

United Lincolnshire Hospitals Trust

Financial Statements for the

Year ended

31st March 2012

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FOREWORD TO THE ACCOUNTS

Financial Review – year ended 31 March 2012

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

| Financial Target | Actual Performance | | |
|---|---------------------------|-----------------------------|-----------------|
| | 2011/12 | | 2010/11 |
| To break even on income and expenditure, taking one year with another. (Target excludes technical adjustments for impairment following revaluation and the impact of changes in accounting policy relating to Donated / Govt Granted Assets) | (7,060) | Surplus / (Deficit) | (14,177) |
| | 6,873 | Impairments | 297 |
| | 507 | Other adjustments | 0 |
| | 320 | Reported Performance | (13,880) |
| 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 | £3.37m | Undershoot | £3.45m |
| To remain within a Capital Resource Limit set by the Department of Health | £1.32m | Underspent | £2.11m |
| To pay 95% of creditors invoices within 30 days (by number of invoices) | 86% | Trade | 79% |
| | 78% | NHS | 80% |

Kevin Turner
Director of Finance
June 2012

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.

Signed Andrew North Chief Executive

Date: 1st June 2012

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

| | | | |
|---------------|------|--------------|-----------------|
| 1st June 2012 | Date | Andrew North | Chief Executive |
|---------------|------|--------------|-----------------|

| | | | |
|---------------|------|--------------|------------------|
| 1st June 2012 | Date | Kevin Turner | Finance Director |
|---------------|------|--------------|------------------|

GOVERNANCE STATEMENT 2011/12

UNITED LINCOLNSHIRE HOSPITALS NHS TRUST

Scope of responsibility

The Board is accountable for internal control. As Accountable Officer, and Chief Executive of this Board, I have responsibility for maintaining a sound system of internal control that supports the achievement of the organisation's policies, aims and objectives. I also have responsibility for safeguarding the public funds and the organisation's assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the organisation is administered prudently and economically and that resources are applied efficiently and effectively. I acknowledge my responsibilities as set out in the Accountable Officer Memorandum which sets out my responsibilities of propriety and regulation of expenditure, and for putting in place effective management systems which safeguard public funds and allow for the keeping of proper accounts.

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

The governance framework of the organisation

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The governance and system of internal control of the organisations is based on an on-going 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 2012 and up to the date of approval of the annual report and accounts.

Trust Board and Committee Structure

The Trust Board meets on a monthly basis and consists of a Chairman, 5 voting Executive Directors, including the Chief Executive and 5 Non Executive Directors. The Director of Service Delivery, Director of Facilities Management, Director of Human Resources and Head of Governance also attend the Board meetings. The Board focusses on strategic issues, whilst also receiving assurances in relation to the organisational performance. The Trust is continuing to progress its application for Foundation Trust status, and as part of this process has commenced a self assessment against the Board Governance Assurance Framework in early 2012. This process will identify areas where the Boards effectiveness could be further developed.

The Board is compliant with the Corporate Governance Code.

Supporting Committee Structures

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

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

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

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

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

| Meeting | Attendance rate for voting members |
|----------------------|------------------------------------|
| Trust Board | 85% |
| Audit Committee | 87% |
| Governance Committee | 71% |

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

Risk assessment

Overall responsibility for risk management rests with all members of the Board. The Medical Director has an explicit responsibility for the risk management function within the organisation. The Director of Finance has specific responsibility for financial risks within the Trust. There is a defined structure for the management and ownership of governance, through the risk register and assurance framework which is regularly monitored in the Board committees and at Trust Board level. The Trust operates and maintains 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. The sharing lessons learned forum considers learning reports and ensures that lessons to be learned are shared across the organisation.

Trust Major Risks during 2011/12

The most significant risks identified during 2011.12 were

- Failure to fully comply with CQC outcomes across all sites
- Failure to deliver the financial plan and challenging cost improvement programme and meet the financial
- Failure to provide accessible services with minimal waits to meet minimum national standards
- Failure to achieve improved effectiveness and efficiencies through service transformation.

During 2011/12 the Trust has recorded one incident related to the loss of encrypted patient data, and is currently investigating a potential incident which has been highlighted through the Information Commissioners office. United Lincolnshire Hospitals NHS Trust has an information assurance management policy to manage and control risks in relation to data security. Risks relating to information and data security have been recorded in the Trust risk register where necessary and the Governance Committee has reviewed during the year the assurances provided that risks were being mitigated. Information risk management is reviewed and monitored by the Trust Information Governance Committee which meets monthly and reports directly to the Governance Committee. The Trust has identified some gaps within its arrangements to secure the quality of its data, and has agreed actions to respond to these gaps.

The risk and control framework

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

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

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

During 2011/12 the Trust has continued its work to create strong governance arrangements, suitable for its application for Foundation Trust status. Specifically:

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

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

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

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

Throughout 2011/12, the Board has identified and monitored against key objectives within its Board Assurance Framework. The controls and assurances in relation to the objectives' risks were received by the Board during the year. The framework identified gaps in control for some financial, operational and clinical measures and the Trust has taken and continues to take remedial action to address them.

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

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

Review of the effectiveness of risk management and internal control

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review is informed in a number of ways. The Head of Internal Audit provides me with an opinion on the overall arrangements for gaining assurance through the Assurance Framework and on the controls reviewed as part of Internal Audit's work. The Overall Head of Internal Audit Opinion gave significant assurance. Executive managers within the organisation who have responsibility for the development and maintenance of the system of internal control provide me with assurance. The Assurance Framework itself provides me with evidence that the effectiveness of controls that manage the risks to the organisation achieving its principal objectives have been reviewed. My review is also informed by the Audit Commission, clinical audit, the Royal Colleges and the Multi professional Dean's visits, Dr Foster analysis and the Care Quality Commission.

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

The Internal Audit reviews undertaken during 2011/12 led to the Head of Internal Audit providing a significant assurance opinion on the system of internal control in the Trust. In reaching this opinion the review assessed

- the design and operation of the assurance framework and supporting processes and the status or preparedness of the organisation with respect to risk management, control and review processes that it had in place for 2011/12.
- The range of individual opinions arising from risk based audit assignments

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

Significant Issues

During the year the Trust identified the following significant control issues

During 2011/12 the CQC visited Pilgrim Hospital in both June and December 2011. At the visit in June, 2 out of the 4 outcomes reviewed were judged to be compliant. At the visit in December 6 out of the 11 outcomes were judged to be compliant. The current position at the end of March 2012 is that Pilgrim Hospital is compliant with 9 regulations/outcomes. There are still on going concerns relating to the following regulations/outcomes.

| | | |
|---|--------------------------|--|
| • | Regulation 17/Outcome 1 | Respecting and involving people who use services |
| • | Regulation 24/Outcome 6 | Co-operating with other providers |
| • | Regulation 13/Outcome 9 | Management of medicines |
| • | Regulation 15/Outcome 10 | Safety and suitability of premises |
| • | Regulation 22/Outcome 13 | Staffing |
| • | Regulation 23/Outcome 14 | Supporting workers |
| • | Regulation 19/Outcome 17 | Complaints |

Remedial action plans to address these concerns are being implemented.

During 2011/12 the CQC visited Lincoln County Hospital in November 2011 and February 2012. At the visit in November concerns were raised relating to the 4 outcomes reviewed. At the visit in February 2012, 2 out of the 4 outcomes reviewed were judged to be compliant. The current position at the end of March 2012 is that Lincoln County Hospital is compliant with 10 regulations/outcomes. There are still on going concerns relating to the following regulations/outcomes.

| | | |
|---|--------------------------|---|
| • | Regulation 9/Outcome 4 | Care and welfare of people who use services |
| • | Regulation 14/Outcome 5 | Meeting nutritional needs |
| • | Regulation 15/Outcome 10 | Safety and suitability of premises |
| • | Regulation 23/Outcome 14 | Supporting workers |
| • | Regulation 19/Outcome 17 | Complaints |
| • | Regulation 24/Outcome 6 | Cooperating with other providers |

Remedial action plans to address these concerns are being implemented.

United Lincolnshire Hospitals NHS Trust has participated in an investigation by the Care Quality Commission in 2011/12 relating to the need to provide further assurance on the Trust's systems for protecting people against the risks of inappropriate or unsafe care and treatment. This primarily focussed on Pilgrim Hospital and on the Trust's arrangements for managing clinical incidents, complaints and adult safeguarding concerns.

A number of recommendations were made relating to the management of risk and serious incidents, the management of complaints and the effective management of safeguarding and abuse. The Trust has taken action to address these recommendations through the existing review of compliance action plans. The hospital is now compliant with the following outcomes.

| | | |
|---|--------------------------|--|
| • | Regulation 11/Outcome 7 | Safeguarding vulnerable people who use services from abuse |
| • | Regulation 10/Outcome 16 | Assessing and monitoring the quality of service provision |

The Trust has failed to deliver against some key service standards during 2011/12. Patient flow has affected the Trusts ability to deliver against the 4 hour A&E standard with the Trust staffing escalation beds and activating the winter pressures plan. An action plan to achieve the standard has been shared with NHS Midlands and East. Patient flow also impacted on the achievement of cancer standards with access to elective and HDU beds affecting the Trusts ability to deliver. Detailed plans are being finalised to address these issues.

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

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 2012 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. The financial reporting framework that has been applied in their preparation is applicable law and the accounting policies directed by the Secretary of State with the consent of the Treasury as relevant to the National Health Service in England. 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 and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Trust's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trust; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial 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 financial position of United Lincolnshire Hospitals NHS Trust as at 31 March 2012 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 prepared properly in accordance with the requirements 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 report to you if:

- in my opinion the governance statement does not reflect compliance with the Department of Health's Guidance;
- I refer the matter to the Secretary of State under section 19 of the Audit Commission Act 1998 because I have a reason to believe that the Trust, or an officer of the Trust, is about to make, or has made, a decision involving unlawful expenditure, or is about to take, or has taken, unlawful action likely to cause a loss or deficiency; or
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998.

I have nothing to report in these respects.

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

Respective responsibilities of the Trust and auditor

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.

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.

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

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 2011, 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 2012.

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.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am 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 2012.

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 or on my value for money conclusion.

Ian Sadd
Engagement Lead
Audit Practice
Audit Commission
Unit 10, Whitwick Business Centre
Whitwick Business Park
Stenson Road
Coalville
LE67 4JP

1 June 2012

**Statement of Comprehensive Income for year ended
31 March 2012**

| | NOTE | 2011-12 £000 | 2010-11 £000 (restated) |
|--|------|-----------------|-------------------------------|
| Employee benefits | 10.1 | (275,143) | (278,140) |
| Other costs | 8 | (133,605) | (122,038) |
| Revenue from patient care activities | 5 | 373,380 | 360,039 |
| Other Operating revenue | 6 | 34,595 | 33,014 |
| Operating surplus/(deficit) | | (773) | (7,125) |
| Investment revenue | 12 | 56 | 44 |
| Other gains and (losses) | 13 | (445) | (1,448) |
| Finance costs | 14 | (170) | (119) |
| Surplus/(deficit) for the financial year | | (1,332) | (8,648) |
| Public dividend capital dividends payable | | (5,728) | (5,846) |
| Retained surplus/(deficit) for the year | | (7,060) | (14,494) |
| Other Comprehensive Income | | | |
| Impairments and reversals | | 34 | (3,265) |
| Net gain/(loss) on revaluation of property, plant & equipment | | 3,907 | 8,580 |
| Net gain/(loss) on revaluation of intangibles | | 0 | 0 |
| Net gain/(loss) on revaluation of financial assets | | 0 | 0 |
| Net gain/(loss) on other reserves | | 0 | 0 |
| Net gain/(loss) on available for sale financial assets | | 0 | 0 |
| Net actuarial gain/(loss) on pension schemes | | 0 | 0 |
| Reclassification adjustment on disposal of available for sale financial assets | | 0 | 0 |
| Total comprehensive income for the year | | (3,119) | (9,179) |

Financial performance for the year

| | |
|--|------------|
| Retained surplus/(deficit) for the year | (7,060) |
| Prior period adjustment to correct errors | 0 |
| IFRIC 12 adjustment | 0 |
| Impairments | 6,873 |
| Adjustments to donated asset/gov't grant reserve elimination | 507 |
| Adjusted retained surplus/(deficit) | 320 |

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

- a) the incremental revenue expenditure resulting from the application of IFRS to IFRIC 12 schemes (which would include PFI schemes), which have no cash impact and are not chargeable for overall budgeting purposes, are excluded when measuring Breakeven performance.
- b) an impairment charge is not considered part of the organisation's operating position.
- c) the impact of changes in accounting policy relating to donated asset and Government Grant Reserves are discounted.

