NHS
United Lincolnshire Hospitals
NHS Trust

Annual Report and Accounts for the year ended 31 March 2020

Contents

Accessibility

This annual report and accounts are available at www.ulh.nhs.uk

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For further information about this report or the work of the Trust please contact the communications and engagement team at Lincoln County Hospital, Lincoln, LN2 4AX or by telephoning 01522 573986.

Chief Executive and Chair's Foreword

We are really pleased to be able to share with you our Annual Report for the year 2019/20.

This is a chance to reflect on all the work that has been taking place in the Trust over the last year, reflecting a mixture of challenges and successes.

This has been a year of significant change for ULHT. This started with the implementation of our new Trust Operating Model (TOM) management structure in April, which has seen us restructure and bring in new senior management capability to lead our services and standardise practice across all of our sites and services.

It continued with Andrew starting as our new Chief Executive in July, and the subsequent development of a new integrated improvement plan to take the organisation forward, which was launched in Spring 2020.

Overall, it has been a challenging year in Lincolnshire's hospitals, with record levels of A&E attendances over the winter period, continuing financial challenges and difficulties in meeting some of the NHS constitutional standards. The year end saw the Trust responding to the challenge of the coronavirus pandemic.

In addition, the results of our most recent Care Quality Commission (CQC) inspection from June and July 2019 rated the Trust as 'Requires Improvement' overall- the same rating it received following the last inspection in 2018.

The CQC recognised that whilst improvements have been made in some areas, there is still more much that needs to be done and we remain in quality special measures for the time being. We also remain in financial special measures as our financial position has not improved.

Many of the issues identified by the CQC and others are around our governance processes, staffing shortages, estates issues, lack of digital maturity and financial pressures. It is also clear that we need to focus on recruitment, leadership, staff training and competencies, staff engagement and addressing workforce inequalities going forward.

However, during the year we have also seen some real green shoots of recovery and good news. We have put extensive efforts into improving the involvement and engagement or our staff, which resulted in a record response rate to the National NHS Staff Survey, and some improvements in the results across some areas. We have also achieved our long-held objective of becoming a Smokefree Trust, which we believe is the right thing to do for our staff, patients and visitors.

In August we had a visit from Prime Minister Boris Johnson, who pledged £21.3 million for a new urgent and emergency care unit at Pilgrim hospital, and we continued with our £46 million investment in fire safety measures across our sites, which have really transformed the look and feel of our hospital buildings.

Our focus on quality and safety also continued, and whilst we still have more to do our excellent improvement in mortality rates is an example of where we've made a huge difference. From being flagged as having a high Hospital Standardised Mortality Ratio (HSMR), this year we recorded our lowest ever HSMR and were one of the best performers in the country- a great achievement.

Overall, we acknowledge that it is a mixed picture for ULHT for 2019/20, but we also believe that we are moving in the right direction and that, with our excellent staff, we can really make the changes needed to improve the quality and safety of care that we deliver to the people of Lincolnshire.

Elaine Baylis QPM, Chair
Andrew Morgan, Chief Executive

Performance Report

Overview

The purpose of this overview is to give context to the Annual Report. It outlines and summarises the Trust's performance over the past year, where we have made improvements and the areas in which we need to continue to improve.

Whilst we are required by law to include technical and financial detail, we have tried to make this overview as easy as possible to read and understand, whilst sharing with you information about our Trust and the services we provide for the residents of Lincolnshire and beyond. The Performance Report is a summary of what we provide, how we have performed against the national mandated standards for clinical care, what we achieved in 2019/20, and how your money was invested to improve services for patients.

The Accountability Report and the Financial Statements contain a range of other technical details, statements and financial information, which we are required to produce by Parliament and our legal regulators, NHS England / Improvement.

About us

United Lincolnshire Hospitals Trust (ULHT) serves one of the largest geographical areas in England with a population of around 755,833 (Office of National Statistics 2018).

We provide acute and specialist clinical services to people in Lincolnshire and neighbouring counties. Lincolnshire is the second largest county in the UK. It is characterised by a dispersed population in towns, in the city of Lincoln and largely rural communities.

We have an annual income for 2019/20 of £539.2 million. Our main contracts are with Lincolnshire East, Lincolnshire West, South Lincolnshire, and South West Lincolnshire Clinical Commissioning Groups (CCGs).

We provide services from three acute hospitals in Lincolnshire with a bed stock, excluding obstetrics, of 974 beds compiled as follows

Lincoln County Hospital – 492 core + 26 escalation	Total cap available = 518
Pilgrim Hospital Boston – 332 core + 16 escalation	Total cap available = 348
Grantham & District Hospital – 96 core + 12 escalation	Total cap available = 108

The Trust also provides a wide variety of outpatient, day case and inpatient services from a range of other community hospitals operated by Lincolnshire Community Health Services NHS Trust or local GP clusters. These include:

- Louth County Hospital
- John Coupland Hospital, Gainsborough
- Johnson Community Hospital, Spalding
- Skegness and District General Hospital.

In an average year, we treat more than 140,000 accident and emergency patients, over 600,000 outpatients and over 140,000 inpatients, and deliver around 5,000 babies.

For 2019/20 vs 2018/19 our attendances were as follows:

	2019/20	**2018/19**
Outpatient attendances	622,045	649,212
A&E attendances	145,381	147,721
Inpatients	146,310	145,596

The Trust provides a broad range of clinical services including community services, population-screening services, and a comprehensive range of planned and unscheduled secondary care services. A full list of services that the Trust provides can be seen under the heading of Trust Organisations Structure.

Whilst the Trust is the largest provider of elective care for four Clinical Commissioning Groups in Lincolnshire, Northern Lincolnshire and Goole NHS Foundation Trust and North West Anglia NHS Foundation Trust get a significant share of elective care in East and South Lincolnshire respectively.

Trust Organisational Structure

The Trust went through a significant re-organisation of its Operating Model structure during 2019, and this was further supported with a reorganisation of the Executive Portfolios to strengthen the Leadership Model in the Trust. The new Executive Structure was implemented during February of 2020.
The Trusts Operating Model was implemented during 2019. This involved moving from fifteen Directorates to four divisions: as follows:

- Division of Family Health
- Division of Clinical Support Services
- Division of Surgery
- Division of Medicine

The table below shows the services provided by the Trust and how they are managed through each of the new divisions:

Division	Clinical Business Unit	Clinical Service
Family Health	Women's Health	• Breast • Obstetrics • Gynaecology
	Children & Young People	• Paediatrics • Neonatology
Clinical Support Services	Diagnostics	• Radiology • Radiotherapy • Medical Physics • Pathology • Audiology
	Therapies & Rehabilitation	• Rehabilitation medicine • Occupational therapy • Speech and Language therapy • Dietetics • Physiotherapy
	Pharmacy	
	Outpatients	
	Cancer services	

Surgery	Surgery	• General surgery • Vascular • Urology • Head & Neck
	Orthopaedics & Ophthalmology	• Orthopaedics • Ophthalmology • Orthoptics
	Theatres, Anaesthetics, Critical Care and Pain	• Theatres • Critical Care
Medicine	Urgent & Emergency Care	• A&E • Acute medicine • Cardiology (including Cardiac physiology)
	Cardio Vascular	• Diabetes • Renal • Stroke • Endocrinology
	Specialist Medicine	• Dermatology • Rheumatology • Neurology • Gastroenterology • Respiratory • Health care of the older person

The benefits of moving to four Divisions include the reduction of variation of care across the sites through the implementation of consistent structures with strengthened roles, clearer decision making closer to the front line of service delivery, and moving towards a “one team” approach across the organisation.

Vision, ambitions and strategies for 2019/20

The following strategic framework was agreed to shape our 2019/20 work programme:

Our Five Year Strategic Planning Framework

Ambitions	Objectives	Strategic Priorities	Tactical Priorities 2019/20
Our Patients (Providing consistently safe, responsive high quality care)	• Harm Free Care • Valuing Patients Time	• Learning and Safety Culture	• Learning from Experience • Patient Experience
Our Services (Providing efficient, effective and financially sustainable services)	• Zero Waiting • Sustainable Services	• Estates • Financial Recovery Plan • Digitisation	• GIRFT • Theatres • Urgent & Emergency Care • 62 Day Cancer • Data Quality • Immediate Fragile Services Fixes
Our People (Providing services by staff who demonstrate our values and behaviours)	• Modern and Progressive Workforce • One Team	• Future Workforce • One Team • QI Programme	• TOM • Recruitment
Our System / Partners (Providing seamless integrated care with our partners)	• Service Integration	• Partnership Working (ICP) – Governance and strategy definition in line with STP/LTP	• Pathway Redesign

Inclusion

The following table sets out the progress made in delivering the objectives against our 2019/20 plan

Ambition 1: Our Patients – providing consistently safe, responsive, high quality care						
Our Objective	**SRO**	**Measure**	**Baseline 18/19**	**Metric 19/20**	**Q4 Position**	**Progress**
Harm Free Care	MD	1.Mortality - HSMR	Within control limits	Within control limits		HSMR is below expected limits at 90.74. All sites are within or below expected limits.
	DoN	2.Avoidable Harm – Safety Thermometer	98.5%	99%		The current ST compliance for New Harm free Care is 99.2%.
Valuing Patients Time	COO	3.% of patients seen within 15 mins of appointment time	33%	40%		On target to meet the 40 % 2019/20 Metric. Issues exist with capturing accurate data from all outpatient areas. Manual audits at Pilgrim showed; -Seen by Nurse in 15 minutes 87.5% -Seen by Consultant in 15 mins – 68.8%
Ambition 2: Our Services – providing efficient, effective and financially sustainable services						
Our Objective	**SRO**	**Measure**	**Baseline 18/19**	**Metric 19/20**	**Q4 Position**	**Progress**
Zero Waiting	COO	4.% of Patients discharged	40%	45%		Forming part of the performance monitoring, managing on target.

		within 24hrs of PDD				
Sustainable Services	DoF	5. Delivery of Financial Plan		£70.3m		Remain on track to deliver £70.3m through the transitional support from CCGs in recognition of the in year activity pressures.
	COO	6.% of Clinical services rated delivering or excellent		Baseline year		The year-to-date trajectory is to achieve the 45% target (Performance Report pack). Criteria led discharge continues to be rolled out across the organisation. The launch of 'ReadySteadyFlow' across the organisation to embed Red2Green and begin a ward exemplar model for SAFER has been well received.
Ambition 3: Our People – providing services by staff who demonstrate our values and behaviours						
Our Objective	**SRO**	**Measure**	**Baseline 18/19**	**Metric 19/20**	**Q4 Position**	**Progress**
Modern and Progressive Workforce	DP&OD	7.Vacancy fill rate (all staff)	14.3%	12%		Overall vacancy rate is 14.9%, but posts being held vacant to contribute to financial savings. The six month trend for each three of the priority staff groups for both Vacancy Rate and

						Turnover remains positive. Since May 2019, AHP vacancy rate has reduced from 14.8% to 12.8%, Nursing, from 20.2% to 16.4% and Medical, from 20.8% to 18.6%.
One Team (Making ULHT the best place to work)	DP&OD	8.Recommend as a place to work (staff survey)	41%	46%		2019 NHS NSS closed December 19, with improved response rate, which is broadly in line with national acute benchmark. Results suggest small improvements across 60 out of 85 questions, but still below Acute Trust average for most questions. Recommend as place to work 45.1% Recommend as a place to receive care 49.2%
	DP&OD	9.Recommend as a place to receive care	47%	53%		
Ambition 4: Our System/Partners – providing seamless integrated care across the Lincolnshire health community						
Our Objective	**SRO**	**Measure**	**Baseline 18/19**	**Metric 19/20**	**Q4 Position**	**Progress**
Service Integration	COO	10.% reduction in face to face contacts in Outpatients		5%	TBC	There is ongoing work to identify the impact of the % improvement of face-to-face v non-face to face. Ongoing improvements for the use of virtual clinics, nurse led clinics or non face to face and telephone clinics in key areas.

The metrics included above are a mix of nationally and locally determined.

Our key risks and issues

The NHS continues to face challenges relating to Quality, Performance, Staffing and Financial constraint. Lincolnshire, in addition to the national challenges, has additional demographic challenges and a geographically sparse population.

The Trust is working hard to address the local challenges, in addition to the challenges faced by most NHS acute trusts in the country. These challenges will continue into 2020/21, and will be exacerbated by the COVID 19 Pandemic. The Trust has a corporate risk register outlining what it perceives its key challenges to be.

Workforce

During 2019/20, we have had success in recruiting to a number of vacant medical posts namely in Oncology, Ophthalmology and Neurology. However, our vacancy rates for both medical and nursing posts remain high in some key areas, and the key risk is providing sustainable, consistent and high quality clinical care. The way in which we respond to this, to ensure sustainability and high quality care, will impact on our finances.

Due to our staffing difficulties a number of our services remain fragile. The services that are termed as being fragile at the current time are urgent care, acute medicine, paediatrics, breast, stroke and haematology services.

Due to our staffing challenges two areas have required changes to their service configuration on safety grounds. These are:

Grantham Emergency Department

The Emergency Department remains closed at Grantham overnight (6.30pm to 8am). This change took effect from 17th August 2016. Work remains in progress with partners to secure the long-term model for urgent care across Lincolnshire.

Pilgrim Paediatrics

The service model at Pilgrim was rapidly redesigned following a significant reduction in the available medical and Children's nursing workforce. As a result a service change took effect from August 2018 and remains in place. However, recruitment to some of the vacant posts has been successful, and as such, work is in progress to continue to evolve the paediatric service across our hospital sites. The service remains fragile.

The key focus of our workforce plan for 2020/21 is improving the quality of patient care, together with the balance of substantive and temporary staffing, thus reducing the cost of our workforce.

We have set out an ambitious recruitment improvement programme for medical and clinical roles whilst at the same time taking steps to reduce attrition through a number of retention interventions. We plan to optimise both domestic and overseas recruitment, capitalise on

the opportunity of newly qualifying professionals and continue to develop roles within our staff groups, as well as further developing our international recruitment programmes.

Finance

We remained in Financial Special Measures throughout 2019/20.

The Trust's original control total for 2019/20 was a deficit of £70.3m. The control total was centrally revised by £0.9m to offset the additional annual leave carry forward as a result of Covid-19 to £71.2m. Delivery of the control total enables the Trust to access £28.9m of additional funding.

The Trust delivered the revised control total and was able to access the full £28.9m of additional funding and therefore report a deficit of £42.3m.

The reported position included £25.7m of transitional support funding, £21.3m of which was from Lincolnshire Commissioners – the transitional support funding was an acknowledgement of the significant increase in non-elective activity being seen in Lincolnshire and the resultant pressure of this upon beds, elective targets, costs of delivery and ultimately the Trust's financial position.

The Trust's financial plan for 2019/20 included a Cost Improvement Programme (CIP) of £25.6m against which actual savings of £20.7m were delivered. Workforce costs continue to be the Trust's largest financial challenge due to the level of vacancies and difficulty in recruiting.

In 2020/21 due to COVID-19 NHS Providers have been placed on a block payment arrangement until 31st October 2020. The financial framework beyond this date has not been set out. The Trust acknowledges that regardless of the future financial payment structure it must continue to strive towards delivering financial sustainability through improved productivity and working collaboratively with its Lincolnshire partners.

Quality special measures

The Trust remains in quality special measures, and during June & July 2019 we were re-inspected by the Care Quality Commission (CQC), the CQC inspected a total of five core services provided by the Trust across two Hospital sites. These services were; urgent and emergency care, medical care (including older peoples care), critical care, maternity and children and young people's care.

The outcome from the most recent inspection in 2019 was 'requires improvement' and saw the CQC, Under Section 31 of the Health and Social Care Act 2008, impose conditions on the registration of the Trust as a provider in respect to three regulated activities. They took this urgent action as they believed a person would or may have be exposed to the risk of harm if they had not done so. Imposing

conditions means that the Trust must manage regulated activity in a way which complies with the conditions set by the CQC. The conditions related to the emergency department at Pilgrim Hospital, Boston and the emergency department at Lincoln County Hospital.

The CQC also issued a section 29a warning notice to the Trust as they found significant improvement was required to the governance in children and young people's services. The section 29a notice gave the Trust three months to rectify the significant improvements the CQC identified.

The CQC also issued six requirement notices to the Trust. That meant the Trust had to send to the CQC a report saying what action it would take to meet these requirements.

The CQC's action related to breaches of legal requirements in the Trust overall in the organisation, urgent and emergency care, medicine including
older peoples care and children and young people's services.

Within the report there are 21 "Must Do" areas for improvement identified and 55 "Should Do" areas for improvement. These improvement initiatives have been built into the Divisional & Corporate improvement plans for 2020/21, and also have a key focus in the Trusts overall Integrated Improvement Plan with an Executive lead assigned to support delivery of the improvements.

The CQC inspection included a review of how well led our services are in the Trust, and one of the actions implemented following this review was the implementation of the new Executive Structure in February 2020.

In summary, the CQC report showed the ratings following the 2019 inspections as follows:

SAFE	Requires Improvement
EFFECTIVE	Requires Improvement
CARING	Good
RESPONSIVE	Requires Improvement
WELL LED	Requires Improvement
OVERALL	Requires Improvement

It is our ambition to improve the CQC rating to 'good' at our next inspection, and the integrated improvement plan is being implemented to that end.

The Trust continues to have some fragile services which lack capacity to meet demand and impact upon our quality of care, and we are working both internally and with the wider health and care system of Lincolnshire to resolve these issues in 2020/21

Performance challenges

The Trust's A&E services continue to operate under pressure with more attendances and emergency admissions. A number of schemes have been put in place to support the known times of pressure but unfortunately these have not been able to meet the underlying demand and additional growth. Staffing levels continued to be of concern but emergency department recruitment has shown an improving position.

The Trust has introduced a new model of emergency care during 2019, it is referred to as "SDEC" (Same Day Emergency Care), and intended to provide the right care, in the right place, at the right time for patients. SDEC is the provision of same day care for emergency patients who would otherwise be admitted to hospital.

December 2019 also saw the introduction of "Urgent Treatment Centre" pathways being introduced in Lincolnshire. The Urgent Treatment Centre pathway is designed for patients with non-life threatening and non-changing injury or illness, and enables these groups of patients to be seen rapidly, whilst the very sick patients access the right care in the Acute Hospital Emergency Department more rapidly.

Urgent Treatment Centres have been set up in Lincolnshire, and we are working with Lincolnshire Community Health Services NHS Trust to establish, and in some cases build Urgent Treatment Centres on our Hospital sites adjacent to the Acute Hospital Emergency Departments, to enable an integrated model of care to be delivered.

In a year when the Trust experienced a 10% increase in referrals under the two week cancer pathway, the services still achieved some of the best individual month's performances against the 62 day cancer treatment standard and treated 13% more patients.

On 1 April 2019, there were 37,762 patients on the Trust's waiting lists. The impact of Covid-19 as the Trust reduced elective activity was a significant contributing factor which meant that the Trust did not meet the NHS target to have a smaller waiting list size at 31 March 2020, with a waiting list size of 38,106.

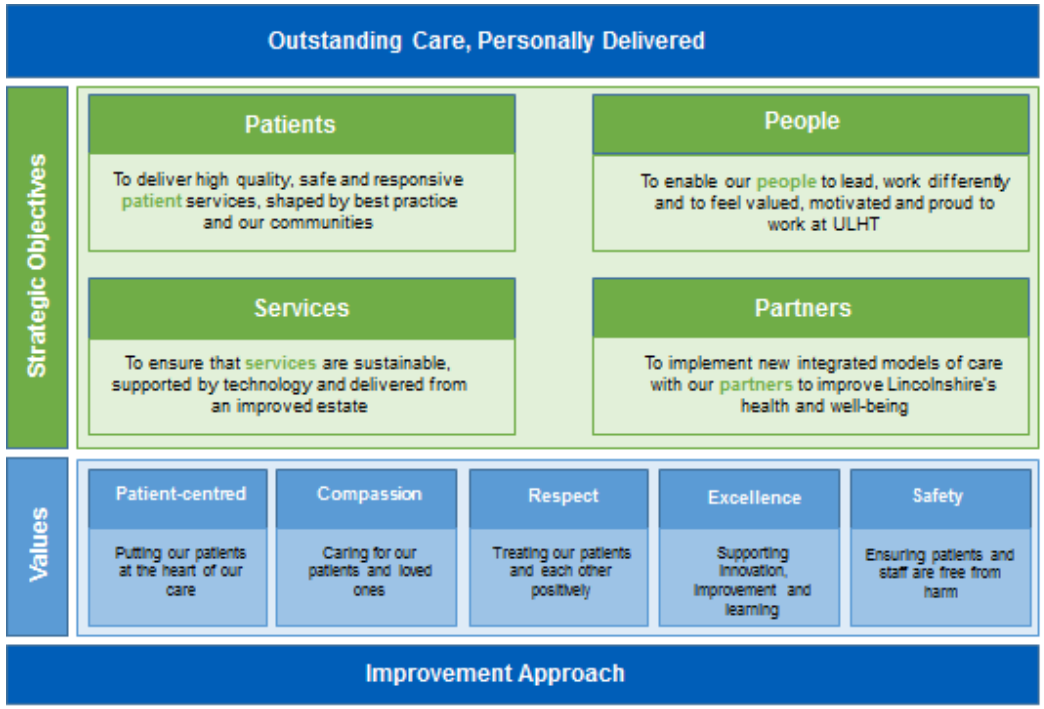
As of 31 March 2020, the Trust had no patients waiting over 52 weeks for treatment.

The achievements in elective care have come following significant work within the hospital increasing outpatient and theatre productivity but also through joint work with our partners resulting in innovative alternatives to hospital attendance, e.g. community based dermatology 'spot' clinics and GP-delivered specialist headache clinics.

The future: Looking ahead to our vision, ambitions and strategies for 2020/21

The development of the Lincolnshire Long-Term Plan was undertaken in the Autumn of 2019, and this in turn shaped the development of the Lincolnshire system integrated annual operational planning process for 2020/21. The Trust's five year Integrated Improvement Plan (2020 -2025) was developed aligned to the system long-term plan. The development of the Trusts Integrated Improvement Plan provided an opportunity to simplify our vision, strategic framework and how we will in the future ensure improvement .

The chart below shows the revised strategic framework for 2020 - 2025

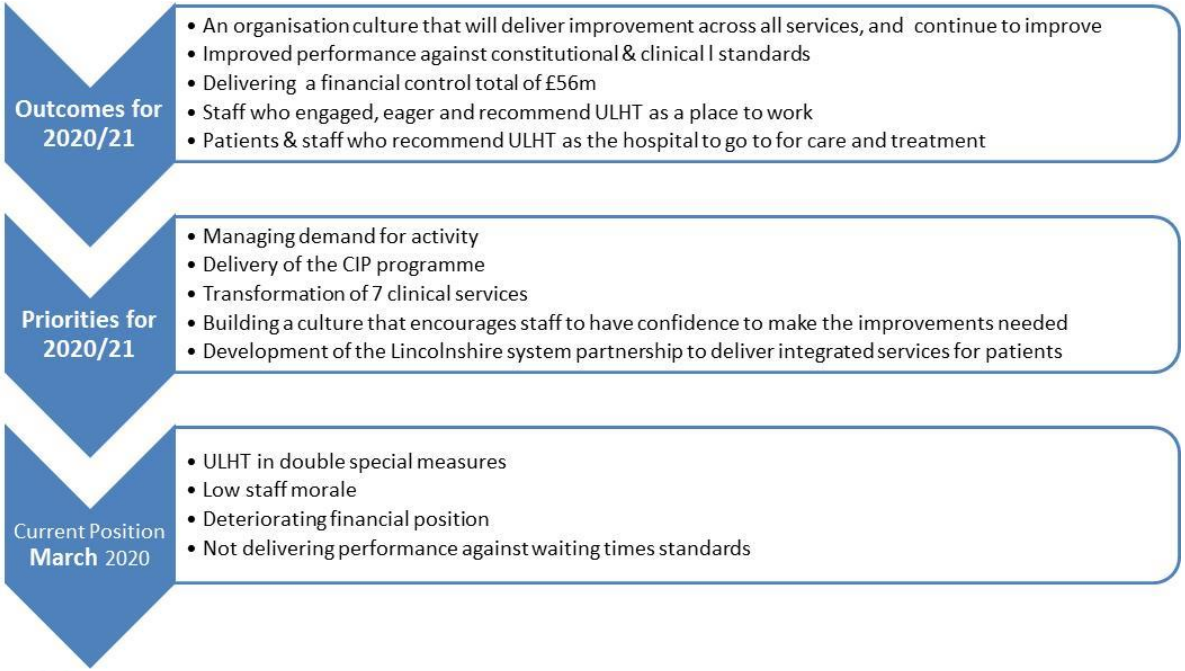


The Trust's 2020/21 annual planning process focussed on identifying and planning for the deliverables in year one of Integrated Improvement Plan (2020/21). The following summarises the context of the 2020/21 operational plan or the Trust:

Our Operational Plan for 2020/21 demonstrates:

- How we plan to launch a focused improvement journey with a prioritised programme of transformation initiatives;
- Our revised Strategic Initiatives that will ensure long term improvement in the face of a range of complex demands across performance, productivity, finance, quality and system development;
- How we will achieve our ambitions over a five-year period, the targets that we are setting ourselves for 2025, and also for year one, 2020/21;
- The measures for success that will be used to monitor the delivery of the operational plan for 2020/21, and how these will contribute to achieving delivery of the five-year integrated improvement plan;
- How these measures will be used to inform detailed quarterly progress reports to the Trust Board, and to inform any corrective action that may be needed, if delivery of the annual plan goes off track.

