United Lincolnshire Hospitals Trust

Financial Statements for the

Year ended

31st March 2011

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FOREWORD TO THE ACCOUNTS

Financial Review – year ended 31 March 2011

The financial results achieved by the Trust are shown in the table below. In common with all NHS Trusts we are required to

Financial Target	Actual Performance	
	2010/11	2009/10
To break even on income and expenditure, taking one year with another. Target excludes technical adjustments for impairment following revaluation.	Deficit of £13.88m (Impairment £0.30m)	Surplus of £1.28m (impairment £5.28m)
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	Undershoot of £3.45m	Undershoot of £0.41m
To remain within a Capital Resource Limit set by the Department of Health	Under-spent by £2.11m	Under-spent by £0.24m
To pay 95% of creditors from non-NHS trade creditors within 30 days (by number of invoices)	79%	77%

Kevin Turner
Director of Finance
June 2011

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 assets 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.

nb: sign and date in any colour ink except black

Signed Andrew North Chief Executive

Date: 7th June 2011

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 of 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 judgements and estimates which are reasonable and prudent;

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.

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

nb: sign and date in any colour ink except black

7th June 2011	Date	Andrew North	Chief Executive
7th June 2011	Date	Kevin Turner	Finance Director

STATEMENT ON INTERNAL CONTROL 2010/11

UNITED LINCOLNSHIRE HOSPITALS NHS TRUST

1. Scope of responsibility

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

The Trust is accountable for the delivery of its patient services through the service level agreement 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 East Midlands) being responsible for the performance management of NHS Lincolnshire, who hold the Trust to account through the SLA. The Trust reports through NHS East Midlands to the Department of Health on performance against national objectives.

2. The purpose of the system of internal control

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

- identify and prioritise the risks to the achievement of the organisation's policies, aims and objectives,
- evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has been in place in United Lincolnshire Hospitals NHS Trust for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts.

3. Capacity to handle risk

Overall responsibility for risk management rests with all members of the Board. The Chief Nurse 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 a Board 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 annual 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 a sharing lessons learned framework which facilitates the dissemination of good practice across the organisation. 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 to a forum chaired by the Chief Nurse. The forum considers learning reports and ensures that lessons to be learned are shared across the organisation.

4. 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.

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.

The Trust has developed 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. The Trust Information Governance Committee meets monthly and reports directly to the Governance Committee.

In line with the requirements of the White Paper "Equity and excellence: Liberating the NHS" the Trust has reviewed its structures and developed proposals for change, which were consulted on during November and December 2010. New structures were implemented from April 2011.

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 statement on internal control, 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 2010/11, the Board has identified and monitored against 8 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. Any actions not complete will form part of the assurance framework for 2011/12. This is further supported by the implementation of new governance arrangements by the Trust.

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

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

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

The Trust has undertaken a climate change risk assessment and developed an Adaptation Plan to support its emergency preparedness and civil contingency requirements, as based on the UK Climate Projections 2009 (UKCP09), to ensure that this organisation's obligations under the Climate Change Act are met.

The Trust is not fully compliant with CQC essential standards of quality and safety.

Following a visit to Pilgrim Hospital the CQC found that the Trust was failing to comply with Regulation 9/ outcome 4 Care and welfare of people who use services and Regulation 14/ outcome 5 Meeting Nutritional Needs. At Lincoln County Hospital the CQC identified minor or moderate concerns for 5 of the 16 outcomes.

5. Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of Internal Audit's work The Overall Head of Internal Audit Opinion gave significant assurance. 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 processes that have been applied in maintaining and reviewing the effectiveness of internal control in 2010/11 are described below.

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 and mapping the key controls in place to manage these risks. Assurances about the system of internal control is given to the Board both directly and indirectly through its committee structure, where issues of governance are considered by Non Executive and Executive Directors supported by officers of the Trust.

The Governance Committee assesses the adequacy of the Assurance Framework and advises the Audit Committee and the Board in relation to the co-ordination and effectiveness of the systems, processes and controls in place to achieve delivery of the organisation's objectives and minimise risk. This enables the Board to discharge its responsibilities for governance and understand the balance of clinical, operational and financial risks.

As Accountable Officer, I attend the Governance Committee chaired by a Non Executive member of the Board.

The Audit Committee monitors and receives assurances on the assurance framework and other compliance issues and provides assurance to the Board.

The Assurance Framework brings together the evidence to support the SIC requirements. Internal Audit review highlighted that the Assurance Framework has been established which is designed to meet the requirements of the 2010-11 SIC and provide reasonable assurance that there is an effective system of internal control to manage the principal risks identified by the organisation, but required better risks and control definitions, alignment of controls and assurances to risks and better cross-referencing.

The Trust Board has received limited assurance with regards to reviews of the cost improvement programme, recruitment and selection and management of medical notes. Recommendations were agreed and actions are being taken to address weaknesses highlighted in these reviews.

Following registration with the CQC and as a result of a subsequent responsive review visit in June 2010 a number of minor/moderate concerns were identified. Remedial action plans to address the issues raised and ensure compliance with the above regulation have been agreed with the Care Quality Commission and are being addressed. The Care Quality Commission undertook a planned review of compliance with the Essential Standards of Quality and Safety following an unannounced visit to both the Lincoln County Hospital and Pilgrim Hospital sites in early February 2011. The Trust was issued with warning notices in relation to two outcomes at Pilgrim Hospital and asked to take corrective action. The CQC found that the Trust was failing to comply with Regulation 9/ outcome 4 Care and welfare of people who use services and Regulation 14/ outcome 5 Meeting Nutritional Needs. Remedial action plans to address these failures have been developed and are being addressed.

In 2010/11 the Trust recorded and reported zero serious untoward incidents involving personal data.

There have been no cases of non compliance with equality and human rights legislation.

The Trust reported an income and expenditure deficit of £14.2m at the end of 2010/11. The deficit was due to a number of factors, including growth in non elective activity and high costs of locum cover and a failure to meet the CIP programme. The Trust has put in place plans to return to financial balance in 2011/12.

With the exception of the internal control 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 control issues have been or are being addressed.

Mr Andrew North
Chief Executive

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

I have audited the financial statements of United Lincolnshire Hospitals NHS Trust for the year ended 31 March 2011 under the Audit Commission Act 1998. The financial statements comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out in the Statement of Accounting Policies. I have also audited the information in the Remuneration Report that is described as having been audited

This report is made solely to the Board of Directors of 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 45 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the accounting statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practice's 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 Trust; and the overall presentation of the financial statements. I read all the information in the annual report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the state of United Lincolnshire Hospitals NHS Trust's affairs as at 31 March 2011 and of its income and expenditure for the year then ended; and
- have 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.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England; and
- the information given in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the Statement on Internal Control on which I report to you if, in my opinion the Statement on Internal Control does not reflect compliance with the Department of Health's requirements.

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

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

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

Basis for adverse conclusion

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2010, 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 me to consider under the Code of Audit Practice in satisfying myself 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 2011.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Trust had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

In considering the Trust's arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness, I identified that the Trust made a deficit of £14 million in year. There was a significant shortfall in its cost improvement programme, with the Trust achieving £9.8 million against a target of £18.3 million. The Trust also experienced higher than expected activity coupled with medical staff vacancies and associated high locum costs, which contributed to an overspend against budget of £14 million on pay costs. Historically the Trust has underperformed significantly against its cost improvement and productivity plans but it has a recovery plan in place which forecasts break even for 2011/12. However, there are risks within this plan since it relies on the delivery of a cost improvement programme of £20.4 million (5.4%) in 2011/12 increasing to 7.6% in 2013/14. A £15 million working capital loan is an integral part of the 2011/12 plan. Achievement of the cost improvement programme requires strong programme management arrangements which the Trust is beginning to develop.

Adverse conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2010, the matters reported in the basis for adverse conclusion paragraph above prevent me from being 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 2011.

Delay in Certification of completion of the audit

I cannot formally conclude the audit and issue an audit certificate until I have completed the work necessary to provide assurance over the Trust's annual quality accounts. I am satisfied that this work does not have a material effect on the financial statements.