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

PDC dividend: balance receivable/(payable) at 31 March 2012 (145)

The notes on pages 17 to 57 form part of this account.

**Statement of Financial Position as at
31 March 2012**

| | NOTE | 31 March 2012 £000 | 1 April 2011 (restated) £000 | Merger adjustments £000 | 31 March 2011 (restated) £000 | 31 March 2010 (restated) £000 |
|--|------|-----------------------|------------------------------------|-------------------------------|-------------------------------------|-------------------------------------|
| Non-current assets: | | | | | | |
| Property, plant and equipment | 15 | 205,160 | 208,390 | 0 | 208,390 | 203,562 |
| Intangible assets | 16 | 1,306 | 1,432 | 0 | 1,432 | 1,433 |
| Investment property | | 0 | 0 | 0 | 0 | 0 |
| Other financial assets | 24 | 0 | 0 | 0 | 0 | 0 |
| Trade and other receivables | 22.1 | 1,994 | 2,351 | 0 | 2,351 | 1,928 |
| Total non-current assets | | 208,460 | 212,173 | 0 | 212,173 | 206,923 |
| Current assets: | | | | | | |
| Inventories | 21 | 6,335 | 6,218 | 0 | 6,218 | 5,849 |
| Trade and other receivables | 22.1 | 15,076 | 10,927 | 0 | 10,927 | 10,201 |
| Other financial assets | 24 | 0 | 0 | 0 | 0 | 0 |
| Other current assets | 25 | 84 | 669 | 0 | 669 | 358 |
| Cash and cash equivalents | | 2,156 | 9,865 | 0 | 9,865 | 6,032 |
| Total current assets | | 23,651 | 27,679 | 0 | 27,679 | 22,440 |
| Non-current assets held for sale | 27 | 355 | 355 | 0 | 355 | 790 |
| Total current assets | | 24,006 | 28,034 | 0 | 28,034 | 23,230 |
| Total assets | | 232,466 | 240,207 | 0 | 240,207 | 230,153 |
| Current liabilities | | | | | | |
| Trade and other payables | 28 | (29,866) | (40,526) | 0 | (40,526) | (25,224) |
| Other liabilities | 29 | (503) | (504) | 0 | (504) | (519) |
| Provisions | 35 | (5,112) | (5,716) | 0 | (5,716) | (1,603) |
| Borrowings | 30 | (121) | (109) | 0 | (109) | (98) |
| Other financial liabilities | | 0 | 0 | 0 | 0 | 0 |
| Working capital loan from Department | | (3,000) | 0 | 0 | 0 | 0 |
| Capital loan from Department | | (216) | 0 | 0 | 0 | 0 |
| Total current liabilities | | (38,818) | (46,855) | 0 | (46,855) | (27,444) |
| Non-current assets plus/less net current assets/liabilities | | 193,648 | 193,352 | 0 | 193,352 | 202,709 |
| Non-current liabilities | | | | | | |
| Trade and other payables | 28 | 0 | 0 | 0 | 0 | 0 |
| Other Liabilities | 29 | (16,604) | (17,132) | 0 | (17,132) | (18,147) |
| Provisions | 35 | (2,367) | (2,279) | 0 | (2,279) | (2,333) |
| Borrowings | 30 | (627) | (748) | 0 | (748) | (857) |
| Other financial liabilities | | 0 | 0 | 0 | 0 | 0 |
| Working capital loan from Department | | 0 | 0 | 0 | 0 | 0 |
| Capital loan from Department | | (3,976) | 0 | 0 | 0 | 0 |
| Total non-current liabilities | | (23,574) | (20,159) | 0 | (20,159) | (21,337) |
| Total Assets Employed: | | 170,074 | 173,193 | 0 | 173,193 | 181,372 |
| FINANCED BY: | | | | | | |
| TAXPAYERS' EQUITY | | | | | | |
| Public Dividend Capital | | 181,753 | 181,753 | 0 | 181,753 | 180,753 |
| Retained earnings | | (38,842) | (35,897) | 0 | (35,897) | (22,512) |
| Revaluation reserve | | 26,973 | 27,147 | 0 | 27,147 | 22,941 |
| Other reserves | | 190 | 190 | 0 | 190 | 190 |
| Total Taxpayers' Equity: | | 170,074 | 173,193 | 0 | 173,193 | 181,372 |

The notes on pages 17 to 57 form part of this account.

The financial statements on pages 13 to 57 were approved by the Board on 1st June 2012 and signed on its behalf by

Chief Executive:

Date:

**Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2012**

| | Public Dividend capital £000 | Retained earnings £000 | Revaluation reserve £000 | Other reserves £000 | Total reserves £000 |
|--|---------------------------------------|------------------------------|--------------------------------|---------------------------|---------------------------|
| Balance at 1 April 2011 | 181,753 | (35,897) | 27,147 | 190 | 173,193 |
| Opening balance adjustments | 0 | 0 | 0 | 0 | 0 |
| Adjustments for Transforming Community Services transactions | 0 | 0 | 0 | 0 | 0 |
| Restated balance at 1 April 2011 | 181,753 | (35,897) | 27,147 | 190 | 173,193 |

Changes in taxpayers' equity for 2011-12

| | | | | | |
|--|----------------|-----------------|---------------|------------|----------------|
| Retained surplus/(deficit) for the year | 0 | (7,060) | 0 | 0 | (7,060) |
| Net gain / (loss) on revaluation of property, plant, equipment | 0 | 0 | 3,907 | 0 | 3,907 |
| Net gain / (loss) on revaluation of intangible assets | 0 | 0 | 0 | 0 | 0 |
| Net gain / (loss) on revaluation of financial assets | 0 | 0 | 0 | 0 | 0 |
| Net gain / (loss) on revaluation of assets held for sale | 0 | 0 | 0 | 0 | 0 |
| Impairments and reversals | 0 | 0 | 34 | 0 | 34 |
| Movements in other reserves | 0 | 0 | 0 | 0 | 0 |
| Transfers between reserves | 0 | 4,115 | (4,115) | 0 | 0 |
| Release of reserves to SOCI | 0 | 0 | 0 | 0 | 0 |
| Transfers to/(from) other bodies within the Resource Account boundary | 0 | 0 | 0 | 0 | 0 |
| Reclassification adjustment on disposal of available for sale financial assets | 0 | 0 | 0 | 0 | 0 |
| Reserves eliminated on dissolution | 0 | 0 | 0 | 0 | 0 |
| Originating capital for Trust established in year | 0 | 0 | 0 | 0 | 0 |
| New PDC Received | 0 | 0 | 0 | 0 | 0 |
| PDC Repaid In Year | 0 | 0 | 0 | 0 | 0 |
| PDC Written Off | 0 | 0 | 0 | 0 | 0 |
| Transferred to NHS Foundation Trust | 0 | 0 | 0 | 0 | 0 |
| Other Movements in PDC In Year | 0 | 0 | 0 | 0 | 0 |
| Net Actuarial Gain/(Loss) on Pension | 0 | 0 | 0 | 0 | 0 |
| Net recognised revenue/(expense) for the year | 0 | (2,945) | (174) | 0 | (3,119) |
| Balance at 31 March 2012 | 181,753 | (38,842) | 26,973 | 190 | 170,074 |

Included above:

| | | | | | |
|--|--|------|-------|--|---|
| Transfer from revaluation reserve to retained earnings in respect of impairments | | 2944 | -2944 | | 0 |
|--|--|------|-------|--|---|

Changes in taxpayers' equity for 2010-11 restated

| | | | | | |
|--|----------------|-----------------|---------------|------------|----------------|
| Balance at 1 April 2010 | 180,753 | (22,512) | 22,941 | 190 | 181,372 |
| Retained surplus/(deficit) for the year | 0 | (14,494) | 0 | 0 | (14,494) |
| Net gain / (loss) on revaluation of property, plant, equipment | 0 | 0 | 8,580 | 0 | 8,580 |
| Net gain / (loss) on revaluation of intangible assets | 0 | 0 | 0 | 0 | 0 |
| Net gain / (loss) on revaluation of financial assets | 0 | 0 | 0 | 0 | 0 |
| Net gain / (loss) on revaluation of assets held for sale | 0 | 0 | 0 | 0 | 0 |
| Impairments and reversals | 0 | 0 | (3,265) | 0 | (3,265) |
| Movements in other reserves | 0 | 0 | 0 | 0 | 0 |
| Transfers between reserves | 0 | 1,109 | (1,109) | 0 | 0 |
| Reclassification adjustment on disposal of available for sale financial assets | 0 | 0 | 0 | 0 | 0 |
| Reserves eliminated on dissolution | 0 | 0 | 0 | 0 | 0 |
| Originating capital for Trust established in year | 0 | 0 | 0 | 0 | 0 |
| New PDC Received | 1,000 | 0 | 0 | 0 | 1,000 |
| PDC Repaid In Year | 0 | 0 | 0 | 0 | 0 |
| PDC Written Off | 0 | 0 | 0 | 0 | 0 |
| Transferred to NHS Foundation Trust | 0 | 0 | 0 | 0 | 0 |
| Other Movements in PDC In Year | 0 | 0 | 0 | 0 | 0 |
| Net Actuarial Gain/(Loss) on Pension | 0 | 0 | 0 | 0 | 0 |
| Net recognised revenue/(expense) for the year | 1,000 | (13,385) | 4,206 | 0 | (8,179) |
| Balance at 31 March 2011 | 181,753 | (35,897) | 27,147 | 190 | 173,193 |

Included above:

| | | | | | |
|---|--|---|---|--|---|
| Transfer from revaluation reserve to retained earnings in respect of impairments. | | 0 | 0 | | 0 |
|---|--|---|---|--|---|

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2012**

| | NOTE | 2011-12 £000 | 2010-11 £000 |
|--|-----------|-----------------|-----------------|
| Cash Flows from Operating Activities | | | |
| Operating Surplus/Deficit | | (773) | (7,125) |
| Depreciation and Amortisation | | 11,478 | 11,257 |
| Impairments and Reversals | | 6,873 | 297 |
| Other Gains / (Losses) on foreign exchange | | 0 | 0 |
| Donated Assets received credited to revenue but non-cash | | (151) | (347) |
| Government Granted Assets received credited to revenue but non-cash | | 0 | 0 |
| Interest Paid | | (101) | (64) |
| Dividend paid | | (5,635) | (5,269) |
| Release of PFI/deferred credit | | 0 | 0 |
| (Increase)/Decrease in Inventories | | (117) | (369) |
| (Increase)/Decrease in Trade and Other Receivables | | (3,794) | (1,149) |
| (Increase)/Decrease in Other Current Assets | | 585 | (84) |
| Increase/(Decrease) in Trade and Other Payables | | (8,585) | 12,423 |
| (Increase)/Decrease in Other Current Liabilities | | (529) | (818) |
| Provisions Utilised | | (2,965) | (1,070) |
| Increase/(Decrease) in Provisions | | 2,380 | 4,855 |
| Net Cash Inflow/(Outflow) from Operating Activities | | (1,334) | 12,537 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Interest Received | | 55 | 45 |
| (Payments) for Property, Plant and Equipment | | (14,887) | (9,544) |
| (Payments) for Intangible Assets | | (455) | (447) |
| (Payments) for Investments with DH | | 0 | 0 |
| (Payments) for Other Financial Assets | | 0 | 0 |
| (Payments) for Financial Assets (LIFT) | | 0 | 0 |
| Proceeds of disposal of assets held for sale (PPE) | | 1,829 | 340 |
| Proceeds of disposal of assets held for sale (Intangible) | | 0 | 0 |
| Proceeds from Disposal of Investment with DH | | 0 | 0 |
| Proceeds from Disposal of Other Financial Assets | | 0 | 0 |
| Proceeds from the disposal of Financial Assets (LIFT) | | 0 | 0 |
| Loans Made in Respect of LIFT | | 0 | 0 |
| Loans Repaid in Respect of LIFT | | 0 | 0 |
| Rental Revenue | | 0 | 0 |
| Net Cash Inflow/(Outflow) from Investing Activities | | (13,458) | (9,606) |
| NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING | | (14,792) | 2,931 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Public Dividend Capital Received | | 0 | 1,000 |
| Public Dividend Capital Repaid | | 0 | 0 |
| Loans received from DH - New Capital Investment Loans | | 4,300 | 0 |
| Loans received from DH - New Working Capital Loans | | 3,000 | 0 |
| Other Loans Received | | 0 | 0 |
| Loans repaid to DH - Capital Investment Loans Repayment of Principal | | (108) | 0 |
| Loans repaid to DH - Working Capital Loans Repayment of Principal | | 0 | 0 |
| Other Loans Repaid | | 0 | 0 |
| Cash transferred to NHS Foundation Trusts | | 0 | 0 |
| Capital Element of Payments in Respect of Finance Leases and On-SoFP PFI and LIFT | | (109) | (98) |
| Capital grants and other capital receipts | | 0 | 0 |
| Net Cash Inflow/(Outflow) from Financing Activities | | 7,083 | 902 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | (7,709) | 3,833 |
| Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period | | 9,865 | 6,032 |
| Opening balance adjustment - TCS transactions | | 0 | 0 |
| Restated Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period | | 9,865 | 6,032 |
| Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies | | 0 | 0 |
| Cash and Cash Equivalents (and Bank Overdraft) at year end | 26 | 2,156 | 9,865 |