Our 2020/21 annual operational plan is summarised in the diagram below:



The Trust is working with the whole Lincolnshire health and care system – engaging with the whole community on proposals for improvements to services, where patients can be seen and treated rapidly in the right care setting, first time. This includes current thinking around the centralisation of some services to provide centres of excellence. The public's top health concerns include self-care, prevention, cancer and mental health and the Trust will look at how it can work with the wider system to support these concerns.

It is hoped that during 2020, the system will be in a position to consult with the public on some of these changes, changes that will not require capital investment to affect, and that will also address the fragility issues of some services.

As a health and care system, we are with our system partners, submitting a bid for capital funding to NHS England as part of their wave 5 capital bidding process. If successful, this will enable us and our system partners to implement more extensive transformation of services both in the acute hospital and in the community.

Going concern

In preparing the Financial statements for 2019/20 NHS Organisations are required to consider the adoption of the 'going concern' basis. Accounts should be prepared on a 'going concern' basis where there is an expectation the Trust will continue in operation for the foreseeable future and will be able to realise assets and discharge liabilities in the normal course of operations.
The Trust Audit and Risk Committee have reviewed this assertion and concluded that the 2019/20 accounts should be prepared on the basis that the Trust is a Going Concern. In reaching this conclusion the Trust recognises that the recurrent deficit alongside its ability to achieve planned cost reductions indicate that there is a material uncertainty which may cast significant doubt about the Trust's ability to continue as a Going Concern. However the assurance provided by the immediate continuing provision of healthcare services and improved access to funding through planned changes to the NHS financing regime in 2020/21 significantly mitigates this.

Note 1.2 of the Trust Accounts sets this out in further detail.

Emergency preparedness

In 2019/20 the Trust was fully compliant with 61 of the 64 EPRR core standards, evidenced by a self-assessment approved by NHS England NHS Improvement. Core standard 21 relating to lockdown was partially compliant as the Trust was undergoing a complete fire door replacement across all sites which would result in changes to the existing lockdown plans. Full site lockdown testing began in 2019 and will continue throughout 2020.

Core standard 40 relating to Local Health Resilience Partnership meetings was partially compliant as the Trust had meeting conflicts and sickness which resulted in non-attendance at some meetings. There are plans in place at Gold level to ensure attendance moving forward for 2020/21.

Core standard 50 relating to Data protection and Security Toolkit was partially compliant as the Trust is following the NHS Digital action plan that is due to be completed in 2020.

Evidence of compliance with the core standards has been considered by both the Emergency Planning Group, the Finance, Performance and Estates Committee and the Trust Board.

Overseas Visitors

The National Health Service provides NHS funded healthcare to people who are ordinarily resident in the United Kingdom. When a person who is not ordinarily resident in the UK (an "overseas visitor") needs NHS treatment they will be subject to the National Health Service (Charges to Overseas Visitors) Regulations 2017 (the "Charging Regulations") and may incur a charge for treatment.

In accordance with the Charging Regulations the Trust has a legal obligation to make and recover charges for NHS treatment in relation to any person who is not ordinarily resident in the United Kingdom.

To ensure compliance with these statutory obligations the Trust, in 2017, formed an Overseas Visitors Team. Initially a small team of three this was expanded in 2019 reflecting the complexity of the task and its importance.

Operational requirements

In order to enforce our legal responsibilities the Trust is required to have systems and staff in place who possess the appropriate skills to:

i) Identify, without discrimination, and at the earliest possible opportunity, all patients who may be liable to charges;

ii) Interview patients to establish if they are ordinarily resident or not, and if not, whether they are exempt from or liable for charges.

iii) Make and recover charges from individuals who are not covered by an exemption category, providing them with a written statement of why charges apply, the level of charge/s and how they can pay.

The Trust must ensure that it's human rights obligations are not compromised by the application of the patient eligibility assessment, failure to provide immediately necessary treatment may be unlawful under the Human Rights Act 1998. In situations where the patient is not eligible for NHS funded care, but where treatment is immediately necessary, the Trust will seek to begin the recovery of treatment fees as soon as the patient is well enough.

Similarly, treatment which is not immediately necessary, but is classed as urgent by clinicians (in that it cannot wait until the patient can be reasonably expected to return home), should also be provided, although in these instances payment would be sought ahead of treatment.

The Overseas Visitors Team are responsible for delivering training to all relevant front line staff in order to ensure they have an awareness of the requirements for assessment of overseas patient eligibility. This training includes examples of baseline questions that are used in the assessment process and examples of documentation that can be used to assess patient eligibility.

The Overseas Visitors team have access to a national support network ensuring that legislative changes and ways of working are continuously refreshed where appropriate.

EU Exit Implications

The processes applied by the Overseas Team, and the documentation requirements, will remain unchanged until negotiations between the EU and UK are concluded.

At the end of this period should there be no agreement, reciprocal healthcare arrangements between the UK and EU would cease. In this instance EU countries whose residents would previously have been exempt from charging would become chargeable.

The Trust is monitoring developments and will ensure any changes in regulations are implemented and processes revised accordingly.

Accountability report

The purpose of the accountability section of the annual report is to meet key accountability requirements to Parliament. The requirements are based upon those dealt with in a Directors' Report, under the Companies Act 2006 and adapted for the public sector context.

The Trust auditors have reviewed the accountability report for consistency with other information in the financial statements. Specific items which have been audited are marked as such.

The accountability report contains two sections:

- The corporate governance report.
- The remuneration and staff report.

Corporate governance report

Directors' report

The Trust Board

The Board is responsible for setting the overall policy and strategy for the organisation and for ensuring the effective implementation of that strategy. It establishes a committee structure that supports it in driving the delivery of the principal objectives through a process of risk management, control and assurance.

Board membership comprises the chair and chief executive, together with a mix of other executive and non-executive directors. Collectively, the members bring a diverse range of skills and senior experience to the Board and are accountable for the delivery of the organisational objectives.

Further background on Board members can be found at https://www.ulh.nhs.uk/about/trust-board/

The non-executive directors are independent people, drawn from the local community and appointed by NHS Improvement on behalf of the Secretary of State for Health.

The chief executive and executive directors are full time employees of the Trust, appointed through open competition. The selection process includes an interview panel involving the chair, non-executive directors and independent advice.

The remuneration of executive directors is determined by the Remuneration and Terms of Service Committee. During 2019/20, this committee consisted of the chair and the non-executive directors.

Board changes

During the year we have seen some changes to the Trust Board membership:
The Chief Executive Jan Sobieraj retired and Andrew Morgan was seconded as Chief Executive to the organisation from July 2019.
The Acting Director of Finance and Digital (Paul Matthew) was substantively appointed in November 2019
The Director of Nursing Michelle Rhodes left the Trust in September 2019 this post was covered on an interim basis by Victoria Bagshaw and Dr Karen Dunderdale was seconded to the organisation as Director of Nursing from March 2020.
In the first quarter of 2020 the Chief Executive completed a review of executive roles and then agreed a realignment of executive responsibilities.
Mark Brassington was appointed as Director of Improvement and Integration from January 2020.
Simon Evans was appointed as Acting Director of Operations from January 2020.
A full list of directors who have served during the year is shown within the remuneration report on page **.

Audit and Risk Committee

Audit and Risk Committee membership should comprise four non-executive directors, one of whom should possess considerable financial expertise.

For 2019/20, Audit and Risk Committee membership was as follows:
Sarah Dunnett, Chair (October 2017 – ongoing)
Geoffrey Hayward (July 2013 - ongoing)
Gill Ponder (April 2017 - ongoing)
Elizabeth Libiszewski (March 2018 – ongoing)

Declarations of interest for each member of the Trust Board can be found on the Trust website

https://www.ulh.nhs.uk/about/trust/declarations-of-interest/

Data-related incidents

The Trust had 4 information governance data breaches which were reportable in line with the Information Commissioners Office guidance in 2019/20. The incidents involved unauthorised access by a member of Trust staff to family records, misdirection of copy health records requested through subject access request and two instances where Trust records were handed in to the Trust when found outside the Trust. In all cases the ICO were satisfied with action taken by the Trust and have closed the incident. No financial penalties were issued.

Declaration: Audit of the Trust Annual Report and Accounts 2019/20

The Trust Board collectively and Directors individually confirm that they know of no information which would be relevant to the auditors for the purposes of their audit report, and of which the auditors are not aware, and; have taken “all the steps that ought to have taken” to make themselves aware of any such information and to establish that the auditors are aware of it.

Statement of accounting officer’s responsibilities

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of Accountable Officers are set out in the *NHS Trust Accountable Officer Memorandum.* 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 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, other items of comprehensive income and cash flows for the year.

As far as I am aware, there is no relevant audit information of which the Trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

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

Signed.....Chief Executive

Date.....

Scope of responsibility

As Accountable Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the NHS Trust's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me. I am also responsible for ensuring that the NHS Trust is administered prudently and economically and that resources are applied efficiently and effectively. I also acknowledge my responsibilities as set out in the NHS Trust Accountable Officer Memorandum.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of United Lincolnshire Hospitals NHS Trust, to 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 2020 and up to the date of approval of the annual report and accounts.

Capacity to handle risk

The Chief Executive, as the Accountable Officer (AO) for the Trust, is responsible for:

- The establishment and maintenance of effective corporate governance and internal control arrangements; and
- Being open and communicating effectively about the Trust's management of risks, both internally and externally.

The Medical Director, as the executive lead for risk management is responsible for:

- Monitoring the consistent application of the Risk Management Policy throughout the Trust; and
- Retaining a suitable level of professional risk management expertise to support the effective implementation of the Policy.

Members of Divisional teams are responsible for:

- The consistent application of the Policy within their areas of accountability;
- The management of specific risks that have been assigned to them and are recorded in the risk register, in accordance with the criteria set out in the policy; and
- Reporting on risk management matters as required to ensure that risk management performance can be monitored, assurance provided and risks escalated to a more senior level of management where appropriate.

All members of staff are responsible for:

- Identification and as far as possible the management of risks that they identify in the course of their duties.

- Maintaining an awareness of the primary risks within their service or department
- Bringing to the attention of their line manager any risks that are beyond their ability or authority to manage
- Applying the Policy to any relevant risk management undertaken in the course of their duties; and
- The completion of any risk management related mandatory Core Learning.

The Trust's Risk Management Policy provides staff with clear and unambiguous criteria for evaluating risks, and the essential requirements of the risk management process have been designed into the Datix Risk Management System to provide a supportive structure and guidance for those with responsibility for managing risks.

Practical Risk Management workshops are provided on all hospital sites, as part of the Core Management Skills programme. Practical recent examples of the Trust using effective risk management in its decision making through appropriate and accountable governance arrangements include: the management of patient safety and quality risks whilst an interim model for paediatric services at Pilgrim Hospital has been in place; and contingency planning in relation to the UK's exit from the EU, including the supply of medicines; medical devices; and workforce.

During the final quarter of 2019/20 the Trust enacted its pandemic flu plan following guidance from Public Health England in response to Covid -19 (Coronavirus). The Trust adhered to all national guidance and the Trust Board approved streamlined governance arrangements which allowed rapid response to the changing situation whilst maintaining appropriate controls. The Board continued to meet monthly and received reports on how the pandemic was impacting on the operation of Trust services. During March 2020 hospital services were reduced to free up capacity and reduce the risk to patients coming in to our hospitals. Appointments were deferred and attendances at A&E departments were low. As a result the Trust entered 2020/21 with many patients waiting for appointments.

The risk and control framework

The basic principle at the heart of the Trust's risk management approach is that an awareness and understanding of risk should be used to inform decision making at all levels. This requires not only the active engagement of all staff with risk management activity in practice, but also the integration of risk management principles and techniques within the formal governance arrangements of the organisation. This approach will enable major strategic, policy and investment decisions to be made with a full and reliable appreciation of the risks associated with them as well as any existing risks that those decisions may serve to mitigate.

The Board Assurance Framework (BAF) is an important document that enables the Trust Board to maintain effective oversight of strategic risk management within the organisation. The Trust Board identifies and defines strategic risks to its objectives and assigns each of those risks to a lead non-executive assurance committee for routine review and evaluation.

During 2019/20 the Board saw the following changes. The Chief Executive retired and an Interim Chief Executive was appointed on secondment in July 2019. The Interim Director of Finance and Digital was appointed substantively in to the post in November 2019. The Deputy Chief Executive retired in September 2019. Following this a new post Director of Improvement and Integration/ Deputy Chief Executive post was established, the post was filled by the former Chief Operating Officer. The Chief Operating Officer post has been filled since January 2020 on an interim basis by the Director of Operations. The Director of Nursing took up a role with another Trust and the post was filled from September 2019 on an interim basis by the Deputy Chief Nurse with a new Director of Nursing being seconded to the organisation in February 2020.

The role of each Board committee is to consider evidence provided by members of the Executive Team in relation to relevant corporate risks, to enable the committee to make an informed judgement as to the level of assurance that can be provided to the Trust Board and assess the overall extent of strategic risk exposure at that time.

The role of the Audit and Risk Committee is to consider the appropriateness and effectiveness of the BAF as a key component of the Trust's internal control arrangements.

A strategic risk is defined as a risk that is Trust-wide in scope and extreme in terms of its potential severity. These are the risks that would fundamentally destabilise the organisation if they were to materialise.

The BAF had been reviewed and revised during 2018/19. During their well led review in July 2019 the Care Quality Commission (CQC) recognised the progress that had been made with the BAF. The HOIA Opinion found that the Assurance Framework in place is founded on a systematic risk management process and does provide assurance to the Board. The Assurance Framework does reflect the Trust's key objectives and risks and is reviewed monthly by the Board.

There are 4 key strategic objectives defined within the 2019/20 BAF underpinned by deliverable outcomes. Strategic objectives are owned by the Trust Board, with responsibility for regular oversight of these and the risks to achievement being delegated to appropriate assurance committees. Relevant Key Risk Indicators (KRIs) were identified in relation to each strategic risk in the BAF. Reporting against these KRIs was included in regular management reports that provide the lead committees with evidence that associated corporate risks are being managed effectively. Lead assurance committees reviewed and challenged each corporate risk that is included in the BAF, to provide guidance and set expectations to support Trust management teams in developing and delivering their risk treatment strategies.

The absence of a Trust Board agreed risk appetite was identified as a weakness in the control environment during 2018/19 and in March 2019 a facilitated Board Development session was held to develop this. The risk appetite statement as part of the Risk Strategy was considered and agreed at the Trust Board in May 2019 and can be found on the Trust website.

The year started with the implementation of the new Trust Operating Model (TOM) management structure in April 2019, which saw the Trust restructure and bring in new senior management capability to lead services and standardise practice across all sites. This included a strengthened clinical governance function to support risk management and governance arrangements within the divisions.

Progress is being made to implement a new integrated improvement plan (IIP) following the CQC Well Led Inspection report published in October 2019. The IIP will form the basis of strategic delivery moving forward.

The integrated performance report has also been reviewed in response to challenge from the Board about its adequacy to meet the Board's needs ensuring its alignment with the IIP. This improvement work continues.

Compliance with the CQC registration requirements are considered both by the Trust Board and Quality Governance Committee.

Risks to data security are specifically highlighted within the revised 2019/20 BAF. The treatment of these risks is through a cyber security plan and digital strategy which are reviewed at Audit and Risk Committee and the Finance Performance and Estates Committee.

The key strategic risks to the organisation during 2019/20 that were the focus of consideration by the Trust Board and Executive were:

- The Trust financial position and delivery of the financial recovery plan;
- The ability of the Trust to attract and retain staff;
- The condition of the Trust estate, including the fire enforcement issues; and
- Management of emergency demand

Significant clinical risks are also highlighted within the Trust Board Assurance Framework specifically:

- A significant, widespread deterioration in the quality and safety of nursing care impacting on a large number of patients across divisions;
- A significant, widespread deterioration in the effectiveness of safeguarding practice impacting on the care of vulnerable people across divisions;
- A significant, widespread deterioration in safe medicines management practice impacting on a large number of patients across divisions; and
- An uncontrolled outbreak of serious infectious disease affecting a large number of patients, staff and visitors across divisions.

Managed and mitigated through:

- Clinical service structures & resources;
- Clinical governance arrangements at Trust, directorate & service levels;
- Clinical policies, procedures, guidelines, pathways, supporting documentation, audit programme & training;
- Clinical staff recruitment, induction, mandatory training, registration & re-validation;
- Quality & safety improvement planning process & plans;
- Defined safe staffing levels;
- Ward accreditation programme;
- Health, safety & security policies, guidance, monitoring and training;
- Patient experience policies, procedures, training and services; and
- Infection, prevention & control management framework.
- Emergency Planning Protocols

And outcomes assessed through:

- Number & severity of patient safety incidents;
- Number of Serious Incidents / Never Events;
- Number & severity of Healthcare Acquired Infections (HCAIs);
- Number & severity of safeguarding incidents;
- Number & severity of medication safety incidents;
- Harm free care rate;
- Hospital Standardised Mortality Ratio (HSMR);
- Number & type of complaints;
- Number & severity of health & safety incidents;
- Friends and Family Test and patient feedback data;
- Delivery of constitutional standards;

The Trust remains at risk of non compliance with condition G4 of the NHS Providers licence in relation to CQC registration conditions and Financial Special Measures and had identified non-compliance with governance regulations and standards as a key risk within the Board Assurance Framework. The Board continue to focus on accessing support and strengthening the arrangements in place.

Reporting to the Audit and Risk Committee has been improved with regular assurance given in the form of reports on governance compliance, internal control weaknesses, the Board Assurance Framework and Risk Management.

The Trust Board charges its assurance committees with providing upward reports highlighting areas of assurance in relation to risks to achievement of the strategic objectives. The Chair has encouraged challenge and rigour at Board meetings around the reports presented and assurances given.

The Trust's Risk Management Strategy is based on the establishment of a core set of corporate and operational risks, which are aligned to strategic objectives as defined in the Board Assurance Framework (BAF) and routinely monitored through the assurance committees of the Trust Board. Lead management groups (such as the Patient Safety Group; Information Governance Group; Health & Safety Group) are responsible for reviewing and updating corporate risks within their areas of responsibility. With this framework now established, the Trust is beginning to utilise data from reported incidents to better understand areas of significant risk, so that mitigating action can be taken and reporting to both the Board and its Committees has been developed in year.. Divisional management groups are responsible for maintaining oversight of the management of operational risks by their Clinical Business Units (CBUs), through the established Performance Review Meeting (PRM) process.

The primary objective of the Risk Management policy is to establish the foundations for consistent and effective risk management to become embedded in routine management activity throughout the Trust. It sets out clear definitions, responsibilities, and essential management requirements that enable risks to be managed in a consistent manner throughout the organisation to support the delivery of safer, more efficient, more effective and more resilient services. The policy aims to support the Trust in delivering against corporate governance requirements for maintaining an effective internal control environment, as reviewed by internal and external audit.

Every division within the Trust is expected to make active use of the Datix risk register to support their management of risks. In addition, divisions provide a regular report on the content of their risk registers as part of the Trust's performance management arrangements.

The Trust is not fully compliant with the registration requirements of the Care Quality Commission. The Trust was subject to three focused visits to the Pilgrim emergency department between November 2018 and February 2019. These visits highlighted overcrowding, waits for treatment and issues with the provision of care for children resulting in the Trust failing to meet its legal requirements in relation to Regulation 12 and Regulation 17. Further visits by the CQC during June 2019 resulted in a Section 31 Decision Notice relating to sepsis screening at Lincoln and Pilgrim, Triaging of children at Lincoln ED and the environment for children in Lincoln ED, and a section 29A Warning Notice in respect of systems and processes in place to assess, monitor and improve the quality and safety of services provided in children's and young people's services. A Winter assurance Visit in January 2020 resulted in a section 31 warning notice which imposed a further six conditions relating to the Pilgrim Hospital Emergency Department. Assurance on progress against the conditions and actions from all CQC reports are reviewed and challenged monthly by the Quality Governance Committee who then provide assurance through to the Trust Board in their monthly report. All actions have also been aligned to the Trust Integrated Improvement Plan for 2020/21.

The Trust has published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (as defined by the Trust with reference to the guidance) within the past twelve months, as required by the '*Managing Conflicts of Interest in the NHS*' guidance.

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

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

The Trust has undertaken risk assessments and has a sustainable development management plan in place which takes account of UK Climate Projections 2018 (UKCP18). The Trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with through this plan.

Modern Slavery and Human Trafficking Act 2015. The Trust's approach in meeting the requirements of the above Act has been to develop a statement in conjunction with the Trust's Head of Procurement. The provision of the statement is considered to be an element of the Trust's commitment and demonstration of the need to be aware of this requirement, and associated values relating to equality, diversity and community relations. The Trust also achieves this through ensuring that services are procured through approved suppliers or tendered through robust processes.

Review of economy, efficiency and effectiveness of the use of resources

The Trust was placed in financial special measures during 2017/18 and the Board has received assurance reports from the Finance, Performance and Estates Committee following its monthly review of Trust financial and operational performance. The Trust had the support of a Financial Advisor to support in its delivery of an efficiency programme during 2019/20 and has been subject to regular review of this process by NHS Improvement and NHS England. In 2019 the CQC completed a Use of Resources review for the Trust which resulted in the Trust being rated inadequate.

The Trust planning process ensured the annual plan incorporated the 2021 strategy, key strategic objectives prioritisation aligned with the Trust key risks and national performance standards, as well as financial planning and management.

The National Health Service Act 2006 requires that 'in auditing the accounts of any NHS trust an auditor must by examination of the accounts and otherwise satisfy himself that... (d) the Trust has made proper arrangements for securing economy, efficiency and

effectiveness in its use of resources'. External audit planning work involved an assessment against a number of criteria, including those issued by the National Audit Office, to identify any significant risks to the above conclusion. External Audit present to the Audit Committee any significant risks identified and the planned audit response for consideration by the Committee. In April 2020 the Trust's External Audit providers highlighted the following significant risks:

- The level of forecast in year deficit which follows a number of previous year of financial deficit resulting in the Trust being in Financial Special Measures
- The Trust has been in quality special measures since April 2017. A CQC re-inspection highlighted improvement and the Trust moved to requires improvement but remained in special measures.
- The significant financial pressures faced by the Trust are resulting in a shortage of cash and impacting on backlog capital investment.
- The Lincolnshire Sustainability and Transformation Plan (STP) will review the services provided by the Trust following public consultation.
- Agency expenditure continues to exceed the agency ceiling for 2019/20 reflecting the significant recruitment and retention issues faced by the Trust.

The Board receive reports from External Audit and Internal Audit through the Audit and Risk Committee and the Assurance Committees.

Recruitment and retention remains a concern for the Trust. The recruitment market for many medical staff, some Allied Health Professionals and Registered Nurses is challenging, as is recognised in the NHS Workforce Strategy. This is exacerbated by the difficulty of recruiting to Lincolnshire. The Trust has invested in additional staff to support recruitment activity to traditional roles and is using agencies to recruit from both the UK and overseas.

Alongside this, we are looking at our overall workforce model and establishment and the introduction of new roles, to reduce the need for roles to which we find it hard to recruit. We are also focused on increasing retention levels. Whilst our overall turnover rate remains lower than equivalent Trusts, we will explore ways to improve the morale of our staff and retain them for longer.

Developing Workforce Safeguards

In January 2020 the Workforce and Organisational Development Committee received a full Nursing and Midwifery Establishment Review. This establishment review was comprehensive and fully complied with the requirements set out in the newly published standards.

In accordance with the published requirements and given day-to-day operational challenges, the Trust has business-as usual dynamic staffing risk assessments (supported by Health Roster) including formal escalation processes to align staffing numbers to acuity, dependency and demand. The standards recognise that at times staff numbers may be insufficient to meet this demand or complexity. In this case, an organisation must have a process or standard operating procedure (SOP) to recognise the risks and co-ordinate a response on a shift-by-shift or daily basis. A staffing

safeguards SOP should provide assurance from the front line to the board that safe staffing standards are being achieved and risks to quality and safety mitigated. The recent increase to nursing establishment in A&E at Pilgrim Hospital is evidence of this in practice.