Ian Sadd
Officer of the Audit Commission

Rivermead House
7 Lewis Court
Grove Park
Enderby
Leicestershire
LE19 1SU

9th June 2011

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2011

	NOTE	**2010-11 £000**	2009-10 £000
Revenue			
Revenue from patient care activities	4	**360,039**	353,458
Other operating revenue	5	**32,163**	37,683
Operating expenses	7	**(399,010)**	(388,115)
Operating surplus/(deficit)		**(6,808)**	3,026
Finance costs:			
Investment revenue	12	**44**	53
Other gains and losses	13	**(1,448)**	(455)
Finance costs	14	**(119)**	(142)
Surplus/(deficit) for the financial year		**(8,331)**	2,482
Public dividend capital dividends payable		**(5,846)**	(6,484)
Retained surplus/(deficit) for the year		**(14,177)**	(4,002)
Other comprehensive income			
Impairments and reversals		**(3,265)**	(28,434)
Gains on revaluations		**8,580**	1,918
Receipt of donated/government granted assets		**572**	1,189
Net gain/(loss) on other reserves (e.g. defined benefit pension scheme)		**0**	0
Net gains/(losses) on available for sale financial assets		**0**	0
Reclassification adjustments:			
- Transfers from donated and government grant reserves		**(664)**	(731)
- On disposal of available for sale financial assets		**0**	0
Total comprehensive income for the year		**(8,954)**	(30,060)

The notes on pages 17 to 56 form part of these accounts.

Reported NHS financial performance position

Retained surplus/(deficit) for the year	**(14,177)**
IFRIC 12 adjustment	**0**
Impairments	**297**
Reported NHS financial performance position [Adjusted retained surplus/(deficit)]	**(13,880)**

A Trust's Reported NHS financial performance position is derived from its Retained surplus/(Deficit), but adjusted for the following:-

a) Impairments to Fixed Assets 2009/10 was the final year for organisations to revalue their assets to a Modern Equivalent Asset (MEA) basis of valuation. An impairment charge is not considered part of the organisation’s operating position.

b) The revenue cost of bringing PFI assets onto the balance sheet (due to the introduction of International Financial Reporting Standards (IFRS) accounting in 2009/10) - NHS Trusts’ 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 PFI, which has no cash impact and is not chargeable for overall budgeting purposes, should be reported as technical. This additional cost is not considered part of the organisation’s operating position.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

	NOTE	**31 March 2011 £000**	31 March 2010 £000	Restated 1 April 2009 £000
Non-current assets				
Property, plant and equipment	15	**208,390**	203,562	229,171
Intangible assets	16	**1,432**	1,433	1,688
Other financial assets	21	**0**	0	0
Trade and other receivables	20	**2,351**	1,928	1,730
Total non-current assets		**212,173**	206,923	232,589
Current assets				
Inventories	19	**6,218**	5,849	5,154
Trade and other receivables	20	**10,927**	10,201	18,165
Other financial assets	21	**0**	0	0
Other current assets	22	**669**	358	183
Cash and cash equivalents	23	**9,865**	6,032	11,705
		27,679	22,440	35,207
Non-current assets held for sale	24	**355**	790	489
Total current assets		**28,034**	23,230	35,696
Total assets		**240,207**	230,153	268,285
Current liabilities				
Trade and other payables	25	**(40,076)**	(24,999)	(32,830)
Other liabilities	27	**(504)**	(519)	(519)
Borrowings	26	**(109)**	(98)	(88)
Other financial liabilities	31	**0**	0	0
Provisions	32	**(5,716)**	(1,603)	(918)
Net current assets/(liabilities)		**(18,371)**	(3,989)	1,341
Total assets less current liabilities		**193,802**	202,934	233,930
Non-current liabilities				
Borrowings	26	**(748)**	(857)	(940)
Trade and other payables	25	**0**	0	0
Other financial liabilities	31	**0**	0	0
Provisions	32	**(2,279)**	(2,333)	(2,378)
Other liabilities	27	**(17,132)**	(18,147)	(18,671)
Total assets employed		**173,643**	181,597	211,941
Financed by taxpayers' equity:				
Public dividend capital		**181,753**	180,753	181,037
Retained earnings		**(38,002)**	(24,934)	(24,530)
Revaluation reserve		**26,940**	22,758	52,671
Donated asset reserve		**2,234**	2,529	2,390
Government grant reserve		**528**	301	183
Other reserves		**190**	190	190
Total taxpayers' equity		**173,643**	181,597	211,941

The financial statements on pages 3 *to 56* were approved by the Board on 7th June 2011 and signed on its behalf by:

Signed: Andrew North (Chief Executive) Date: 7th June 2011

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2010

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Donated asset reserve	Government grant reserve	Other reserves	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 March 2009							
As previously stated	181,037	(24,530)	52,671	2,390	183	190	211,941
Prior period adjustment							0
Restated balance	181,037	(24,530)	52,671	2,390	183	190	211,941
Changes in taxpayers' equity for 2009-10							
Total comprehensive income for the year:							
Retained surplus/(deficit) for the year		(4,002)					(4,002)
Transfers between reserves		3,598	(3,598)	0	0	0	0
Impairments and reversals			(28,233)	(76)	(125)		(28,434)
Net gain on revaluation of property, plant, equipment			1,918	0	0		1,918
Net gain on revaluation of intangible assets			0	0	0		0
Net gain on revaluation of financial assets			0				0
Receipt of donated/government granted assets				809	380		1,189
Net gain/loss on other reserves (e.g. defined benefit pension scheme)						0	0
Movements in other reserves							0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve				(594)	(137)		(731)
- on disposal of available for sale financial assets			0				0
Reserves eliminated on dissolution		0	0	0	0	0	0
Originating capital for trust establishment in year	0						0
New PDC received	0						0
PDC repaid in year	(284)						(284)
PDC written off	0						0
Other movements in PDC in year	0	0					0
Balance at 31 March 2010	180,753	(24,934)	22,758	2,529	301	190	181,597

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY
FOR THE YEAR ENDED 31 MARCH 2011

	Public dividend capital (PDC)	Retained earnings	Revaluation reserve	Donated asset reserve	Government grant reserve	Other reserves	Total
	£000	£000	£000	£000	£000	£000	£000
Changes in taxpayers' equity for 2010-11							
Balance at 1 April 2010	180,753	(24,934)	22,758	2,529	301	190	181,597
Total comprehensive income for the year							
Retained surplus/(deficit) for the year		(14,177)					(14,177)
Transfers between reserves		1,109	(1,109)	0	0	0	0
Impairments and reversals			(3,289)	20	4		(3,265)
Net gain on revaluation of property, plant, equipment			8,580	0	0		8,580
Net gain on revaluation of intangible assets			0	0	0		0
Net gain on revaluation of financial assets			0				0
Receipt of donated/government granted assets				347	225		572
Net gain/loss on other reserves (e.g. defined benefit pension scheme)						0	0
Movements in other reserves							0
Reclassification adjustments:							
- transfers from donated asset/government grant reserve				(662)	(2)		(664)
- on disposal of available for sale financial assets			0				0
Reserves eliminated on dissolution		0	0	0	0	0	0
Originating capital for trust establishment in year	0						0
New PDC received	1,000						1,000
PDC repaid in year	0						0
PDC written off	0						0
Other movements in PDC in year	0						0
Balance at 31 March 2011	181,753	(38,002)	26,940	2,234	528	190	173,643