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 2011-12 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 judgments 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 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 was 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 2012, 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.

Note 15, an annual revaluation of Trust Property, Plant and Equipment is conducted by DTZ Debenham Tie Leung Ltd. As part of this revaluation process the Trust reviews the remaining useful life of its buildings in accordance with advice received from DTZ. This estimation of remaining useful life is in accordance with the Royal Institute of Chartered Surveyors (RICS) appraisal and valuation manual. The value of land, buildings and dwellings post revaluation was £181.8m.

Where assets are replaced during a major refurbishment, due to age, obsolescence, operational improvements etc, then the original asset is de-recognised from the balance sheet immediately the refurbishment work commences. As it is not possible to determine the carrying amount of the replaced part, the cost of the replacement is used as an indication of what the replaced part was at the time it was acquired or constructed. The cost of the replacement asset is then capitalised in full. The value derecognised in 2011-12 was £0.6m.

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

Note 35, details the Provisions recognised by the Trust at 31 March 2012. These include legal actions against the Trust in relation to Employers and Public Liability Claims as well as employment related claims. The outcome of each individual case is uncertain and will only be determined through future legal proceedings. Key sources of information in determining the appropriate provision to recognise are reports from the NHS Litigation Authority and Trust Solicitors detailing on going claims against the Trust and which provide an assessment of the probable outcome and costs. Provision has also been made for employees who have applied or have contractual entitlement to re-grading / assimilation and would be entitled to arrears. Total provisions recognised at 31st March 2012 were £7.5m.

Note 36, Contingent Liabilities utilise reports from the Trust Solicitors to assess potential outcome and costs. Where the potential for the claim succeeding is less than 50% but considered not to be remote a contingent liability is recorded. These total 0.4m at 31st March 2012.

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

Each asset's closing revaluation reserve balance is divided by its remaining useful life, with the resultant calculated value being transferred from the revaluation reserve to retained earnings, ensuring that the reserve value for each asset at the end of its life is written down to zero. The amount transferred in 2011-12 between the reserves was £3.7m.

The Trust information systems are unable to accurately identify the figures for 'Inventories recognised as expenses' under Note 21. The Trust has therefore estimated this figure by using the figures from the resus stock system for consumables and the ascribe stock system for drugs. These figures are 0.03m and 0.05m respectively.

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

Future under-occupancy charges have been estimated for the relevant properties based upon trends over the preceding 12 months ending February 2012. The assets associated with this 'onerous' contract are impaired based upon this assessment.

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

Annual Leave - based upon average pay rates for 2011/12 and leave carried forward as assessed through a Trust wide sample

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

Overtime and Enhancements relating to March 2012 - based upon actual payments for a 'similar' accounting period

1.4 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services.

Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period multiplied by an historic average daily income rate.

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

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

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

1.5 Employee Benefits

Short-term employee benefits

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

Retirement benefit costs

Past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, General Practices and other bodies, allowed under the direction of the Secretary of State, in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

1.6 Other expenses

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

1.7 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the Trust;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and
- the item has cost of at least £5,000; or
- Collectively, a number of items have a cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control; or
- Items form part of the initial equipping and setting-up cost of a new building, ward or unit, irrespective of their individual or collective cost.

Where a large asset, for example a 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 impairment.

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

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

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

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

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

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

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

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

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

-Equipment surplus to requirements is valued at net recoverable amount.

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

Subsequent expenditure

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

1.8 Intangible assets

Recognition

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

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

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

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

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

Measurement

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

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

1.9 Depreciation, amortisation and impairments

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

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

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

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

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

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

1.10 Donated assets

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

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

1.11 Government grants

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

This accounting policy change has been applied retrospectively and consequently the 2010-11 results have been restated.

1.12 Other Reserves

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

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

1.13 Non-current assets held for sale

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

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

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

1.14 Leases

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

The Trust as lessee

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

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

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

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

The Trust as lessor

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

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

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 (2.8% for employee early departure obligations).

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

Present obligations arising under onerous contracts are recognised and measured as a provision, except where assets are held specifically for completion of the contract, and in 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 35.

1.19 Non-clinical risk pooling

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

1.20 EU Emissions Trading Scheme

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

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.

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

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

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

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 42 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.

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 2010-11 and 2011-12 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 Statement of Comprehensive Income 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 that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2011-12. The application of the Standards as revised would not have a material impact on the accounts for 2011-12, were they applied in that year:

IAS 1 Presentation of financial statements (Other Comprehensive Income) - subject to consultation

IAS 12 - Income Taxes (amendment) - subject to consultation

IAS 19 Post-employment benefits (pensions) - subject to consultation

IAS 27 Separate Financial Statements - subject to consultation

IAS 28 Investments in Associates and Joint Ventures - subject to consultation

IFRS 7 - Financial Instruments: Disclosures (annual improvements) - effective 2012-13

IFRS 9 Financial Instruments - subject to consultation

IFRS 10 Consolidated Financial Statements - subject to consultation

IFRS 11 Joint Arrangements - subject to consultation

IFRS 12 Disclosure of Interests in Other Entities - subject to consultation

IFRS 13 Fair Value Measurement - subject to consultation

IPSAS 32 - Service Concession Arrangement - subject to consultation

2. Pooled budgets

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

3. Operating segments

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

The Directorates are:

- Medical and Accident & Emergency Lincoln
- Medical and Accident & Emergency Pilgrim
- Surgery Lincoln
- Surgery Pilgrim
- Orthopaedics Lincoln
- Orthopaedics Pilgrim
- Head & Neck
- Oncology & Haematology
- Women & Childrens Lincoln
- Women & Childrens Pilgrim
- Clinical Directorate Grantham
- Clinical Directorate Louth
- Clinical Directorate Medical Specialities
- Nursing & Patient Services
- Facilities
- Corporate
- Service Delivery
- Service Delivery Lincoln
- Service Delivery Pilgrim

The Trust believes that these business units / 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.

The income (included in the trust's deficit) from external customers for Healthcare Services is £408m.

The total amount of income from PCTs is £371.4m.

4. Income generation activities

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

| Summary Table - aggregate of all schemes | 2011-12 | 2010-11 |
|---|---------------------|--------------|
| Catering | £000 | £000 |
| Income | 1954 | 1631 |
| Full cost | 2324 | 2319 |
| Surplus/(deficit) | <u>(370)</u> | <u>(688)</u> |

The catering income generation activity was 52% above the Trust's plan for 2011/12.

5. Revenue from patient care activities

| | 2011-12 | 2010-11 |
|--|-----------------------|----------------|
| | £000 | £000 |
| Strategic health authorities | 0 | 0 |
| NHS trusts | 4 | 0 |
| Primary care trusts - tariff | 274,784 | 257,037 |
| Primary care trusts - non-tariff | 91,413 | 94,340 |
| Primary care trusts - market forces factor | 3,892 | 3,892 |
| Foundation trusts | 0 | 0 |
| Local authorities | 56 | 15 |
| Department of Health | 0 | 0 |
| NHS other | 0 | 0 |
| Non-NHS: | | |
| Private patients | 1,129 | 1,754 |
| Overseas patients (non-reciprocal) | 50 | 47 |
| Injury costs recovery | 1,764 | 2,595 |
| Other | 288 | 359 |
| | <u>373,380</u> | <u>360,039</u> |

6. Other operating revenue

| | 2011-12 | 2010-11 |
|---|-----------------------|----------------|
| | £000 | £000 |
| Recoveries in respect of employee benefits | 1,694 | 1,168 |
| Patient transport services | 0 | 0 |
| Education, training and research | 19,394 | 18,940 |
| Charitable and other contributions to expenditure | 0 | 0 |
| Receipt of donations for capital acquisitions | 151 | 347 |
| Receipt of Government grants for capital acquisitions | 0 | 0 |
| Non-patient care services to other bodies | 239 | 248 |
| Income generation | 3,415 | 3,224 |
| Rental revenue from finance leases | 30 | 30 |
| Rental revenue from operating leases | 602 | 701 |
| Other revenue | 9,070 | 8,356 |
| | <u>34,595</u> | <u>33,014</u> |
| Total operating revenue | <u>407,975</u> | <u>393,053</u> |

* 2010-11 comparators have been restated to take account of changes in accounting policies, the changes are set out in note 43.

7. Revenue

| | 2011-12 | 2010-11 |
|----------------------------|----------------|---------|
| | £000 | £000 |
| From rendering of services | 407,975 | 393,053 |
| From sale of goods | 0 | 0 |

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

| 8. Operating expenses (excluding employee benefits) | 2011-12 | 2010-11 |
|---|-----------------------|-----------------------|
| | £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 | 56 | 61 |
| Supplies and services - clinical | 71,271 | 68,918 |
| Supplies and services - general | 7,208 | 7,711 |
| Consultancy services | 1,775 | 2,412 |
| Establishment | 3,860 | 4,213 |
| Transport | 1,512 | 939 |
| Premises | 16,815 | 14,597 |
| Impairments and Reversals of Receivables | 176 | 171 |
| Inventories write down | 119 | 54 |
| Depreciation | 10,968 | 10,809 |
| Amortisation | 510 | 448 |
| Impairments and reversals of property, plant and equipment | 6,873 | 297 |
| Impairments and reversals of intangible assets | 0 | 0 |
| Impairments and reversals of financial assets | 0 | 0 |
| Impairments and reversals of non current assets held for sale | 0 | 0 |
| Impairments and reversals of investment properties | 0 | 0 |
| Audit fees | 262 | 255 |
| Other auditor's remuneration | 0 | 0 |
| Clinical negligence | 8,949 | 7,779 |
| Research and development (excluding staff costs) | 0 | 0 |
| Education and Training | 999 | 1,150 |
| Other | 2,252 | 2,224 |
| | <u>133,605</u> | <u>122,038</u> |
| Employee benefits | | |
| Employee benefits excluding Board members | 273,812 | 276,944 |
| Board members | 1,331 | 1,196 |
| Total employee benefits | <u>275,143</u> | <u>278,140</u> |
| Total operating expenses | <u>408,748</u> | <u>400,178</u> |

* 2010-11 comparators have been restated to take account of changes in accounting policies, the changes are set out in note 43.