In accordance with CQC's well-led framework guidance (2018) and National Quality Board's guidance any service changes, including skill-mix changes, have a full quality impact assessment (QIA) review signed off by the nursing and medical director. It is clearly understood that the redesign or introduction of new roles (including but not limited to nursing associates and advanced clinical practitioners) would be considered a service change and must have a full QIA.

An annual Workforce Plan was developed as part of the annual Trust Operational Planning process and submitted to NHS Improvement (NHSI). Through the annual planning process it is triangulated with planned activity and finance, signed off by the Executive Team and formally reported to the Board.

An initial assessment of the maturity of workforce planning has been undertaken using the associated NHSI Operational Workforce Planning Toolkit and whilst an annual workforce plan is completed each year, and is informed by many of the points listed above (to varying degree), the current workforce planning process is at an emerging level and can be significantly improved for 2020/21.

The 2019/20 Workforce Plan is too top down heavy and driven by high level assumptions including the Trusts Financial Recovery Plan, the link from clinical activity to establishment (and job planning) is weak and this is exacerbated by high vacancy rates in medical and clinical establishments.

Whilst the Trusts current approach to workforce planning is underdeveloped, the complexity should not be under-estimated and is multi-faceted. Greater engagement and ownership at divisional and speciality level is needed with stronger integration with the Trust's Clinical Transformation Programme and STP service changes.

Stakeholder engagement

The Trust has continued a programme of engagement events with patients, members of the public, staff and other key stakeholders in year to help inform and develop the clinical and financial strategies, to support aspirations of moving out of both quality and financial special measures. The Trust is working with the whole Lincolnshire health and care system – engaging with the whole community on proposals for improvements to services. This includes current thinking around the centralisation of some services to provide centres of excellence.

It is hoped that during 2020, the system will be in a position to consult with the public on these changes and address the fragility issues of some services.

Information governance

The Trust had 4 information governance data breaches which were reportable in line with the Information Commissioners Office guidance in 2019/20. The incidents involved unauthorised access by a member of Trust staff to family records, misdirection of copy health records requested through subject access request and two instances where Trust records were handed in to the Trust when found outside the Trust. In all cases the ICO were satisfied with action taken by the Trust and have closed the incident.

Data Quality and Governance

The Trust assures itself of the quality and accuracy of elective waiting time data through specific training for staff, the use of electronic solutions to improve accuracy, validation processes linked to systems and inclusion in the internal and external audit work programmes. The Trust has identified access to end user training, resource for refresher training and the inconsistent application of RTT codes to pathways despite training, as potential areas of risk to the data. A training programme has been developed and delivered by the 18 week team with high levels of engagement and feedback. The Trust have seen improvement in one of the metrics for 18 weeks data quality following the roll out of this training.

The risks associated with elective waiting times and specifically those attached to the Patient Administration System (PAS) have been reviewed and assurance sought at the Finance, Performance and Estates Committee throughout the year and within the outpatient improvement programme plan.

Seven recommendations relating to data were made in the Trust Quality Account audit in May 2019. Actions taken in response to these recommendations have been monitored through the Finance, Performance and Estates Committee

The introduction and roll out of a Data Quality Kite Mark took place during the year and continues. This is being applied to all metrics that are in the Trust Board Integrated Performance Report (IPR), and will be subject to at least an annual review.

Review of effectiveness

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS Trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on the information provided in this annual report and other performance information available to me.

My review is also informed by comments made by the external auditors in their management letter and other reports.

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, the audit and risk committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

Maintenance and review of the effectiveness of the systems of Internal Control have been supported by

The Board
The Board have received assurance reports from the Audit and Risk Committee, Quality Governance Committee, Finance, Performance and Estates Committee and Workforce and OD Committee as well as considering the Trust Integrated Performance Report and Board Assurance Framework. The Board continue to direct their work to improve the identified weaknesses in the control framework and governance arrangements.

The Audit and Risk Committee
The Audit and Risk Committee have advised the Board on the overall effectiveness of the systems of control through their upward report to the Trust Board. The Committee have considered the Board Assurance Framework and the risk improvement plans and have monitored the delivery of internal and external audit plans.

Clinical Audit
During 2019/20 the Trust participated in 95.4% of possible national clinical audits and 100% of the national confidential enquiries in which it was eligible. The Trust benefitted from participating in gaining assurance that the services delivered are safe and effective, and outcomes were good based on evidenced based practice and standards of care.

Internal Audit
The Head of Internal Audit provides an opinion for 2019/20 of partial assurance with improvement required. The Opinion was based on a review of the systems of internal control, primarily through the operation of the Board Assurance Framework in the year to date, the outcome of individual assignments completed and the Trust response to recommendations made. Assurance has been given in respect of design and operation of the BAF and risk management. Partial assurance was given in respect of the outcome of individual assignments reported within the 2019/20 Internal Audit Plan and the extent to which the Trust had responded to audit recommendations.

8 of the 13 reports issued by Internal Audit were issued with a partial assurance. Internal Audit reported the following high risk issues

Core Financial Controls (Payroll) –
-The Trust to increase budget holder accountability and promote top-down management for checking nominal roles and notifying payroll promptly of leavers. It is advised that the Performance Review Meetings (PRM) include directorate/divisional overpayment reviews with the clinical leads/Business Managers.

-In addition, we recommended that the Trust should take preventative action to reduce late notification, this could include providing nominal rolls before the payroll run.

Financial Efficiency Programme -

-The Trust to review its process for escalation of non-delivery of efficiency schemes and accountability arrangements for implementation of milestone actions, especially for high value and cross cutting schemes.

Research and Development –

-The Trust should ensure there are robust governance arrangements in place to support research and development. RIC arrangements to be reviewed and updated to reflect the different responsibilities following the establishment of the R&I Operational and Governance Group; this includes revision of its Terms of Reference and reviewing upward reporting requirements which, once agreed, should be adhered to. The newly established R&I Operational and Governance Group should set out clear roles and responsibilities, management oversight, monitoring and reporting arrangements in its terms of reference and through a standard agenda.

-Policies and procedures should be developed / reviewed. These to include: roles and responsibilities including establishing one point of contact / R&I lead in specialties / departments, financial accounting, financial monitoring and reporting arrangements, and process flows and authorisation levels including for grant applications.

-In addition, job descriptions for key members of the R&I team to be reviewed and updated in line with agreed responsibilities.

Educational funding –

-The Education and Learning Strategy to be finalised and agreed at the appropriate level. It needs to embrace the proposals on Meeting Future Educational Needs and provide a framework within which priorities for education and learning are set.

-The Trust to establish a mechanism through which annual priorities are identified, within the context of the overall Education and Learning Strategy and how available funding will be directed towards those priorities. This includes the appropriate interface with LWAB, so that ULHT can bid for Health Education England (HEE) funding allocated to the system according to annual priorities it has identified.

-There should be a clear governance framework including escalation and reporting lines, and responsibility assigned to a specific group.

-In addition, there should be a policy setting out the principles governing the different streams of educational funding and operational procedures to guide decision making. The document(s) should include: roles and responsibilities of individuals and groups (including division of responsibilities between specialties and Medical Education Department), source and purpose of the different streams of funding available / received by the Trust, operational process including approval requirements for additional in-year income, escalation of issues (to include process flow-charts) and monitoring and reporting including the financial accounting / allocation of the income.

Conclusion

During the year the Trust identified the following significant control issues:
The Trust remained in special measures following the CQC inspection in July 2019, the Trust was assessed as requires improvement. The Trust did not exit special measures at this point as NHS Improvement considered that the Trust still had weaknesses within its governance arrangements relating to Safe care and Well Led. The Trust continues to work to progress its integrated improvement programme.

In September 2017 the Trust was placed in Financial Special Measures. The Trust has continued to face significant financial challenges which are expected to continue during 2020/21. The Trust has been supported by the wider system and a financial advisor. The Trust agreed a Financial Recovery Plan for 2019/20 with NHSI.

The Trust remains subject to improvement notices from the Health and Safety Executive and also the Lincolnshire Fire and Rescue Service although significant work has been completed during 2019/20 to meet the conditions identified.

The wider Lincolnshire health system faces a significant financial challenge, both now and in the longer term. Local health and social care organisations continue to work together to identify ways in which we can collaborate to meet this challenge including the creation of the new Lincolnshire Clinical Commissioning Group being established from the 1 April 2020.

The Local Health Economy work continues to deliver the Sustainability and Transformation Plan (STP). The plan for Lincolnshire covers hospital services, community healthcare, mental health, social care and GP services. It has been developed by all local NHS organisations, including ours, and addresses the issues highlighted in the Lincolnshire Sustainability & Transformation Plan (October 2016) which showed that local needs are growing and changing, demand on health services is increasing, the current system does not meet the standards of care we aspire to as a health system and our collective financial challenge is significant and growing.

The Trust also faces operational pressures with increasing demand. The organisation saw growth in A&E attendances, urgent 2 week wait referrals and increased GP referrals. This is particularly difficult to deliver when many services have workforce or infrastructure challenges. As a result constitutional standards have not been met.

The Trust has significant recruitment and retention challenges, partly due to being in a large rural health system. The additional impact of working in a challenged organisation leads to an increasing reliance on agency staff to maintain services, this in turn increasing the challenge to improve quality.

Overall, the Trust is clear on the issues and progress continues to be made in developing and implementing improvement plans, however it is recognised that there remain some weaknesses in the current governance arrangements. Governance arrangements continue to be

strengthened. The Board Assurance Framework has been refreshed for both format and content to ensure it is fit for purpose. The Committees and organisation structure have also been reviewed to support better board assurance and drive improvements.

Signed……..
Chief Executive Date: May 2020

Remuneration report

Remuneration policy

Senior managers (executive directors) remuneration policy

We are committed to ensuring that the remuneration package for our executive directors or very senior managers (VSMs) enables us to recruit and retain individuals who provide the skills necessary to manage a large, complex organisation, facing significant challenges. The Trust remuneration committee reviews the pay package on an annual basis, to ensure that what is received by individuals is commensurate with market conditions, the responsibilities and duties of the role and provides value for money to the Trust.

We review salaries also when new appointments are made and where the proposed salary is above £150,500, approval is sought from NHSI and HM Treasury, in line with the policy for VSM appointments.

The remuneration package comprises:

- Base salary
- Benefits
- Pension

Base salary

In determining base salary, the committee takes account of the average for acute trusts of equivalent size.

Where salary exceeds £150k, new contracts must include an element of “earn-back” pay, where a proportion of salary is withheld unless agreed performance targets are met. At present this applies to the medical director only as the Chief Executive is seconded to the organisation. The remuneration committee determine the level of earn-back payable on an annual basis.

Benefit

The primary benefit payable to VSM managers is annual leave, which is in line with Agenda for Change policy and increases with years of service.
The Chief Executive has confirmed that the key decision makers within the Trust for the purposes of the Remuneration and Staff Report are Board Executive and Non-Executive Members.

The tables below detail the Salaries and Allowances paid during the year to each Senior Executive along with a table showing Pension Benefits at 31 March 2020.

Single total figures remuneration table (Audited)

Salaries & Allowances

					2018/19					2019/20				
Name	Position	Notes	Term in post		Salary (bands of £5,000)	Expense payments - taxable (total to nearest £100)	All pension-related benefits (bands of £2,500)	Benefits in kind total to nearest £100	Total (bands of £5,000)	Salary (bands of £5,000)	Expense payments - taxable (total to nearest £100)	All pension-related benefits (bands of £2,500)	Benefits in kind total to nearest £100	Total (bands of £5,000)
			Start	Finish	£000's	£00's	£000's	£00's	£000's	£000's	£00's	£000's	£00's	£000's
Elaine Baylis	Trust Chair		Jan-17	Ongoing	40 - 45	15		14	40 - 45	40 - 45	14		-	40 - 45
Sarah Dunnett	Non-Executive Director		Jul-16	Ongoing	5 - 10	20		8	5 - 10	5 - 10	11		-	5 - 10
Dr Chris Gibson	Non-Executive Director		Aug-17	Ongoing	5 - 10	-		-	5 - 10	5 - 10	-		-	5 - 10
Alan Lockwood	Non-Executive Director		Jun-18	Mar-19	0 - 5	-			0 - 5		-		-	-
Geoff Hayward	Non-Executive Director		Jul-13	Ongoing	5 - 10	13		13	5 - 10	5 - 10	11		-	5 - 10
Elizabeth Libiszewski	Non-Executive Director		Mar-18	Ongoing	5 - 10	4		4	5 - 10	5 - 10	8			5 - 10
Gill Ponder	Non-Executive Director		May-15	Ongoing	5 - 10	8		7	5 - 10	5 - 10	8		-	5 - 10
Andrew Morgan	Chief Executive	1	Jul-19	Ongoing		-		-		145 - 150	8	-	-	145 - 150
Jan Sobieraj	Chief Executive		Dec-15	Jun-19	185 - 190	-	-	-	185 - 190	45 - 50	-	-	-	45 - 50
Kevin Turner	Deputy Chief Executive	2	Jan-11	Aug-19	140 - 145	9	-	-	140 - 145	135 - 140	9	-	-	135 - 140
Paul Matthew	Director of Finance and Digital		Nov-18	Ongoing	45 - 50	-	2.5 - 5		50 - 55	130 - 135	-	25 - 27.5	-	155 - 160
Mark Brassington	Director of Improvement and Integration / Chief Operating Officer		Mar-16	Ongoing	130 - 135	29	10 - 12.5	-	140 - 145	130 - 135	22	25 - 27.5	-	155 - 160
Simon Evans	Acting Chief Operating Officer		Jan-20	Ongoing		-		-		25 - 30	-	-	-	25 - 30
Karen Dunderdale	Director of Nursing	3	Feb-20	Ongoing		-		-		15 - 20	-	-	-	15 -20
Victoria Bagshaw	Interim Director of Nursing		Sep-19	Feb-20		-		-		45 - 50	-	20 - 22.5	-	70 - 75
Michelle Rhodes	Director of Nursing		Oct-10	Sep-19	125 - 130	18	-	-	125 - 130	60 - 65	13	-	-	60 - 65
Dr Neil Hepburn	Medical Director	4	May-17	Ongoing	185 - 190	29	10 - 12.5	-	200 - 205	185 - 190	19	62.5 - 65	-	250 - 255
Martin Rayson	Director of People & Organisational Development		Sep-16	Ongoing	105 - 110	7	30 - 32.5	-	135 - 140	105 - 110	4	-	-	110 - 115
Paul Boocock	Director of Estates and Facilities		Oct-13	Jan-20	105 - 110	19	87.5 - 90	-	195 - 200	80-85	12	12.5 - 15	-	95 - 100

Notes:

1. Andrew Morgan is seconded and costs recharged from Lincolnshire Community Health Services NHS Trust.

2. The salary for Kevin Turner includes a payment of £80,000 under the Mutually Agreed Resignation Scheme (MARS)

3. Karen Dunderdale is seconded and costs recharged from Walsall Healthcare NHS Trust.

4. The salary for Dr Hepburn incorporates remuneration for his role as Medical Director and also for clinical duties as a Dermatology Consultant. The latter role is carried out for half a day each week.

Definitions:
Salary
The total amount of salary, fees and allowances paid to the individual for services provided. This excludes reimbursement for expenses and employers superannuation and national insurance contributions.

Expense Payments

Taxable expenses and benefits in kind are expressed to the nearest £100. The values and bands used to disclose sums in this table are prescribed by the Cabinet Office through Employer Pension Notices and replicated in the HM Treasury Financial Reporting Manual. Expense Payments relate to reimbursement for travel, subsistence and where appropriate re-location expenses. Figures presented are shown gross, before tax.

Benefits in kind

These relate to tax paid by the Trust for home to base travel on behalf of Non Executive Directors in 2018/19.
The Public Sector PAYE Settlement Agreement which covered this was withdrawn from April 2019, the benefit is therefore no longer applicable in 2019/20.

Pension related benefits in kind

Pension related benefits disclosed arise from membership of the NHS Pensions defined benefit scheme. They are not remuneration paid, but are the increase in pension benefit net of inflation for the current year calculated by applying a prescribed formula as set out within the Finance Act (2004). For those Senior Managers who have served in post part year, the increase in pension related benefits for the full year have been adjusted pro rata. Further details of the board's pension benefits are disclosed in the Pension Benefits table.

No performance related pay or bonus payments have been made in 2018/19 or 2019/20.

Pensions entitlement table (Audited)

The Trust operates the standard NHS Pension Scheme.

Pension Benefits 2019/20

Name	Position	Notes	Real increase in pension at pension age (bands of £2,500) £000's	Real increase in pension lump sum at pension age (bands of £2,500) £000's	Total accrued pension at pension age at 31 March 2020 (bands of £5,000) £000's	Lump sum at pension age related to accrued pension at 31 March 2020 (bands of £5,000) £000's	Cash Equivalent Transfer Value at 1 April 2019 £000's	Real increase in Cash Equivalent Transfer Value £000's	Cash Equivalent Transfer Value at 31 March 2020 £000's	Employer's contribution to stakeholder pension £000's
Andrew Morgan	Chief Executive	1	0 - 2.5	0 - 2.5	70 - 75	210 - 215	1,570	13	1,662	
Jan Sobieraj	Chief Executive	2	-	-	-	-	1,947	-	-	
Kevin Turner	Deputy Chief Executive	2	-	-	-	-	1,522	-	-	
Paul Matthew	Director of Finance & Digital		0 - 2.5	0 - 2.5	20 - 25	15 - 20	221	25	251	
Mark Brassington	Director of Improvement & Integration / Chief Operating Officer		0 - 2.5	-	40 - 45	85 - 90	566	36	616	
Simon Evans	Acting Chief Operating Officer	4	-	-	-	-	236	-	-	
Karen Dunderdale	Director of Nursing	3	-	-	-	-	-	-	-	
Victoria Bagshaw	Interim Director of Nursing		2.5 - 5	7.5 - 10	35 - 40	105 - 110	577	67	751	
Michelle Rhodes	Director of Nursing		-	-	35 - 40	110 - 115	859	0	810	
Dr Neil Hepburn	Medical Director		2.5 - 5	7.5 - 10	65 - 70	200 - 205	1,567	-	-	
Martin Rayson	Director of People & Organisational Development	4	-	-	-	-	69	-	-	
Paul Boocock	Director of Estates and Facilities		0 - 2.5	-	40 - 45	100 - 105	745	33	805	

NHS Pensions are still assessing the impact of the McCloud judgement in relation to changes in benefits in the NHS 2015 scheme. The benefits and related CETVs disclosed do not allow for any potential future adjustments that may arise from this judgement

Notes:

1. Andrew Morgan joined the Trust in July 2019 on secondment from Lincolnshire Community Health Services NHS Trust. Pension benefits shown relate to the period up to 31 July 2019 at which point Mr Morgan withdrew from the pension scheme.
2. Jan Sobieraj and Kevin Turner retired during 2019/20 having made no further contributions to the NHS Pension Scheme in 2018/19 or 2019/20
3. Karen Dunderdale joined the Trust in February 2020 on secondment from Walsall Healthcare NHS Trust but is not a member of the NHS Pension Scheme.
4. Martin Rayson and Simon Evan withdrew from the NHS Pension scheme during the financial year 2018/19. No figures are therefore reported in relation to pension benefits in 2019/20.

Lump Sum

No lump sum will be shown for senior managers who only have membership in the 2015 Scheme or 2008 Section (unless they chose to move their 1995 Section benefits to the 2008 Section under the 'Choice' exercise).

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capital value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's (or other allowable beneficiary's) pension payable from the scheme. CETVs are calculated in accordance with SI 2008 No.1050 Occupational Pension Schemes (Transfer Values) Regulations 2008.

No CETV will be shown for pensioners or senior managers over NPA. Age 60 in the 1995 Section, age 65 in the 2008 Section or SPA or age 65, whichever is the later, in the 2015 Scheme.

Real Increase in CETV

This reflects the increase in CETV that is funded by the employer. It does not include the increase in accrued pension due to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement).

The method used to calculate CETVs changed, to remove the adjustment for Guaranteed Minimum Pension (GMP) on 8 August 2019. Where an individual was entitled to a GMP, this affects the calculation of the real increase in CETV. This is more likely to affect the 1995 Section and the 2008 Section.

Inflation

The inflation applied to the accrued pension, lump sum (if applicable) and CETV is the percentage (if any) by which the Consumer Prices Index (CPI) for the September before the start of the tax year is higher than it was for the previous September.
The Consumer Prices Index up to September 2018 was 2.4%, therefore, an increase of 2.4% should be applied to pensions and CETV at April 2019.

Fair pay disclosure (Audited)

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce.

The banded remuneration of the highest paid director in United Lincolnshire Hospitals NHS Trust in the financial year 2019/20 was £185,000 - £190,000 (2018/19: £185,000 – 190,000). This was 7.85 times (2018/19: 8.01) the median remuneration of the workforce, which was £24,214 (2018/19: £23,363). The remuneration of the highest paid Director has reduced marginally from 8.01 times the median workforce remuneration to 7.85 times.

This results from the median employee remuneration being based one salary incremental point higher in 2019/20 than in 2018/19. Both the highest paid Director and the general workforce received comparable percentage salary uplift in 2019/20.

In 2019/20, zero (2018/19: zero) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £190,000 to £6,157 (2018/19: £187,075 to £8,213).

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind as well but not severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions."

(Salary has been defined for the purposes of this calculation as basic salary which excludes overtime and enhancements)

Compensation for loss of office

In 2019/20 Kevin Turner received a MARS payment as set out within the Senior Managers Disclosure page 29.

Payments to past directors

There were no payments made to former directors in 2019/20.

Staff report

Staff costs

	Permanent £000	Other £000	2019/20 Total £000	2018/19 Total £000
Salaries and wages	245,463	20,976	**266,439**	252,274
Social security costs	22,647	1,954	**24,601**	23,151
Apprenticeship levy	1,354	-	**1,354**	1,287
Employer's contributions to NHS pension scheme	38,727	4,447	**43,174**	28,425
Pension cost - other	123	-	**123**	67
Other post employment benefits	-	-	**-**	-
Other employment benefits	-	-	**-**	-
Termination benefits	70	-	**70**	58
Temporary staff	-	44,064	**44,064**	37,118
Total gross staff costs	**308,384**	**71,441**	**379,825**	**342,380**
Recoveries in respect of seconded staff	-	-	**-**	-
Total staff costs	**308,384**	**71,441**	**379,825**	**342,380**
Of which				
Costs capitalised as part of assets	1,012	26	**1,038**	684

Average number of employees (WTE basis)

	Permanent Number	Other Number	2019/20 Total Number	2018/19 Total Number
Medical and dental	807	232	**1,039**	985
Ambulance staff	-	-	**-**	-
Administration and estates	1,301	66	**1,367**	1,313
Healthcare assistants and other support staff	754	65	**819**	809
Nursing, midwifery and health visiting staff	2,843	473	**3,316**	3,197
Nursing, midwifery and health visiting learners	1	-	**1**	4
Scientific, therapeutic and technical staff	805	35	**840**	807
Healthcare science staff	145	4	**149**	148
Social care staff	-	-	**-**	1
Other	-	-	**-**	-
Total average numbers	**6,656**	**875**	**7,531**	**7,264**
Of which:				
Number of employees (WTE) engaged on capital projects	35	-	**35**	23

A breakdown of staff by gender (as at 31/3/20) is shown in the table below:

	Gender (Numbers)	
Pay Band / Grade	**Female**	**Male**
Apprentice	9.56	2.80
Nursing Cadet	8.00	1.00
Band 1	104.13	17.15
Band 2	1473.27	312.99
Band 3	478.59	90.58
Band 4	320.62	95.12
Band 5	1143.04	191.82
Band 6	751.80	133.36
Band 7	416.98	105.31
Band 8A	138.09	38.19
Band 8B	41.02	15.96
Band 8C	19.60	13.00
Band 8D	5.00	8.85
Band 9	3.00	5.00
Director		6.00
Consultant	80.49	236.20
Associate Specialist	4.20	22.89
Staff Grade		0.73
Specialty Doctor	45.96	101.40
GPCA/Hospital Practitioner	1.41	0.77
Specialty Registrar	74.36	66.30
Foundation Year 2	36.00	41.00
Foundation Year 1	39.00	39.00
Total %	**77.07%**	**22.93%**

The Trust reports annually on its gender pay gap and the latest report (based on 31st March 2019 data) can be found on our website here: https://www.ulh.nhs.uk/about/equality-diversity/gender-pay-gap-reporting/

This report also contains information about how the organisation will respond to the data analysis.