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2011

	NOTE	**2010-11 £000**	2009-10 £000
Cash flows from operating activities			
Operating surplus/(deficit)		**(6,808)**	3,026
Depreciation and amortisation		**11,257**	11,060
Impairments and reversals		**297**	5,284
Net foreign exchange gains/(losses)		**0**	0
Transfer from donated asset reserve		**(662)**	(594)
Transfer from government grant reserve		**(2)**	(137)
Interest paid		**(64)**	(86)
Dividends paid		**(5,269)**	(7,009)
(Increase)/decrease in inventories		**(369)**	(695)
(Increase)/decrease in trade and other receivables		**(1,149)**	8,104
(Increase)/decrease in other current assets		**(84)**	183
Increase/(decrease) in trade and other payables		**12,423**	(6,709)
Increase/(decrease) in other current liabilities		**(818)**	(524)
Increase/(decrease) in provisions		**3,785**	584
Net cash inflow/(outflow) from operating activities		**12,537**	12,487
Cash flows from investing activities			
Interest received		**45**	53
(Payments) for property, plant and equipment		**(9,544)**	(18,785)
Proceeds from disposal of plant, property and equipment		**340**	1,124
(Payments) for intangible assets		**(447)**	(195)
Proceeds from disposal of intangible assets		**0**	0
(Payments) for investments with DH		**0**	0
(Payments) for other investments		**0**	0
Proceeds from disposal of investments with DH		**0**	0
Proceeds from disposal of other financial assets		**0**	0
Revenue rental income		**0**	0
Net cash inflow/(outflow) from investing activities		**(9,606)**	(17,803)
Net cash inflow/(outflow) before financing		**2,931**	(5,316)
Cash flows from financing activities			
Public dividend capital received		**1,000**	0
Public dividend capital repaid		**0**	(284)
Loans received from the DH		**0**	0
Other loans received		**0**	0
Loans repaid to the DH		**0**	0
Other loans repaid		**0**	0
Other capital receipts		**0**	0
Capital element of finance leases and PFI		**(98)**	(73)
Net cash inflow/(outflow) from financing		**902**	(357)
Net increase/(decrease) in cash and cash equivalents		**3,833**	(5,673)
Cash (and) cash equivalents (and bank overdrafts) at the beginning of the financial year		**6,032**	11,705
Effect of exchange rate changes on the balance of cash held in foreign currencies		**0**	0
Cash (and) cash equivalents (and bank overdrafts) at the end of the financial year	23	**9,865**	6,032

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 2010-11 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.

The Trust has numerous building leases where it is either lessee or lessor. The determination of whether a lease is either a finance or operating lease is by it's very nature subjective

The Trust has aggregated all buildings on a single site, as a single asset, with a pooled revaluation reserve covering all the buildings on the single site. This aggregation has been adopted as part of the introduction of modern equivalent asset valuations.

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 2011, 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 next financial year

The Trust revalued it's buildings in March 2011, and March 2010. These revaluations were conducted by DTZ Debenham Tie Leung Ltd. As part of this revaluation process the Trust increased the remaining useful life of it's 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.

Note 10, Pension Costs details out the actuarial assumptions used in calculating the Trust's pension Liabilities.

Note 32, details the Provisions recognised by the Trust at 31 March 2011. 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 for re-grading / assimilation and would be entitled to arrears.

Note 33, 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.

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 it's 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 Trust information systems are unable to accurately identify the figures for 'Inventories recognised as expenses' under Note 19.2. The Trust has therefore estimated this figure by assuming all Clinical and General Supplies and Services relate to inventories.

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 calculated based on the 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 the service is received from employees.

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.

The cost of maternity pay earned by not yet paid to employees at the end of the period is recognised in the financial statements on a 3 year rolling average basis.

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 hospital site, includes a number of separate blocks with significantly different asset lives, the separate blocks 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 subsequent accumulated depreciation and impairment losses. 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

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

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.

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. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter 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.

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

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
- 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. This is a change in accounting policy from previous years where all impairments were taken to the revaluation reserve to the extent that a balance was held for that asset and thereafter 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.

1.10 Donated assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to the donated asset reserve. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the donated asset reserve and, each year, an amount equal to the depreciation charge on the asset is released from the donated asset reserve to offset the expenditure. On sale of donated assets, the net book value is transferred from the donated asset reserve to retained earnings.

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

1.11 Government grants

Government grants are grants from government bodies other than revenue from NHS bodies for the provision of services. Revenue grants are treated as deferred income initially and credited to income to match the expenditure to which they relate. Capital grants are credited to the government grant reserve and released to operating revenue over the life of the asset in a manner consistent with the depreciation and impairment charges for that asset. Assets purchased from government grants are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations and impairments are taken to the government grant reserve and, each year, an amount equal to the depreciation charge on the asset is released from the government grant reserve to the offset the expenditure.

1.12 Other Reserves

Liabilities transferred to the NHS Litigation Authority on 1st April 2000, have been recored 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. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then 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. This is a change in accounting policy from previous years where leased land was always treated as an operating lease.

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

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.

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.

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

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.

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, except where assets are held specifically for completion of the contract, and it such circumstances, the asset is written down, rather than a provision created. 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 32.

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 the government grant reserve. The provision is settled on surrender of the allowances. The asset, provision and government grant reserve are valued at fair value at the end of the reporting period.

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.

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

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.

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 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 Value Added Tax

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

1.25 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.

1.26 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 38 to the accounts.

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

1.27 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. Prior to 2009/10 the PDC dividend was determined using forecast average relevant net assets and a note to the accounts discloses the rate that the dividend represents as a percentage of the actual average carrying amount of assets less liabilities in the year. From 1 April 2009, the dividend payable is based on the actual average relevant net assets for the year instead of forecast amounts.

1.28 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).

1.29 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 2009-10 and 2010-11 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)

1.30 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'

1.31 Joint ventures

Material entities over which the Trust has joint control with one or more other parties so as to obtain economic or other benefits are classified as joint ventures. Joint ventures are accounted for by the equity method.

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

1.32 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.

1.33 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.

1.34 Accounting Standards issued but not yet adopted

Neither the Treasury FReM nor the Department of Health's Manual for Accounts require the following Standards and Interpretations to be applied in 2010-11. The application of the Standards as revised would not have a material impact on the Trust's accounts in 2010-11, were they applied in that year:
IFRS 7 - Financial Instruments: Disclosures (amendment) - Transfers of financial assets (effective 2012/13)
IFRS 9 - Financial Instruments: Financial Assets: Financial Liabilities Uncertain
IAS 12 - Income Taxes amendment (effective 2012/13)
IAS 24 (Revised) Related Party Disclosures (2011/12)
IFRIC 14 amendment (2011/12)
IFRIC 19 - Extinguishing financial liabilities with Equity instruments (2011/12)

IAS 17 Leases. The Standard was amended for accounting periods beginning on or after 1 January 2010, and the amendments were adopted by the Trust for 2010/11. Leases of land are now classified according to the criteria applicable for other asset categories and thus certain long land leases may be classified as finance leases where in 2009/10 they were classified as operating leases. The Trust has reviewed 2009/10 results in respect of this change, but this review did not result in the reclassification of any existing leases.

2. Operating Segments

The Trust's management is organised around a number of Directorates, these Directorates provide Healthcare services.

The Directorates are:

Planned Care - Lincoln, Louth & Grantham

Emergency Care - Lincoln, Louth & Grantham

Planned Care - Boston,Skegness & Spalding

Bostonian

Emergency Care - Boston,Skegness & Spalding

Diagnostics

Women's & Childrens

Grantham Site

Estates & Facilities

Central Operations

Corporate Services

The Trust believes that these Directorates are not reportable segments as described in IFRS 8, but represent service line reporting units. The Trust is therefore of the opinion that there is only one segment, that of Healthcare Services

3. 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.