9 Operating Leases

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

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

The Trust leases medical equipment, these leases expire in the period to December 2016. The Trust also has numerous vehicles leased which expire over the next 3 years

| 9.1 Trust as lessee | Land £000 | Buildings £000 | Other £000 | 2011-12 Total £000 | 2010-11 £000 |
|---|----------------------|---------------------------|-----------------------|-----------------------------------|-------------------------|
| Payments recognised as an expense | | | | | |
| Minimum lease payments | | | | 538 | 418 |
| Contingent rents | | | | 0 | 0 |
| Sub-lease payments | | | | 0 | 0 |
| Total | | | | 538 | 418 |
| Payable: | | | | | |
| No later than one year | 54 | 0 | 383 | 437 | 154 |
| Between one and five years | 54 | 0 | 335 | 389 | 344 |
| After five years | 0 | 0 | 0 | 0 | 0 |
| Total | 108 | 0 | 718 | 826 | 498 |
| Total future sublease payments expected to be received: | | | | 0 | 0 |

9.2 Trust as lessor

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

| Recognised as income | 2011-12 £000 | 2010-11 £000 |
|-----------------------------|-------------------------|-------------------------|
| Rents | 180 | 418 |
| Contingent rents | 422 | 283 |
| Total | 602 | 701 |
| Receivable: | | |
| No later than one year | 510 | 261 |
| Between one and five years | 1,755 | 692 |
| After five years | 658 | 922 |
| Total | 2,923 | 1,875 |

10 Employee benefits and staff numbers

10.1 Employee benefits

| | Total £000 | Permanently employed £000 | Other £000 |
|--|----------------|---------------------------------|---------------|
| Employee Benefits 2011-12 - gross expenditure | | | |
| Salaries and wages | 230,924 | 202,904 | 28,020 |
| Social security costs | 18,130 | 18,130 | 0 |
| Employer contributions to NHS Pensions scheme | 24,515 | 24,515 | 0 |
| Other pension costs | 0 | 0 | 0 |
| Other post-employment benefits | 0 | 0 | 0 |
| Other employment benefits | 0 | 0 | 0 |
| Termination benefits | 1,668 | 1,668 | 0 |
| Total employee benefits | 275,237 | 247,217 | 28,020 |
| Less recoveries in respect of employee benefits (table below) | (1,694) | (1,694) | 0 |
| Total - Net Employee Benefits including capitalised costs | 273,543 | 245,523 | 28,020 |
| Employee costs capitalised | 94 | 94 | 0 |
| Net Employee Benefits excluding capitalised costs | 275,143 | 247,123 | 28,020 |
| Employee Benefits 2011-12 - income | | | |
| Salaries and wages | 1,400 | 1,400 | 0 |
| Social Security costs | 125 | 125 | 0 |
| Employer Contributions to NHS BSA - Pensions Division | 169 | 169 | 0 |
| Other pension costs | 0 | 0 | 0 |
| Other Post Employment Benefits | 0 | 0 | 0 |
| Other Employment Benefits | 0 | 0 | 0 |
| Termination Benefits | 0 | 0 | 0 |
| TOTAL excluding capitalised costs | 1,694 | 1,694 | 0 |

| | Total £000 | Permanently employed £000 | Other £000 |
|--|----------------|---------------------------------|---------------|
| Employee Benefits 2010-11 - net expenditure | | | |
| Salaries and wages | 235,638 | 203,091 | 32,547 |
| Social security costs | 15,905 | 15,905 | 0 |
| Employer contributions to NHS Pensions scheme | 23,977 | 23,977 | 0 |
| Other pension costs | 0 | 0 | 0 |
| Other post-employment benefits | 0 | 0 | 0 |
| Other employment benefits | 0 | 0 | 0 |
| Termination benefits | 2,748 | 2,748 | 0 |
| Total employee benefits | 278,268 | 245,721 | 32,547 |
| Employee costs capitalised | 128 | | |
| Net Employee Benefits excluding capitalised costs | 278,140 | | |

10.2 Staff Numbers

| | 2011-12 | | | 2010-11 |
|--|-----------------|-----------------------------------|-----------------|-----------------|
| | Total Number | Permanently employed Number | Other Number | Total Number |
| Average Staff Numbers | | | | |
| Medical and dental | 864 | 749 | 115 | 855 |
| Ambulance staff | 0 | 0 | 0 | 0 |
| Administration and estates | 1,176 | 1,151 | 25 | 1,759 |
| Healthcare assistants and other support staff | 1,744 | 1,693 | 51 | 1,057 |
| Nursing, midwifery and health visiting staff | 1,990 | 1,956 | 34 | 2,046 |
| Nursing, midwifery and health visiting learners | 0 | 0 | 0 | 0 |
| Scientific, therapeutic and technical staff | 719 | 686 | 33 | 860 |
| Social Care Staff | 0 | 0 | 0 | 0 |
| Other | 1 | 1 | 0 | 0 |
| TOTAL | 6,494 | 6,236 | 258 | 6,577 |
| Of the above - staff engaged on capital projects | 2 | 2 | 0 | 3 |

A review of occupational codes which determine the categorisation of employees by staff group was carried out in 2011/12. The reported average staff numbers by category for 2010/11 and 2011/12 are therefore not directly comparable.

10.3 Staff Sickness absence and ill health retirements

| | 2011-12 Number | 2010-11 Number |
|---------------------------|-------------------|-------------------|
| Total Days Lost | 71,429 | 76,133 |
| Total Staff Years | 6,295 | 6,165 |
| Average working Days Lost | 11.35 | 12.35 |

* Sickness figures provided are based on calendar year ending 31 December 2011

| | 2011-12 Number | 2010-11 Number |
|---|-------------------|-------------------|
| Number of persons retired early on ill health grounds | 8 | 10 |
| Total additional pensions liabilities accrued in the year | £000s 519 | £000s 811 |

10.4 Exit Packages agreed in 2011-12

| Exit package cost band (including any special payment element) | 2011-12 | | | 2010-11 | | |
|--|-----------------------------------|-----------------------------------|--|-----------------------------------|-----------------------------------|--|
| | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band | Number of compulsory redundancies | Number of other departures agreed | Total number of exit packages by cost band |
| | Number | Number | Number | Number | Number | Number |
| Less than £10,000 | 2 | 1 | 3 | 0 | 2 | 2 |
| £10,001-£25,000 | 0 | 9 | 9 | 0 | 0 | 0 |
| £25,001-£50,000 | 2 | 6 | 8 | 0 | 0 | 0 |
| £50,001-£100,000 | 2 | 7 | 9 | 1 | 0 | 1 |
| £100,001 - £150,000 | 1 | 2 | 3 | 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) | 7 | 25 | 32 | 1 | 2 | 3 |
| Total resource cost (£000s) | 326 | 1,073 | 1,399 | 75 | 7 | 82 |

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

The Trust offered a voluntary redundancy scheme to staff in 2011/12. Employees leaving the Trust under this scheme are recorded within 'other departures agreed'.

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

10.5 Pension costs

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

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

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

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. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data are accepted as providing suitably robust figures for financial reporting purposes. However, as the interval since the last formal valuation now exceeds four years, the valuation of the scheme liability as at 31 March 2012, is based on detailed membership data as at 31 March 2010 updated to 31 March 2012 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

c) Scheme provisions

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

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

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

Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011-12 the Consumer Price Index (CPI) will be used to replace the Retail Prices Index (RPI).

Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year's pensionable pay for death in service, and five times their annual pension for death after retirement is payable.

For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.

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

11 Better Payment Practice Code

11.1 Measure of compliance

| | 2011-12 Number | 2011-12 £000 | 2010-11 Number | 2010-11 £000 |
|---|-------------------|-----------------|-------------------|-----------------|
| Non-NHS Payables | | | | |
| Total Non-NHS Trade Invoices Paid in the Year | 102,181 | 113,112 | 105,519 | 98,891 |
| Total Non-NHS Trade Invoices Paid Within Target | 87,739 | 91,902 | 83,137 | 73,273 |
| Percentage of NHS Trade Invoices Paid Within Target | 85.87% | 81.25% | 78.79% | 74.09% |
| NHS Payables | | | | |
| Total NHS Trade Invoices Paid in the Year | 2,302 | 41,973 | 2,820 | 58,507 |
| Total NHS Trade Invoices Paid Within Target | 1,805 | 36,237 | 2,254 | 48,327 |
| Percentage of NHS Trade Invoices Paid Within Target | 78.41% | 86.33% | 79.93% | 82.60% |

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

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

| | 2011-12 £000 | 2010-11 £000 |
|---|-----------------|-----------------|
| Amounts included in finance costs from claims made under this legislation | 0 | 1 |
| Compensation paid to cover debt recovery costs under this legislation | 0 | 0 |

12 Investment Income

| | 2011-12 £000 | 2010-11 £000 |
|--|-----------------|-----------------|
| Rental Income | | |
| PFI finance lease revenue (planned) | 0 | 0 |
| PFI finance lease revenue (contingent) | 0 | 0 |
| Other finance lease revenue | 0 | 0 |
| Subtotal | <u>0</u> | <u>0</u> |
| Interest Income | | |
| LIFT: equity dividends receivable | 0 | 0 |
| LIFT: loan interest receivable | 0 | 0 |
| Bank interest | 56 | 44 |
| Other loans and receivables | 0 | 0 |
| Impaired financial assets | 0 | 0 |
| Other financial assets | 0 | 0 |
| Subtotal | <u>56</u> | <u>44</u> |
| Total investment income | <u>56</u> | <u>44</u> |

13 Other Gains and Losses

| | 2011-12 £000 | 2010-11 £000 |
|--|-----------------|-----------------|
| Gain/(loss) on disposal of property, plant and equipment | (368) | (1,448) |
| Gain/(loss) on disposal of intangible assets | (77) | 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 the SoCI | 0 | 0 |
| Change in fair value of financial liabilities carried at fair value through the SoCI | 0 | 0 |
| Change in fair value of investment property | 0 | 0 |
| Recycling of gain/(loss) from equity on disposal of financial assets held for sale | 0 | 0 |
| Total | <u>(445)</u> | <u>(1,448)</u> |

14 Finance Costs

| | 2011-12 £000 | 2010-11 £000 |
|---|-----------------|-----------------|
| Interest | | |
| Interest on loans and overdrafts | 44 | 0 |
| Interest on obligations under finance leases | 57 | 63 |
| Provisions - unwinding of discount | 69 | 55 |
| Interest on obligations under PFI contracts: | | |
| - main finance cost | 0 | 0 |
| - contingent finance cost | 0 | 0 |
| Interest on obligations under LIFT contracts: | | |
| - main finance cost | 0 | 0 |
| - contingent finance cost | 0 | 0 |
| Interest on late payment of commercial debt | 0 | 1 |
| Other interest expense | 0 | 0 |
| Total interest expense | <u>170</u> | <u>119</u> |
| Other finance costs | 0 | 0 |
| Total | <u>170</u> | <u>119</u> |

15.1 Property, plant and equipment

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

Revaluation Reserve Balance for Property, Plant & Equipment

| | Land | Buildings | Dwellings | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|---------------------------------|--------------|---------------|--------------|----------------------|------------------------|---------------------------|-------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 31 March 2011 | 1,346 | 20,274 | 4,751 | 402 | 17 | 355 | 2 | 27,147 |
| Prior period adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Merger adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 1 April 2011 restated | 1,346 | 20,274 | 4,751 | 402 | 17 | 355 | 2 | 27,147 |
| Movements | 3,411 | (3,463) | 398 | (158) | (16) | (344) | (2) | (174) |
| At 31 March 2012 | 4,757 | 16,811 | 5,149 | 244 | 1 | 11 | 0 | 26,973 |