Sickness Absence

Sickness absence rates can be found by using the following link to the NHS Digital website
https://digital.nhs.uk/data-and-information/publications/statistical/nhs-sickness-absence-rates

Fairness and equity

As a large, public sector employer, ULHT is committed to promoting equality, diversity and inclusion and to tackling any inequalities that are identified in the workforce.

We have an agreed set of people policies, which provide a framework for the management and development of our staff at ULHT. These cover the full employment lifecycle, from recruitment through to retirement and embrace how we support our staff to be successful and how we attend to their health and safety. Those policies are regularly reviewed with staff representatives to ensure they reflect employment law and best practice. All are assessed from an equality and diversity perspective to ensure there can be no detriment to any group of staff through their application.

The Trust is committed to ensuring that all current and potential staff are able to achieve what they want at ULHT. During 2018/19 we agreed our first inclusion strategy, which has the following vision for our staff:

1. Feel valued and fairly treated in a Trust that really cares.
2. Know the Trust as a Trust that people want to come and work for, stay with and thrive in, because of its commitment to equality, diversity and inclusion.
3. Are proud to work in an open and inclusive Trust.

Our staff networks continue to grow in strength and we have networks for our BAME and LGBT staff, MAPLE, which is for staff with disabilities, an Armed Forced Network.

During 2019/20 a women's network was established and each of our staff networks have been given the active support of an executive/senior leadership sponsor.

In terms of our staff with disabilities, we have been reaccredited as a disability confident employer:

The Disability Confident Employer status (level 2) was achieved as the organisation could demonstrate progress in the following key areas

- Actively seeking to recruit disabled people through the NHS Jobs and TRAC platforms, alongside the Lincolnshire Talent Academy.
- Providing a fully inclusive and accessible recruitment process.
- Offering an interview to disabled people who meet the minimum criteria for the job.
- Being flexible when assessing people so disabled job applicants have the best opportunity to demonstrate that they can do the job.
- Proactively offering and making reasonable adjustments as required.
- Encouraging our suppliers and partner firms to be Disability Confident.
- Ensuring employees have sufficient disability equality awareness training.
- Providing an environment that is inclusive and accessible for staff, clients and customer.
- Promoting a culture of being Disability Confident.
- Supporting employees to manage their disabilities or health conditions, for example, by the provision of a full Occupational Health Service, which can also be accessed by self-referral, should a staff member prefer.
- Ensuring there are no barriers to the development and progression of disabled staff, for example by the establishment of a MAPLE (Mental & Physical Lived Experience) staff network in early 2020 and analysis of the national NHS Staff Survey Data.
- Ensuring managers are aware of how they can support disabled staff who are sick or absent from work.
- Valuing and listening to feedback from disabled staff, through the establishment of the MAPLE staff network and analysis of the staff survey data.

We recognise from our staff survey data that staff from protected groups believe we could do more to ensure there is fairness in all aspects of the recruitment and management of staff. We have reflected this in the priorities in the Integrated Improvement Plan.

Working in partnership

The Trust is committed to building strong partnerships with all stakeholders. One key partner is our staff representatives

The Trust has a Change Management Policy that states that:

The Trust will enter into consultation with recognised staff professional organisations and trade unions before decisions are taken with a view, wherever practicable, to taking account of the views expressed.

The Trust will seek to introduce and effect change by agreement, but also to establish a climate within the organisation which actively encourages staff at all levels themselves to participate in and to support changes which affect them.

The policy sets out a process a process and structure for consultation that ensures that there is consistency and that adequate time is set aside for consultation.

The Trust meets with its staff representatives on at least a monthly basis, in two forums. The Executive Partnership Forum is an opportunity for staffside and Executives to meet to discuss strategic issues which will impact on our employees and provides an opportunity for staff representatives to help shape Trust strategy. The Joint Negotiating Forum (and its equivalent for Medical Staff) is the forum at which changes to terms and conditions are negotiated and consultation takes place on significant changes to policy (outside of terms and conditions) and working arrangements.

We provide facility time for Trade Union representatives to participate as staffside and to represent their members.

The Trade Union (Facility Time Publication Requirement) Regulations 2017 requires NHS employers to publish certain information on trade union officials and facility time on their website. Here is an extract of the information we have published for the 2019/20 financial year (note the FTE employees information was taken at a different point in the year and is not the same as the figure quoted in paragraph x above):

Number of staff who are Trade Union Officials	24 and (14 zero time and 10 paid time)
FTE Employees	6373.04
Total cost of facility time	£112,366
Total pay bill	£29,859 million
Percentage of the total pay bill spent on facility time, calculated as:	0.04%

(total cost of facility time ÷ total pay bill)
x 100

The Trust has reviewed its Trade Union Recognition Agreement and has agreed to increase the amount of facility time given , to strengthen the partnership with the Trade Unions.

Freedom to speak up (FTSU)

Effective speaking up arrangements help to protect patients and improve the experience of NHS workers. Having a healthy speaking up culture is an indicator of a well-led Trust. ULHT is committed to ensuring that speaking up is part of the culture of the organisation. We want to support senior leaders to make the connection between speaking up and improving patient safety and staff experience, and will use this to inform the actions that are needed to continuously improve.

Speaking up cases raised with the Trust freedom to speak up guardian in 2019/20:

	Total cases	Cases received anonymously	Cases with element of patient safety	Cases with element of bullying/ harassment	Cases where detriment reported for raising concerns
Q1	3	0	1	2	0
Q2	7	1	1	7	0
Q3	15	0	3	5	1
Q4	6	0	0	4	0

The Trust has a freedom to speak up policy in place and a freedom to speak up guardian, who has completed the national training programme.

The NHS staff survey for 2019 showed that our staff confidence and security in reporting unsafe clinical practice is average for our benchmark group of Trusts and had not moved from previous years whilst we recognise as a Trust that safety culture is an area of focus.

The percentage of staff experiencing bullying and harassment reduced slightly but remained higher than the average for acute trusts

The CQC well led report highlighted that there were still weaknesses and that some staff were not aware of the process through which they could speak up. In 2019 the Trust created a network of staff FTSU champions to promote and increase awareness of speaking up. These champions all completed the nationally recognised training.

Consultancy expenditure

Consultancy is defined as the provision to management of objective advice and assistance relating to strategy, structure, management or operations of an organisation in pursuit of its purposes and objectives. Such assistance will be provided outside the 'business-as-usual' environment when in-house skills are not available and will be of no essential consequence and time-limited. Consultancy may include the identification of options with recommendations, or assistance with (but not delivery of) the implementation of solutions.

Under this definition Trust Consultancy expenditure in 2019/20 was £0.1m (2018/19: £3.7m).

Off-payroll engagements

The Review of the tax arrangements of public sector appointees published by the Chief Secretary to the Treasury in 2012 set out the requirement for Government departments and their arm's length bodies to publish information on their highly paid and/or senior off-payroll engagements.

Subsequent changes to tax legislation, applicable to public sector bodies from April 2017, further reformed the 'off-payroll' tax rules. Under the reformed off-payroll working rules (commonly known as IR35), Departments must determine whether the rules apply when engaging a worker through a Personal Service Company (PSC).

Treasury requires public sector bodies to report arrangements whereby individuals are paid through their own companies (and so are responsible for their own tax and NI arrangements, not being classed as employees) using the format set out in the tables below

Off-payroll engagements longer than 6 months

For all off-payroll engagements as of 31 March 2020, for more than £245 per day and that last for longer than six months

No. of existing engagements as of 31 March 2020	11
Of which...	
No. that have existed for less than one year at time of reporting.	0
No. that have existed for between one & two years at time of reporting.	0
No. that have existed for between two and three years at time of reporting.	7
No. that have existed for between three and four years at time of reporting.	4
No. that have existed for four or more years at time of reporting.	0

New off-payroll engagement

For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020, for more than £245 per day and that last for longer than six months.

No. of new engagements, or those that reached six months in duration, between 1 April 2019 and 31 March 2020	17
Of which...	
No. assessed as caught by IR35	5
No. assessed as not caught by IR35	12
No. engaged directly (via PSC contracted to the entity) and are on the Trust payroll	0
No. of engagements reassessed for consistency / assurance purposes during the year.	0
No. of engagements that saw a change to IR35 status following the consistency review	0

Off-payroll board member/senior official engagements

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2019 and 31 March 2020

No. of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	0
Total no. of individuals on payroll and off-payroll that have been deemed “board members, and/or, senior officials with significant financial responsibility”, during the financial year. This figure includes both on payroll and off-payroll engagements	12

Exit packages (Audited)

NHS organisations are required to disclose details of any exit packages agreed in the year. The tables below are set out the number and cost of exit packages agreed by the Trust in 2019/20.

The actual date of departure might be in a subsequent period, and the expense in relation to the departure costs may have been accrued in a previous period. The data here is therefore presented on a different basis to other staff cost and expenditure notes in the Trust accounts.

Reporting of compensation schemes - exit packages 2019/20

	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
Exit package cost band (including any special payment element)			
<£10,000	-	3	**3**
£10,000 - £25,000	-	2	**2**
£25,001 - 50,000	-	-	**-**
£50,001 - £100,000	-	2	**2**
£100,001 - £150,000	-	-	**-**
£150,001 - £200,000	-	-	**-**
>£200,000	-	-	**-**
Total number of exit packages by type	**-**	**7**	**7**
Total cost (£)	£0	£170,000	**£170,000**

Reporting of compensation schemes - exit packages 2018/19

	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
Exit package cost band (including any special payment element)			
<£10,000	-	13	**13**
£10,000 - £25,000	-	-	**-**
£25,001 - 50,000	-	-	**-**
£50,001 - £100,000	-	-	**-**
£100,001 - £150,000	-	-	**-**
£150,001 - £200,000	-	-	**-**
>£200,000	-	-	**-**
Total number of exit packages by type	**-**	**13**	**13**
Total resource cost (£)	£0	£29,000	**£29,000**

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS Agenda for Change and Medical and Dental Terms and Conditions.
Exit costs in this note are the full costs of departures agreed in the year. Where the Trust has agreed early retirements, the additional costs are met by the United Lincolnshire Hospitals NHS Trust and not by the NHS Pensions Scheme.
Ill-health retirement costs are met by the NHS Pensions Scheme and are not included in the table.

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

Exit packages: other (non-compulsory) departure payments

	2019/20		2018/19	
	Payments agreed Number	Total value of agreements £000	Payments agreed Number	Total value of agreements £000
Voluntary redundancies including early retirement contractual costs	2	70	-	-
Mutually agreed resignations (MARS) contractual costs	1	80	-	-
Early retirements in the efficiency of the service contractual costs	-	-	-	-
Contractual payments in lieu of notice	4	20	13	29
Exit payments following Employment Tribunals or court orders	-	-	-	-
Non-contractual payments requiring HMT approval	-	-	-	-
Total	**7**	**170**	**13**	**29**
Of which:				
Non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months' of their annual salary	-	-	-	-

As a single exit package can be made up of several components each of which will be counted separately in this Note, the total number above will not necessarily match the total numbers which will be the number of individuals.

In 2019/20 the Trust made zero non-contractual payments in lieu of notice.
The Remuneration Report includes disclosure of exit payments payable to individuals named in that Report.

Parliamentary accountability and audit report

The Parliamentary accountability and audit report is required by those entities that report directly to Parliament. It is also required in the consolidated Department of Health and Social Care annual report.

Whilst individual DHSC bodies of which the Trust is one, are not required to produce a full Parliamentary accountability report, they must include disclosures on remote contingent liabilities, losses and special payments, gifts, and fees and charges within its financial statements.

These can be within the Final Accounts Section of this Annual Report at notes 28, 33, 34 and 6.

Audit opinion

Independent Auditors' Report to the Directors of United Lincolnshire Hospitals NHS Trust

Report on the audit of the financial statements

Opinion

In our opinion, United Lincolnshire Hospitals NHS Trust's ("the Trust") financial statements (the "financial statements"):

- give a true and fair view of the state of the Trust's affairs as at 31 March 2020 and of the Trust's income and expenditure and cash flows for the year then ended; and
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20.

We have audited the financial statements, included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 March 2020; the Statement of Comprehensive Income for the year then ended; the table of adjusted financial performance (control total basis); the Statement of Changes in Equity for the year ended 31 March 2020; the Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with the Local Audit and Accountability Act 2014, the Code of Audit Practice and relevant guidance issued by the National Audit Office on behalf of the Comptroller and Auditor General (the "Code of Audit Practice"), International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty relating to going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.2 to the financial statements concerning the Trust's ability to continue as a going concern.

The Government Financial Reporting Manual (FReM) requires that the financial statements of the Trust should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector.

At the end of March 2020, the Trust reported a deficit of £42.6m as set out in the Statement of Comprehensive Income. This was after the receipt of £28.9m in Provider Sustainability Funding, Financial Recovery Fund and Marginal Rate Emergency Tariff funding, as the Trust had met its plan for the year.

The Trust has been reliant on external cash support from the Department of Health and Social Care to meet its payment obligations as they have fallen due during 2019/20. It has drawn down a cumulative total of £377.8m in revenue and capital loans, as at 31 March 2020.

On 2 April 2020, the Department of Health and Social Care and NHS England and NHS Improvement announced reforms to the NHS Provider cash regime for the 2020/21 financial year. During 2020/21, existing Department of Health and Social Care interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The changes in the cash regime, effective from 1 April 2020, alongside the short term Covid-19 measures provide a degree of assurance regarding future revenue funding despite the Trust's historic performance in relation to achievement of planned cost reductions. However, despite the block contract arrangements in place until 30 September 2020, there is some uncertainty concerning cash funding for the residual gap between plan and control total when the temporary Covid-19 arrangements cease.

These conditions, along with the other matters explained in note 1.2 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Trust's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Trust was unable to continue as a going concern.

Emphasis of matter – material valuation uncertainty relating to property valuations

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1.28 and note 18 to the financial statements. These notes explain that there is material valuation uncertainty in relation to the valuation of properties of £168.5m included in the statement of financial position as at 31 March 2020. The third party valuers engaged by management have included a material valuation uncertainty clause in their report. This clause highlights that less certainty, and consequently a higher degree of caution, should be attached to the valuation as a result of the Covid-19 pandemic.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our Auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we

conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Performance Report and the Accountability Report, we also considered whether the disclosures required by the Department of Health and Social Care Group Accounting Manual 2019/20 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) and the Code of Audit Practice require us also to report certain opinions and matters as described below.

Performance Report and Accountability Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Performance Report and Accountability Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20.

In light of the knowledge and understanding of the Trust and its environment obtained in the course of the audit, we did not identify any material misstatements in the Performance Report or Accountability Report.

In addition, the parts of the Remuneration and Staff reports to be audited have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Accountability Report set out on page 22, the directors are responsible for the preparation of the financial statements in accordance with the Department of Health and Social Care Group Accounting Manual 2019/20, and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Trust's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The Trust is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could

reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at:
www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditors' report.

We are required under section 21 of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources and to report to you where we have not been able to satisfy ourselves that it has done so. We are not required to consider, nor have we considered, whether all aspects of the Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively. We have undertaken our work in accordance with the Code of Audit Practice, having regard to the criterion determined by the Comptroller and Auditor General as to whether the Trust has proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary.

Use of this report

This report, including the opinions, has been prepared for and only for the Directors of United Lincolnshire Hospitals NHS Trust as a body in accordance with paragraph 24 of Schedule 7 of the National Health Service Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Arrangements for securing economy, efficiency and effectiveness in the use of resources

Under the Code of Audit Practice, we are required to report, by exception, if we conclude we are not satisfied that the Trust has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

Adverse opinion

As a result of the matters set out in the basis for adverse opinion paragraph below, we have concluded that the Trust has not put in place proper arrangements for securing economy, efficiency and effectiveness in the use of its resources for the year ended 31 March 2020.

Basis for adverse opinion

At the end of March 2020, the Trust reported an adjusted financial performance deficit of £42.3m for the year which meant the Trust achieved its control total. However, the Trust received non-recurrent support totalling £24.7m from the Lincolnshire Clinical Commissioning Groups to enable this to be achieved and gain access to the £28.9m of linked financial funding. The exclusion of these balances, alongside non-recurrent financial

efficiencies of £6.5m, shows an underlying deficit of £102.4m. Spending on agency staff totalled £44m which is significantly above the Trust's cap of £21m. The Trust remains in financial special measures.

The Trust submitted a financial plan for 2020/21 in March 2020, that outlined an initial deficit plan of £72.9m against a control total offer of £52.9m. However, the impact of the Covid-19 pandemic has meant that this plan did not become operational and has instead been replaced by a block contract for at least part of 2020/21. The Trust would still have to manage a proportion of the gap between the control total and the draft financial plan should this become operational during the latter part of 2020/21.

There is a capital expenditure backlog of £236m. This includes £102m which is either required to meet statutory obligations, or mandatory to be compliant with relevant laws and regulations. The financial plan for 2020/21 is for £22.3m of capital spend, and the Trust is reliant on external funding to undertake its capital programme.

During the year, the Trust has reported that it has failed to meet the national priority targets in relation to A&E 4 hour waits, 18 week Referral to Treatment and 62 day cancer waits. Action plans have been put in place although these are yet to result in evidence of sustained improvements in performance.

The Care Quality Commission (CQC) inspected the Trust in October 2016 and issued a report in April 2017 with an overall rating of 'Inadequate'. The report highlighted concerns in respect of safety, effectiveness, responsiveness and leadership. The Trust was placed in clinical special measures in April 2017. A re-inspection in 2018 identified an improvement in clinical performance resulting in the overall Trust rating moving to 'Requires Improvement'. However, the Pilgrim Hospital site remained rated as 'Inadequate'. Further inspections performed in 2019 concluded that the Trust remained as 'Requires Improvement' but emergency departments within the Lincoln and Pilgrim Hospital sites were rated as 'Inadequate'. These 'Inadequate' ratings were maintained following unannounced inspections in January 2020.

These matters above are evidence of weaknesses in: proper arrangements for planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions; proper arrangements for understanding and using appropriate cost and performance information to support informed decision making and performance management; and/or arrangements for planning and deploying workforce to deliver the Trust's priorities effectively.

Other matters on which we report by exception

We are required to report to you if:

- We have referred a matter to the Secretary of State for Health under section 30 of the Local Audit and
  Accountability Act 2014 because we had reason to believe that the Trust, or a director or officer of the Trust, was about to make, or had made, a decision which involved or would involve the incurring of expenditure that was unlawful, or was about to take, or had taken a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency.
- We have issued a report in the public interest under section 24 of the Local Audit and Accountability Act 2014.

- We have made written recommendations to the Trust under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of, the audit.
- We have not received all the information and explanations we require for our audit.

We have no exceptions to report arising from this responsibility except the referral of a matter to the Secretary of State for Health under section 30 of the Act on 19 May 2020 because we have reason to believe that the Trust has, taking into account the guidance issued by NHS Improvement in April 2018 entitled 'Statutory breakeven duty: a guide for NHS trusts', breached its statutory 'breakeven duty' as set out in paragraph 2 (1) of Schedule 5 to the National Health Service Act 2006.
The Trust reported, in its draft financial statements for 2019/20, an in-year breakeven duty financial performance deficit of
£41.876m, and a cumulative deficit as at 31 March 2020 of £372.350m. The Trust's income in 2019/20 was £539.248m. The Trust's, draft financial plan, submitted to NHS Improvement in March 2020, also shows a planned deficit of £72.9m for 2020/21.

Certificate

We certify that we have completed the audit of the financial statements in accordance with the requirements of section 21 of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Alison Breadon (Senior Statutory
Auditor) for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Donington Court
Pegasus Business Park
Castle Donington
East Midlands
DE74 2UZ

24 June 2020

Financial statements

Foreword to the accounts

Financial Review - year ended 31 March 2020

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 and Social Care. Our performance against these targets is set out in the table below:

Financial Target	**Actual Performance**		
	2019-2020 £000		**2018-19 £000**
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 / Government Granted Assets)	**0**	**(Deficit)**	**0**
	0	**Impairments**	0
	0	**Other adjustments**	0
	0	**Reported Performance**	**0**
	0	**IFRIC 12 adjustments**	233
	0	**Performance against breakeven duty**	**233**
	0	**Cumulative position against breakeven duty (deficit)**	**0**
To achieve a capital cost absorption rate of 3.5%	**3.5%**	**Achieved**	**3.5%**
To operate within an External Financing Limit set by the Department of Health and Social Care	**£0m**	**Underspent**	**£1.23m**
To operate within a Capital Resource Limit set by the Department of Health and Social Care	**£0m**	**Underspent**	**£0m**
To pay 95% of creditor invoices within 30 days (by number of invoices)	0%	**Trade (Non-NHS)**	83%
	0%	**NHS**	63%

Paul Matthew
Director of Finance and Digital
19 June 2020

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

The Chief Executive of NHS Improvement, in exercise of powers conferred on the NHS Trust Development Authority, has designated that the Chief Executive should be the Accountable Officer of the Trust. The relevant responsibilities of Accountable Officers are set out in the NHS Trust Accountable Officer Memorandum. 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 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, other items of comprehensive income and cash flows for the year.

As far as I am aware, there is no relevant audit information of which the trust's auditors are unaware, and I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

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 Morgan Chief Executive

Date 19 June 2020

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 HM 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, other items of comprehensive income and cash flows for the year. In preparing those accounts, the 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 and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

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.

The directors confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS trust's performance, business model and strategy.

By order of the Board

Signed Chief Executive

Signed Director of Finance and Digital

Date 19 June 2020

Statement of comprehensive income for the year ending 31 March 2020

	Note	2019/20 £000	2018/19 £000
Operating income from patient care activities	3	-	-
Other operating income	4	-	-
Operating expenses	7, 9	-	-
Operating surplus/(deficit) from continuing operations		**-**	**-**
Finance income	12	-	-
Finance expenses	13	-	-
PDC dividends payable		-	-
Net finance costs		**-**	**-**
Other gains / (losses)	14	-	-
Surplus / (deficit) for the year from continuing operations		**-**	**-**
Surplus / (deficit) for the year		**-**	**-**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	8	-	-
Revaluations	18	-	-
Other reserve movements		-	-
Total comprehensive income / (expense) for the period		**-**	**-**
Adjusted financial performance (control total basis):			
Surplus / (deficit) for the period		-	-
Remove net impairments not scoring to the Departmental expenditure limit		-	-
Remove I&E impact of capital grants and donations		-	-
Prior period adjustments		-	-
Adjusted financial performance surplus / (deficit)		**-**	**-**
Adjusted financial performance against breakeven duty:			
Adjusted financial performance (control total basis):		-	-
IFRIC 12 breakeven adjustment		378	233
Adjusted financial performance against breakeven duty surplus / (deficit)		**378**	**233**

Statement of financial position

	Note	31 March 2020 £000	31 March 2019 £000	01 April 2018 £000
Non-current assets				
Intangible assets	15	-	-	6,148
Property, plant and equipment	16	-	-	170,589
Receivables	20	-	-	1,828
Total non-current assets		**-**	**-**	**178,565**
Current assets				
Inventories	19	-	-	6,799
Receivables	20	-	-	25,393
Non-current assets for sale and assets in disposal groups	21	-	-	1,225
Cash and cash equivalents	22	-	-	10,533
Total current assets		**-**	**-**	**43,950**
Current liabilities				
Trade and other payables	23	-	-	(53,481)
Borrowings	25	-	-	(36,157)
Provisions	27	-	-	(735)
Other liabilities	24	-	-	(3,210)
Total current liabilities		**-**	**-**	**(93,583)**
Total assets less current liabilities		**-**	**-**	**128,932**
Non-current liabilities				
Trade and other payables	23	-	-	-
Borrowings	25	-	-	(165,075)
Provisions	27	-	-	(2,994)
Other liabilities	24	-	-	(13,584)
Total non-current liabilities		**-**	**-**	**(181,653)**
Total assets employed		**-**	**-**	**(52,721)**
Financed by				
Public dividend capital		-	-	257,563
Revaluation reserve		-	-	24,677
Other reserves		-	-	190
Income and expenditure reserve		-	-	(335,151)
Total taxpayers' equity		**-**	**-**	**(52,721)**

The notes on pages 17 to 87 form part of these accounts.

