | (13,243) | (9,010) |
| DIVIDENDS PAID | | |
| | (8,056) | (7,874) |
| Net cash inflow/(outflow) before management of liquid resources and financing | (3,443) | (11,166) |
| MANAGEMENT OF LIQUID RESOURCES | | |
| (Purchase) of other current asset investments | (233,500) | (143,500) |
| Sale of other current asset investments | 233,595 | 143,500 |
| Net cash inflow from management of liquid resources | 95 | 0 |
| Net cash inflow/(outflow) before financing | (3,348) | (11,166) |
| FINANCING | | |
| Public dividend capital received | 3,778 | 11,128 |
| Public dividend capital repaid (not previously accrued) | (108) | 0 |
| Public dividend capital repaid (accrued in prior period) | (433) | 0 |
| Other capital receipts | 116 | 46 |
| Net cash (outflow) from financing | 3,353 | 11,174 |
| Increase in cash | 5 | 8 |

• Notes to the summary financial statements

| | 2006/07 £'000 | 2005/06 £'000 |
|--|------------------|------------------|
| Management costs | 10,472 | 10,441 |
| Income | 294,151 | 288,929 |
| Management costs as a percentage of income | 3.6% | 3.6% |

A definition of those costs to be included as management costs are explained in the website:

http://www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyAndGuidance/DH_400793

• Notes to the summary financial statements

| | 2006/07 £'000 | 2005/06 £'000 |
|--|------------------|------------------|
| Better payment practice code-measure of compliance | | |
| Total Non-NHS trade invoices paid in the year | 98,023 | 73,115 |
| Total Non-NHS trade invoices paid within the target | 96,759 | 66,400 |
| Percentage of Non-NHS trade invoices paid within the target | 98.7% | 90.8% |
| Total NHS trade invoices paid in the year | 2,957 | 31,743 |
| Total NHS trade invoices paid within the target | 2,333 | 28,227 |
| Percentage of NHS trade invoices paid within the target | 78.9% | 88.9% |

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

Independent auditor's statement to the Directors of the Board of United Lincolnshire Hospitals NHS Trust

I have examined the summary financial statements which comprise the income and expenditure account, balance sheet, statement of total recognised gains and losses, cash flow statement and notes which include management costs and the better payment practice code.

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

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report.

My responsibility is to report to you my opinion on the consistency of the summary financial statement within the Annual Report with the statutory financial statements.

I also read the other information contained in the Annual Report and consider the implications for my report if I become aware of any misstatements or material inconsistencies with the summary financial statement.

Basis of opinion

I conducted my work in accordance with Bulletin 1999/6 'The auditors' statement on the summary financial statement' issued by the Auditing Practices Board. My report on the statutory financial statements describes the basis of our audit opinion on those financial statements.

Opinion

In my opinion the summary financial statement is consistent with the statutory financial statements of the Trust for the year ended 31 March 2007. I have not considered the effects of any events between the date on which I signed my report on the statutory financial statements (21st June 2007) and the date of this statement.

David Brumhead
District Auditor
Littlemoor House
Littlemoor Lane
Eckington
Sheffield
S21 4EF
23 July 2007

Remuneration Report

Remuneration Statement

The membership of the Remunerations and Terms of Service Committee comprises the Chairman and two of the non executive directors. The Committee's policy on the remuneration of 'very senior managers,' that is those not covered by Agenda for Change, has been to ensure that the job roles are externally evaluated using the HAY job evaluation system and comparative pay data intelligence. The Committee does not operate a formal performance related pay scheme. Any pay uplifts awarded are consistent with guidance issued by the Department of Health, mirroring the awards made to all other Trust employees.

No termination or severance payments were made to any 'very senior managers' during the course of the year. If it were necessary to consider severance payments the Committee would apply the relevant policy guidance issued by the Department of Health. There were no pay or severance awards made to any past 'very senior managers'. All 'very senior managers' are employed on permanent contracts and have a six month employer to employee notice period, with the exception of the Chief Executive who is on a fixed term contract.