15.2 Property, plant and equipment

| | Land | Buildings excluding dwellings | Dwellings | Assets under construction & payments on account | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
|--|---------------|-------------------------------------|---------------|--|----------------------|------------------------|---------------------------|-------------------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| 2010-11 | | | | | | | | | |
| Cost or valuation: | | | | | | | | | |
| At 1 April 2010 | 13,676 | 147,204 | 18,445 | 4,136 | 46,673 | 561 | 7,591 | 1,162 | 239,448 |
| 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) |
| Revaluation & indexation gains | 0 | 7 | 798 | 0 | 114 | 0 | 0 | 0 | 919 |
| Impairments | 0 | (6,900) | 0 | 0 | 0 | 0 | 0 | 0 | (6,900) |
| Reversals of impairments | 0 | 3,634 | 1 | 0 | 0 | 0 | 0 | 0 | 3,635 |
| In-year transfers to/from NHS bodies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to Foundation Trusts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2011 | 13,676 | 147,113 | 20,391 | 3,790 | 48,239 | 551 | 7,289 | 1,022 | 242,071 |
| Depreciation | | | | | | | | | |
| At 1 April 2010 | 0 | 3,731 | 219 | 0 | 27,597 | 316 | 3,381 | 642 | 35,886 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassifications as Held for Sale | 0 | 0 | 0 | 0 | (303) | (18) | 0 | 0 | (321) |
| Disposals other than for sale | 0 | (25) | 0 | 0 | (4,327) | (28) | (809) | (140) | (5,329) |
| Upward revaluation/positive indexation | 0 | (6,900) | (761) | 0 | 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 | 0 | 5,740 | 68 | 1,437 | 125 | 10,809 |
| Transfers to NHS Bodies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to Foundation Trusts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2011 | 0 | 0 | 0 | 0 | 28,707 | 338 | 4,009 | 627 | 33,681 |
| Net book value | 13,676 | 147,113 | 20,391 | 3,790 | 19,532 | 213 | 3,280 | 395 | 208,390 |
| 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 |
| Held on finance lease | 0 | 0 | 19,483 | 0 | 681 | 0 | 0 | 0 | 20,164 |
| On-SOFP PFI contracts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| PFI residual: interests | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 13,676 | 147,113 | 20,391 | 3,790 | 19,532 | 213 | 3,280 | 395 | 208,390 |
| Revaluation Reserve Balance for Property, Plant & Equipment | | | | | | | | | |
| | Land | Buildings | Dwellings | | Plant & machinery | Transport equipment | Information technology | Furniture & fittings | Total |
| | £000 | £000 | £000 | | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2010 restated | 1,371 | 17,275 | 3,374 | | 417 | 26 | 472 | 6 | 22,941 |
| Movements | (25) | 2,999 | 1,377 | | (15) | (9) | (117) | (4) | 4,206 |
| At 31 March 2011 | 1,346 | 20,274 | 4,751 | | 402 | 17 | 355 | 2 | 27,147 |

15.3 (cont). Property, plant and equipment

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

| Description | £ |
|--|----------------|
| Lincoln Boilers | 31,750 |
| ULHT Charitable Fund | 119,316 |
| Total Donated assets Received in 2011/12 | <u>151,066</u> |

The Trust revalued its land, buildings and dwellings in March 2012. This revaluation was conducted by DTZ Debenham Tie Leung Ltd.

With the exception of Land and Buildings on the Louth site this valuation was based upon depreciated replacement cost using the modern equivalent basis of valuation.

Land and Buildings on the Louth site have been revalued at open market value pending disposal in 2012/13.

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

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

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

The minimum and maximum asset lives by asset category is as follows:

| | Minimum Asset Life | Maximum Asset Life |
|--------------------------------------|--------------------|--------------------|
| Intangibles | | |
| Software Licenses | 0 | 7 |
| Licences and Trademarks | 0 | 0 |
| Patents | 0 | 0 |
| Development Expenditure | 0 | 0 |
| Property, Plant and Equipment | | |
| Buildings exc Dwellings | 1 | 80 |
| Dwellings | 1 | 77 |
| Plant & Machinery | 0 | 14 |
| Transport Equipment | 0 | 6 |
| Information Technology | 0 | 9 |
| Furniture and Fittings | 1 | 10 |

Asset lives at the Louth site have been amended to reflect the remaining service potential to the trust and planned disposal in 2012/13. There were no further material changes to asset lives in the financial year.

The Louth hospital site has been written down to its recoverable amount in the financial year.

The value of land held at open market value is £4,000,000 (2010-11 £nil).

The value of dwellings held at open market value is £22,037,000 (2010-11 £20,333,000).

The Gross value of fully depreciated assets still in use is £6.9m.

The Trust lease a number of buildings which it owns on operating leases, the net book value of the assets at March 2012 was £4.3m (March 2011 £4.1m).

The Depreciation charged to the statement of comprehensive income in 2011/12 in respect of these assets amounted to £72,000, (2010/11 £68,000). These assets were revalued as at 31st March 2012 resulting in upward revaluations of £12,000, impairment losses of £125,000 and reversals of previous impairment losses of £63,000.

16.1 Intangible non-current assets

| | Software internally generated | Software purchased | Licences & trademarks | Patents | Development expenditure | Total |
|--|-------------------------------|--------------------|-----------------------|---------|-------------------------|-------|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| 2011-12 | | | | | | |
| Cost or valuation: | | | | | | |
| At 31 March 2011 | 20 | 3,309 | 0 | 0 | 0 | 3,329 |
| Prior period adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Merger adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| At 1 April 2011 restated | 20 | 3,309 | 0 | 0 | 0 | 3,329 |
| Additions - purchased | 0 | 455 | 0 | 0 | 0 | 455 |
| Additions - internally generated | 0 | 0 | 0 | 0 | 0 | 0 |
| Additions - donated | 0 | 6 | 0 | 0 | 0 | 6 |
| 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 | 0 | (616) | 0 | 0 | 0 | (616) |
| Revaluation & indexation gains | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments charged to reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairments charged to reserves | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to Foundation Trusts | 0 | 0 | 0 | 0 | 0 | 0 |
| Cumulative amortisation adjustment following revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2012 | 20 | 3,154 | 0 | 0 | 0 | 3,174 |
| Amortisation | | | | | | |
| At 31 March 2011 | 7 | 1,890 | 0 | 0 | 0 | 1,897 |
| Prior period adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Merger adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| At 1 April 2010 | 7 | 1,890 | 0 | 0 | 0 | 1,897 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | (539) | 0 | 0 | 0 | (539) |
| Revaluation or indexation gains | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments charged to operating expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairments charged to operating expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| Charged during the year | 4 | 506 | 0 | 0 | 0 | 510 |
| Transfers to Foundation Trusts | 0 | 0 | 0 | 0 | 0 | 0 |
| Cumulative amortisation adjustment following revaluation | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2012 | 11 | 1,857 | 0 | 0 | 0 | 1,868 |
| NBV at 31 March 2012 | 9 | 1,297 | 0 | 0 | 0 | 1,306 |
| Net book value at 31 March 2012 comprises: | | | | | | |
| Purchased | 9 | 1,291 | 0 | 0 | 0 | 1,300 |
| Donated | 0 | 6 | 0 | 0 | 0 | 6 |
| Government Granted | 0 | 0 | 0 | 0 | 0 | 0 |
| Total at 31 March 2012 | 9 | 1,297 | 0 | 0 | 0 | 1,306 |
| Revaluation reserve balance for intangible non-current assets | | | | | | |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| At 31 March 2011 | 0 | 0 | 0 | 0 | 0 | 0 |
| Prior period adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| Merger adjustments | 0 | 0 | 0 | 0 | 0 | 0 |
| At 1 April 2011 restated | 0 | 0 | 0 | 0 | 0 | 0 |
| Movements | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2012 | 0 | 0 | 0 | 0 | 0 | 0 |

16.2 Intangible non-current assets

| | Software internally generated | Software purchased | Licences & trademarks | Patents | Development expenditure | Total |
|---|-------------------------------------|-----------------------|--------------------------|----------|----------------------------|--------------|
| 2010-11 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or valuation: | | | | | | |
| At 1 April 2010 | 20 | 3,024 | 0 | 0 | 0 | 3,044 |
| Additions - purchased | 0 | 447 | 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 | 0 | (162) | 0 | 0 | 0 | (162) |
| Revaluation & indexation gains | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| Transferred to Foundation Trusts | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2011 | 20 | 3,309 | 0 | 0 | 0 | 3,329 |
| Amortisation | | | | | | |
| At 1 April 2010 | 3 | 1,608 | 0 | 0 | 0 | 1,611 |
| Reclassifications | 0 | 0 | 0 | 0 | 0 | 0 |
| Reclassified as held for sale | 0 | 0 | 0 | 0 | 0 | 0 |
| Disposals other than by sale | 0 | (162) | 0 | 0 | 0 | (162) |
| Revaluation or indexation gains | 0 | 0 | 0 | 0 | 0 | 0 |
| Impairments charged to operating expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| Reversal of impairments charged to operating expenses | 0 | 0 | 0 | 0 | 0 | 0 |
| Charged during the year | 4 | 444 | 0 | 0 | 0 | 448 |
| Transfers to Foundation Trusts | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2011 | 7 | 1,890 | 0 | 0 | 0 | 1,897 |
| Net book value at 31 March 2011 | 13 | 1,419 | 0 | 0 | 0 | 1,432 |
| Net book value at 31 March 2011 comprises: | | | | | | |
| Purchased | 13 | 1,419 | 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 | 13 | 1,419 | 0 | 0 | 0 | 1,432 |

16.3 Intangible non-current assets

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

17 Analysis of impairments and reversals recognised in 2011-12

| | 2011-12 Total £000 |
|---|--------------------------|
| Property, Plant and Equipment impairments and reversals taken to SoCI | |
| Loss or damage resulting from normal operations | 0 |
| Over-specification of assets | 0 |
| Abandonment of assets in the course of construction | 0 |
| Total charged to Departmental Expenditure Limit | <u>0</u> |
| Unforeseen obsolescence | 401 |
| Loss as a result of catastrophe | 0 |
| Other | 6,665 |
| Changes in market price | (193) |
| Total charged to Annually Managed Expenditure | <u>6,873</u> |
| Property, Plant and Equipment impairments and reversals charged to the revaluation reserve | |
| Loss or damage resulting from normal operations | 0 |
| Over Specification of Assets | 0 |
| Abandonment of assets in the course of construction | 0 |
| Unforeseen obsolescence | 0 |
| Loss as a result of catastrophe | 0 |
| Other | 0 |
| Changes in market price | (34) |
| Total impairments for PPE charged to reserves | <u>(34)</u> |
| Total Impairments of Property, Plant and Equipment | <u>6,839</u> |
| Intangible assets impairments and reversals charged to SoCI | |
| Loss or damage resulting from normal operations | 0 |
| Over-specification of assets | 0 |
| Abandonment of assets in the course of construction | 0 |
| Total charged to Departmental Expenditure Limit | <u>0</u> |
| Unforeseen obsolescence | 0 |
| Loss as a result of catastrophe | 0 |
| Other | 0 |
| Changes in market price | 0 |
| Total charged to Annually Managed Expenditure | <u>0</u> |
| Intangible Assets impairments and reversals charged to the Revaluation Reserve | |
| Loss or damage resulting from normal operations | 0 |
| Over-specification of assets | 0 |
| Abandonment of assets in the course of construction | 0 |
| Unforeseen obsolescence | 0 |
| Loss as a result of catastrophe | 0 |
| Other | 0 |
| Changes in market price | 0 |
| Total impairments for Intangible Assets charged to Reserves | <u>0</u> |
| Total Impairments of Intangibles | <u>0</u> |

| | 2011-12 Total £000 |
|--|-----------------------------------|
| Financial Assets charged to SoCI | |
| Loss or damage resulting from normal operations | 0 |
| Total charged to Departmental Expenditure Limit | <u>0</u> |
| Loss as a result of catastrophe | 0 |
| Other | 0 |
| Total charged to Annually Managed Expenditure | <u>0</u> |
| Financial Assets impairments and reversals charged to the Revaluation Reserve | |
| Loss or damage resulting from normal operations | 0 |
| Loss as a result of catastrophe | 0 |
| Other | 0 |
| TOTAL impairments for Financial Assets charged to reserves | <u>0</u> |
| Total Impairments of Financial Assets | <u>0</u> |
| Non-current assets held for sale - impairments and reversals charged to SoCI. | |
| Loss or damage resulting from normal operations | 0 |
| Abandonment of assets in the course of construction | 0 |
| Total charged to Departmental Expenditure Limit | <u>0</u> |
| Unforeseen obsolescence | 0 |
| Loss as a result of catastrophe | 0 |
| Other | 0 |
| Changes in market price | 0 |
| Total charged to Annually Managed Expenditure | <u>0</u> |
| Total impairments of non-current assets held for sale | <u>0</u> |
| Investment Property impairments charged to SoCI | |
| Loss as a result of catastrophe | 0 |
| Other | 0 |
| Changes in market price | 0 |
| Total charged to Annually Managed Expenditure | <u>0</u> |
| Total Investment Property impairments charged to SoCI | <u>0</u> |
| Total Impairments charged to Revaluation Reserve | (34) |
| Total Impairments charged to SoCI - DEL | 0 |
| Total Impairments charged to SoCI - AME | 6,873 |
| Overall Total Impairments | <u><u>6,839</u></u> |
| Of which: | |
| Impairment on revaluation to "modern equivalent asset" basis | 0 |
| Donated and Gov Granted Assets, included above | |
| Donated Asset Impairments: amount charged to SOCI - DEL | 0 |
| Donated Asset Impairments: amount charged to SOCI - AME | 0 |
| Donated Asset Impairments: amount charged to revaluation reserve | 0 |
| Total Donated Asset Impairments | <u>0</u> |
| Government Granted Asset Impairments: amount charged to SoCI - DEL | 0 |
| Government Granted Asset Impairments: amount charged to SoCI - AME | 0 |
| Government Granted Asset Impairments: amount charged to revaluation reserve | 0 |
| Total Gov Granted asset Impairments. | <u>0</u> |
| TOTAL DONATED/GOVERNMENT GRANTED ASSET IMPAIRMENTS | <u><u>0</u></u> |