The financial statements on pages 12 to 87 were approved by the Board on 19 June 2020 and signed on its behalf by;

Signed:

Name	Andrew Morgan
Position	Chief Executive Officer
Date	19 June 2020

Statement of changes in equity for the year ended 31 March 2020

	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2019 - brought forward	**-**	**-**	**-**	**-**	**-**
Surplus/(deficit) for the year	-	-	-	-	**-**
Other transfers between reserves	-	-	-	-	**-**
Impairments	-	-	-	-	**-**
Revaluations	-	-	-	-	**-**
Transfer to retained earnings on disposal of assets	-	-	-	-	**-**
Public dividend capital received	-	-	-	-	**-**
Other reserve movements	-	-	-	-	**-**
Taxpayers' and others' equity at 31 March 2020	**-**	**-**	**-**	**-**	**-**

Statement of changes in equity for the year ended 31 March 2019

	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**-**	**-**	**-**	**-**	**-**
Prior period adjustment	-	-	-	-	**-**
Taxpayers' and others' equity at 1 April 2018 - restated	**-**	**-**	**-**	**-**	**-**
Surplus/(deficit) for the year	-	-	-	-	**-**
Other transfers between reserves	-	-	-	-	**-**
Impairments	-	-	-	-	**-**
Revaluations	-	-	-	-	**-**
Transfer to retained earnings on disposal of assets	-	-	-	-	**-**
Public dividend capital received	-	-	-	-	**-**
Taxpayers' and others' equity at 31 March 2019	**-**	**-**	**-**	**-**	**-**

Information on reserves

Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. Additional PDC may also be issued to trusts by the Department of Health and Social Care. A charge, reflecting the cost of capital utilised by the Trust, is payable to the Department of Health and Social Care as the public dividend capital dividend.

Revaluation reserve

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are recognised in operating income. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

Other reserves

Liabilities transferred to NHS Resolution (previously the NHS Litigation Authority) on 1st April 2000 have been recorded as 'other reserves'.

Income and expenditure reserve

The balance of this reserve is the accumulated surpluses and deficits of the Trust.

Statement of cash flows for the year ending 31 March 2020

	Note	2019/20 £000	2018/19 £000
Cash flows from operating activities			
Operating surplus / (deficit)		-	-
Non-cash income and expense:			
Depreciation and amortisation	7	-	-
Net impairments	8	-	-
Income recognised in respect of capital donations	4	-	-
Amortisation of PFI deferred credit		-	-
(Increase) / decrease in receivables and other assets		-	-
(Increase) / decrease in inventories		-	-
Increase / (decrease) in payables and other liabilities		-	-
Increase / (decrease) in provisions		-	-
Net cash flows from / (used in) operating activities		**-**	**-**
Cash flows from investing activities			
Interest received		-	-
Purchase of intangible assets		-	-
Purchase of PPE		-	-
Sales of PPE		-	-
Net cash flows from / (used in) investing activities		**-**	**-**
Cash flows from financing activities			
Public dividend capital received		-	-
Movement on loans from DHSC		-	-
Movement on other loans		-	-
Capital element of finance lease rental payments		-	-
Interest on loans		-	-
Other interest		-	-
Interest paid on finance lease liabilities		-	-
PDC dividend (paid) / refunded		-	-
Net cash flows from / (used in) financing activities		**-**	**-**
Increase / (decrease) in cash and cash equivalents		**-**	**-**
Cash and cash equivalents at 1 April - brought forward		**-**	**-**
Cash and cash equivalents at 31 March	22	**-**	**-**

Notes to the accounts

Note 1 Accounting policies and other information

Note 1.1 Basis of preparation

The Department of Health and Social Care has directed that the financial statements of the Trust shall meet the accounting requirements of the Department of Health and Social Care Group Accounting Manual (GAM), which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the GAM 2019/20 issued by the Department of Health and Social Care. The accounting policies contained in the GAM 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 GAM permits a choice of accounting policy, the accounting policy that 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 are described below. These have been applied consistently in dealing with items considered material in relation to the accounts.

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.

Note 1.2 Going concern

The Trust's Annual Report and Accounts have been prepared on a going concern basis. International Accounting Standard 1 requires the Board to assess, as part of the accounts preparation process, the Trust's ability to continue as a going concern. In the context of non-trading entities in the public sector, as defined within the Government Financial Reporting Manual (FReM), the anticipated continuation of the provision of a service in the future as evidenced by inclusion of financial provision for that service in published documents is normally sufficient evidence of going concern.

The financial statements should be prepared on a going concern basis unless there are plans for, or no realistic alternative other than, the dissolution of the Trust without the transfer of its services to another entity within the public sector.

In preparing the financial statements the Board of Directors has considered the Trust's overall financial position against the requirements of IAS1.

The close of the 2019/20 financial year and the early part of 2020/21 has been overshadowed by the Covid-19 outbreak which has had profound effects upon the operations of Health Services throughout the UK. As a consequence NHS finances have been significantly impacted at a National and local level.

In relation to the Going Concern assessment, there are implications for Trust 'Profitability', Liquidity and Continuity of Service.

Profitability

The Trust recorded a deficit of £42.3m, which was in line with the 2019/20 financial plan and control total after taking into account, permitted adjustments resulting from Covid-19. This was achieved with the award of £28.9m funding through the Provider Sustainability Fund (PSF), Financial Recovery Fund (FRF) and Marginal Rate Emergency Tariff (MRET).

After taking account of the 2018/19 performance, the challenging external environment and transformation programme required, the Trust Board approved a Financial Recovery Plan and Control Total deficit of £70.3m for 2019/20.

Delivery of the agreed control total has been achieved with a level of financial support from the four Lincolnshire CCGs which recognises the level of non-elective activity carried out by the Trust beyond agreed contract levels.

The increased costs incurred in the final quarter (£1.4m), associated with preparation for and the treatment of patients suffering from Covid-19 have been recognised in full. NHS England and NHS Improvement in line with Government releases have agreed to meet all reasonable costs associated with Covid-19 and have funded 2019/20 costs accordingly.

Continuity of Service

Draft financial plans for 2020/21 were initially approved by the Trust Board and submitted in early March showing a planned deficit of £72.9m after receipt of Financial Recovery Fund awards and including a £27.0m cost efficiency programme.

Since this submission however the NHS landscape has changed dramatically due to Covid-19. Financial plans for 2020/21 have been deferred with Trusts and CCGs operating in accordance with guidance issued by NHSI in March.

This guidance states that for an initial period covering 1 April – 31 July 2020:

- NHS providers will receive block contract payments from commissioners, and income from non-NHS sources.
- Where this is not sufficient to cover a provider's underlying cost base, additional central top up payments will be made. Further top up payments will be made to cover reasonable costs of responding to the crisis, net of any cost reductions e.g. for consumables not required.

Upon return to normal operating and trading / financial conditions the Trust would anticipate continuing to receive the majority (95%) of its patient care income through two main contracts, Lincolnshire Clinical Commissioning Group (which replaced the four former CCGs on 1st April 2020) plus Associates and NHS England.

Looking beyond 2020/21, and recognising that the Trust remains in Financial Special Measures, although no formal trajectory has to date been agreed to return the Trust to breakeven; NHSE/I have written to the Trust, setting out the expected trajectory and deficit target until 2023/24.

The guidance issued by NHSE/I in relation to block contracts and the correspondence indicating the deficit target for the next four years, coupled with the absolute operational needs associated with the treatment of Lincolnshire patients during the current outbreak,

provide a clear signal (in the absence of a signed 12 month contract), that the Trust will continue to provide services for the foreseeable future.

Liquidity

The Board of Directors has a reasonable expectation that the Trust will have access to adequate resources to continue to deliver the full range of mandatory services for the foreseeable future.

The Trust has been reliant on external cash support from DHSC to meet its payment obligations as they have fallen due during 2019/20. It has drawn down a cumulative total of £342.3m in revenue related loans and £35.5m in capital loans, at 31 March 2020.

NHSI have announced significant changes to the NHS Provider cash regime, effective from 1 April 2020.

- Interim revenue loans at 31 March 2020 are to be extinguished during 2020/21. Providers will be issued Public Dividend Capital (PDC) to effect the repayment of outstanding balances at 31 March 2020.
  This is disclosed within note 36 as an adjusting event.
  Within the statement of financial position all loans affected by this change have been recorded as current liabilities. Net current liabilities at 31 March 2020 are recorded as £373.0m, excluding those loans to be converted during 2020/21 this reverts to net current assets of £4.9m.
- For 2020/21, the Financial Recovery Fund (FRF), will be the sole source of financial support for NHS providers and CCGs that are otherwise unable to live within their means.
  Organisations' entitlement to FRF will continue to depend on full-year financial performance and, where financial trajectories are not achieved, any FRF that has been paid but not earnt will be converted to DHSC financing (PDC).
- Future revenue support will be available for exceptional short-term cash flow requirements and longer-term revenue support for providers in financial distress. This support will be provided as PDC (rather than loans) and does not require principal repayment but carries a dividend payable at the current PDC rate (3.5%).

In addition to these changes, and building upon the guidance to NHS bodies outlining measures in relation to Covid-19 contract arrangements covering 1 April – 30 September 2020, block contract payments will be made monthly in advance.

The changes in the cash regime from 1 April 2020 alongside the short term Covid-19 measures provide a degree of assurance regarding future revenue funding despite the Trust's historic performance in relation to achievement of planned cost reductions.
This in turn provides reassurance over the Trust's ability to continue as a Going Concern.

In further support of this conclusion, and recognising the heighted 'Going Concern' uncertainty generated by Covid-19, NHS England and NHS Improvement issued a joint statement on 27 May 2020 which incorporates the following paragraph, reaffirming 'continuity of service' and government funding:

In March 2020 we announced revised arrangements for NHS contracting and payment to apply for part of the 2020/21 year. In May 2020 we issued revised financial management guidance to CCGs for the corresponding period. We are not yet able to definitively announce the contracting arrangements that will be in place for the rest of 2020/21 and

beyond. It remains the case that the Government has issued a mandate to NHS England for the continued provision of services in England in 2020/21 and CCG allocations have been set for the remainder of 2020/21. While these allocations may be subject to minor revision as a result of the COVID-19 financial framework, the guidance has been clarified to inform CCGs that they will be provided with sufficient funding for the year. Providers can therefore continue to expect NHS funding to flow at similar levels to that previously provided where services are reasonably still expected to be commissioned. While mechanisms for contracting and payment are not definitively in place, it is clear that NHS services will continue to be funded, and government funding is in place for this.

Long term sustainability and planning

The NHS Long Term plan sets out to achieve that all NHS organisations are in financial balance by 2023/24. The Lincolnshire Sustainability and Transformation Partnership (STP) key aim is to assess the county wide strategic provision of services across all health and social care bodies, identifying and delivering the potential for large scale service reconfiguration and rationalisation. This should deliver improved patient outcomes and reduced costs through improved efficiency and a reduction in duplication.

In March 2019 the Lincolnshire Health Community launched a public consultation under the banner "Healthy Conversation 2019" seeking views on proposed service reconfigurations.

In parallel with the Lincolnshire STP the Trust has launched its Integrated Improvement Plan during 2020. This is the practical application of STP themes to the transformation of services delivered by this Trust and sets out the key priorities for the Trust over the next five years.

The publication of the STP and Trust plans offer a clear signal and constitute reasonable evidence that the NHS intends on-going provision of acute healthcare services to the people of Lincolnshire be that through the Trust or via an alternative delivery model.

Draft financial plans for 2020/21 submitted before services were disrupted by Covid-19, incorporated a deficit of £72.9m, against a cash backed control total of £52.9m. Despite the block contract arrangements in place until 30 September 2020; there is therefore some uncertainty concerning cash funding for the residual gap between plan and control total when the temporary Covid-19 arrangements cease.

The Trust recognises that the recurrent deficit alongside its ability to achieve planned cost reductions indicate that there is a material uncertainty which may cast significant doubt about the Trust's ability to continue as a Going Concern. However the assurance provided by the immediate continuing provision of healthcare services and improved access to funding through changes in the NHS financing regime significantly mitigates this.

Financing – Conclusion

The Board of Directors is therefore satisfied and considers it appropriate that the accounts for the year ended 31 March 2020 should be prepared on a Going Concern basis.

Note 1.3 Interests in other entities

Following Treasury's agreement to apply IFRS10 to NHS Charities from 1 April 2013, the Trust has established that as the Trust is the corporate Trustee of the linked NHS Charity – United Lincolnshire Hospitals NHS Trust Charity, it effectively has the power to exercise control so as to obtain economic benefits. However, the transactions are immaterial in the context of the group and transactions have not been consolidated. Details of the transactions with the charity are included in the related parties' note.

The Trust does not hold further interests in other entities.

Note 1.4 revenue from contracts with customers

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS).

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, the Trust accrues income relating to performance obligations satisfied in that year. Where the Trust's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

Revenue from NHS contracts

The main source of income for the Trust is contracts with commissioners for health care services. A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, the Trust accrues income relating to activity delivered in that year, where a patient care spell is incomplete. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

Revenue is recognised to the extent that collection of consideration is probable. Where contract challenges from commissioners are expected to be upheld, the Trust reflects this in the transaction price and derecognises the relevant portion of income.

Where the Trust is aware of a penalty based on contractual performance, the Trust reflects this in the transaction price for its recognition of revenue. Revenue is reduced by the value of the penalty.

The Trust does not receive income where a patient is readmitted within 30 days of discharge from a previous planned stay. This is considered an additional performance obligation to be satisfied under the original transaction price. An estimate of readmissions is made and forms part of the contract by reducing the contract value and is fully recognised within the year and there is no deferral of income.

The Trust receives income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. The Trust agrees schemes with its commissioner but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the contract.

Collection of income is dependent on the Trust delivering on its contract obligations. Commissioners can only choose not to pay when those obligations have not been met. This is transacted via the levy of fines and penalties. Performance monitoring arrangements within the Trust provides an early indication of the likelihood of fines and penalties allowing prompt resolution and ensure revenue is recognised appropriately.

Whilst fines and penalties, challenges, readmissions and CQUIN are each calculated and transacted in full, the Trust agreed financial envelope with Lincolnshire CCGs means that these are reinvested as part of the contract settlement.

Revenue from research contracts

Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, it is assessed that the revenue project constitutes one performance obligation over the course of the multi-year contract. In these cases it is assessed that the Trust's interim performance does not create an asset with alternative use for the Trust, and the Trust has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the Trust recognises revenue each year over the course of the contract.

NHS injury cost recovery scheme

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, for instance by an insurer. The Trust recognises the income when performance obligations are satisfied. In practical terms this means that treatment has been given, it receives notification from the Department of Work and Pension's Compensation Recovery Unit, has completed the NHS2 form and confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

Provider sustainability fund (PSF) and Financial recovery fund (FRF)

The PSF and FRF enable providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

Note 1.5 Other forms of income

Grants and donations

Government grants are grants from government bodies other than income from commissioners or trusts for the provision of services. Where a grant is used to fund revenue expenditure it is taken to the Statement of Comprehensive Income to match that expenditure. Where the grants is used to fund capital expenditure, it is credited to the consolidated statement of comprehensive income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

Apprenticeship service income

The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider from the Trust's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Other income

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Note 1.6 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments such as social security costs and the apprenticeship levy are recognised in the period in which the service is received from employees. The cost of annual leave entitlement 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.

Pension costs

NHS Pension Scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State for Health and Social Care in England and Wales. The scheme is not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as though it is a defined contribution scheme: the cost to the Trust is taken as equal to the employer's pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time the Trust commits itself to the retirement, regardless of the method of payment.

Note 1.7 Expenditure of other goods and services

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

Note 1.8 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

- 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 be provided to, the Trust
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably
- 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 cost of more than £250, where the assets are functionally interdependent, had broadly simultaneous purchase dates, are anticipated to have similar disposal dates and are under single managerial control.

Where a large asset, for example a building, includes a number of components with significantly different asset lives, e.g., plant and equipment, then these components are treated as separate assets and depreciated over their own useful lives.

In January 2019 The Royal Institute of Chartered Surveyors issued guidance clarifying that where a large asset includes a number of components with significantly different asset lives, then these components must be treated as separate assets and depreciated over their own useful lives.
The Trust's asset valuation, undertaken as at 31 March 2019, took account of this clarification and has resulted in an increased depreciation charge in 2019/20.

Subsequent expenditure
Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the enterprise and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

Measurement

Valuation

All property, plant and equipment assets are measured initially at cost, representing the costs 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.

Assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (i.e. operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period. Current values in existing use are determined as follows:

- Land and non-specialised buildings – market value for existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. Specialised assets are therefore valued at their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. An MEA basis assumes that the asset will be replaced with a modern asset of equivalent capacity and meeting the location requirements of the services being provided.
Assets held at depreciated replacement cost have been valued on an alternative site basis where this would meet the location requirements.

The valuation using the alternative site basis takes into account that the modern equivalent replacement offering the same service potential as the existing hospitals:

- may only require a smaller site footprint
- whilst in appropriate locations to deliver the service within the existing towns (Lincoln, Boston and Grantham) may not be sited in the same location as the current hospitals.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowings costs. Assets are revalued and depreciation commences when the assets are brought into use

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

Depreciation

Freehold land, which is considered to have an infinite life is not depreciated. Otherwise, depreciation is charged to write off the costs or valuation of property, plant and equipment, less any residual value, on a straight-line basis over their estimated useful lives. 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.

Property, plant and equipment which has been reclassified as 'held for sale' cease to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position PFI contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

Revaluation gains and losses

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they reverse a revaluation decrease that has previously been recognised in operating expenses, in which case they are recognised in operating expenditure.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

Impairments

At each financial year end, the Trust checks whether there is any indication that its property, plant and equipment assets have suffered an impairment loss. If there is indication of such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount.
In accordance with the GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of :

i) the impairment charged to operating expenses; and
ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.
Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

De-recognition

Non-current assets intended for disposal are reclassified as 'held for sale' if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale must be highly probable i.e.:
    - management are committed to a plan to sell the asset,
    - an active programme has begun to find a buyer and complete the sale,
    - the asset is being actively marketed at a reasonable price
    - the sale is expected to be completed within 12 months of the date of classification as 'held for sale',
    - the actions needed to complete the plan indicate it is unlikely that the plan will be dropped or significant changes made to it.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value (open market value including alternative uses) less costs to sell'. Depreciation ceases to be charged. Assets are de-recognised when all material sale contract conditions have been met.

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 which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

Donated and grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their fair value on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

Private Finance Initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions

PFI and LIFT transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's FReM, are accounted for as 'on-Statement of Financial Position' by the Trust. In accordance with HM Treasury's FReM, the underlying assets are recognised as property, plant and equipment, together with an equivalent liability.

Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The nature of the PFI held by United Lincolnshire Hospitals NHS Trust means that no operating expenses are recorded. The agreement reflects a contract entered into with Progress Living for the provision of accommodation, as part of this the Trust are not buying a service concession as this is funded by the tenants.

Useful lives of property, plant and equipment

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives are shown in the table below:

	Min life	Max life
	Years	Years
Land	-	-
Buildings, excluding dwellings	-	-
Dwellings	-	-
Plant & machinery	-	-
Transport equipment	-	-
Information technology	-	-
Furniture & fittings	-	-

Finance-leased assets (including land) are depreciated over the shorter of the useful life or the lease term, unless the Trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

Note 1.9 Intangible assets

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

Internally generated intangible assets
Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised. Expenditure on development is capitalised where it meets the requirements set out in IAS 38.

Software

Software which is integral to the operation of hardware, e.g. an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware, e.g. application software, is capitalised as an intangible asset.

Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Intangible assets held for sale are measured at the lower of their carrying amount or fair value less costs to sell.

Amortisation
Intangible assets are amortised over their expected useful lives in a manner consistent with the consumption of economic or service delivery benefits.

Useful lives of intangible assets

Useful lives reflect the total life of an asset and not the remaining life of an asset. The range of useful lives are shown in the table below:

	Min life	Max life
	Years	Years
Information technology	-	-
Websites	-	-
Software licences	-	-

Note 1.10 Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is measured using the first in, first out (FIFO) method.

Note 1.11 Investment properties

The Trust holds no investment properties

Note 1.12 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. Cash, bank and overdraft balances are recorded at current values.

Note 1.13 Financial assets and financial liabilities

Recognition

Financial assets and financial liabilities arise where the Trust is party to the contractual provisions of a financial instrument, and as a result has a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the Trust's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, i.e., when receipt or delivery of the goods or services is made.

Classification and measurement

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

Financial assets are classified as subsequently measured at amortised cost.

Financial liabilities classified as subsequently measured at amortised cost.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income where business model objectives are met by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest. Movements in the fair value of financial assets in this category are recognised as gains or losses in other comprehensive income except for impairment losses. On derecognition, cumulative gains and losses previously recognised in other comprehensive income are reclassified from equity to income and expenditure, except where the Trust elected to measure an equity instrument in this category on initial recognition.

Financial assets and financial liabilities at fair value through income and expenditure

Financial assets measured at fair value through profit or loss are those that are not otherwise measured at amortised cost or at fair value through other comprehensive income. This category also includes financial assets and liabilities acquired principally for the purpose of selling in the short term (held for trading) and derivatives. Derivatives which are embedded in other contracts, but which are separable from the host contract are measured within this category. Movements in the fair value of financial assets and liabilities in this category are recognised as gains or losses in the Statement of Comprehensive income.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, the Trust recognises an allowance for expected credit losses.

The Trust adopts the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset’s gross carrying amount and the present value of estimated future cash flows discounted at the financial asset’s original effective interest rate.

Expected losses are charged to operating expenditure within the Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Statement of Financial Position.

Derecognition

Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired or the Trust has transferred substantially all the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

Note 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 a lessee

Finance leases
Where substantially all risks and rewards of ownership of a leased asset are borne by the Trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the commencement of the lease. Thereafter the asset is accounted for as an item of property plant and equipment.

The annual rental charge is split between the repayment of the liability and a finance cost so as to achieve a constant rate of finance over the life of the lease. The annual finance cost is charged to finance costs in the Statement of Comprehensive Income.
The lease liability, is de-recognised when the liability is discharged, cancelled or expires.

Operating leases
Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially in other liabilities on the statement of financial position 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.

Leases of land and buildings
Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

The Trust as a lessor

Finance leases
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 to reflect a constant periodic rate of return on the Trust's net investment outstanding in respect of the leases.

Operating 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 as an expense on a straight-line basis over the lease term.

Note 1.15 Provisions

The Trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation. Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using HM Treasury's discount rates effective for 31 March 2020:

		Nominal rate	
		2019/20	2018/19
Short-term	Up to 5 years	0.51%	0.76%
Medium-term	After 5 years up to 10 years	0.55%	1.14%
Long-term	Exceeding 10 years	1.99%	1.19%

HM Treasury provides discount rates for general provisions on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective 31 March 2020:

		Inflation rate	
	Year 1	1.90%	
	Year 2	2.00%	
	Into perpetuity	2.00%	

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.5% (2018/19: positive 0.29%) in real terms.

Clinical negligence costs

NHS Resolution operates a risk pooling scheme under which the Trust pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with the Trust. The total value of clinical negligence provisions carried by NHS Resolution on behalf of the trust is disclosed at note 27.2 but is not recognised in the Trust's accounts.

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 NHS Resolution 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 when the liability arises.

Note 1.16 Contingencies

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 28 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 28, unless the probability of a transfer of economic benefits is remote.

Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

Note 1.17 Public dividend capital

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS organisation. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

The Secretary of State can issue new PDC to, and require repayments of PDC from, the Trust. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the Trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for
(i) donated and grant funded assets,
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, and
(iii) any PDC dividend balance receivable or payable.

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

Note 1.18 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.

Note 1.19 Corporation tax

The Trust had no Corporation tax liability

Note 1.20 Foreign exchange

The functional and presentational currency of the Trust is sterling.

A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where the Trust has assets or liabilities denominated in a foreign currency at the Statement of Financial Position date:

- monetary items are translated at the spot exchange rate on 31 March
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction an
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the Statement of Financial Position date) are recognised in income or expense in the period in which they arise.

Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

Note 1.21 Third party assets

Assets belonging to third parties in which the Trust has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts. However, they are disclosed in note 22.2 to the accounts in accordance with the requirements of HM Treasury's FReM.

Note 1.22 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 the Trust not been bearing its own risks (with insurance premiums then being included as normal revenue expenditure).

The losses and special payments note is compiled directly from the losses and compensations register which reports on an accrual basis with the exception of provisions for future losses.

Note 1.23 Gifts

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

Note 1.24 Transfers of functions to / from other NHS bodies / local government bodies

The Trust has not transferred any functions to, or from, other NHS or Local Government bodies.

Note 1.25 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2019/20

Note 1.26 Standards, amendments and interpretations in issue but not yet effective or adopted

IFRS 16 Leases

IFRS 16 Leases will replace IAS 17 Leases, IFRIC 4 Determining whether an arrangement contains a lease and other interpretations and is applicable in the public sector for periods beginning 1 April 2021. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. The Trust will apply this definition to new leases only and will grandfather its assessments made under the old standards of whether existing contracts contain a lease.