Catering	**2010-11**	2009-10
	£000	£000
Income	**1729**	1631
Full cost	**2174**	2319
Surplus/(deficit)	**-445**	-688

The Catering income generation activity was 33% below the Trust's plan for 2010/11

4. Revenue from patient care activities	**2010-11**	2009-10
	£000	£000
Strategic health authorities	**0**	0
NHS trusts	**0**	0
Primary care trusts	**355,269**	348,674
Foundation trusts	**0**	0
Local authorities	**15**	16
Department of Health	**0**	37
NHS other	**0**	0
Non-NHS:		
Private patients	**1,754**	2,151
Overseas patients (non-reciprocal)	**47**	31
Injury costs recovery	**2,595**	2,302
Other	**359**	247
	360,039	353,458

Injury cost recovery income is subject to a provision for impairment of receivables of 7.8% to reflect expected rates of collection

5. Other operating revenue	**2010-11**	2009-10
	£000	£000
Patient transport services	**0**	0
Education, training and research	**18,940**	19,094
Charitable and other contributions to expenditure	**0**	0
Transfers from donated asset reserve	**662**	594
Transfers from government grant reserve	**2**	137
Non-patient care services to other bodies	**248**	4,399
Income generation	**3,224**	3,095
Rental revenue from finance leases	**30**	0
Rental revenue from operating leases	**701**	527
Other revenue	**8,356**	9,837
	32,163	37,683

6. Revenue	**2010-11**	2009-10
	£000	£000
From rendering of services	**392,202**	391,141
From sale of goods	**0**	0

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

7. Operating expenses	**2010-11**	2009-10
	£000	£000
Services from other NHS trusts	**0**	0
Services from PCTs	**0**	0
Services from other NHS bodies	**0**	0
Services from foundation trusts	**0**	0
Purchase of healthcare from non NHS bodies	**0**	0
Trust chair and non executive directors	**61**	69
Employee benefits	**276,972**	258,300
Supplies and services - clinical	**68,918**	69,167
Supplies and services - general	**7,711**	7,116
Consultancy services	**2,412**	2,251
Establishment	**4,213**	4,512
Transport	**939**	4,001
Premises	**14,597**	16,097
Provision for impairment of receivables	**171**	21
Inventories write down	**54**	95
Depreciation	**10,809**	10,590
Amortisation	**448**	470
Impairments and reversals of property, plant and equipment	**297**	5,284
Impairments and reversals of intangible assets	**0**	0
Impairments and reversals of financial assets [by class]	**0**	0
Impairments and reversals of non current assets held for sale	**0**	0
Audit fees	**255**	256
Other auditor's remuneration	**0**	0
Clinical negligence	**7,779**	6,849
Research and development	**0**	0
Education and Training	**1,150**	1,013
Other	**2,224**	2,024
	399,010	388,115

8. Operating leases

8.1 As lessee

The Trust has entered into short term operating leases for 5 buildings. These leases expire in the period to March 2012

One of the lease buildings which had an original term of 6 years, was subject to a rent review in year 3, based on market rents.

The Trust leases medical equipment, these leases expire in the period to March 2012. The Trust also leased numerous vehicles which expire over the next 3 years

Payments recognised as an expense	**2010-11**	2009-10
	£000	£000
Minimum lease payments	**418**	400
Contingent rents	**0**	6
Sub-lease payments	**0**	0
	418	406

Total future minimum lease payments	**2010-11**				2009-10
	Buildings	**Land**	**Other**	**Total**	Total
	£000	**£000**	**£000**	**£000**	£000
Payable:					
Not later than one year	**34**	**0**	**120**	**154**	266
Between one and five years	**0**	**0**	**344**	**344**	224
After 5 years	**0**	**0**	**0**	**0**	0
Total	**34**	**0**	**464**	**498**	490

Total future sublease payments expected to be received: £0

8.2 As lessor

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

Rental revenue	**2010-11**	2009-10
	£000	£000
Contingent rent	**283**	3
Other	**418**	524
Total rental revenue	**701**	527

Total future minimum lease payments	**2010-11**	2009-10
	£000	£000
Receivable:		
Not later than one year	**261**	500
Between one and five years	**692**	1,569
After 5 years	**922**	456
Total	**1,875**	2,525

9. Employee costs and numbers

9.1 Employee costs

	2010-11			2009-10		
	Total	**Permanently employed**	**Other**	Total	Permanently employed	Other
	£000	**£000**	**£000**	£000	£000	£000
Salaries and wages	**234,662**	**202,115**	**32,547**	220,902	187,400	33,502
Social security costs	**15,829**	**15,829**	**0**	14,834	14,834	0
Employer contributions to NHS Pension scheme	**23,861**	**23,861**	**0**	22,670	22,670	0
Other pension costs	**0**	**0**	**0**	0	0	0
Other post-employment benefits	**0**	**0**	**0**	0	0	0
Other employment benefits	**0**	**0**	**0**	0	0	0
Termination benefits	**2,748**	**2,748**	**0**	0	0	0
Employee benefits expense	**277,100**	**244,553**	**32,547**	258,406	224,904	33,502

Of the total above:

	2010-11	2009-10
Charged to capital	**128**	106
Employee benefits charged to revenue	**276,972**	258,300
	277,100	258,406

9.2 Average number of people employed

	2010-11			2009-10		
	Total	**Permanently employed**	**Other**	Total	Permanently employed	Other
	Number	**Number**	**Number**	Number	Number	Number
Medical and dental	**855**	**709**	**146**	899	724	175
Ambulance staff	**0**	**0**	**0**	0	0	0
Administration and estates	**1,759**	**1,698**	**61**	1,286	1,246	40
Healthcare assistants and other support staff	**1,057**	**1,014**	**43**	678	671	7
Nursing, midwifery and health visiting staff	**2,046**	**1,920**	**126**	2,833	2,630	203
Nursing, midwifery and health visiting learners	**0**	**0**	**0**	0	0	0
Scientific, therapeutic and technical staff	**860**	**827**	**33**	814	778	36
Social care staff	**0**	**0**	**0**	0	0	0
Other	**0**	**0**	**0**	19	0	19
Total	**6,577**	**6,168**	**409**	6,529	6,049	480

Of the above:

	2010-11	2009-10
Number of whole time equivalent staff engaged on capital projects	**3**	3

9.3 Staff sickness absence

	2010-11	2009-10
	Number	Number
Total days lost	**76,133**	74,398
Total staff years	**6,165**	6,006
Average working days lost	**12**	12

* Sickness figures provided are based on calendar year ending 31 December 2010

9.4 Management Costs

	2010-11	2009-10
	£000	£000
Management costs	**14,525**	13,666
Income	**392,202**	391,141

9.5 Exit Packages for staff leaving in 2010-11

	2010-11			2009-10		
	***Number of compulsory redundancies Number**	***Number of other departures agreed Number**	**Total number of exit packages by cost band (total cost) Number**	***Number of compulsory redundancies Number**	***Number of other departures agreed Number**	**Total number of exit packages by cost band (total cost) Number**
<£20,001	0	2	**2**	1	0	**1**
£20,001 - £40,000	0	0	**0**	1	0	**1**
£40,001 - 100,000	1	0	**1**	1	1	**2**
£100,001 - £150,000	0	0	**0**	0	0	**0**
£150,001 - £200,000	0	0	**0**	0	0	**0**
>£200,000	0	0	**0**	0	0	**0**
Total number of exit packages by type (total cost	**1**	**2**	**3**	**3**	**1**	**4**
Total resource cost (£000s)	75	7	**82**	82	61	143

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 NHS 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.

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. 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.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. An outline of these follows:

a) Full actuarial (funding) valuation

The purpose of this valuation is to assess the level of liability in respect of the benefits due under the scheme (taking into account its recent demographic experience), and to recommend the contribution rates to be paid by employers and scheme members. The last such valuation, which determined current contribution rates was undertaken as at 31 March 2004 and covered the period from 1 April 1999 to that date. The conclusion from the 2004 valuation was that the scheme had accumulated a notional deficit of £3.3 billion against the notional assets as at 31 March 2004.

In order to defray the costs of benefits, employers pay contributions at 14% of pensionable pay and most employees had up to April 2008 paid 6%, with manual staff paying 5%.

Following the full actuarial review by the Government Actuary undertaken as at 31 March 2004, and after consideration of changes to the NHS Pension Scheme taking effect from 1 April 2008, his Valuation report recommended that employer contributions could continue at the existing rate of 14% of pensionable pay, from 1 April 2008, following the introduction of employee contributions on a tiered scale from 5% up to 8.5% of their pensionable pay depending on total earnings.

On advice from the scheme actuary, scheme contributions may be varied from time to time to reflect changes in the scheme's liabilities.

b) Accounting valuation

A valuation of the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period by updating the results of the full actuarial valuation.

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

The valuation of the scheme liability as at 31 March 2011, is based on detailed membership data as at 31 March 2008 (the latest midpoint) updated to 31 March 2011 with summary global member and accounting data.

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

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.

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 statement of comprehensive income at the time the trust commits itself to the retirement, regardless of the method of payment.