The Trust has recorded impairments in the year of £6,873K (2010/11 £297K), which has been charged to the Statement of Comprehensive Income. This comprises impairment costs of £10,043K less reversals of impairments previously charged to the Statement of Comprehensive Income of £3,170K. Impairments totalling £2,136K have been charged to the revaluation reserve. Impairment reversals originally charged against the revaluation reserve of £2,170K were recorded. A single material impairment amounting to £8,749K is included in the above figures relating to the Louth hospital site. This arises as a result of a decision to dispose of the entire Louth hospital site including all land and buildings on that site in 2012 /13. The recoverable amount of these assets has been determined as follows:-

Land: Fair value less costs to sell
 Buildings & Dwellings: Value in use
 The values have been determined by external valuation conducted by DTZ Debenham Tie Leung Ltd.

18 Investment property

| | 31 March 2012 £000 | 31 March 2011 £000 |
|--|-----------------------|-----------------------|
| At fair value | | |
| Balance at 31 March | 0 | 0 |
| Prior period adjustment | 0 | 0 |
| Merger adjustment | 0 | |
| Restated at 1 April 2011 | <u>0</u> | <u>0</u> |
| Additions Through Subsequent Expenditure | 0 | 0 |
| Other Acquisitions | 0 | 0 |
| Disposals | 0 | 0 |
| Property Reclassified as Held for Sale | 0 | 0 |
| Loss from Fair Value Adjustments | 0 | 0 |
| Gain from Fair Value Adjustments | 0 | 0 |
| Transferred to Foundation trusts | 0 | 0 |
| Other Changes | 0 | 0 |
| Balance at 31 March 2012 | <u>0</u> | <u>0</u> |

19 Commitments

19.1 Capital commitments

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

| | 31 March 2012 £000 | 31 March 2011 £000 |
|-------------------------------|-----------------------|-----------------------|
| Property, plant and equipment | 2,819 | 341 |
| Intangible assets | 0 | 0 |
| Total | <u>2,819</u> | <u>341</u> |

19.2 Other financial commitments

The trust has not entered into any non-cancellable contracts.

20 Intra-Government and other balances

| | Current receivables £000s | Non-current receivables £000s | Current payables £000s | Non-current payables £000s |
|---|---------------------------------|-------------------------------------|------------------------------|----------------------------------|
| Balances with other Central Government Bodies | 7,566 | 0 | 5,440 | 0 |
| Balances with Local Authorities | 0 | 0 | 104 | 0 |
| Balances with NHS Trusts and Foundation Trusts | 2,699 | 0 | 1,711 | 0 |
| Balances with Public Corporations and Trading Funds | 0 | 0 | 0 | 0 |
| Balances with bodies external to government | 4,811 | 1,994 | 22,611 | 0 |
| At 31 March 2012 | <u>15,076</u> | <u>1,994</u> | <u>29,866</u> | <u>0</u> |
| prior period: | | | | |
| Balances with other Central Government Bodies | 5,714 | 0 | 13,139 | 0 |
| Balances with Local Authorities | 30 | 0 | 7 | 0 |
| Balances with NHS Trusts and Foundation Trusts | 664 | 0 | 1,378 | 0 |
| Balances with Public Corporations and Trading Funds | 0 | 0 | 0 | 0 |
| Balances with bodies external to government | 4,519 | 2,351 | 26,002 | 0 |
| At 31 March 2011 | <u>10,927</u> | <u>2,351</u> | <u>40,526</u> | <u>0</u> |

21 Inventories

| | Drugs £000 | Consumables £000 | Energy £000 | Work in progress £000 | Total £000 |
|--|---------------|---------------------|----------------|--------------------------|---------------|
| Balance at 1 April 2011 | 1,862 | 4,341 | 15 | 0 | 6,218 |
| Prior period adjustment | 0 | 0 | 0 | 0 | 0 |
| Merger adjustment | 0 | 0 | 0 | 0 | 0 |
| Restated at 1 April 2011 | 1,862 | 4,341 | 15 | 0 | 6,218 |
| Additions | 25,277 | 53,357 | 9 | 0 | 78,643 |
| Inventories recognised as an expense in the period | (24,902) | (53,504) | (1) | 0 | (78,407) |
| Write-down of inventories (including losses) | (116) | (3) | 0 | 0 | (119) |
| Reversal of write-down previously taken to SoCI | 0 | 0 | 0 | 0 | 0 |
| Transfers (to)/from other bodies | 0 | 0 | 0 | 0 | 0 |
| Transfers (to) Foundation Trusts | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2012 | 2,121 | 4,191 | 23 | 0 | 6,335 |

22.1 Trade and other receivables

| | Current | | Non-current | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 March 2012 £000 | 31 March 2011 £000 | 31 March 2012 £000 | 31 March 2011 £000 |
| NHS receivables - revenue | 9,507 | 5,996 | 0 | 0 |
| NHS receivables - capital | 0 | 0 | 0 | 0 |
| NHS prepayments and accrued income | 4 | 59 | 0 | 0 |
| Non-NHS receivables - revenue | 738 | 160 | 0 | 0 |
| Non-NHS receivables - capital | 0 | 0 | 0 | 0 |
| Non-NHS prepayments and accrued income | 2,195 | 1,623 | 0 | 0 |
| Provision for the impairment of receivables | (453) | (327) | (234) | (250) |
| VAT | 615 | 323 | 0 | 0 |
| Current part of PFI and other PPP arrangements prepayments and ac | 0 | 0 | 0 | 0 |
| Interest receivables | 0 | 0 | 0 | 0 |
| Finance lease receivables | 0 | 0 | 0 | 0 |
| Operating lease receivables | 93 | 0 | 0 | 0 |
| Other receivables | 2,377 | 3,093 | 2,228 | 2,601 |
| Total | 15,076 | 10,927 | 1,994 | 2,351 |
| Total current and non current | 17,070 | 13,278 | | |
| Included in NHS receivables are prepaid pension contributions: | 0 | 0 | | |

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

Other receivables includes £4.59m relating to the Injury cost recovery scheme administered by the Department of Work and Pensions.

22.2 Receivables past their due date but not impaired

| | 31 March 2012 £000 | 31 March 2011 £000 |
|-------------------------|-----------------------|-----------------------|
| By up to three months | 856 | 648 |
| By three to six months | 409 | 73 |
| By more than six months | 902 | 33 |
| Total | 2,167 | 754 |

22.3 Provision for impairment of receivables

| | 2011-12 £000 | 2010-11 £000 |
|---|-----------------|-----------------|
| Balance at 1 April 2011 | (577) | (438) |
| Adjustments | 0 | 0 |
| Restated balance at 1 April 2011 | (577) | (438) |
| Amount written off during the year | 66 | 32 |
| Amount recovered during the year | 22 | 48 |
| (Increase)/decrease in receivables impaired | (198) | (219) |
| Transfer to NHS Foundation Trust | 0 | 0 |
| Balance at 31 March | (687) | (577) |

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.

23 NHS LIFT investments

| | Loan £000 | Share capital £000 | Total £000 |
|------------------------------------|--------------|-----------------------|---------------|
| Balance at 31 March 2011 | 0 | 0 | 0 |
| Additions | 0 | 0 | 0 |
| Disposals | 0 | 0 | 0 |
| Loan repayments | 0 | 0 | 0 |
| Revaluations | 0 | 0 | 0 |
| Loans repayable within 12 months | 0 | 0 | 0 |
| Balance as at 31 March 2012 | 0 | 0 | 0 |

24 Other financial assets

| | Current | | Non-current | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31 March 2012 £000 | 31 March 2011 £000 | 31 March 2012 £000 | 31 March 2011 £000 |
| Financial assets carried at fair value through SoCI | | | | |
| Embedded Derivatives at Fair Value through SoCI | 0 | 0 | 0 | 0 |
| Financial assets carried at fair value through SoCI | 0 | 0 | 0 | 0 |
| Subtotal | 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 |
| Total other financial assets (current and non-current) | 0 | 0 | | |

25 Other current assets

| | 31 March 2012 £000 | 31 March 2011 £000 |
|---------------------------------------|-----------------------|-----------------------|
| EU Emissions Trading Scheme Allowance | 84 | 669 |
| Other Assets | 0 | 0 |
| Total | 84 | 669 |

26 Cash and Cash Equivalents

| | 31 March 2012 £000 | 31 March 2011 £000 |
|--|-----------------------|-----------------------|
| Opening balance at | 9,865 | 6,032 |
| Opening balance adjustment | 0 | 0 |
| Merger adjustments | 0 | 0 |
| Restated | 9,865 | 6,032 |
| Net change in year | (7,709) | 3,833 |
| Closing balance | 2,156 | 9,865 |
| Made up of | | |
| Cash with Government Banking Service | 2,148 | 9,857 |
| Commercial banks | 0 | 0 |
| Cash in hand | 8 | 8 |
| Current investments | 0 | 0 |
| Cash and cash equivalents as in statement of financial position | 2,156 | 9,865 |
| Bank overdraft - Government Banking Service | 0 | 0 |
| Bank overdraft - Commercial banks | 0 | 0 |
| Cash and cash equivalents as in statement of cash flows | 2,156 | 9,865 |
| Patients' money held by the Trust, not included above | 1 | 2 |

27 Non-current assets held for sale

| | Land | Buildings, excl. dwellings | Dwellings | Asset Under Construction and Payments on Account | Plant and Machinery | Transport and Equipment | Information Technology | Furniture and Fittings | Intangible Assets | Total |
|--|------------|----------------------------------|-----------|--|------------------------|-------------------------------|---------------------------|---------------------------|----------------------|------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1 April 2011 | 355 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 355 |
| Merger adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restated at 1 April 2011 | 355 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 355 |
| Plus assets classified as held for sale in the year | 900 | 0 | 0 | 0 | 13 | 0 | 0 | 0 | 0 | 913 |
| Less assets sold in the year | (900) | 0 | 0 | 0 | (13) | 0 | 0 | 0 | 0 | (913) |
| Less impairment of assets held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus reversal of impairment of assets held for sale | 0 | 0 | 0 | 0 | 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 | 0 | 0 | 0 | 0 |
| Transfers (to)/from other bodies | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2012 | 355 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 355 |
| Liabilities associated with assets held for sale at 31 March 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance at 1 April 2010 | 635 | 0 | 155 | 0 | 0 | 0 | 0 | 0 | 0 | 790 |
| Plus assets classified as held for sale in the year | 0 | 0 | 0 | 0 | 3 | 1 | 0 | 0 | 0 | 4 |
| Less assets sold in the year | (280) | 0 | (155) | 0 | (3) | (1) | 0 | 0 | 0 | (439) |
| Less impairment of assets held for sale | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Plus reversal of impairment of assets held for sale | 0 | 0 | 0 | 0 | 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 | 0 | 0 | 0 | 0 |
| Balance at 31 March 2011 | 355 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 355 |
| Liabilities associated with assets held for sale at 31 March 2011 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Revaluation reserve balance for non-current assets held for sale | | | | | | | | | | |
| | Land | Buildings, excl. dwellings | Dwellings | Asset Under Construction and Payments on Account | Plant and Machinery | Transport and Equipment | Information Technology | Furniture and Fittings | Intangible Assets | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| At 1 April 2011 restated | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Movements | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| At 31 March 2012 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

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 valued as at March 2010 by Banks Long & Co in excess of its carrying amount. The £16,000 of buildings were impaired to £0 as at March 2010.
 The Land at Welland has not been sold in 2011/12 but continues to be actively marketed by Banks, Long & Co, and a sale is expected within the next financial year.