On transition to IFRS 16 on 1 April 2021, the Trust will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at the trust's incremental borrowing rate. The Trust's incremental borrowing rate will be a rate defined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2021 for existing finance leases.

For leases commencing in 2021/22, the Trust will not recognise a right of use asset or lease liability for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

HM Treasury revised the implementation date for IFRS 16 in the UK public sector to 1 April 2021 on 19 March 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity in from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 is currently impracticable. However, the Trust does expect this standard to have a material impact on non-current assets, liabilities and depreciation.

The Trust has undertaken considerable work to understand those arrangements which do not currently meet the lease definition under IAS 17 / IFRIC 4. The delayed implementation of IFRS 16 will provide additional time to refine those assessments and embed revised processes within the Trust to identify and quantify leases under the new definition.

IFRS 17 Insurance Contracts

IFRS 17 Insurance Contracts has been issued and will become effective from financial year 2023/24. Work has not yet commenced to understand the impact within the NHS.

Note 1.27 Critical judgements in applying accounting policies

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

Payment for Services

Completed activity under Payment by Results is billed one month in arrears. Any disputed activity must then be queried and that query resolved within 2 months. The Trust has assumed that all invoiced activity recorded as income as at 31 March 2020 will be paid in full. A settlement agreement has been reached with Lincolnshire CCG's (£343.5m)and NHSE Specialised (£55.4m) in respect of their element of the contract. Therefore, the judgement does not apply to these elements of Contract income. Under Payment by results the combined income from Lincolnshire CCG's and NHSE Specialised (excluding any impact resulting from Fines / Challenges / CQUIN adjustments) would have equated to circa £379.0m.

Valuation of Buildings

The Department of Health and Social Care (DHSC) guidance specifies that the Trust's land and buildings should be valued on the basis of depreciated replacement cost, applying the Modern Equivalent Asset (MEA) concept. The MEA is defined as 'the cost of a modern replacement asset that has the same productive capacity as the property being valued'. Therefore the MEA is not a valuation of the existing land and buildings that the Trust holds but a theoretical calculation for accounting purposes of what the Trust could need to spend in order to replace the current assets.
In determining the MEA the Trust supported by its appointed valuer (Cushman and Wakefield) has made judgements around alternative sites and required footprint for an MEA build. In determining the MEA, the Trust has to make assumptions that are practically achievable and would meet the service needs of users, but the Trust is not required to have any plans to make such changes.

The Trust is satisfied that the assumptions underpinning the MEA valuation are practically achievable, would not change the services provided by the Trust and would not impact on service delivery or the level and volume of service provided. The Trust has no plans to implement any of the theoretical assumptions that underpin the MEA valuation.

For the purposes of the MEA valuation, the Trust has defined that the services provided at the:

- Lincoln County Hospital site could theoretically be provided from a location on the outskirts of Lincoln with easy access to the A46 ring road.
- Grantham District General Hospital site could theoretically be provided from a location on the outskirts of Grantham with access to the A1 / A52.
- Boston Pilgrim Hospital would not be re-sited.
- Further details concerning the valuation of Property, Plant and Equipment are provided in note 1.8 and note 16

Note 1.28 Sources of estimation uncertainty

Management do not consider that there are any estimates which create a significant risk of causing a material uncertainty in the context of the full year end financial statements. However the Trust valuer has declared a material uncertainty in the context of asset valuation which is described below and further at note 18.

Property Plant and Equipment Valuations:

An annual revaluation of Trust Property is conducted by Cushman & Wakefield. The value of land, buildings and dwellings post revaluation was £177.7m and is detailed at Note 16.

As part of this revaluation process the Trust reviews the remaining useful life of its buildings in accordance with advice received from the valuer. This estimation of remaining useful life is in accordance with the Royal Institute of Chartered Surveyors (RICS) appraisal and valuation manual. Details of the method of the recognition of asset lives are disclosed in Note 1.9.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the 31 March 2020 valuation report. This is on the basis of uncertainties in markets caused by COVID-19.

Cushman and Wakefield have advised that:
Less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.

The values in the report have been used to inform the measurement of property assets at valuation in these financial statements. With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

Further areas of estimation which have a major effect on the amounts recognised in the financial statements are described below:

Depreciation
The reported amounts for depreciation of property, plant and equipment and amortisation of non-current intangible assets can be materially affected by the judgements exercised in determining their estimated economic lives. Economic lives are determined in a number of different ways such as valuations (external professional opinion), internal review and profession assessment (equipment and IT assets predominently) and physical asset verification exercises.

Progress Housing
The Trust entered into a contract with a third party in 2006, Progress Living, 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 6, 12 and 24 months (after excluding any identified short term fluctuations) ending October 2019. The assets associated with this 'onerous' contract are impaired based upon this assessment.

The valuation of Progress Housing Dwellings recognised as a PFI asset on the Trust Statement of Financial Position is based upon it being a non-specialised asset in existing use. The valuation undertaken by Cushman and Wakefield takes into account factors including annual rental charges for each unit, management charges and assessment of future occupancy levels.

Pension Costs:
Details of the actuarial assumptions used in calculating the Trust's pension liabilities are provided in Note 10.

Income estimates:
Included in the income figure is an estimate for partially completed spells, i.e. treatment for admitted patients which is ongoing at the 31 March each year. This income is estimated based on the average speciality tariff applicable to each spell and adjusted for the portion of work completed at the end of the financial year.
For patients occupying a bed as at 31 March 2020, the estimated income from partially completed spells was £3.4m (31 March 2019: £4.4m). Similarly income received for the period of antenatal care has been deferred where this provision has not been completed, this totalled £2.2m (31 March 2019: £2.1m).

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

Provisions recognised by the Trust at 31 March 2020 include legal actions against the Trust in relation to employers and public liability claims as well as employment, litigation. 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 solicitor detailing ongoing claims against the Trust and which provide an assessment of the probable outcome and costs. Total provisions recognised at 31 March 2020 were £4.6m (31 March 2019: £3.5m). See Note 27.1

Trade and other payables:

Outstanding pay liabilities incorporate estimates for:

- Overtime and enhancements relating to March 2020 - based upon actual payments for a 'similar' accounting period.
- Agency - based upon details of unclaimed 'booked' shifts going back 3 months.
- Estimated increase in the cost of Annual Leave carried forward as a consequence of the Covid-19 outbreak. The estimate has been constructed using a mix of information from the Trust rostering information system and judgement for those staff groups not covered.

Note 2 Operating Segments

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

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

'Revenue from activities (medical treatment of patients) is analysed by customer type in Note 3 to the financial statements.
Other operating revenue is analysed in Note 4 and materially consists of revenues from education, training and research, non-patient care services to other bodies, income generation and other revenue.

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

	2019/20		2018/19	
	£000s	**%**	£000s	%
Revenue from HM Government sources	**514,243**	**95.4**	435,558	97.3
Revenue from non HM Government sources	**25,005**	**4.6**	11,934	2.7
Total	**539,248**	**100.0**	447,492	100.0

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.4

Note 3.1 Income from patient care activities (by nature)

	2019/20	2018/19
	£000	£000
Acute services		
Elective income	-	-
Non elective income	-	-
First outpatient income	-	-
Follow up outpatient income	-	-
A & E income	-	-
High cost drugs income from commissioners (excluding pass-through costs)	-	-
Other NHS clinical income***	-	-
All services		
Private patient income	-	-
Agenda for Change pay award central funding*		-
Additional pension contribution central funding**	-	
Other clinical income****	-	-
Total income from activities	**-**	**-**

*Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff for individual services.

**The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.

*** Other NHS Clinical Income includes services such as: Critical Care £16.7m (2018/19: £14.5m), Maternity Services £10.7m (2018/19: £10.3m), Outpatient Advice and Non-Face to Face Consultations £2.4m (2018/19: £0.64m), along with other Non PBR Services £37.7m (2018/19: £46m), CQUIN Payments £4.6m (2018/19: £m), other block payments £2.7m (2018/19: £3.9m).
The majority of the balance of other NHS Clinical income is due to the alternative form of contract entered into in 2019/20 which included non-recurrent transitional support net of non-payment for over-performance of £8.0m

**** Other Clinical Income includes: Income earned through the Injury Cost Recovery Scheme £1.3m (2018/19: £1.7m), central topup in relation to Covid-19 additional costs £1.4m (2018/19: £-m), Community Dietetics £0.8m (2018/19: £0.8m), central pay award 'top-up' £0.4m(2018/19: £-m), treatment of Overseas Patients £0.2m (2018/19: £0.2m), Scottish and Welsh bodies £0.1m (2018/19: £0.1m), Child Disabilities £0.1m (2018/19: £0.1m) and other miscellaneous income £1.0m (2018/19: £1.9m)

Note 3.2 Income from patient care activities (by source)

	2019/20	2018/19
Income from patient care activities received from:	**£000**	**£000**
NHS England	-	-
Clinical commissioning groups	-	-
Department of Health and Social Care	-	-
Other NHS providers	-	-
NHS other	-	-
Local authorities	-	-
Non-NHS: private patients	-	-
Non-NHS: overseas patients (chargeable to patient)	-	-
Injury cost recovery scheme	-	-
Non NHS: other	-	-
Total income from activities	**-**	**-**
Of which:		
Related to continuing operations	-	-
Related to discontinued operations	-	-

Note 3.3 Overseas visitors (relating to patients charged directly by provider)

	2019/20	2018/19
	£000	**£000**
Income recognised this year	-	-
Cash payments received in-year	-	-
Amounts added to provision for impairment of receivables	-	-
Amounts written off in-year	-	-

Note 4 Other operating income

	2019/20			2018/19		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	-	-	-	-	-	-
Education and training	-	-	-	-	-	-
Non-patient care services to other bodies	-		-	-		-
Provider sustainability fund (PSF)	-		-	-		-
Financial recovery fund (FRF)	-		-			
Marginal rate emergency tariff funding (MRET)	-		-			
Income in respect of employee benefits accounted on a gross basis	-		-	-		-
Receipt of capital grants and donations		-	-		-	-
Charitable and other contributions to expenditure		-	-		-	-
Rental revenue from finance leases		-	-		-	-
Rental revenue from operating leases		-	-		-	-
Amortisation of PFI deferred income / credits		-	-		-	-
Other income*	-	-	-	-	-	-
Total other operating income	**-**	**-**	**-**	**-**	**-**	**-**
Of which:						
Related to continuing operations			-			-
Related to discontinued operations			-			-

*Other Income includes: car parking £3.2m, catering £1.0m, staff lease cars £0.1m and miscellaneous other income £1.4m

Note 5 Additional infromation on contract revenue and performance obligations

Note 5.1 Additional information on contract revenue (IFRS 15) recognised in the period

	2019/20		2018/19
	£000		£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	-		-
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods	-		-

Note 5.2 Transaction price allocated to remaining perforamce obligations

Revenue from existing contracts allocated to remaining performance obligations is expected to be recognised:	31 March 2020		31 March 2019
	£000		£000
within one year	-		-
after one year, not later than five years	-		-
after five years	-		-
Total revenue allocated to remaining performance obligations	**-**		**-**
The Trust has exercised the practical expedients permitted by IFRS 15 paragraph 121 in preparing this disclosure. Revenue from (i) contracts with an expected duration of one year or less and (ii) contracts where the Trust recognises revenue directly corresponding to work done to date is not disclosed.			

Note 6 Fees and charges

HM Treasury requires disclosure of fees and charges income. The following disclosure is of income from charges to service users where income from that service exceeds £1 million and is presented as the aggregate of such income. The cost associated with the service that generated the income is also disclosed.

	2019/20	2018/19
	£000	£000
Income	-	-
Full cost	-	-
Surplus / (deficit)	**-**	**-**

This note addresses and aggregates schemes that , individually, have a cost exceeding £1m.
In 2019-20 and 2018-19 this comprises catering and car parking income from the public and staff.

Catering	**2019/20**	**2018/19**
	£000s	£000s
Income	**960**	**1,383**
Full cost	**(1,071)**	**(1,297)**
Surplus / (deficit)	**(111)**	86

Car Parking	**2019/20**	**2018/19**
	£000s	£000s
Income	**3,235**	**2,672**
Full cost	**(817)**	**(646)**
Surplus / (deficit)	**2,418**	2,026

Note 7 Operating expenses

	2019/20	2018/19
	£000	£000
Purchase of healthcare from non-NHS and non-DHSC bodies	-	-
Staff and executive directors costs	-	-
Remuneration of non-executive directors	-	-
Supplies and services - clinical (excluding drugs costs)	-	-
Supplies and services - general	-	-
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	-	-
Inventories written down	-	-
Consultancy costs	-	-
Establishment	-	-
Premises	-	-
Transport (including patient travel)	-	-
Depreciation on property, plant and equipment	-	-
Amortisation on intangible assets	-	-
Net impairments *	-	-
Movement in credit loss allowance: contract receivables / contract assets	-	-
Change in provisions discount rate(s)	-	-
Audit fees payable to the external auditor		
audit services- statutory audit	-	-
other auditor remuneration (external auditor only)	-	-
Internal audit costs	-	-
Clinical negligence	-	-
Legal fees	-	-
Insurance	-	-
Research and development **	-	-
Education and training**	-	-
Rentals under operating leases	-	-
Redundancy	-	-
Car parking & security	-	-
Hospitality	-	-
Losses, ex gratia & special payments	-	-
Other services, eg external payroll	-	-
Other	-	-
Total	**-**	**-**
Of which:		
Related to continuing operations	-	-
Related to discontinued operations	-	-
* Note 8 provides further detail relating to the Net Impairments expense		

**The figures presented above for Research and Development along with Education and training include £3.78m pay costs and £2.37m non-pay costs.

The operating expenses note includes additional pay and non-pay costs of £1.2m / £0.6m incurred as a result of measures taken and additional work required to address the Covid-19 outbreak.

The 2018/19 figures presented in this note have been subject to a prior period adjustment (see note 37).

Note 7.1 Other auditor remuneration

	2019/20	2018/19
	£000	£000
Other auditor remuneration paid to the external auditor:		
Audit-related assurance services	-	-
Total	**-**	**-**
Other auditors remuneration paid in both 2018/19 and 2019/20 relate to the assurance and audit work performed on the Trust's 2018/19 Quality Account.		

Note 7.2 Limitation on auditor's liability

There is no limitation on auditor's liability for external audit work carried out for the financial years 2019/20 or 2018/19.

Note 8 Impairment of assets

	2019/20	2018/19
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Changes in market price	-	-
Other	-	-
Total net impairments charged to operating surplus / deficit	**-**	**-**
Impairments charged to the revaluation reserve	-	-
Total net impairments	**-**	**-**

Material Impairment losses / (reversals) charged to the SOCI in 2019/20 resulting from changes in market price following valuation are summarised below:

	2019/20	2018/19
	£000	£000
Reversals of impairments charged to SOCI in previous years		
Outpatients Dept: Lincoln County Hospital		(1,184)
Phase 2: Lincoln County Hospital		(703)
Outpatients Dept: Pilgrim Hospital Boston		(524)
Ward Block: Lincoln County Hospital		(552)
Other - buildings*	(2,171)	(1,846)
Impairments charged to SOCI in current year		
Tower Block: Boston Pilgrim Hospital		1,598
PPCI New Build - Lincoln County Hospital		1,707
Maternity Unit - Lincoln County Hospital		3,619
Phase 2: Lincoln County Hospital	734	
Hutton Block: Lincoln County Hospital	978	
Other - buildings*	703	1,525
	244	3,640

* Consists of multiple buildings individually with 'low' value impairment less than £0.5m

Other Material Impairment losses / (reversals) charged to SOCI are summarised below:

	2019/20	2018/19
	£000	£000
Reversal of impairments charged to SOCI in previous years		
Progress Care Housing Association Onerous Contract net reversal *	-	(3,649)
	-	(3,649)

* *The Trust entered into a contract with a third party in 2006, Progress Living, in which accommodation is provided to Trust employees at Lincoln, Boston and Grantham sites. As part of the contract, a minimum occupancy level was guaranteed. Costs of under occupancy are met by the Trust.

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

Impairments charged / (reversed) against this contract were:

	2019/20	2018/19
	£000	£000
Lincoln	-	-
Boston	-	(3,200)
Grantham	-	(449)
	-	(3,649)

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

	2019/20	2018/19
	£000	£000
Other	-	-
Changes in market price	307	165
Total impairments for PPE charged to reserves	**307**	**165**

The 2018/19 figures presented in this note have been subject to a prior period adjustment (see note 37).

Note 9 Employee benefits

	2019/20 Total £000	2018/19 Total £000
Salaries and wages	-	-
Social security costs	-	-
Apprenticeship levy	-	-
Employer's contributions to NHS pensions	-	-
Pension cost - other	-	-
Termination benefits	-	-
Temporary staff (including agency)	-	-
Total gross staff costs	**-**	**-**
Recoveries in respect of seconded staff	-	-
Total staff costs	**-**	**-**
Of which		
Costs capitalised as part of assets	-	-

Employer's contributions to NHS pensions

Following consultation and revaluation of public sector pension schemes, the Department of Health and Social Care (DHSC) increased the employer contribution rate from 14.3% to 20.6% (20.68% including the 0.08% apprenticeship levy) from 1 April 2019.
During 2019/20 the scheme administrator, NHS Business Services Authority, has continued to collect an employer contribution of 14.38 per cent from employers. Central payments have been paid to the scheme by NHS England to cover the remaining increase.

NHS trusts are required to account for employer contributions of 20.68% in full and on a gross basis in year end accounts.

The total employer NHS Pension contribution of £43.17m shown in the table above includes £13.13m paid by NHS England on behalf of the Trust.

'Other pension costs' relate to payments into the National Employment Savings Trust (NEST) defined contribution scheme.

In line with the HM Treasury requirements a further breakdown of employee benefits across staffing categories is provided within the Annual Report.

Note 9.1 Retirements due to ill-health

During 2019/20 there were no early retirements from the trust agreed on the grounds of ill-health (none in the year ended 31 March 2019). The estimated additional pension liabilities of these ill-health retirements is 0k (0k in 2018/19).

These estimated costs are calculated on an average basis and will be borne by the NHS Pension Scheme.

Note 10 Pension costs

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both are unfunded defined

benefit schemes that cover NHS employers, GP practices and other bodies, allowed under the direction of the Secretary of State in England and Wales. They are 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, each scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS body of participating in each scheme is taken as equal to the contributions payable to that 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) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2020, is based on valuation data as 31 March 2019, updated to 31 March 2020 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 report of the scheme actuary, which forms part of the annual NHS Pension Scheme Accounts. These accounts can be viewed on the NHS Pensions website and are published annually. Copies can also be obtained from The Stationery Office.

b) Full actuarial (funding) valuation

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

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 to 20.6%, and the Scheme Regulations were amended accordingly.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

National Employment Savings Trust (NEST)

The National Employment Savings Trust (NEST) Corporation is the Trustee of the NEST occupational pension scheme. The scheme, which is run on a not-for-profit basis, ensures that all employers have access to suitable, low-charge pension provision.
The Trust is required to comply with workplace pension legislation and to auto enrol employees into a pension scheme. Where employees are ineligible to join the NHS Pension Scheme the Trust enrols the employee into NEST.

NEST is a defined contribution scheme.

As at 31 March 2020 there were 9,217 employees employed by the Trust, of these 7,701 are members of the NHS Pension Scheme, 363 are enrolled within NEST and 1,153 are not currently contributing through a workplace pension scheme.

Note 11 Operating leases

Note 11.1 United Lincolnshire Hospitals NHS Trust as a lessor

This note discloses income generated in operating lease agreements where United Lincolnshire Hospitals NHS Trust is the lessor.

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

	2019/20	2018/19
	£000	£000
Operating lease revenue		
Minimum lease receipts	-	-
Contingent rent	-	-
Other	-	-
Total	-	-

	31 March 2020	31 March 2019
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	-	-
- later than one year and not later than five years;	-	-
- later than five years.	-	-
Total	-	-

Note 11.2 United Lincolnshire Hospitals NHS Trust as a lessee

This note discloses costs and commitments incurred in operating lease arrangements where United Lincolnshire Hospitals NHS Trust is the lessee.

The majority of the Trusts lessee arrangements relate to the lease of plant and equipment supplied under normal commercial terms by non-NHS suppliers. There is no contingent rent associated with the arrangements.

Additionally in 2011-12 the Trust entered into a short term operating lease for land on the Lincoln site. This lease expired in March 2016. The two parties then renegotiated an extension to July 2024 though either party can revoke with 6 months notice.

The Trust also leases various items of medical equipment and vehicles. These leases expire in the period up to September 2021 (medical equipment) and April 2025 (Vehicles)

The preparatory work undertaken during 2019/20 in readiness for the implementation of IFRS 16 has incorporated a review of existing contracts. This has identified additional

lease arrangements previously classified as part of 'general' expenditure; the most significant of these are:

- photocopiers leased until July 2023 with an annual lease cost of £0.3m
- Property leases at John Coupland Hospital Gainsborough, Louth County Hospital, Skegness and District Hospital and Johnson Community Hospital Spalding along with Medical Centres at Gainsborough and Mablethorpe leased through NHS Property Services have a collective annual lease cost of £0.7m.

	2019/20	2018/19
	£000	£000
Operating lease expense		
Minimum lease payments	-	-
Contingent rents	-	-
Less sublease payments received	-	-
Total	**-**	**-**

	31 March 2020	31 March 2019
	£000	£000
Future minimum lease payments due:		
- not later than one year;	-	-
- later than one year and not later than five years;	-	-
- later than five years.	-	-
Total	**-**	**-**
Future minimum sublease payments to be received	-	-

Note 12 Finance income

Finance income represents interest received on assets and investments in the period.

	2019/20	2018/19
	£000	£000
Interest on bank accounts	-	-
Total finance income	**-**	**-**

Note 13 Finance expenditure
Note 13.1 Finance expenditure analysis

Finance expenditure represents interest and other charges involved in the borrowing of money or asset financing.

	2019/20	2018/19
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	-	-
Interest on late payment of commercial debt	-	-
Total interest expense	**-**	**-**
Unwinding of discount on provisions	-	-
Total finance costs	**-**	**-**

Note 13.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2019/20	2018/19
	£000	£000
Total liability accruing in year under this legislation as a result of late payments	-	-
Amounts included within interest payable arising from claims made under this legislation	-	-

Note 14 Other gains / (losses)

	2019/20	2018/19
	£000	£000
Gains on disposal of assets	-	-
Losses on disposal of assets	-	-
Total gains / (losses) on disposal of assets	**-**	**-**
Other gains / (losses)	-	-
Total other gains / (losses)	**-**	**-**

Note 15 Intangible assets

Note 15.1 Intangible assets – 2019/20

	Software licences	Internally generated information technology	Websites	Intangible assets under construction	Total
	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2019 - brought forward	**-**	**-**	**-**	**-**	**-**
Additions	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-
Valuation / gross cost at 31 March 2020	**-**	**-**	**-**	**-**	**-**
Amortisation at 1 April 2019 - brought forward	**-**	**-**	**-**	**-**	**-**
Provided during the year	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-
Amortisation at 31 March 2020	**-**	**-**	**-**	**-**	**-**
Net book value at 31 March 2020	**-**	**-**	**-**	**-**	**-**
Net book value at 1 April 2019	**-**	**-**	**-**	**-**	**-**

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

IT - in-house & 3rd party software showing as fully depreciated relates to one internally developed asset which is still in use.

Other fully amortised assets still in use and reported within Computer Licenses had an original purchase cost of £0.44m.

Note 15.2 Intangible assets 2018/19

	Software licences	Internally generated information technology	Websites	Intangible assets under construction	Total
	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	-	-	-	-	-
Additions	-	-	-	-	-
Reclassifications	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-
Valuation / gross cost at 31 March 2019	-	-	-	-	-
Amortisation at 1 April 2018 - as previously stated	-	-	-	-	-
Provided during the year	-	-	-	-	-
Reclassifications	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-
Amortisation at 31 March 2019	-	-	-	-	-
Net book value at 31 March 2019	-	-	-	-	-
Net book value at 1 April 2018	-	-	-	-	-

Note 16 Property, plant and equipment

Note 16.1 Property, plant and equipment – 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation/gross cost at 1 April 2019 - brought forward	-	-	-	-	-	-	-	-	-
Transfers by absorption	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Valuation/gross cost at 31 March 2020	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 1 April 2019 - brought forward	-	-	-	-	-	-	-	-	-
Provided during the year	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 31 March 2020	-	-	-	-	-	-	-	-	-
Net book value at 31 March 2020	-	-	-	-	-	-	-	-	-
Net book value at 1 April 2019	-	-	-	-	-	-	-	-	-

Note 16.2 Property, plant and equipment – 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Valuation / gross cost at 1 April 2018 - as previously stated	-	-	-	-	-	-	-	-	-
Prior period adjustments	-	-	-	-	-	-	-	-	-
Valuation / gross cost at 1 April 2018 - restated	-	-	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Valuation/gross cost at 31 March 2019	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 1 April 2018 - as previously stated	-	-	-	-	-	-	-	-	-
Prior period adjustments	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 1 April 2018 - restated	-	-	-	-	-	-	-	-	-
Provided during the year	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 31 March 2019	-	-	-	-	-	-	-	-	-
Net book value at 31 March 2019	-	-	-	-	-	-	-	-	-
Net book value at 1 April 2018	-	-	-	-	-	-	-	-	-

The 2018/19 figures presented in this note have been subject to a prior period adjustment (see note 37).