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 Better Payment Practice Code - measure of compliance	2010-11		2009-10	
	Number	**£000**	Number	£000
Total Non-NHS trade invoices paid in the year	**105,519**	**98,891**	115,345	122,432
Total Non NHS trade invoices paid within target	**83,137**	**73,273**	88,598	92,337
Percentage of Non-NHS trade invoices paid within target	**79%**	**74%**	77%	75%
Total NHS trade invoices paid in the year	**2,820**	**58,507**	2,769	42,900
Total NHS trade invoices paid within target	**2,254**	**48,327**	2,292	36,553
Percentage of NHS trade invoices paid within target	**80%**	**83%**	83%	85%

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.

11.2 The Late Payment of Commercial Debts (Interest) Act 1998	2010-11	2009-10
	£000	£000
Amounts included in finance costs from claims made under this legislation	**1**	0
Compensation paid to cover debt recovery costs under this legislation	**0**	0
Total	**1**	0

12. Investment revenue

	2010-11	2009-10
	£000	£000
Rental revenue:		
PFI finance lease revenue:		
planned	0	0
contingent	0	0
Other finance lease revenue	0	0
Interest revenue:		
Bank accounts	44	53
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Total	44	53

13. Other gains and losses

	2010-11	2009-10
	£000	£000
Gain/(loss) on disposal of property, plant and equipment	**(1,448)**	(455)
Gain/(loss) on disposal of intangible assets	**0**	0
Gain/(loss) on disposal of financial assets	**0**	0
Gain/(loss) on foreign exchange	**0**	0
Change in fair value of financial assets carried at fair value through profit and loss	**0**	0
Change in fair value of financial liabilities carried at fair value through profit and loss	**0**	0
Total	**(1,448)**	(455)

14. Finance costs

	2010-11	2009-10
	£000	£000
Interest on loans and overdrafts	**0**	0
Interest on obligations under finance leases	**64**	86
Interest on obligations under PFI contracts:		
- main finance cost	**0**	0
- contingent finance cost	**0**	0
Interest on late payment of commercial debt	**1**	0
Other interest expense	**0**	0
Total interest expense	**65**	86
Other finance costs	**54**	56
Total	**119**	142

15. Property, plant and equipment

2010-11

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2010	13,676	147,204	18,445	9,420	46,673	561	7,591	1,162	244,732
Additions purchased	0	1,318	1,147	4,213	4,495	37	415	0	11,625
Additions donated	0	0	0	0	342	0	5	0	347
Additions government granted	0	0	0	0	0	0	0	0	0
Reclassifications	0	3,105	0	(4,485)	1,292	0	88	0	0
Reclassified as held for sale	0	0	0	0	(306)	(19)	0	0	(325)
Disposals other than by sale	0	(1,255)	0	(74)	(4,371)	(28)	(810)	(140)	(6,678)
Upward revaluations	0	7	798	0	114	0	0	0	919
Impairments & downward revaluations	0	(6,900)	0	0	0	0	0	0	(6,900)
Reversal of impairments	0	3,634	1	0	0	0	0	0	3,635
At 31 March 2011	13,676	147,113	20,391	9,074	48,239	551	7,289	1,022	247,355
Depreciation at 1 April 2010	0	3,731	219	5,284	27,597	316	3,381	642	41,170
Reclassifications		0	0		0	0	0	0	0
Reclassified as held for sale	0	0	0		(303)	(18)	0	0	(321)
Disposals other than by sale	0	(25)	0		(4,327)	(28)	(809)	(140)	(5,329)
Upward & downward revaluations	0	(6,900)	(761)		0	0	0	0	(7,661)
Impairments	0	0	297	0	0	0	0	0	297
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	3,194	245		5,740	68	1,437	125	10,809
Depreciation at 31 March 2011	0	0	0	5,284	28,707	338	4,009	627	38,965
Net book value									
Purchased	13,676	146,489	20,391	3,790	17,848	213	3,276	395	206,078
Donated	0	546	0	0	1,684	0	4	0	2,234
Government granted	0	78	0	0	0	0	0	0	78
Total at 31 March 2011	13,676	147,113	20,391	3,790	19,532	213	3,280	395	208,390
Asset financing									
Owned	13,676	147,113	908	3,790	18,851	213	3,280	395	188,226
Finance leased	0	0	19,483	0	681	0	0	0	20,164
Private finance initiative	0	0	0	0	0	0	0	0	0
Total 31 March 2011	13,676	147,113	20,391	3,790	19,532	213	3,280	395	208,390

15.1 Revaluation reserve balance for property, plant & equipment

	Land	Buildings excluding dwellings	Dwellings	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000
At 1 April 2010	1,371	17,467	3,374	42	26	472	6	22,758
Movements (specify)	(25)	2,975	1,377	(15)	(9)	(117)	(4)	4,182
At 31 March 2011	1,346	20,442	4,751	27	17	355	2	26,940

15. Property, plant and equipment continued

2009-10

	Land	Buildings excluding dwellings	Dwellings	Assets under construct and poa	Plant and machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation at 1 April 2009	14,049	167,236	17,436	5,164	60,485	950	10,958	1,277	277,555
Additions purchased	0	2,435	0	11,245	2,652	75	1,207	49	17,663
Additions donated	0	0	0	0	809	0	0	0	809
Additions government granted	0	0	0	205	0	0	0	0	205
Reclassifications	1	6,347	7	(7,194)	825	(1)	(2)	1	(16)
Reclassified as held for sale	(374)	(292)	(886)	0	(18)	0	0	0	(1,570)
Disposals other than by sale	0	(235)	0	0	(18,080)	(463)	(4,572)	(165)	(23,515)
Upward revaluations	0	21	1,897	0	0	0	0	0	1,918
Impairments & downward revaluations	0	(28,308)	(9)	0	0	0	0	0	(28,317)
Reversal of impairments	0	0	0	0	0	0	0	0	0
At 31 March 2010	13,676	147,204	18,445	9,420	46,673	561	7,591	1,162	244,732
Depreciation at 1 April 2009					40,499	709	6,498	678	48,384
Reclassifications		0	0		0	0	0	0	0
Reclassified as held for sale	0	0	0		(11)	0	0	0	(11)
Disposals other than by sale	0	0	0		(17,884)	(463)	(4,571)	(159)	(23,077)
Upward & downward revaluations	0	0	0		0	0	0	0	0
Impairments	0	0	0	5,284	0	0	0	0	5,284
Reversal of impairments	0	0	0	0	0	0	0	0	0
Charged during the year	0	3,731	219		4,993	70	1,454	123	10,590
Depreciation at 31 March 2010	0	3,731	219	5,284	27,597	316	3,381	642	41,170
Net book value									
Purchased	13,676	142,857	18,226	4,136	17,086	245	4,210	520	200,956
Donated	0	539	0	0	1,990	0	0	0	2,529
Government granted	0	77	0	0	0	0	0	0	77
Total at 31 March 2010	13,676	143,473	18,226	4,136	19,076	245	4,210	520	203,562
Asset financing									
Owned	13,676	143,473	58	4,136	18,414	245	4,210	520	184,732
Finance leased	0	0	18,168	0	662	0	0	0	18,830
Private finance initiative	0	0	0	0	0	0	0	0	0
Total 31 March 2010	13,676	143,473	18,226	4,136	19,076	245	4,210	520	203,562

15. Property, plant and equipment (cont.)

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

Description	value £
Pilgrim Heart and Lung Fund	156,921
ULHT Charitable Fund	189,841
Total Donated assets Received in 2010/11	346,762

The Trust revalued its land, buildings and dwellings in March 2011. This revaluation was conducted by DTZ Debenham Tie Leung Ltd.
See accounting policies for further information regarding the method of valuation.
All other items of propery 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 is as follows:

	Minimum Asset Life	Maximum Asset Life
Intangibles		
Software Licenses	0	8
Licences and Trademarks	0	0
Patents	0	0
Development Expenditure	0	0
Property, Plant and Equipment		
Buildings exc Dwellings	10	82
Dwellings	1	78
Plant & Machinery	0	14
Transport Equipment	1	7
Information Technology	0	8
Furniture and Fittings	0	9

There have been no material changes to asset lives in the financial year.
No assets have been written down to recoverable amount in the financial year.