Remuneration entitlement of senior managers

| Name and Title | Term in Post | | 2006-07 | | | | 2005-06 | | | |
|---|--------------|---------|--------------------------|--------------------------------------|--|--------------------------|--------------------------------------|--|---------|--------|
| | Start | Finish | Salary (Bands of £5,000) | Other Remuneration (Bands of £5,000) | Benefits in Kind (Rounded to nearest £100) | Salary (Bands of £5,000) | Other Remuneration (Bands of £5,000) | Benefits in Kind (Rounded to nearest £100) | 2005-06 | |
| | | | | | | | | | £000's | £000's |
| Mrs J Green - Chairman | Pre Apr 05 | Apr 06 | 0-5 | - | 20 | 20-25 | - | - | - | 75 |
| Mr W Baker - Interim Chairman (Apr-Jul 06)/Non Executive Director | Apr 06 | Dec 06 | 5-10 | - | - | - | - | - | - | - |
| Mr D Bowles - Chairman | Jul 06 | Ongoing | 15-20 | - | 20 | - | - | - | - | - |
| Councillor M Anderson - Non Executive Director | Pre Apr 05 | Nov 06 | 0-5 | - | 33 | 5-10 | - | - | - | 40 |
| Mr J Cranston - Non Executive Director | Pre Apr 05 | Nov-06 | 0-5 | 1 | 1 | 5-10 | - | - | - | - |
| Dr I Hinde - Non Executive Director | Pre Apr 05 | Nov 06 | 0-5 | - | - | 5-10 | - | - | - | - |
| Mrs A Knott - Non Executive Director | May 05 | Nov 06 | 0-5 | - | - | 5-10 | - | - | - | - |
| Mr M Mapstone - Non Executive Director | Pre Apr 05 | Nov 06 | 0-5 | - | 28 | 5-10 | - | - | - | 51 |
| Mr W Proudlock - Non Executive Director | Pre Apr 05 | Nov 06 | 0-5 | - | 22 | 5-10 | - | - | - | 42 |
| Mr S Minshull - Non Executive Director | Dec 06 | Feb 07 | 0-5 | - | 1 | - | - | - | - | - |
| Mr S Keyte - Non Executive Director | Jan 07 | Ongoing | 0-5 | - | - | - | - | - | - | - |
| Mr T Staniland - Non Executive Director | Mar 07 | Ongoing | 0-5 | - | - | - | - | - | - | - |
| Mr K Short - Non Executive Director | Mar 07 | Ongoing | 0-5 | - | - | - | - | - | - | - |
| Mr B Damazer - Non Executive Director | Mar 07 | Ongoing | 0-5 | - | - | - | - | - | - | - |
| Mr K Cook - Non Executive Director | Mar 07 | Ongoing | 0-5 | - | - | - | - | - | - | - |
| Mr R Paffard - Chief Executive (See note 1) | Pre Apr 05 | Dec 05 | - | - | - | 100-105 | - | - | - | 10 |
| Ms H Scott-South - Chief Executive/Chief Operating Officer | Jan 06 | Nov 06 | 140-145 | - | - | 30-35 | - | - | - | 9 |
| Ms H Scott-South - Chief Operating Officer | Pre Apr 05 | Jan 06 | - | - | - | 75-80 | - | - | - | 20 |
| Mr E Morton - Interim Chief Executive | Aug 06 | Sep 06 | - | See Note 2 | - | - | - | - | - | - |
| Mr G Walker - Chief Executive (See note 3) | Oct 06 | Ongoing | 25-30 | - | - | - | - | - | - | - |
| Mrs J Froggatt - Interim Chief Operating Officer | Jan 06 | Ongoing | - | See Note 4 | - | - | - | - | - | - |
| Mr A Leary - Director of Finance | Pre Apr 05 | Mar 06 | - | - | - | 95-100 | - | - | - | 33 |
| Mr K Howells - Interim Director of Finance | Apr 06 | Jan 07 | - | See Note 5 | - | - | - | - | - | - |
| Mr R Barton - Interim Director of Finance | Jan 07 | Ongoing | - | See Note 6 | - | - | - | - | - | - |
| Mr A Avery - Interim Director of Human Resources | Pre Apr 05 | May 06 | 10-15 | 30-35 | - | 80-85 | - | - | - | - |
| Mr K Hutchinson - Interim Director of Human Resources | Jun 06 | Sep 06 | - | See Note 7 | - | - | - | - | - | - |
| Mr D Royles - Director of Human Resources and Communications | Oct 06 | Ongoing | 50-55 | - | - | - | - | - | - | - |
| Mrs S Knight - Chief Nurse | Pre Apr 05 | Ongoing | 85-90 | - | - | 80-85 | - | - | - | - |
| Ms A Donkin - Director of Strategic Development | Pre Apr 05 | Sep 06 | 40-45 | - | - | 85-90 | - | - | - | 3 |
| Ms A Donkin - Director of Turnaround | Oct 06 | Mar 07 | 40-45 | - | - | - | - | - | - | - |
| Dr K Sands - Medical Director | Pre Apr 05 | Jan 07 | 100-105 | 40-45 | - | 115-120 | 45-50 | - | - | 29 |
| Dr D Boldy - Medical Director | Feb 07 | Ongoing | 0-5 | 5-10 | - | - | - | - | - | - |
| Mr M Przystupa - Director of IM&T | Pre Apr 05 | Jan 07 | 70-75 | - | - | 75-80 | 0-5 | - | - | - |