A parcel of Land adjacent to St Anne's Road, Lincoln, with net book value £0.9m was sold in March 2012.

28 Trade and other payables

| | Current | | Non-current | |
|---|---------------|---------------|---------------|---------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| | £000 | £000 | £000 | £000 |
| Interest payable | 19 | 0 | | |
| NHS payables - revenue | 3,004 | 4,001 | 0 | 0 |
| NHS payables - capital | 0 | 36 | 0 | 0 |
| NHS accruals and deferred income | 78 | 1,583 | 0 | 0 |
| Family Health Services (FHS) payables | 0 | 0 | 0 | 0 |
| Non-NHS payables - revenue | 7,300 | 6,228 | 0 | 0 |
| Non-NHS payables - capital | 1,361 | 4,774 | 0 | 0 |
| Non-NHS accruals and deferred income | 17,748 | 15,001 | 0 | 0 |
| Social security costs | 87 | 2,411 | 0 | 0 |
| VAT | 0 | 0 | 0 | 0 |
| Tax | 1 | 2,978 | 0 | 0 |
| Payments received on account | 0 | 0 | 0 | 0 |
| Other | 268 | 3,514 | 0 | 0 |
| Total | 29,866 | 40,526 | 0 | 0 |
| Total payables (current and non-current) | 29,866 | 40,526 | | |

* 2010-11 comparators have been restated to take account of changes in accounting policies, the changes are set out in note 43.

Included above:

| | | |
|---|---|-------|
| to Buy Out the Liability for Early Retirements Over 5 Years | 0 | 0 |
| number of Cases Involved (number) | 0 | 0 |
| outstanding Pension Contributions at the year end | 4 | 3,030 |

29 Other liabilities

| | Current | | Non-current | |
|--|---------------|---------------|---------------|---------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| | £000 | £000 | £000 | £000 |
| PFI/LIFT deferred credit | 0 | 0 | 0 | 0 |
| Lease incentives | 24 | 25 | 801 | 850 |
| Other | 479 | 479 | 15,803 | 16,282 |
| Total | 503 | 504 | 16,604 | 17,132 |
| Total other liabilities (current and non-current) | 17,107 | 17,636 | | |

The Trust entered into an agreement with Progress Housing in 2006, whereby the Trust transferred ownership of a number staff accommodation flats to Progress, who agreed to refurbish the flats, and build additional units. The Trust does not make any payments to Progress Housing, as they receive income from Employees who pay for accommodation. Due to the nature of the Transaction, the Trust has recorded the Assets on 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.

30 Borrowings

| | Current | | Non-current | |
|--|---------------|---------------|---------------|---------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| | £000 | £000 | £000 | £000 |
| Bank overdraft - Government Banking Service | 0 | 0 | 0 | 0 |
| Bank overdraft - commercial banks | 0 | 0 | 0 | 0 |
| Loans from Department of Health | 3,216 | 0 | 3,976 | 0 |
| Loans from other entities | 0 | 0 | 0 | 0 |
| PFI liabilities: | | | | |
| Main liability | 0 | 0 | 0 | 0 |
| Lifecycle replacement received in advance | 0 | 0 | 0 | 0 |
| LIFT liabilities: | | | | |
| Main liability | 0 | 0 | 0 | 0 |
| Lifecycle replacement received in advance | 0 | 0 | 0 | 0 |
| Finance lease liabilities | 121 | 109 | 627 | 748 |
| Other | 0 | 0 | 0 | 0 |
| Total | 3,337 | 109 | 4,603 | 748 |
| Total other liabilities (current and non-current) | 7,940 | 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.

Loans - repayment of principal falling due in:

| | 31 March 2012 | | |
|--------------|---------------|------------|--------------|
| | DH | Other | Total |
| | £000 | £000 | £000 |
| 0-1 years | 3,216 | 121 | 3,337 |
| 1 - 2 Years | 216 | 134 | 350 |
| 2 - 5 Years | 648 | 493 | 1,141 |
| Over 5 Years | 3,112 | 0 | 3,112 |
| TOTAL | 7,192 | 748 | 7,940 |

31 Other financial liabilities

| | Current | | Non-current | |
|---|---------------|---------------|---------------|---------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| | £000 | £000 | £000 | £000 |
| Embedded Derivatives at Fair Value through SoCI | 0 | 0 | 0 | 0 |
| Financial liabilities carried at fair value through profit and loss | 0 | 0 | 0 | 0 |
| Amortised Cost | 0 | 0 | 0 | 0 |
| Total | 0 | 0 | 0 | 0 |
| Total other liabilities (current and non-current) | 0 | 0 | | |

32 Deferred income

| | Current | | Non-current | |
|---|---------------|---------------|---------------|---------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| | £000 | £000 | £000 | £000 |
| Opening balance at 01/04/11 | 1,774 | 981 | 0 | 0 |
| Deferred income addition | 768 | 1,549 | 0 | 0 |
| Transfer of deferred income | (1,774) | (756) | 0 | 0 |
| Current deferred Income at 31 March 2012 | 768 | 1,774 | 0 | 0 |
| Total other liabilities (current and non-current) | 768 | 1,774 | | |

33 Finance lease obligations as lessee

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

Dalkia also manage and maintain the equipment during the term of the lease which is 15 years.

The Unitary charge increases by reference to RPI. Gas prices vary by reference to gas commodity indices.

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

Amounts payable under finance leases (Buildings)

| | Minimum lease payments | | Present value of minimum lease | |
|---|------------------------|---------------|--------------------------------|---------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| | £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 | 0 | 0 |
| Present value of minimum lease payments | 0 | 0 | 0 | 0 |
| Included in: | | | | |
| Current borrowings | | | 0 | 0 |
| Non-current borrowings | | | 0 | 0 |
| | | | 0 | 0 |

Amounts payable under finance leases (Land)

| | Minimum lease payments | | Present value of minimum lease | |
|---|------------------------|---------------|--------------------------------|---------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| | £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 | 0 | 0 |
| Present value of minimum lease payments | 0 | 0 | 0 | 0 |
| Included in: | | | | |
| Current borrowings | | | 0 | 0 |
| Non-current borrowings | | | 0 | 0 |
| | | | 0 | 0 |

Amounts payable under finance leases (Other)

| | Minimum lease payments | | Present value of minimum lease | |
|---|------------------------|---------------|--------------------------------|---------------|
| | 31 March 2012 | 31 March 2011 | 31 March 2012 | 31 March 2011 |
| | £000 | £000 | £000 | £000 |
| Within one year | 170 | 166 | 121 | 109 |
| Between one and five years | 724 | 706 | 627 | 567 |
| After five years | 0 | 188 | 0 | 181 |
| Less future finance charges | (146) | (203) | 0 | 0 |
| Present value of minimum lease payments | 748 | 857 | 748 | 857 |
| Included in: | | | | |
| Current borrowings | | | 121 | 109 |
| Non-current borrowings | | | 627 | 748 |
| | | | 748 | 857 |

Finance leases as lessee

| | 31 March 2012 | 31 March 2011 |
|--|---------------|---------------|
| | £000 | £000 |
| Future Sublease Payments Expected to be received | 0 | 0 |
| Contingent Rents Recognised as an Expense | 0 | 0 |

34 Finance lease receivables as lessor

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

| | |
|--|--|
| Ambulance Station at 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 (buildings) Of minimum lease payments | Gross investments in leases | | Present value of minimum lease | |
|---|-----------------------------|-----------------------|--------------------------------|-----------------------|
| | 31 March 2012 £000 | 31 March 2011 £000 | 31 March 2012 £000 | 31 March 2011 £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 | 0 | 0 |
| Present value of minimum lease payments | 0 | 0 | 0 | 0 |
| Less allowance for uncollectible lease payments: | 0 | 0 | 0 | 0 |
| Total finance lease receivable recognised in the statement of financial position | 0 | 0 | 0 | 0 |
| Included in: | | | | |
| Current finance lease receivables | | | 0 | 0 |
| Non-current finance lease receivables | | | 0 | 0 |
| | | | 0 | 0 |

| Amounts receivable under finance leases (land) Of minimum lease payments | Gross investments in leases | | Present value of minimum lease | |
|---|-----------------------------|-----------------------|--------------------------------|-----------------------|
| | 31 March 2012 £000 | 31 March 2011 £000 | 31 March 2012 £000 | 31 March 2011 £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 | 0 | 0 |
| Present value of minimum lease payments | 0 | 0 | 0 | 0 |
| Less allowance for uncollectible lease payments: | 0 | 0 | 0 | 0 |
| Total finance lease receivable recognised in the statement of financial position | 0 | 0 | 0 | 0 |
| Included in: | | | | |
| Current finance lease receivables | | | 0 | 0 |
| Non-current finance lease receivables | | | 0 | 0 |
| | | | 0 | 0 |

| Amounts receivable under finance leases (other) Of minimum lease payments | Gross investments in leases | | Present value of minimum lease | |
|---|-----------------------------|-----------------------|--------------------------------|-----------------------|
| | 31 March 2012 £000 | 31 March 2011 £000 | 31 March 2012 £000 | 31 March 2011 £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 | 0 | 0 |
| Present value of minimum lease payments | 0 | 0 | 0 | 0 |
| Less allowance for uncollectible lease payments: | 0 | 0 | 0 | 0 |
| Total finance lease receivable recognised in the statement of financial position | 0 | 0 | 0 | 0 |
| Included in: | | | | |
| Current finance lease receivables | | | 0 | 0 |
| Non-current finance lease receivables | | | 0 | 0 |
| | | | 0 | 0 |

| | 31 March 2012 £000 | 31 March 2011 £000 |
|---|-----------------------|-----------------------|
| The unguaranteed residual value accruing to the Trust | 0 | 0 |
| Accumulated allowance for uncollectible minimum lease payments receivable | 0 | 0 |

| Rental Income | 31 March 2012 £000 | 31 March 2011 £000 |
|----------------------------|-----------------------|-----------------------|
| Contingent rent | 30 | 30 |
| Other | 0 | 0 |
| Total rental income | 30 | 30 |

| | | |
|---------------------------|---|---|
| Finance lease commitments | 0 | 0 |
|---------------------------|---|---|

35 Provisions

| | Comprising: | | | | | | | | | |
|---|--------------|------------------------------|----------------------------------|--------------|---------------|-----------------|-----------|-------------------|--------------|------------|
| | Total | Pensions to Former Directors | Pensions Relating to Other Staff | Legal Claims | Restructuring | Continuing Care | Equal Pay | Agenda for Change | Other | Redundancy |
| | | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at "01/04/11" | 7,995 | 0 | 2,452 | 1,029 | 2,408 | 0 | 0 | 0 | 2,106 | 0 |
| Prior period adjustment | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Merger adjustments | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Restated Balance 01/04/11 | 7,995 | 0 | 2,452 | 1,029 | 2,408 | 0 | 0 | 0 | 2,106 | 0 |
| Arising During the Year | 3,795 | 0 | 205 | 379 | 1,777 | 0 | 0 | 0 | 1,434 | 0 |
| Utilised During the Year | (2,965) | 0 | (182) | (562) | (1,000) | 0 | 0 | 0 | (1,221) | 0 |
| Reversed Unused | (1,415) | 0 | 0 | (221) | (762) | 0 | 0 | 0 | (432) | 0 |
| Unwinding of Discount | 69 | 0 | 69 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Change in Discount Rate | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transfers to NHS Foundation Trusts | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Balance as at "31/03/12" | 7,479 | 0 | 2,544 | 625 | 2,423 | 0 | 0 | 0 | 1,887 | 0 |
| Expected Timing of Cash Flows: | | | | | | | | | | |
| No Later than One Year | 5,112 | 0 | 177 | 625 | 2,423 | 0 | 0 | 0 | 1,887 | 0 |
| Later than One Year and not later than Five Years | 663 | 0 | 663 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Later than Five Years | 1,704 | 0 | 1,704 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities: | £000 | | | | | | | | | |
| As at "31/03/12" | 77,940 | | | | | | | | | |
| As at "31/03/11" | 68,170 | | | | | | | | | |

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 36. The Trust's legal advisors have assessed each claim and a provision has been made, based upon the expected outcome of the claim, the related probability and the expected settlement date.