The Gross value of fully depreciated assets still in use is £8.1m

The Trust lease a number of buildings which it owns on operating leases, the net book value of the assets at March 2011 was £4.1m (March 2010 £3.4m).
The Depreciation charged to the statement of comprehensive income in 2010/11 was £68,000, (2009-10 £97.000) and the impairment loss was £0, (2009-10 £603,000).
The assets were revalued upwards in 2010/11 resulting in a reversal of a previous impairment of £112,000.

16. Intangible assets

2010-11	Computer software - purchased	Computer software - internally generated	Licences and trademarks	Patents	Development expenditure (internally generated)	Total
	£000	£000	£000	£000	£000	£000
Gross cost at 1 April 2010	3,024	20	0	0	0	3,044
Additions purchased	447	0	0	0	0	447
Additions internally generated	0	0	0	0	0	0
Additions donated	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0
Reclassifications	0	0	0	0	0	0
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	(162)	0	0	0	0	(162)
Revaluation/indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Gross cost at 31 March 2011	3,309	20	0	0	0	3,329
Amortisation at 1 April 2010	1,608	3	0	0	0	1,611
Reclassifications	0	0	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	(162)	0	0	0	0	(162)
Revaluation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Charged during the year	444	4	0	0	0	448
Amortisation at 31 March 2011	1,890	7	0	0	0	1,897
Net book value						
Purchased	1,419	13	0	0	0	1,432
Donated	0	0	0	0	0	0
Government granted	0	0	0	0	0	0
Total at 31 March 2011	1,419	13	0	0	0	1,432

16. Intangible assets continued

2009-10	Computer software - purchased £000	Computer software - internally generated £000	Licences and trademarks £000	Patents £000	Development expenditure (internally generated) £000	Total £000
Gross cost at 1 April 2009	3,368	0	0	0	0	3,368
Additions purchased	195	0	0	0	0	195
Additions internally generated	0	0	0	0	0	0
Additions donated	0	0	0	0	0	0
Additions government granted	0	0	0	0	0	0
Reclassifications	0	20	0	0	0	20
Reclassified as held for sale	0	0	0	0	0	0
Disposals other than by sale	(539)	0	0	0	0	(539)
Revaluation / indexation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversals of impairments	0	0	0	0	0	0
Gross cost at 31 March 2010	3,024	20	0	0	0	3,044
Amortisation at 1 April 2009	1,680	0	0	0	0	1,680
Reclassifications	0	0	0	0	0	0
Reclassifications as held for sale	0	0	0	0	0	0
Disposals other than by sale	(539)	0	0	0	0	(539)
Revaluation	0	0	0	0	0	0
Impairments	0	0	0	0	0	0
Reversal of impairments	0	0	0	0	0	0
Charged during the year	467	3	0	0	0	470
Amortisation at 31 March 2010	1,608	3	0	0	0	1,611
Net book value						
Purchased	1,416	17	0	0	0	1,433
Donated	0	0	0	0	0	0
Government granted	0	0	0	0	0	0
Total at 31 March 2010	1,416	17	0	0	0	1,433

16. Intangible assets (cont.)

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

16.2 Revaluation reserve balance for intangible assets	2010-11	2009-10
	£000	£000
At 1 April	**0**	0
Changes	**0**	0
At 31 March	**0**	0

17. Impairments

The Trust has recorded impairments in the year of £0.3 million (2009/10 £33.6 million), which has been charged to the Statement of Comprehensive Income. No impairments have been charged to the revaluation reserve. Impairment reversals originally charged againt the revaluation reserve of £3.6 million were recorded.
This impairment relates to the revaluation of the Land & Buildings as at March 2011 conducted by DTZ Debenham Tie Leung Ltd.

18. Commitments

18.1 Capital commitments

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

	31 March 2011	31 March 2010
	£000	£000
Property, plant and equipment	**341**	475
Intangible assets	**0**	0
Total	**341**	475

18.2 Other financial commitments

The trust has not entered into any non-cancellable contracts

19. Inventories

19.1 Inventories	**31 March 2011**	31 March 2010
	£000	£000
Drugs	**1,862**	1,809
Work in progress	**0**	0
Consumables	**4,341**	4,009
Energy	**15**	31
Other	**0**	0
Total	**6,218**	5,849
Of which held at net realisable value:	**6,218**	5,849

19.2 Inventories recognised in expenses	**31 March 2011**	31 March 2010
	£000	£000
Inventories recognised as an expense in the period	**76,660**	76,283
Write-down of inventories (including losses)	**54**	95
Reversal of write-downs that reduced the expense	**0**	0
Total	**76,714**	76,378

20. Trade and other receivables

20.1 Trade and other receivables	**Current**	**Non-current**	Current	Non-current
	31 March 2011	**31 March 2011**	31 March 2010	31 March 2010
	£000	**£000**	£000	£000
NHS receivables-revenue	**5,996**	**0**	5,480	0
NHS receivables-capital	**0**	**0**	0	0
Non-NHS receivables-revenue	**160**	**0**	190	0
Non-NHS receivables-capital	**0**	**0**	0	0
Provision for the impairment of receivables	**(327)**	**(250)**	(275)	(163)
Prepayments and accrued income	**1,682**	**0**	1,325	0
Finance lease receivables	**0**	**0**	0	0
Operating lease receivables	**0**	**0**	0	0
VAT	**323**	**0**	354	0
Other receivables	**3,093**	**2,601**	3,127	2,091
Total	**10,927**	**2,351**	10,201	1,928

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.

Non NHS receivables are predominantly, claims against insurance companies principally in relation to road traffic accidents where income is recoverable under the NHS injury cost recovery scheme

20.2 Receivables past their due date but not impaired	**31 March 2011**	31 March 2010
	£000	£000
By up to three months	**648**	685
By three to six months	**73**	221
By more than six months	**33**	45
Total	**754**	951

20.3 Provision for impairment of receivables

	31 March 2011 £000	31 March 2010 £000
Balance at 1 April	**(438)**	(432)
Amount written off during the year	**32**	15
Amount recovered during the year	**48**	62
(Increase)/decrease in receivables impaired	**(219)**	(83)
Balance at 31 March	**(577)**	(438)

Provisions for the impairment 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.

21. Other financial assets

	Current 31 March 2011 £000	Non-current 31 March 2011 £000	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Embedded derivatives carried at fair value through profit and loss	**0**	**0**	0	0
Financial assets carried at fair value through profit and loss	**0**	**0**	0	0
Held to maturity investments at amortised cost	**0**	**0**	0	0
Available for sale financial assets carried at fair value	**0**	**0**	0	0
Loans carried at amortised cost	**0**	**0**	0	0
Total	**0**	**0**	0	0

22. Other current assets

	31 March 2011 £000	31 March 2010 £000
EU Emissions trading scheme allowances	**669**	358
Other assets	**0**	0
Total	**669**	358

23. Cash and cash equivalents

	31 March 2011	31 March 2010
	£000	£000
Balance at 1 April	**6,032**	11,705
Net change in year	**3,833**	(5,673)
Balance at 31 March	**9,865**	6,032
Made up of		
Cash with Government banking services	**9,857**	6,025
Commercial banks and cash in hand	**8**	7
Current investments	**0**	0
Cash and cash equivalents as in statement of financial position	**9,865**	6,032
Bank overdraft - Government banking services	**0**	0
Bank overdraft - Commercial banks	**0**	0
Cash and cash equivalents as in statement of cash flows	**9,865**	6,032