Note 16.3 Property, plant and equipment financing – 2019/20

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2020									
Owned - purchased	-	-	-	-	-	-	-	-	-
On-SoFP PFI contracts and other service concession arrangements	-	-	-	-	-	-	-	-	-
Owned - government granted	-	-	-	-	-	-	-	-	-
Owned - donated	-	-	-	-	-	-	-	-	-
NBV total at 31 March 2020	-	-	-	-	-	-	-	-	-

Note 16.4 Property, plant and equipment financing – 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Net book value at 31 March 2019									
Owned - purchased	-	-	-	-	-	-	-	-	-
On-SoFP PFI contracts and other service concession arrangements	-	-	-	-	-	-	-	-	-
Owned - government granted	-	-	-	-	-	-	-	-	-
Owned - donated	-	-	-	-	-	-	-	-	-
NBV total at 31 March 2019	-	-	-	-	-	-	-	-	-

The 2018/19 figures presented in this note have been subject to a prior period adjustment (see note 37).

Note 17 Donations of property, plant and equipment

The Trust has received donated assets in the financial year as follows:-				
Trust Charitable Funds				
	Plant & machinery	**Total Property, Plant and Equipment**	**Total Intangibles**	**Fair value of asset**
Asset Description - Donation of physical asset	**£000**	**£000**	**£000**	**£000**
BK5000 Ultrasound System	46	**46**	-	**46**
Triplane Endocavity Transducer	14	**14**	-	**14**
Biplane Endocavity Transducer	15	**15**	-	**15**
Total value of physical assets donated	**75**	**75**	**-**	**75**

Note 18 Revaluations of property, plant and equipment

The Trust commissioned a desktop revaluation of land, buildings and dwellings in March 2020 with a valuation date of 31 March 2020. This revaluation was conducted by Mr I Hudson MRICS of Cushman & Wakefield Debenham Tie Leung Limited.

In applying the Royal Institute of Chartered Surveyors (RICS) Valuation Global Standards 2020 ('Red Book'), the valuer has declared a 'material valuation uncertainty' in the valuation report. This is on the basis of uncertainties in markets caused by COVID-19.

Cushman and Wakefield have advised that:
less certainty – and a higher degree of caution – should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of these properties under frequent review.

The 'material valuation uncertainty' is not meant to suggest that the valuation cannot be relied upon; rather, it is used in order to be clear and transparent with all parties, in a professional manner that in the current extraordinary circumstances, less certainty can be attached to the valuation than would otherwise be the case.

There has been no diminution identified in the Trust's ongoing requirement for these operational assets nor reduction in their ongoing remaining economic service potential as a result of the incidence of Covid-19.

Regarding the BCIS cost indices, BCIS have stated that they consider new construction output is likely to fall in 2020 as a result of the Covid-19 outbreak, as it affects labour availability on sites and delays or leads to cancellation of projects in the pipeline. However, at the present time, BCIS have advised that it is too early for Covid-19 related issues to impact on BCIS indices published and adopted in the valuations. The values in the report have been used to inform the measurement of property assets at valuation in these financial statements.

With the valuer having declared this material valuation uncertainty, the valuer has continued to exercise professional judgement in providing the valuation and this remains the best information available to the Trust.

This desktop revaluation has been undertaken on the following basis:

Assets in existing use:
For specialised properties (i.e. those for which no active market exists), depreciated replacement cost has been used and is considered to be a satisfactory approximation of current value in existing use.
Within this methodology, the Modern Equivalent Asset (MEA) concept is applied: the “replacement cost” being based on the cost of a modern replacement asset that has the same productive capacity as the property being valued. An alternative site basis has been adopted.

The alternative site basis takes into account that the modern equivalent replacement with the same service potential as the existing hospitals would be on smaller sites than the existing and whilst in appropriate locations within the existing towns/cities not necessarily in the same locations as the existing. The sites are Lincoln, Boston Pilgrim and Grantham Hospitals.

Land and Buildings which are no longer in operational use and are therefore 'surplus' have been valued as follows:

Restrictions on sale - Specialised: Current Value in existing use
Restrictions on sale - Non-specialised: Current Value in existing use
No restrictions on sale - Fair Value
Assets held for sale - Fair value

Progress Care Housing Association Ltd accommodation units (non-specialised - dwellings) are valued at open market value based on existing use.*

The following table provides details of property valued on an open market valuation basis at 31 March 2020.

	2019/20	2018/19
	£000s	£000s
Land	700	700
Dwellings*	25,604	27,654
Buildings	-	-
	26,304	28,354

Accounting policies Note 1.9 provides further information regarding the method of valuation.

The useful economic asset lives for intangibles and plant and equipment are initially assessed when an asset is first recognised. Thereafter an annual review is undertaken to identify and adjust for any assets impaired or where the useful economic life requires adjustment.
The asset lives for individual buildings and dwellings are in accordance with the latest valuation report prepared by the external valuer.

Details of the method the Trust uses to recognise the lives of its assets is disclosed in Note 1.9

The gross value of fully depreciated assets still in use is £4.23m (31 March 2019: £6.22m).

A number of buildings owned by the Trust are leased out under operating leases.

	2019/20	2018/19
	£000s	£000s
Net book value 1 April 2019	4,457	3,921
New leases	-	319
Additions	419	295
Depreciation	(115)	(86)
Increase in valuation 31 March 2020	71	2
Impairments	72	6
Terminated Leases	-	-
Net book value 31 March 2020	**4,904**	**4,457**

Note 19 Inventories

	31 March 2020	**31 March 2019**
	£000	**£000**
Drugs	-	-
Consumables	-	-
Energy	-	-
Total inventories	**-**	**-**
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were $0k (2018/19: $0k). Write-down of inventories recognised as expenses for the year were $0k (2018/19: $0k).

Note 20 Receivables

Note 20.1 Receivables

	31 March 2020	31 March 2019
	£000	£000
Current		
Contract receivables	-	-
Allowance for impaired contract receivables / assets	-	-
Prepayments (non-PFI)	-	-
Interest receivable	-	-
VAT receivable	-	-
Other receivables	-	-
Total current receivables	**-**	**-**
Non-current		
Contract receivables	-	-
Allowance for impaired contract receivables / assets	-	-
Other receivables	-	-
Total non-current receivables	**-**	**-**
Of which receivable from NHS and DHSC group bodies:		
Current	-	-
Non-current	-	-
The main constituent elements of other receivables are:		

Clinicians pension tax scheme receivable £1.09m
Clinicians who are members of the NHS Pension Scheme and who as a result of work undertaken in this tax year (2019/20) face a tax charge in respect of the growth of their NHS pension benefits above their pension savings annual allowance threshold will be able to have this charge paid by the NHS Pension Scheme. Individual trusts have reflected this future liability within the provisions note 27.
NHS England are to meet the cost of this liability, this being reflected within current (£0.02m) / non current (£1.07m) receivables.

Receivables in relation to Lease Car and Home Electronics Salary Sacrifice schemes with Trust employees £0.5m.

Note 20.2 Allowances for credit losses

	2019/20		2018/19	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£000	£000	£000	£000
Allowances as at 1 April - brought forward	-	-	-	-
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018			-	-
New allowances arising	-	-	-	-
Changes in existing allowances	-	-	-	-
Reversals of allowances	-	-	-	-
Utilisation of allowances (write offs)	-	-	-	-
Changes arising following modification of contractual cash flows	-	-	-	-
Allowances as at 31 Mar 2020	-	-	-	-

Note 20.3 Exposure to credit risk

Under IFRS 7 disclosure should be made to demonstrate exposure to credit risk.

The tables below show the level of outstanding invoiced receivables at 31 March split between those which have been impaired / not impaired.

Ageing of impaired financial assets		
	31 March 2020	31 March 2019
	£000	£000
0 - 30 days	33	18
30-60 Days	58	-
60-90 days	28	36
90- 180 days	129	86
Over 180 days	878	1,070
Total	**1,126**	**1,210**

Ageing of non-impaired financial assets past their due date		
	31 March 2020	31 March 2019
	£000	£000
0 - 30 days	1,310	1,753
30-60 Days	782	833
60-90 days	126	545
90- 180 days	582	462
Over 180 days	265	874
Total	**3,065**	**4,467**

NHS receivables past their due date account for £2.3m of the total financial assets at 31 March 2020.
As CCGs are funded by Government the credit quality of these receivables is considered to be good.

Note 21 Non-current assets held for sale

Note 21.1 Non-current assets held for sale and assets in disposal groups

	2019/20	2018/19
	£000	£000
NBV of non-current assets for sale and assets in disposal groups at 1 April	-	-
Assets classified as available for sale in the year	-	-
Assets sold in year	-	-
NBV of non-current assets for sale and assets in disposal groups at 31 March	-	-

The Trust is holding two properties for sale at 31 March 2020:

(1) Land at the site of the former Welland Hospital, Spalding is held at £0.51m. This was initially classified as 'held for sale in 2016/17. During 2018/19 the sale of one part of the site was completed for £0.5m.
It was anticipated that the remainder of the site would be sold during 2019/20, however delays within the legal conveyancing process have meant this sale has been rescheduled into 2020/21.

(2) Land at Grantham Hospital Site, the site of the 'old main entrance' is held at £0.15m. Similarly the

Note 21.2 Liabilities in disposal groups

	31 March 2020	31 March 2019
	£000	£000
Total	-	-

Note 22 Cash and third party assets

Note 22.1 Cash and cash equivalents movements

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	2019/20	2018/19
	£000	£000
At 1 April	-	-
Net change in year	-	-
At 31 March	-	-
Broken down into:		
Cash at commercial banks and in hand	-	-
Cash with the Government Banking Service	-	-
Total cash and cash equivalents as in SoFP	-	-
Total cash and cash equivalents as in SoCF	-	-

Note 22.2 Third part assets held by the Trust

United Lincolnshire Hospitals NHS Trust held cash and cash equivalents which relate to monies held by the Trust on behalf of patients or other parties and in which the Trust had no beneficial interest. This had been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2020	31 March 2019
	£000	£000
Bank balances	-	-
Monies on deposit	-	-
Total third party assets	**-**	**-**

Note 23 Trade and other payables

Note 23.1 Trade and other payables

	31 March 2020	31 March 2019
	£000	£000
Current		
Trade payables	-	-
Capital payables	-	-
Accruals	-	-
account	-	-
Social security costs	-	-
Other taxes payable	-	-
Other payables	-	-
Total current trade and other payables	**-**	**-**
Non-current		
Total non-current trade and other payables	**-**	**-**
Of which payables from NHS and DHSC group bodies:		
Current	-	-
Non-current	-	-
Other payables includes:		
Outstanding Pension contributions at 31 March	4,225	3,951

Note 23.2 Early retirements in NHS payables above

The payables note above includes amounts in relation to early retirements as set out below:

	31 March 2020	31 March 2020	31 March 2019	31 March 2019
	£000	Number	£000	Number
- to buy out the liability for early retirements over 5 years	-		-	
- number of cases involved		-		-

Note 24 Other liabilities

	31 March 2020	31 March 2019
	£000	£000
Current		
Deferred income: contract liabilities	-	-
Deferred PFI credits / income*	-	-
Lease incentives	-	-
Total other current liabilities	**-**	**-**
Non-current		
Deferred PFI credits / income*	-	-
Lease incentives	-	-
Total other non-current liabilities	**-**	**-**

*The Trust entered into an agreement with Progress Care Housing Association Ltd in 2006, whereby the Trust transferred ownership of a number of staff accommodation flats to Progress, who agreed to refurbish the flats and build additional units. The Trust does not make any payments to Progress Care Housing, as they receive income from employees who pay for accommodation.
Due to the nature of the transaction, the Trust has recorded the assets on its balance sheet in accordance with IFRIC 12, 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.

Note 25 Borrowings and Financing Activities

Note 25.1 Borrowings

	31 March 2020	31 March 2019	
	£000	£000	
Current			
Loans from DHSC	-	-	
Other loans	-	-	
Total current borrowings	**-**	**-**	
Non-current			
Loans from DHSC	-	-	
Other loans	-	-	
Total non-current borrowings	**-**	**-**	
Borrowings / Loans - repayment of principal falling due in:			
	31 March 2020		
	DH	**Other**	**Total**
	£000s	**£000s**	**£000s**
0-1 Years	380,376	-	380,376
1 - 2 Years	-	148	148
2 - 5 Years	-	889	889
Over 5 Years	-	445	445
TOTAL	**380,376**	**1,482**	**381,858**
	31 March 2019		
	DH	**Other**	**Total**
	£000s	**£000s**	**£000s**
0-1 Years	114,340	-	114,340
1 - 2 Years	83,422	-	83,422
2 - 5 Years	92,675	-	92,675
Over 5 Years	12,099	-	12,099
TOTAL	**302,536**	**-**	**302,536**

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £377.9m interim loan principal and £2.5m interest accrual are classified as current liabilities within these financial statements.
All interim loans have therefore been classified as current, repayable within 12 months.

Other loans relate to interest free Government loans provided through Salix Finance Ltd to fund initiatives to improve energy efficiency, reduce carbon emissions and lower energy costs.

Note 25.2 Reconciliation of liabilities arising from financing activities – 2019/20

	Loans from DHSC	Other loans	Finance leases	Total
	£000	£000	£000	£000
Carrying value at 1 April 2019	**-**	**-**	**-**	**-**
Cash movements:				
Financing cash flows - payments and receipts of principal	-	-	-	**-**
Financing cash flows - payments of interest	-	-	-	**-**
Non-cash movements:				
Application of effective interest rate	-	-	-	**-**
Carrying value at 31 March 2020	**-**	**-**	**-**	**-**

Note 25.3 Reconciliation of liabilities arising from financing activities – 2018/19

	Loans from DHSC	Other loans	Finance leases	Total
	£000	£000	£000	£000
Carrying value at 1 April 2018	**-**	**-**	**-**	**-**
Cash movements:				
Financing cash flows - payments and receipts of principal	-	-	-	**-**
Financing cash flows - payments of interest	-	-	-	**-**
Non-cash movements:				
Impact of implementing IFRS 9 on 1 April 2018	-	-	-	**-**
Application of effective interest rate	-	-	-	**-**
Other changes	-	-	-	**-**
Carrying value at 31 March 2019	**-**	**-**	**-**	**-**

Note 26 Finance leases

Note 26.1 United Lincolnshire Hospitals NHS Trust as lessor

Future lease receipts due under finance lease agreements where the Trust is the lessor:

The Trust owns 3 properties where it has granted long leases to other NHS bodies; each has an annual peppercorn rent of £1.

	Term Years	Commencing
Ambulance Station at Boston Pilgrim Hospital	125	1992
Manthorpe Centre at Grantham Hospital	80	1997
Adult Mental Illness Unit at Boston Pilgrim Hospital	125	1993

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

	31 March 2020	31 March 2019
	£000	£000
Gross lease receivables	**-**	**-**
Net lease receivables	**-**	**-**
The unguaranteed residual value accruing to the lessor	-	-
Contingent rents recognised as income in the period	-	-

Note 26.2 United Lincolnshire Hospitals NHS Trust as a lessee

Obligations under finance leases where the Trust is the lessee.

	31 March 2020	31 March 2019
	£000	£000
Gross lease liabilities	**-**	**-**
Net lease liabilities	**-**	**-**
Total of future minimum sublease payments to be received at the reporting date	-	-
Contingent rent recognised as expense in the period	-	-

Note 27 Provisions for liabilities and chargers

Note 27.1 Provisions for liabilities and charges analysis

	Pensions: early departure costs	Pensions: injury benefits	Legal claims	Other	Total
	£000	£000	£000	£000	£000
At 1 April 2019	-	-	-	-	-
Change in the discount rate	-	-	-	-	-
Arising during the year	-	-	-	-	-
Utilised during the year	-	-	-	-	-
Reversed unused	-	-	-	-	-
Unwinding of discount	-	-	-	-	-
At 31 March 2020	-	-	-	-	-
Expected timing of cash flows:					
- not later than one year;	-	-	-	-	-
- later than one year and not later than five years;	-	-	-	-	-
- later than five years.	-	-	-	-	-
Total	-	-	-	-	-

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 provision and / or the timing of the cash flow.

The provision for Early Departure Costs (Pensions) and Pension Injury benefits have been assessed by discounting current pension costs and applying average life expectancies. The amount and timing of cash flows are thus uncertain.

The provision for legal claims are made up of two component elements:
(1) Third party liability and property expense claims as notified by NHS Resolution.
(2) Projected liabilities in relation to claims made against the Trust for employment, commercial and other litigation issues.
The Trust's legal advisors have provided details to support an assessment of the potential liability for those claims where they are representing the Trust. This takes account of the potential range of outcomes, the related probability and the expected settlement date.

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 28.

Other provisions relate to costs associated with the Clinicians pension tax scheme. Clinicians who are members of the NHS Pension Scheme and who as a result of work undertaken in this tax year (2019/20) face a tax charge in respect of the growth of their NHS pension benefits above their pension savings annual allowance threshold will be able to have this charge paid by the NHS Pension Scheme.
Individual trusts have been instructed to reflect this future estimated liability within the provisions note and include a corresponding amount as owing from NHS England within the receivables note.

Note 27.2 Clinical negligence liabilities

At 31 March 2020, $0k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of United Lincolnshire Hospitals NHS Trust (31 March 2019: $0k).

Note 28 Contingent assets and liabilities

	31 March 2020	31 March 2019
	£000	£000
Value of contingent liabilities		
NHS Resolution legal claims	-	-
Employment tribunal and other employee related litigation	-	-
Other	-	-
Gross value of contingent liabilities	-	-
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	-	-
Net value of contingent assets	-	-

A provision for legal claims brought against the Trust in relation to Employment issues has been disclosed at Note 27. This provision is assessed based upon the most likely outcome. The contingent liability reported within this note takes account of the potential liability in the event the Trust assessment is underestimated.

The specific breakdown of contingent liabilities is not 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.

Note 29 Contractual capital commitments

	31 March 2020	31 March 2019
	£000	£000
Property, plant and equipment	-	-
Intangible assets	-	-
Total	-	-

Note 30 Other financial commitments

The Trust is not committed to making payments under non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangement).

Note 31 On-SoFP PFI, LIFT or other service concession arrangements

The Trust has a single PFI contract which has been capitalised under IFRIC 12 as a service concession arrangement.

This relates to an agreement with Progress Care Housing Association Ltd made in 2006 under which the Trust transferred ownership of staff accommodation flats to Progress Housing on a 99 year lease.

The contract contains a break clause, which, under the original model is expected to be after 40 years on 31 March 2046. This is the point at which under the original model, Progress Care would realise its target internal rate of return. At this point the Trust may serve notice and terminate the contract.

Under the arrangement, Progress Care must provide accommodation but have no obligation to acquire or build any new properties. In addition Progress Care must maintain and later return the properties to the Trust in good condition as defined within the agreement.

At the end of the 99 year lease term, ownership of the properties will revert back to the Trust.

In addition the contract includes a 20 year occupancy guarantee at 85.3%.

In the event that the 85.3% occupancy rate is not achieved, the Trust is invoiced by Progress Care for the shortfall. An assessment of historic occupancy levels and trends is undertaken annually and is utilised by the Trust Valuer in undertaking the annual property valuation.

The Trust has recorded the assets on its balance sheet in accordance with IAS 17, with the corresponding liability being shown as an ‘other liability’. This is amortised to the Statement of Comprehensive Income over 40 years with an end date of 31st March 2046.

Currency risk

The United Lincolnshire Hospitals NHS 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

United Lincolnshire Hospitals NHS Trust borrows from government for capital expenditure, subject to affordability as confirmed by NHS Improvement. 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.

The Trust has borrowed from government for revenue financing subject to approval by NHS Improvement. Interest rates are confirmed by the Department of Health and Social Care (the lender) at the point borrowing is undertaken and it is fixed for the life of the loan.

Following the Trust being placed in financial special measures in September 2017, the Interest rates on new revenue borrowings were increased from 1.5% to 6% before reverting to 3.5% in May 2018 where they have since remained.

The Department of Health and Social Care along with NHS England and Improvement have now announced reforms to the NHS cash and capital regimes for 2020/21. During 2020/21 PDC will be issued enabling providers to repay existing DHSC interim loans. All interim loans in place as at 31 March 2020 have therefore been classified as current, repayable within 12 months.

The Trust therefore has low exposure to interest rate fluctuations.

Credit risk

Because the majority of the United Lincolnshire Hospitals NHS Trust's revenue comes from contracts with other public sector bodies, the Trust has low exposure to credit risk. The maximum exposures as at 31 March 2020 are in receivables from customers, as disclosed in the trade and other receivables note.

The impact of COVID-19 was felt by trusts at the very end of the 2019/20 financial year, with significant impact continuing into 2020/21.

DHSC has initiated changes to provide stability and support to the wider NHS through additional revenue and capital funding in 2019/20 which will continue in to 2020/21. Aligned to this is the temporary suspension of the Payment by Results mechanism and for an initial period covering 1 April - 31 July 2020, the introduction of block contract payments from commissioners.

This maintains and further supports the Trust Credit risk as low.

Liquidity risk

United Lincolnshire Hospitals NHS Trust's operating costs are incurred under contracts with Clinical Commissioning Groups, 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.

The actions initiated by DHSC in relation to Covid-19 support offers security to NHS bodies, providing and maintaining liquidity and minimising risks in this regard.

Note 32.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2020	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
Trade and other receivables excluding non financial assets	-	-	-	-
Cash and cash equivalents	-	-	-	-
Total at 31 March 2020	**-**	**-**	**-**	**-**

Carrying values of financial assets as at 31 March 2019	Held at amortised cost	Held at fair value through I&E	Held at fair value through OCI	Total book value
	£000	£000	£000	£000
Trade and other receivables excluding non financial assets	-	-	-	-
Cash and cash equivalents	-	-	-	-
Total at 31 March 2019	**-**	**-**	**-**	**-**

Note 32.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Loans from the Department of Health and Social Care	-	-	-
Other borrowings	-	-	-
Trade and other payables excluding non financial liabilities	-	-	-
Provisions under contract	-	-	-
Total at 31 March 2020	**-**	**-**	**-**

Carrying values of financial liabilities as at 31 March 2019	Held at amortised cost	Held at fair value through I&E	Total book value
	£000	£000	£000
Loans from the Department of Health and Social Care	-	-	-
Trade and other payables excluding non financial liabilities	-	-	-
Provisions under contract	-	-	-
Total at 31 March 2019	**-**	**-**	**-**

Note 32.4 Maturity of financial liabilities

	31 March 2020	31 March 2019
	£000	£000
In one year or less	-	-
In more than one year but not more than two years	-	-
In more than two years but not more than five years	-	-
In more than five years	-	-
Total	**-**	**-**

The announcement that existing DHSC loan liabilities are to be converted to PDC in 2020/21 (note 25.1) has meant that these have been reclassified as maturing within one year.

Note 32.5 Fair values of financial assets and liabilities

Book value (carrying value) is considered to be a reasonable approximation of fair value in relation to the financial assets and liabilities held by the Trust.

Note 33 Losses and special payments

	2019/20		2018/19	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	-	-	-	-
Fruitless payments	-	-	-	-
Bad debts and claims abandoned	-	-	-	-
Stores losses and damage to property	-	-	-	-
Total losses	**-**	**-**	**-**	**-**
Special payments				
Compensation under court order or legally binding arbitration award	-	-	-	-
Ex-gratia payments	-	-	-	-
Total special payments	**-**	**-**	**-**	**-**
Total losses and special payments	**-**	**-**	**-**	**-**
Compensation payments received		-		-

Special payments include payments made to Progress Housing under an occupancy guarantee £0.24m (2018/19 £0.38m)

Note 34 Gifts

	2019/20		2018/19	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Gifts made	-	-	-	-

Note 35 Related parties

IAS 24, 'Related Party Disclosures' requires material transactions between the Trust and directors / key management and / or close families / entities controlled by any of these to be disclosed.
The details below represent those material transactions in 2019/20 between the Trust and Organisations with whom Trust Senior Executives / Management hold positions of influence.
The income / expenditure values quoted are those attributable to the named related party and do not represent earnings of the individual.