Benefits in kind for the Chief Executive and Director of Finance relate to lease cars. All other benefits in kind are in respect of taxable business mileage.

Pension benefits of senior managers

| 2005-06 Table | | | | | | | | | | |
|--|--|---|--|-------------------------------------|---|---|--|--|--|--|
| Name and Title | Real increase in pension at age 60 (Bands of £2,500) | Real increase in lump sum at age 60 related to real increase in pension (Bands of £2,500) | Total accrued pension at age 60 at 31 March 2006 (Bands of £5,000) | Lump sum at age 60 at 31 March 2006 | Cash equivalent transfer value at 31 March 2006 | Cash equivalent transfer value at 31 March 2005 | Real increase cash equivalent transfer value | Employer's contribution to stakeholder pension | | |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | | |
| Mr R Paffard - Chief Executive | 0-25 | 2.5-5 | 0-5 | 5-10 | 54 | 35 | 13 | - | | |
| Ms H Scott-South - Chief Executive/Chief Operating Officer | 2.5-5 | 10-12.5 | 40-45 | 120-125 | 603 | 514 | 53 | - | | |
| Mr A Leary - Director of Finance | 0-2.5 | 5-7.5 | 30-35 | 90-95 | 397 | 357 | 22 | - | | |
| Mr A Avery - Director of Human Resources | 0-2.5 | 2.5-5 | 10-15 | 40-45 | 253 | 220 | 19 | - | | |
| Mrs S Knight - Chief Nurse | 5-7.5 | 20-22.5 | 15-20 | 56-60 | 195 | 116 | 53 | - | | |
| Ms A Donkin - Director of Strategic Development | 0-2.5 | 2.5-5 | 20-25 | 70-75 | 360 | 330 | 15 | - | | |
| Dr K Sands - Medical Director | 0-2.5 | 0-2.5 | 45-50 | 140-145 | 863 | 752 | 64 | - | | |
| Mr M Przystupa - Director of IM&T | 0-2.5 | 2.5-5 | 30-35 | 90-95 | 466 | 423 | 22 | - | | |