24. Non-current assets held for sale

	Land	Buildings, excl dwelling	Dwellings	Other property, plant and equipment	Intangible assets	Total
	£000	£000	£000	£000	£000	£000
Balance at 1 April 2010	**635**	**0**	**155**	**0**	**0**	**790**
Plus assets classified as held for sale in the year	**0**	**0**	**0**	**4**	**0**	**4**
Less assets sold in the year	**(280)**	**0**	**(155)**	**(4)**	**0**	**(439)**
Less impairments of assets held for sale	**0**	**0**	**0**	**0**	**0**	**0**
Plus reversal of impairment of assets held for sale	**0**	**0**	**0**	**0**	**0**	**0**
Less assets no longer classified as held for sale, for reasons other than disposal by sale	**0**	**0**	**0**	**0**	**0**	**0**
Balance at 31 March 2011	**355**	**0**	**0**	**0**	**0**	**355**
Balance at 1 April 2009	489	0	0	0	0	489
Plus assets classified as held for sale in the year	863	292	886	7	0	2,048
Less assets sold in the year	(228)	(196)	(710)	(7)	0	(1,141)
Less impairments of assets held for sale	0	(96)	(21)	0	0	(117)
Plus reversal of impairment of assets held for sale	0	0	0	0	0	0
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(489)	0	0	0	0	(489)
Balance at 31 March 2010	635	0	155	0	0	790

In 2009/10 the Trust classified 11 dwellings (dwellings £886,000, Land £180,000) previously used as staff accomodation, as held for sale, at their carrying value of £1,066,000.
During the Year 2009/10, 9 dwellings were sold for a total of £837,400. These sales generated a loss of £12,727
As at March 2010 2 dwellings with a carrying value of £216,000, were impaired by £21,000. These buildings were sold in the year to March 2011 at a loss of £12,877

In 2009/10 the Trust classified land at Johnson, previously used as hospital buildings, as held for sale, at the carrying value of £320,000. (land £240,000, buildings £80,000)
The land was been valued as at March 2010 by Banks Long & Co in excess of it's carrying amount. The £96,000 of buildings were impaired to £0 as at March 2010
The land was sold during the year to March 2011 at a loss of £99,000

In 2009/10 the Trust classified land at Welland, previously used as hospital buildings, as held for sale, at the carrying value of £371,000. (land £355,000, buildings £16,000)
The land was been valued as at March 2010 by Banks Long & Co in excess of it's carrying amount. The £96,000 of buildings were impaired to £0 as at March 2010
The Land at Welland has not been sold in 2010/11 but is being actively marketed by Banks, Long &Co, and a sale is expected within the next financial year.

Various equipment with a net book value of £4,000 was classified as held for sale in 2010/11, this was sold at book value in the year

25. Trade and other payables	**Current 31 March 2011 £000**	**Non-current 31 March 2011 £000**	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Interest payable	**0**		0	
NHS payables-revenue	**4,001**	**0**	2,153	0
NHS payables-capital	**36**	**0**	0	0
Non NHS trade payables - revenue	**6,228**	**0**	6,854	0
Non NHS trade payables - capital	**4,774**	**0**	3,513	0
Accruals and deferred income	**16,134**	**0**	4,715	0
Social security costs	**2,411**		0	
VAT	**0**	**0**	0	0
Tax	**2,978**		0	
Other	**3,514**	**0**	7,764	0
Total	**40,076**	**0**	24,999	0

Other payables include:
£0 (2009-10 £0) for payments due in future years under arrangements to buy out the liability for 0 early retirements over 5 instalments; and £3.030 million outstanding pensions contributions at 31 March 2011 (31 March 2010 £3k).

26. Borrowings	**Current 31 March 2011 £000**	**Non-current 31 March 2011 £000**	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Bank overdraft - Government banking services	**0**		0	
Bank overdraft - Commercial banks	**0**		0	
Loans from:				
Department of Health	**0**	**0**	0	0
Other entities	**0**	**0**	0	0
PFI liabilities	**0**	**0**	0	0
LIFT	**0**	**0**	0	0
Finance lease liabilities	**109**	**748**	98	857
Other (describe)	**0**	**0**	0	0
Total	**109**	**748**	98	857

The Trust entered into a finance lease with Dalkia Utility Services PLC in 2002 for the provision of a combined heat and power system.

27. Other liabilities	**Current 31 March 2011 £000**	**Non-current 31 March 2011 £000**	Current 31 March 2010 £000	Non-current 31 March 2010 £000
PFI asset – deferred credit	**0**	**0**	0	0
Lease incentives	**25**	**850**	25	875
Other	**479**	**16,282**	494	17,272
Total	**504**	**17,132**	519	18,147

The Trust entered into an agreement with Progress Housing in 2006, whereby the Trust transferred ownership of a number staff accomodation 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 accomodation. Due to the nature of the Transaction, the Trust has recorded the Assets on it's 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.

28. Finance lease obligations

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 payments**	Minimum lease payments	Present value of minimum lease payments
	31 March 2011	**31 March 2011**	31 March 2010	31 March 2010
	£000	**£000**	£000	£000
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**	
Present value of minimum lease payments	**0**	**0**	**0**	0
Included in:				
Current borrowings		**0**		0
Non-current borrowings		**0**		0
		0		0

Land	**Minimum lease payments**	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
	31 March 2011	**31 March 2011**	31 March 2010	31 March 2010
	£000	**£000**	£000	£000
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	
Present value of minimum lease payments	**0**	**0**	0	0
Included in:				
Current borrowings		**0**		0
Non-current borrowings		**0**		0
		0		0

Other	**Minimum lease payments**	**Present value of minimum lease payments**	Minimum lease payments	Present value of minimum lease payments
	31 March 2011	**31 March 2011**	31 March 2010	31 March 2010
	£000	**£000**	£000	£000
Within one year	**166**	**109**	162	98
Between one and five years	**706**	**567**	689	512
After five years	**188**	**181**	371	345
Less future finance charges	**(203)**		(267)	
Present value of minimum lease payments	**857**	**857**	955	955
Included in:				
Current borrowings		**109**		98
Non-current borrowings		**748**		857
		857		955

Future sublease payments expected to be received total £0 (2009-10 £0)
Contingent rents recognised as an expense £0 (2009-10 £0)

29. Finance lease receivables

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

Ambulance Station at Pilgrim Hospital	125 Years from 1992, annual rent of 1 peppercorn
Manthorpe Centre at Pilgrim Hospital	80 Years from 1997, annual rent of 1 peppercorn
Elderly Assessment Centre at Grantham 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
Of minimum lease payments

	Gross investments in leases	**Present value of minimum lease payments**	**Gross investments in leases**	**Present value of minimum lease payments**
	31 March 2011 £000	**31 March 2011 £000**	31 March 2010 £000	31 March 2010 £000
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 income	**0**		0	
Present value of minimum lease payments	**0**	**0**	0	0
Less cumulative provision for uncollectable payments:	**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

The unguaranteed residual value accruing to the Trusts is £0 (prior year £0)
Future sublease payments expected to be received total £0 (prior year £0)

Rental revenue	**2010-11 £000**	2009-10 £000
Contingent rent	**30**	0
Total rental revenue	**30**	0

30. Finance lease commitments

There are no finance lease committents as at 31st March 2011

31. Other financial liabilities	**Current 31 March 2011 £000**	**Non-current 31 March 2011 £000**	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Financial liabilities carried at fair value through profit and loss:				
Embedded derivatives	**0**	**0**	0	0
Other financial liabilities	**0**	**0**	0	0
Amortised cost	**0**	**0**	0	0
Total	**0**	**0**	0	0

32. Provisions	**Current 31 March 2011 £000**	**Non-current 31 March 2011 £000**	Current 31 March 2010 £000	Non-current 31 March 2010 £000
Pensions relating to former directors	**0**	**0**	0	0
Pensions relating to other staff	**173**	**2,279**	173	2,333
Legal claims	**1,029**	**0**	668	0
Restructurings	**2,408**	**0**	0	0
Redundancy	**0**	**0**	-	-
Other (specify)	**2,106**	**0**	762	0
Total	**5,716**	**2,279**	1,603	2,333

	Pensions relating to former directors £000	**Pensions relating to other staff £000**	**Legal claims £000**	**Restructurings £000**	**Redundancy £000**	**Other £000**	**Total £000**
At 1 April 2010	**0**	**2,506**	**668**	**0**		**762**	**3,936**
Arising during the year	**0**	**63**	**855**	**2,408**	**0**	**1,953**	**5,279**
Used during the year	**0**	**(172)**	**(411)**	**0**	**0**	**(487)**	**(1,070)**
Reversed unused	**0**	**0**	**(83)**	**0**	**0**	**(122)**	**(205)**
Unwinding of discount	**0**	**55**	**0**	**0**	**0**	**0**	**55**
At 31 March 2011	**0**	**2,452**	**1,029**	**2,408**	**0**	**2,106**	**7,995**
Expected timing of cash flows:							
Within one year	**0**	**173**	**1,029**	**2,408**	**0**	**2,106**	**5,716**
Between one and five years	**0**	**620**	**0**	**0**	**0**	**0**	**620**
After five years	**0**	**1,659**	**0**	**0**	**0**	**0**	**1,659**

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 provision and / or the timing of the cash flow.