The Trust commenced a review of its management structure in 2010/11, and a provision was created as at March 2011 to reflect the likely future costs of implementation during 2011/12. The restructure has progressed but has not yet concluded. The provision has been reviewed at 31 March 2012 to take account of those areas where consultation is on-going and future costs are anticipated.

Other provisions (£1.89m) relate to the following:

- Claims for re-grading of doctors from staff grade to associate specialist and from the old to new junior doctors contract (£0.50m). To quantify these provisions an evaluation of claims submitted for regrading has been carried out.
- Costs associated with potential obligations under the NHS Consultant Contract (£0.17m)
- Potential Costs associated with payment to carry out appraisal / revalidation of Medical Staff (£0.22m)
- Potential contractual liability associated with delayed project implementation (£0.78m)
- Provision for costs associated with emissions under the Carbon Reduction Scheme (£0.22m)

36 Contingencies

| | 31 March 2012 | 31 March 2011 |
|---|---------------|---------------|
| | £000 | £000 |
| Contingent liabilities | | |
| Equal Pay | 0 | (100) |
| Other | (400) | (692) |
| Amounts Recoverable Against Contingent Liabilities | 0 | 0 |
| Net Value of Contingent Liabilities | (400) | (792) |
| Contingent Assets | | |
| Contingent Assets | 0 | 0 |
| Net value of contingent assets/(liabilities) | (400) | (792) |

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 35.

37 Financial Instruments

37.1 Financial risk management

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities. Because of the continuing service provider relationship that the NHS trust has with primary care trusts and the way those primary care trusts are financed, the NHS trust is not exposed to the degree of financial risk faced by business entities. Also financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. The NHS trust has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the NHS trust in undertaking its activities.

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

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the trust's income comes from contracts with other public sector bodies, the trust has low exposure to credit risk. The maximum exposures as at 31 March 2012 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

| | At 'fair value through profit and loss' £000 | Loans and receivables £000 | Available for sale £000 | Total £000 |
|-----------------------------------|---|----------------------------------|-------------------------------|---------------|
| 37.2 Financial Assets | | | | |
| Embedded derivatives | 0 | 0 | 0 | 0 |
| Receivables - NHS | 0 | 0 | 0 | 0 |
| Receivables - non-NHS | 0 | 1,994 | 0 | 1,994 |
| Cash at bank and in hand | 0 | 2,156 | 0 | 2,156 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Total at 31 March 2012 | 0 | 4,150 | 0 | 4,150 |
| Embedded derivatives | 0 | 0 | 0 | 0 |
| Receivables - NHS | 0 | 0 | 0 | 0 |
| Receivables - non-NHS | 0 | 2,351 | 0 | 2,351 |
| Cash at bank and in hand | 0 | 9,865 | 0 | 9,865 |
| Other financial assets | 0 | 0 | 0 | 0 |
| Total at 31 March 2011 | 0 | 12,216 | 0 | 12,216 |
| | At 'fair value through profit and loss' £000 | Other £000 | Total £000 | |
| 37.3 Financial Liabilities | | | | |
| Embedded derivatives | 0 | 0 | 0 | |
| NHS payables | 0 | 0 | 0 | |
| Non-NHS payables | 0 | 0 | 0 | |
| Other borrowings | 0 | 7,192 | 7,192 | |
| PFI & finance lease obligations | 0 | 748 | 748 | |
| Other financial liabilities | 0 | 6,622 | 6,622 | |
| Total at 31 March 2012 | 0 | 14,562 | 14,562 | |
| Embedded derivatives | 0 | 0 | 0 | |
| NHS payables | 0 | 0 | 0 | |
| Non-NHS payables | 0 | 0 | 0 | |
| Other borrowings | 0 | 0 | 0 | |
| PFI & finance lease obligations | 0 | 857 | 857 | |
| Other financial liabilities | 0 | 5,602 | 5,602 | |
| Total at 31 March 2011 | 0 | 6,459 | 6,459 | |

38 Events after the end of the reporting period

There are no events that require disclosing after the reporting period. The financial statements were authorised for issue on 8th June 2012 by the Chief Executive.

£000

0

39 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

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

Interim Director of Human Resources, Jaki Lowe is also the director of Inter-Change HR with whom the Trust has contracted for HR support during 2011-12. These payments totalled £90,000 in 2011-12.

The Trust has supplied services and disposed of land to the St. Barnabas Trust during 2011-12. Non Executive director Mr Keith Darwin and consultant Mr Graham Hale are St. Barnabas Trustees. Payments totalled £3,000 in 2011-12, sales income totalled £283,000 and a further £1,799,000 was received following the disposal of land to St. Barnabas.

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 Foundation Trusts
 NHS 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 and capital payments amounting to £1.419m from a number of charitable funds, the trustees for which are also members of the 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 (2011/12 - £205,000).

40 Losses and special payments

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

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

The total number of losses cases in 2010-11 and their total value was as follows:

| | Total Value of Cases £s | Total Number of Cases |
|--|-------------------------------|--------------------------|
| Losses | 88,494 | 279 |
| Special payments | 201,479 | 250 |
| Total losses and special payments | 289,973 | 529 |

Details of cases individually over £250,000

There were no individual cases exceeding £250,000.

41. Financial performance targets

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

41.1 Breakeven performance

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

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

The Trust's recovery plan, approved by the SHA aims to achieve break-even in 2014/15.

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

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

41.2 Capital cost absorption rate

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%.

41.3 External financing

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

| | 2011-12 | 2010-11 |
|--------------------------------------|---------------------|---------------------|
| | £000 | £000 |
| External financing limit | 18,159 | 519 |
| Cash flow financing | 14,792 | (2,931) |
| Finance leases taken out in the year | 0 | 0 |
| Other capital receipts | 0 | 0 |
| External financing requirement | 14,792 | (2,931) |
| Undershoot/(overshoot) | <u>3,367</u> | <u>3,450</u> |

41.4 Capital resource limit

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

| | 2011-12 | 2010-11 |
|---|---------------------|---------------------|
| | £000 | £000 |
| Gross capital expenditure | 13,324 | 12,419 |
| Less: book value of assets disposed of | (2,273) | (1,788) |
| Plus: loss on disposal of donated assets | 6 | 8 |
| Less: capital grants | 0 | 0 |
| Less: donations towards the acquisition of non-current assets | (151) | (347) |
| Charge against the capital resource limit | 10,906 | 10,292 |
| Capital resource limit | 12,221 | 12,405 |
| (Over)/underspend against the capital resource limit | <u>1,315</u> | <u>2,113</u> |

42 Third party assets

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

| | 31 March 2012 £000s | 31 March 2011 £000s |
|--------------------------------------|------------------------------------|------------------------------------|
| Third party assets held by the Trust | <u>1</u> | <u>2</u> |

43 Prior year adjustment

In accordance with the accounting policy change outlined in the Treasury FREM for 2011-12 the donated asset reserve and government grant reserve are no longer maintained. The details are referred to in accounting policies 1.11 and 1.12.

In addition where sales invoices are raised in respect of employee costs these are now all reported as income. This is in accordance with the revised accounts templates. Previously these were netted off against the related pay cost.

Statement of comprehensive income

| | 2010-11 Published Accounts £000 | Receipt of donations cap addns £000 | Transfers from donated asset reserve £000 | Transfers from government granted reserve £000 | Recoveries in respect employee benefits £000 | 2010-11 restated £000 |
|---|--|--|--|---|---|--------------------------------------|
| Revenue | | | | | | |
| Revenue from patient care activities | 360,039 | 0 | 0 | 0 | 0 | 360,039 |
| Other operating revenue | 32,163 | 347 | (662) | (2) | 1,168 | 33,014 |
| Operating expenses | (399,010) | 0 | 0 | 0 | (1,168) | (400,178) |
| Operating surplus/(deficit) | <u>(6,808)</u> | <u>347</u> | <u>(662)</u> | <u>(2)</u> | <u>0</u> | <u>(7,125)</u> |
| Finance costs: | | | | | | |
| Investment revenue | 44 | 0 | 0 | 0 | 0 | 44 |
| Other gains and losses | (1,448) | 0 | 0 | 0 | 0 | (1,448) |
| Finance costs | (119) | 0 | 0 | 0 | 0 | (119) |
| Surplus/(deficit) for the financial year | <u>(8,331)</u> | <u>347</u> | <u>(662)</u> | <u>(2)</u> | <u>0</u> | <u>(8,648)</u> |
| Public dividend capital dividends payable | (5,846) | 0 | 0 | 0 | 0 | (5,846) |
| Retained surplus/(deficit) for the year | <u>(14,177)</u> | <u>347</u> | <u>(662)</u> | <u>(2)</u> | <u>0</u> | <u>(14,494)</u> |

43 Prior year adjustment (continued)

Statement of Financial Position

| | 31 March 2011 Published accounts | Restatement | 31 March 2011 Restated |
|---------------------------------------|-------------------------------------|--------------|---------------------------|
| | £000 | £000 | £000 |
| Non-current assets | | | |
| Property, plant and equipment | 208,390 | 0 | 208,390 |
| Intangible assets | 1,432 | 0 | 1,432 |
| Other financial assets | 0 | 0 | 0 |
| Trade and other receivables | 2,351 | 0 | 2,351 |
| Total non-current assets | 212,173 | 0 | 212,173 |
| Current assets | | | |
| Inventories | 6,218 | 0 | 6,218 |
| Trade and other receivables | 10,927 | 0 | 10,927 |
| Other financial assets | 0 | 0 | 0 |
| Other current assets | 669 | 0 | 669 |
| Cash and cash equivalents | 9,865 | 0 | 9,865 |
| Total current assets | 27,679 | 0 | 27,679 |
| Non-current assets held for sale | 355 | 0 | 355 |
| Total current assets | 28,034 | 0 | 28,034 |
| Total assets | 240,207 | 0 | 240,207 |
| Current liabilities | | | |
| Trade and other payables | (40,076) | (450) | (40,526) |
| Other liabilities | (504) | 0 | (504) |
| Borrowings | (109) | 0 | (109) |
| Other financial liabilities | 0 | 0 | 0 |
| Provisions | (5,716) | 0 | (5,716) |
| Net current assets/(liabilities) | (18,371) | (450) | (18,821) |
| Total assets less current liabilities | 193,802 | (450) | 193,352 |
| Non-current liabilities | | | |
| Borrowings | (748) | 0 | (748) |
| Trade and other payables | 0 | 0 | 0 |
| Other financial liabilities | 0 | 0 | 0 |
| Provisions | (2,279) | 0 | (2,279) |
| Other liabilities | (17,132) | 0 | (17,132) |
| Total assets employed | 173,643 | (450) | 173,193 |
| Financed by taxpayers' equity: | | | |
| Public dividend capital | 181,753 | 0 | 181,753 |
| Retained earnings | (38,002) | 2,105 | (35,897) |
| Revaluation reserve | 26,940 | 207 | 27,147 |
| Donated asset reserve | 2,234 | (2,234) | 0 |
| Government grant reserve | 528 | (528) | 0 |
| Other reserves | 190 | 0 | 190 |
| Total taxpayers' equity | 173,643 | (450) | 173,193 |