| 2006-07 Table | | | | | | | | | | |
|--|--|---|--|-------------------------------------|---|---|--|--|--|--|
| Name and Title | Real increase in pension at age 60 (Bands of £2,500) | Real increase in lump sum at age 60 related to real increase in pension (Bands of £2,500) | Total accrued pension at age 60 at 31 March 2007 (Bands of £5,000) | Lump sum at age 60 at 31 March 2007 | Cash equivalent transfer value at 31 March 2007 | Cash equivalent transfer value at 31 March 2006 | Real increase cash equivalent transfer value | Employer's contribution to stakeholder pension | | |
| | £000's | £000's | £000's | £000's | £000's | £000's | £000's | £000's | | |
| Ms H Scott-South - Chief Executive/Chief Operating Officer | 12.5-15 | 40-42.5 | 56-60 | 165-170 | 849 | 603 | 161 | - | | |
| Mr E Morton - Interim Chief Executive | | | | See Note 2 | | | | | | |
| Mr G Walker - Chief Executive (See note 3) | 0-2.5 | 2.5-5 | 5-10 | 15-20 | 58 | 35 | 8 | - | | |
| Mrs J Froggatt - Interim Chief Operating Officer | 0-2.5 | 2.5-5 | 30-35 | 90-95 | 415 | 377 | 20 | - | | |
| Mr K Howells - Interim Director of Finance | 2.5-5 | 7.5-10 | 30-35 | 90-95 | 475 | 397 | - | - | | |
| Mr R Barton - Interim Director of Finance | | | | See Note 6 | | | | | | |
| Mr A Avery - Director of Human Resources | 0-2.5 | 2.5-5 | 20-25 | 60-65 | - | 253 | 30 | - | | |
| Mr K Hutchinson - Interim Director of Human Resources | | | | See Note 7 | | | | | | |
| Mr D Royles - Director of Human Resources and Communications | 0-2.5 | 0-2.5 | 0-5 | 0-5 | 8 | - | 3 | - | | |
| Mrs S Knight - Chief Nurse | 0-2.5 | 2.5-5 | 20-25 | 60-65 | 226 | 195 | 18 | - | | |
| Ms A Donkin - Director of Strategic Development/ Director of Turnaround | 0-2.5 | 2.5-5 | 25-30 | 75-80 | 392 | 360 | 16 | - | | |
| Dr K Sands - Medical Director | 5-7.5 | 22.5-25 | 55-60 | 175-180 | 993 | 863 | 58 | - | | |
| Dr D Boldy - Medical Director | 0-2.5 | 0-2.5 | 30-35 | 100-105 | 539 | 499 | 3 | - | | |
| Mr M Przystupa - Director of IM&T | 0-2.5 | 7.5-10 | 30-35 | 100-105 | 500 | 466 | 3 | - | | |

Notes:

1. Mr R Paffard received a payment under an approved compensation scheme in 2005/06.
2. Mr E Morton was seconded from Chesterfield & North Derbyshire Royal Hospitals NHS Trust in July - September at a cost of £10,127
3. Mr G Walker was formally appointed as Chief Executive in February 2007 with costs as shown. Between October 2006 and January 2007 costs of £70,786 were paid via invoices.
4. Mrs J Froggatt has been seconded for the entire year from Lincolnshire PCT at a cost of £101,531.
5. Mr K Howells was seconded from Nottinghamshire Healthcare at a cost of £79,415.
6. Mr R Barton was invoiced from the Trust directly for his services at a cost of £32,316.
7. Mr K Hutchinson was appointed through an agency at a cost of £27,416.

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme, or arrangements to secure pension benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a

consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies.

The CETV figures, and from 2004-05 the other pension details, include the value of any pension benefits in another scheme or arrangement which the individual has transferred to the NHS pension scheme. They also include any additional pension benefits accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

Openness and accountability

Meetings of the Trust Board are open to the members of the public. Full details of times and locations, together with electronic copies of agendas and minutes, are available via the Trust website at www.ulh.nhs.uk.

Summary of the statement on Internal Control 2006/07

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

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve aims and objectives in line with policies; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

- identify and prioritise the risks to the achievement of the organisation's aims and objectives in line with policies
- 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 not been in place in United Lincolnshire Hospitals NHS Trust for the whole of the financial year ended 31 March 2007 and up to the date of approval of the annual report and accounts.

Further copies of the Annual Report including Summary Financial Statements are available on request to Colin Hills, Assistant Director of Finance – Financial Management or through the Trust website, www.ulh.nhs.uk.

A fuller version is also available incorporating the full Statement of Internal Control and Annual Accounts as a separate appendix.

Signature
Removed

Gary Walker
Chief Executive



United Lincolnshire Hospitals 
NHS Trust

Trust Headquarters

Lincoln County Hospital
Greetwell Road
Lincoln
Lincolnshire
LN2 4AX

Tel: 01522 512512
Fax: 01522 573991

Grantham & District Hospital
101 Manthorpe Road
Grantham
Lincolnshire
NG31 8DG

Tel: 01476 565232
Fax: 01476 590441

Pilgrim Hospital
Sibsey Road
Boston
Lincolnshire
PE21 9QS

Tel: 01205 364801
Fax: 01205 354395

Lincoln County Hospital
Greetwell Road
Lincoln
Lincolnshire
LN2 5QY

Tel: 01522 512512
Fax: 01522 573419

County Hospital Louth
High Holme Road
Louth
Lincolnshire
LN11 0EU

Tel: 01507 600100
Fax: 01507 609290