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 33. 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 Trust is currently reviewing its management structure, formal plans have been submitted to the Board of Directors, and the Trust is currently consulting on these plans with various employee groups. A provision has been created as at March 2011 to reflect the likely future costs of implementing the new management structure during 2011/12. It is anticipated that the new management structure will require 41 less positions, compared to the current structure.

Other provisions relate to claims for regrading of doctors from staff grade to associate specialist (£1.887m). To determine these provisions an evaluation of claims submitted for regrading has been carried out.

£68.17m is included in the provisions of the NHS Litigation Authority at 31/3/2011 in respect of clinical negligence liabilities of the trust (31/03/10 £40.96m).

33. Contingencies

33.1 Contingent liabilities	2010-11	2009-10
	£000	£000
Equal pay cases	(100)	0
Other	(692)	(162)
Amounts recoverable against contingent liabilities	0	0
Total	**(792)**	(162)

The contingent liabilities shown are in respect of employment claims brought against the Trust where there has been no obligating event or amounts are uncertain. Subsequent changes may alter the estimated value and/or the timing of the cashflow. The breakdown of contingent liabilities has not been disclosed as this information could prejudice the position of the Trust in certain cases. There are no other contingent gains or liabilities which require disclosure in the accounts.
In addition to the amount shown, other amounts have been provided in Note 32.

33.2 Contingent assets

The Trust does not have any contingent assets

34. Financial instruments

34.1 Financial assets	At fair value through profit and loss	Loans and receivables	Available for sale	Total
	£000	£000	£000	£000
Embedded derivatives	0			0
Receivables		2351		2351
Cash at bank and in hand		9865		9865
Other financial assets	0	0	0	0
Total at 31 March 2011	**0**	**12216**	**0**	**12216**
Embedded derivatives	0			0
Receivables		1928		1928
Cash at bank and in hand		6032		6032
Other financial assets	0	0	0	0
Total at 31 March 2010	0	7960	0	7960

34.2 Financial liabilities	At fair value through profit and loss	Other	Total
	£000	£000	£000
Embedded derivatives	0		0
Payables		0	0
PFI and finance lease obligations		857	857
Other borrowings		0	0
Other financial liabilities	0	5602	5602
Total at 31 March 2011	**0**	**6459**	**6459**
Embedded derivatives	0		0
Payables		0	0
PFI and finance lease obligations		955	955
Other borrowings		0	0
Other financial liabilities	5977	0	5977
Total at 31 March 2010	5977	955	6932

34.3 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

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 overseas operations. The trust therefore has low exposure to currency rate

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 2011 are in receivables from customers, as disclosed in the trade

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.

35. Events after the reporting period
There are no events that require disclosing after the reporting period

36. 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.

36.1 Breakeven performance	2005-06 £000	2006-07 £000	2007-08 £000	2008-09 £000	2009-10 £000	2010-11 £000
Turnover	289,429	294,154	344,309	353,280	391,141	392,202
Retained surplus/(deficit) for the year	(15,043)	(13,761)	12,488	366	(4,002)	(14,177)
Adjustment for:						
Timing/non-cash impacting distortions:						
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)	0					
2007/08 PPA (relating to 1997/98 to 2006/07)	0	0				
2008/09 PPA (relating to 1997/98 to 2007/08)	0	0	0			
Adjustments for Impairments				4,821	5,284	297
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*					0	0
Other agreed adjustments	4,913	15,043	0	0	0	0
Break-even in-year position	(10,130)	1,282	12,488	5,187	1,282	(13,880)
Break-even cumulative position	(14,886)	(13,604)	(1,116)	4,071	5,353	(8,527)

* 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

The Trust's agreed Long Term financial model demonstrates achievement of the statutory cumulative breakeven duty in 2014/15.

	2005-06 %	2006-07 %	2007-08 %	2008-09 %	2009-10 %	2010-11 %
Materiality test (I.e. is it equal to or less than 0.5%):						
Break-even in-year position as a percentage of turnover	-3%	0%	4%	1%	0%	-4%
Break-even cumulative position as a percentage of turnover	-5%	-5%	0%	1%	1%	-2%

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.

36.2 Capital cost absorption rate

Until 2008/09 the trust was required to absorb the cost of capital at a rate of 3.5% of forecast average relevant net assets. The rate is calculated as the percentage that dividends paid on public dividend capital bears to the actual average relevant net assets.

From 2009/10 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%.

36.3 External financing

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

		2010-11	2009-10
	£000	**£000**	£000
External financing limit		**519**	5,731
Cash flow financing	**(2,931)**		5,316
Finance leases taken out in the year	**0**		0
Other capital receipts	**0**		0
External financing requirement		**(2,931)**	5,316
Undershoot/(overshoot)		**3,450**	415

36.4 Capital resource limit

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

	2010-11	2009-10
	£000	£000
Gross capital expenditure	**12,419**	18,872
Less: book value of assets disposed of	**(1,788)**	(1,579)
Plus: loss on disposal of donated assets	**8**	9
Less: capital grants	**0**	(205)
Less: donations towards the acquisition of non-current assets	**(347)**	(809)
Charge against the capital resource limit	**10,292**	16,288
Capital resource limit	**12,405**	16,527
(Over)/underspend against the capital resource limit	**2,113**	239

37. Related party transactions

During the year none of the Department of Health Ministers, Trust Board members or members of the key management staff, or parties related to any of them, has undertaken any material transactions with United Lincolnshire Hospitals NHS Trust, except for;

Non Executive Director Nick Muntz is a Director of Siemens Turbo Ltd, part of the larger Siemens Group. No contractual relationship exists between the Trust and Siemens Turbo Ltd although the Trust has contracted with Siemens PLC during 2010/11. The total value of payments made, predominantly in relation to MRI and Digital Mammography capital acquisitions amount to £2.4 million.

Mr Muntz has not been engaged in any part of the decision making process affecting the contractual relationship with Siemens.

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. These entities are:

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

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, Audit Commission and City of Lincoln, Boston and North and South Kesteven Local Authorities and Lincolnshire County Council.

The Trust has also received revenue payments amounting to £899,000 from a number of charitable funds, the trustees for which are also members of the NHS Trust Board.

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 (2010/11 - £132,000).

38. Third party assets

The Trust held £1,832 cash and cash equivalents at 31 March 2011 (£2,231 - at 31 March 2010) which relates to monies held by the NHS Trust on behalf of patients. This has been excluded from the cash and cash equivalents figure reported in the accounts.

39. Intra-Government and other balances	Current receivables	Non-current receivables	Current payables	Non-current payables
	£000	£000	£000	£000
Balances with other central government bodies	**5,662**	**0**	**11,251**	**0**
Balances with local authorities	**30**	**0**	**7**	**0**
Balances with NHS trusts and foundation trusts	**657**	**0**	**1,233**	**0**
Balances with public corporations and trading funds	**0**	**0**	**0**	**0**
Intra government balances	**6,349**	**0**	**12,491**	**0**
Balances with bodies external to government	**4,578**	**2,351**	**27,585**	**0**
At 31 March 2011	**10,927**	**2,351**	**40,076**	**0**
Balances with other central government bodies	548	1,928	136	0
Balances with local authorities	0	0	0	0
Balances with NHS trusts and foundation trusts	4,932	0	2,017	0
Balances with public corporations and trading funds	0	0	0	0
Intra government balances	5,480	1,928	2,153	0
Balances with bodies external to government	4,721	0	22,846	0
At 31 March 2010	10,201	1,928	24,999	0

40. Losses and special payments

There were 529 cases of losses and special payments (2009-10: 375 cases) totalling £289,973 (2009-10: £317,499) accrued during 2010-11.