Details of related party transactions with individuals are as follows:	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
Mrs E Baylis - Chair ULHT / Chair - Lincolnshire Community Health Services NHS Trust	2,144	2,172	769	766
Mrs S Dunnett - Non Executive Director ULHT / Trustee / Hon Treasurer - Health Quality Improvement Partnership	35	-	-	-
Mrs S Dunnett - Non Executive Director ULHT / Non-Executive Director - North West Anglia NHS Foundation Trust	375	7	276	5
Mrs E Libiszewski - Non Executive Director ULHT / Non-Executive - Lincolnshire Community Health Services NHS Trust	2,144	2,172	769	766

The Department of Health and Social Care is the Trust's 'Parent body' and is regarded as a related party.

During the year the 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.

These entities are listed below.

Organisation	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
NHS Lincolnshire East CCG	293	139,349	875	5,217
NHS Lincolnshire West CCG	28	127,898	948	7,442
NHS South West Lincolnshire CCG	28	75,891	371	2,102
NHS England - East Midlands Specialised Commissioning Hub	-	58,890	65	2,330
NHS England - Core	-	30,692	-	8,843
NHS South Lincolnshire CCG	240	26,562	246	821
Midlands Regional Office	-	10,689	105	-
NHS Newark and Sherwood CCG	-	4,529	3	55
NHS Arden & Greater East Midlands CSU	-	577	-	764
NHS North Lincolnshire CCG	-	1,228	45	-
NHS England - Central Specialised Commissioning Hub	-	1,147	80	-
NHS East Leicestershire and Rutland CCG	-	801	-	103
NHS Bassetlaw CCG	-	597	-	40
NHS Cambridgeshire and Peterborough CCG	-	374	-	104
NHS Rushcliffe CCG	96	232	96	38
NHS North East Lincolnshire CCG	-	387	19	-
NHS Derby and Derbyshire CCG	-	341	54	-
NHS Nene CCG	-	240	53	61
NHS Nottingham City CCG	-	323	4	-
NHS Sheffield CCG	-	270	36	-
Other CCGs	28	4,872	59	401
Northern Lincolnshire and Goole Hospitals NHS Foundation Trust	10,494	992	37	364
Lincolnshire Partnership NHS Foundation Trust	693	3,201	98	498
North West Anglia NHS Foundation Trust	375	7	276	5
Sheffield Teaching Hospitals NHS Foundation Trust	195	7	75	-
Sherwood Forest Hospitals NHS Foundation Trust	113	23	14	20
University Hospitals of Derby and Burton NHS Foundation Trust	107	20	31	1
Kettering General Hospital NHS Foundation Trust	2	104	2	22
Oxford Health NHS Foundation Trust	113	-	7	-
Bradford Teaching Hospitals NHS Foundation Trust	94	-	15	-
Other Foundation Trusts	377	24	135	21
Lincolnshire Community Health Services NHS Trust	2,144	2,172	769	766
Nottingham University Hospitals NHS Trust	1,061	3,195	351	1,052
St Helens and Knowsley Hospital Services NHS Trust	2,091	-	274	130
University Hospitals of Leicester NHS Trust	119	1,444	57	299
Leeds Teaching Hospitals NHS Trust	230	-	67	-
Other English NHS Trusts	126	76	46	17
NHS Resolution	20,214	-	22	-
Health Education England	-	15,822	83	111
NHS Property Services	3,507	161	1,098	65
NHS Improvement	99	591	19	1,639
NHS Blood and Transplant	2,219	-	-	-
Care Quality Commission	303	-	-	-
Public Health England (PHE)	26	187	13	12
Other NHS	-	11	-	11

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. The most significant of which are listed below.

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
NHS Pension Scheme	43,174	-	4,199	-
HM Revenue & Customs - Other taxes and duties and NI contributions	25,989	-	7,901	-
HM Revenue & Customs - VAT	-	-	-	989
Lincolnshire County Council	21	170	-	9
Other Central and Government Departments	48	147	-	72

The Trust is the Corporate Trustee for the United Lincolnshire Hospitals Charity (Charity No:1058065). The Charity is therefore deemed to be a related party.

The purpose or objects of the fund are set out within the Charity Deed and state:
The Trustees shall hold the Trust fund upon Trust to apply the income, and at their discretion, so far as may be permissible, the capital, for any charitable purpose or purposes relating to the National Health Service.

The Charity has supported numerous initiatives during 2019/20 including the purchase / donation of various capital assets to the Trust. The value of these in 2019/20 was £0.08m (2018/19: £0.16m).

Direct transactions with the Charity are summarised below:

	Payments to Related Party	Receipts from Related Party	Amounts owed to Related Party	Amounts due from Related Party
	£000	£000	£000	£000
United Lincolnshire Hospitals Charity	-	222	-	1

Note 36 Events after the reporting date

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £377.9m interim loan principal and £2.5m interest accrual as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

The impact of COVID-19 was felt by trusts at the very end of the 2019/20 financial year, with significant impact continuing into 2020/21.

DHSC has initiated changes to provide stability and support to the wider NHS through additional revenue and capital funding in 2019/20 which will continue in to 2020/21.

Aligned to this is the temporary suspension of the Payment by Results mechanism and for an initial period covering 1 April - 30 September 2020, the introduction of block contract payments from commissioners along with a central 'top-up' payment from NHSE/I.

Note 37 Prior period adjustments

The work carried out as part of the 2019/20 valuation of Land and Buildings, undertaken by Cushman and Wakefield as the Trust's appointed valuer, revealed a material error in previous valuations tracking back to the 2016/17 Financial Statements.

The Annual valuation takes account of numerous factors contributing to an overall assessment of each building asset on a modern equivalent basis; these include functional and external obsolescence, investment into the property since the previous valuation, and any change of use.

The assessment also considers any major works of a statutory or mandatory nature over and above backlog maintenance required to bring the buildings up to the required standard. A hypothetical purchaser of the assets would reduce the purchase price accordingly if significant defects were identified.

As disclosed within Trust Annual reports covering this period, the Trust has been subject to Statutory Fire Enforcement Notices at each site and has to date invested £41.0m to improve fire safety measures and comply with the Notices issued.

The valuation undertaken by the appointed valuer should take account of major statutory fire safety works required and reflect the projected costs associated with achieving compliance.

The error within the Trust Financial Statements resulted from the omission and in subsequent years the misinterpretation of the level of outstanding work completed and remaining outstanding to ensure compliance with the Fire Safety Notice.

The 2018/19 comparitor figures within the Trust Accounts for 2019/20 have been restated to take account of this material error.

The error is limited to the following key figures within the Financial Statements:

	Restatement	Original	Movement
	£000	£000	£000
Statement of Comprehensive Income			
Net impairments charged to operating surplus / deficit	-	(16,245)	16,245
Surplus / (deficit) for the year	-	(104,501)	104,501
Other comprehensive income			
Impairments charged to the revaluation reserve	-	(5,939)	5,939
Revaluations	-	4,020	(4,020)
Total comprehensive income / (expense) for the period	-	(106,420)	106,420
Statement of Financial Position			
Non-current assets			
Property, plant and equipment	-	208,749	(208,749)
Taxpayers' equity			
Revaluation reserve	-	32,159	(32,159)
Income and expenditure reserve	-	(412,091)	412,091
	-	(379,932)	379,932

Whilst the impact is limited to Impairments, Revaluation Reserve, Income and Expenditure Reserve and Property Plant and Equipment each of the primary financial statements are impacted.

The primary statements along with those notes affected have been restated alongside the original balances published within the 2018/19 Annual Report and Accounts . The impact of the changes are detailed on the following pages.

PPA 2018/19 Restatement: Statement of Comprehensive Income			
	Restatement	**Original**	**Movement**
	£000	**£000**	**£000**
Operating income from patient care activities	-	-	-
Other operating income	-	-	-
Operating expenses	-	(546,418)	546,418
Operating surplus/(deficit) from continuing operations	**-**	**(546,418)**	**546,418**
Finance income	-	-	-
Finance expenses	-	-	-
PDC dividends payable	-	-	-
Net finance costs	**-**	**-**	**-**
Other gains / (losses)	-	-	-
Surplus / (deficit) for the year from continuing operations	**-**	**(546,418)**	**546,418**
Surplus / (deficit) for the year	**-**	**(546,418)**	**546,418**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	-	(5,939)	5,939
Revaluations	-	4,020	(4,020)
Total comprehensive income / (expense) for the period	**-**	**(548,337)**	**548,337**
Adjusted financial performance (control total basis):			
Surplus / (deficit) for the period	-	(546,418)	546,418
Remove net impairments not scoring to the Departmental expenditure limit	-	16,245	(16,245)
Remove I&E impact of capital grants and donations	-	-	-
Adjusted financial performance surplus / (deficit)	**-**	**(530,173)**	**530,173**
Adjusted financial performance against breakeven duty:			
Adjusted financial performance (control total basis):	-	-	-
IFRIC 12 breakeven adjustment	233	233	-
Adjusted financial performance against breakeven duty surplus / (deficit)	**233**	**233**	**-**

PPA 2018/19 Restatement: Statement of Financial Position				
	31 March 2019	31 March 2019		01 April 2018
	Restatement	Original	Movement	Restated
	£000	£000	£000	£000
Non-current assets				
Intangible assets	-	-	-	6,148
Property, plant and equipment	-	208,749	(208,749)	170,589
Receivables	-	-	-	1,828
Total non-current assets	**-**	**208,749**	**(208,749)**	**178,565**
Current assets				
Inventories	-	-	-	6,799
Receivables	-	-	-	25,393
Non-current assets for sale and assets in disposal groups	-	-	-	1,225
Cash and cash equivalents	-	-	-	10,533
Total current assets	**-**	**-**	**-**	**43,950**
Current liabilities				
Trade and other payables	-	-	-	(53,481)
Borrowings	-	-	-	(36,157)
Provisions	-	-	-	(735)
Other liabilities	-	-	-	(3,210)
Total current liabilities	**-**	**-**	**-**	**(93,583)**
Total assets less current liabilities	**-**	**208,749**	**(208,749)**	**128,932**
Non-current liabilities				
Trade and other payables	-	-	-	-
Borrowings	-	-	-	(165,075)
Provisions	-	-	-	(2,994)
Other liabilities	-	-	-	(13,584)
Total non-current liabilities	**-**	**-**	**-**	**(181,653)**
Total assets employed	**-**	**208,749**	**(208,749)**	**(52,721)**
Financed by				
Public dividend capital	-	-	-	257,563
Revaluation reserve	-	32,159	(32,159)	24,677
Other reserves	-	-	-	190
Income and expenditure reserve	-	(412,091)	412,091	(335,151)
Total taxpayers' equity	**-**	**(379,932)**	**379,932**	**(52,721)**

PPA 2018/19 Restatement: Statement of Cash Flows			
	Restatement	Original	Movement
	£000	£000	£000
Cash flows from operating activities			
Operating surplus / (deficit)	-	(98,926)	98,926
Non-cash income and expense:			
Depreciation and amortisation	-	-	-
Net impairments	-	16,245	(16,245)
Income recognised in respect of capital donations	-	-	-
Amortisation of PFI deferred credit	-	-	-
(Increase) / decrease in receivables and other assets	-	-	-
(Increase) / decrease in inventories	-	-	-
Increase / (decrease) in payables and other liabilities	-	-	-
Increase / (decrease) in provisions	-	-	-
Net cash flows from / (used in) operating activities	**-**	**(82,681)**	**82,681**
Cash flows from investing activities			
Interest received	-	-	-
Purchase of intangible assets	-	-	-
Purchase of PPE	-	-	-
Sales of PPE	-	-	-
Net cash flows from / (used in) investing activities	**-**	**-**	**-**
Cash flows from financing activities			
Public dividend capital received	-	-	-
Movement on loans from DHSC	-	-	-
Movement on other loans	-	-	-
Capital element of finance lease rental payments	-	-	-
Interest on loans	-	-	-
Other interest	-	-	-
Interest paid on finance lease liabilities	-	-	-
PDC dividend (paid) / refunded	-	-	-
Net cash flows from / (used in) financing activities	**-**	**-**	**-**
Increase / (decrease) in cash and cash equivalents	**-**	**(82,681)**	**82,681**
Cash and cash equivalents at 1 April - brought forward	**-**	**-**	**-**
Cash and cash equivalents at 31 March	**-**	**(82,681)**	**82,681**

PPA 2018/19 Restatement: Statement of Changes in Equity for the year ended 31 March 2019

RESTATEMENT	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**-**	**-**	**-**	**-**	**-**
Prior period adjustment	-	-	-	-	**-**
Taxpayers' and others' equity at 1 April 2018 - restated	**-**	**-**	**-**	**-**	**-**
Surplus/(deficit) for the year	-	-	-	-	**-**
Other transfers between reserves	-	-	-	-	**-**
Impairments	-	-	-	-	**-**
Revaluations	-	-	-	-	**-**
Transfer to retained earnings on disposal of assets	-	-	-	-	**-**
Public dividend capital received	-	-	-	-	**-**
Taxpayers' and others' equity at 31 March 2019	**-**	**-**	**-**	**-**	**-**

ORIGINAL	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**-**	**-**	**-**	**-**	**-**
Prior period adjustment	-	-	-	-	**-**
Taxpayers' and others' equity at 1 April 2018 - restated	**-**	**-**	**-**	**-**	**-**
Surplus/(deficit) for the year	-	-	-	(104,501)	**(104,501)**
Other transfers between reserves	-	(827)	-	827	**-**
Impairments	-	(5,939)	-	-	**(5,939)**
Revaluations	-	4,020	-	-	**4,020**
Transfer to retained earnings on disposal of assets	-	-	-	-	**-**
Public dividend capital received	-	-	-	-	**-**
Taxpayers' and others' equity at 31 March 2019	**-**	**(2,746)**	**-**	**(103,674)**	**(106,420)**

MOVEMENT	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2018 - brought forward	**-**	**-**	**-**	**-**	**-**
Prior period adjustment	-	-	-	-	**-**
Taxpayers' and others' equity at 1 April 2018 - restated	**-**	**-**	**-**	**-**	**-**
Surplus/(deficit) for the year	-	-	-	104,501	**104,501**
Other transfers between reserves	-	827	-	(827)	**-**
Impairments	-	5,939	-	-	**5,939**
Revaluations	-	(4,020)	-	-	**(4,020)**
Transfer to retained earnings on disposal of assets	-	-	-	-	**-**
Public dividend capital received	-	-	-	-	**-**
Taxpayers' and others' equity at 31 March 2019	**-**	**2,746**	**-**	**103,674**	**106,420**

PPA 2018/19 Restatement: Note 7 Operating expenses	Restatement	Original	Movement
	£000	£000	£000
Purchase of healthcare from non-NHS and non-DHSC bodies	-	-	-
Staff and executive directors costs	-	-	-
Remuneration of non-executive directors	-	-	-
Supplies and services - clinical (excluding drugs costs)	-	-	-
Supplies and services - general	-	-	-
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	-	-	-
Inventories written down	-	-	-
Consultancy costs	-	-	-
Establishment	-	-	-
Premises	-	-	-
Transport (including patient travel)	-	-	-
Depreciation on property, plant and equipment	-	-	-
Amortisation on intangible assets	-	-	-
Net impairments *	**-**	**16,245**	**(16,245)**
Movement in credit loss allowance: contract receivables / contract assets	-	-	-
Change in provisions discount rate(s)	-	-	-
Audit fees payable to the external auditor			
audit services- statutory audit	-	-	-
other auditor remuneration (external auditor only)	-	-	-
Internal audit costs	-	-	-
Clinical negligence	-	-	-
Legal fees	-	-	-
Insurance	-	-	-
Research and development **	-	-	-
Education and training**	-	-	-
Rentals under operating leases	-	-	-
Redundancy	-	-	-
Car parking & security	-	-	-
Hospitality	-	-	-
Losses, ex gratia & special payments	-	-	-
Grossing up consortium arrangements	-	-	-
Other services, eg external payroll	-	-	-
Other	-	-	-
Total	**-**	**16,245**	**(16,245)**
Of which:			
Related to continuing operations	-	16,245	(16,245)
Related to discontinued operations	-	-	-

PPA 2018/19 Restatement: Note 8 Impairment of assets	Restatement	Original	Movement
	£000	£000	£000
Net impairments charged to operating surplus / deficit resulting from:			
Changes in market price	-	19,894	(19,894)
Other	-	(3,649)	3,649
Total net impairments charged to operating surplus / deficit	**-**	**16,245**	**(16,245)**
Impairments charged to the revaluation reserve	-	5,939	(5,939)
Total net impairments	**-**	**22,184**	**(22,184)**
Material Impairment losses / (reversals) charged to the SOCI in 2018/19 resulting from changes in market price following valuation are summarised below:			
	Restatement	**Original**	**Movement**
	£000	**£000**	**£000**
Reversals of impairments charged to SOCI in previous years			
Outpatients Dept: Lincoln County Hospital	(1,184)		
Phase 2: Lincoln County Hospital	(703)		
Outpatients Dept: Boston Pilgrim Hospital	(524)		
Ward Block: Lincoln County Hospital	(552)		
Other - buildings*	(1,846)	(1,411)	
Impairments charged to SOCI in current year			
Tower Block: Boston Pilgrim Hospital	1,598		
PPCI New Build	1,707		
Maternity Unit - Lincoln County Hospital	3,619		
Phase 2: Lincoln County Hospital			-
Hutton Block: Lincoln County Hospital		21,305	(21,305)
Other - buildings	1,525		
	3,640	**19,894**	**(21,305)**
* Consists of multiple buildings individually with 'low' value impairment less than £0.5m			

Other Material Impairment losses / (reversals) charged to SOCI are summarised below:			
	Restatement	Original	Movement
	£000	£000	£000
Reversal of impairments charged to SOCI in previous years			
Progress Care Housing Association Onerous Contract net reversal *	(3,649)	(3,649)	-
	(3,649)	**(3,649)**	**-**
	-		

* *The Trust entered into a contract with a third party in 2006, Progress Living, in which accommodation is provided to Trust employees at Lincoln, Boston and Grantham sites. As part of the contract, a minimum occupancy level was guaranteed. Costs of under occupancy are met by the Trust.

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

Impairments charged / (reversed) against this contract were:			
	Restatement	Original	Movement
	£000	£000	£000
Lincoln	-	-	-
Boston	(3,200)	(3,200)	-
Grantham	(449)	(449)	-
	(3,649)	**(3,649)**	**-**
	-		
	-		

Property, Plant and Equipment impairments and reversals charged to the revaluation reserve			
	Restatement	Original	Movement
	£000	£000	£000
Other	-	-	-
Changes in market price	165	(1,919)	2,084
Total impairments for PPE charged to reserves	**165**	**(1,919)**	**2,084**

PPA 2018/19 Restatement: Note 16.2 Property, plant and equipment - 2018/19									
RESTATEMENT	**Land**	**Buildings excluding dwellings**	**Dwellings**	**Assets under construction**	**Plant & machinery**	**Transport equipment**	**Information technology**	**Furniture & fittings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Valuation / gross cost at 1 April 2018 - as previously stated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Prior period adjustments	-	-	-	-	-	-	-	-	-
Valuation / gross cost at 1 April 2018 - restated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Valuation/gross cost at 31 March 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Accumulated depreciation at 1 April 2018 - as previously stated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Prior period adjustments	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 1 April 2018 - restated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provided during the year	-	-	-	-	-	-	-	-	-
Impairments	-	-	-	-	-	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	-	-	-	-	-	-	-
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	-	-	-	-	-	-	-	-
Accumulated depreciation at 31 March 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value at 31 March 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net book value at 1 April 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

PPA 2018/19 Restatement: Note 16.2 Property, plant and equipment - 2018/19									
ORIGINAL	**Land**	**Buildings excluding dwellings**	**Dwellings**	**Assets under construction**	**Plant & machinery**	**Transport equipment**	**Information technology**	**Furniture & fittings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Valuation / gross cost at 1 April 2018 - as previously stated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Prior period adjustments	-	-	-	-	-	-	-	-	**-**
Valuation / gross cost at 1 April 2018 - restated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	-	-	-	-	-	-	-	-	**-**
Impairments	-	(31,849)	-	-	-	-	-	-	**(31,849)**
Reversals of impairments	-	2,912	-	-	-	-	-	-	**2,912**
Revaluations	-	2,082	-	-	-	-	-	-	**2,082**
Reclassifications	-	8,815	-	-	-	-	-	-	**8,815**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	-	-	-	-	**-**
Valuation/gross cost at 31 March 2019	**-**	**(18,040)**	**-**	**-**	**-**	**-**	**-**	**-**	**(18,040)**
Accumulated depreciation at 1 April 2018 - as previously stated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Prior period adjustments	-	-	-	-	-	-	-	-	**-**
Accumulated depreciation at 1 April 2018 - restated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provided during the year	-	-	-	-	-	-	-	-	**-**
Impairments	-	(2,596)	-	-	-	-	-	-	**(2,596)**
Reversals of impairments	-	(508)	-	-	-	-	-	-	**(508)**
Revaluations	-	(439)	-	-	-	-	-	-	**(439)**
Reclassifications	-	-	-	-	-	-	-	-	**-**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	-	-	-	-	**-**
Accumulated depreciation at 31 March 2019	**-**	**(3,543)**	**-**	**-**	**-**	**-**	**-**	**-**	**(3,543)**
Net book value at 31 March 2019	**-**	**(14,497)**	**-**	**-**	**-**	**-**	**-**	**-**	**(14,497)**
Net book value at 1 April 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

PPA 2018/19 Restatement: Note 16.2 Property, plant and equipment - 2018/19									
MOVEMENT / IMPACT	**Land**	**Buildings excluding dwellings**	**Dwellings**	**Assets under construction**	**Plant & machinery**	**Transport equipment**	**Information technology**	**Furniture & fittings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Valuation / gross cost at 1 April 2018 - as previously stated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Prior period adjustments	-	-	-	-	-	-	-	-	**-**
Valuation / gross cost at 1 April 2018 - restated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Additions	-	-	-	-	-	-	-	-	**-**
Impairments	-	31,849	-	-	-	-	-	-	**31,849**
Reversals of impairments	-	(2,912)	-	-	-	-	-	-	**(2,912)**
Revaluations	-	(2,082)	-	-	-	-	-	-	**(2,082)**
Reclassifications	-	(8,815)	-	-	-	-	-	-	**(8,815)**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	-	-	-	-	**-**
Valuation/gross cost at 31 March 2019	**-**	**18,040**	**-**	**-**	**-**	**-**	**-**	**-**	**18,040**
previously stated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Prior period adjustments	-	-	-	-	-	-	-	-	**-**
Accumulated depreciation at 1 April 2018 - restated	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Provided during the year	-	-	-	-	-	-	-	-	**-**
Impairments	-	2,596	-	-	-	-	-	-	**2,596**
Reversals of impairments	-	508	-	-	-	-	-	-	**508**
Revaluations	-	439	-	-	-	-	-	-	**439**
Reclassifications	-	-	-	-	-	-	-	-	**-**
Transfers to / from assets held for sale	-	-	-	-	-	-	-	-	**-**
Disposals / derecognition	-	-	-	-	-	-	-	-	**-**
Accumulated depreciation at 31 March 2019	**-**	**3,543**	**-**	**-**	**-**	**-**	**-**	**-**	**3,543**
Net book value at 31 March 2019	**-**	**14,497**	**-**	**-**	**-**	**-**	**-**	**-**	**14,497**
Net book value at 1 April 2018	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

PPA 2018/19 Restatement: Note 16.4 Property, plant and equipment financing - 2018/19									
RESTATEMENT	**Land**	**Buildings excluding dwellings**	**Dwellings**	**Assets under construction**	**Plant & machinery**	**Transport equipment**	**Information technology**	**Furniture & fittings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net book value at 31 March 2019									
Owned - purchased	-	-	-	-	-	-	-	-	**-**
On-SoFP PFI contracts and other service concession arrangements	-	-	-	-	-	-	-	-	**-**
Owned - government granted	-	-	-	-	-	-	-	-	**-**
Owned - donated	-	-	-	-	-	-	-	-	**-**
NBV total at 31 March 2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
ORIGINAL	**Land**	**Buildings excluding dwellings**	**Dwellings**	**Assets under construction**	**Plant & machinery**	**Transport equipment**	**Information technology**	**Furniture & fittings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net book value at 31 March 2019									
Owned - purchased	-	138,022	-	-	-	-	-	-	**138,022**
On-SoFP PFI contracts and other service concession arrangements	-	-	-	-	-	-	-	-	**-**
Owned - government granted	-	-	-	-	-	-	-	-	**-**
Owned - donated	-	-	-	-	-	-	-	-	**-**
NBV total at 31 March 2019	**-**	**138,022**	**-**	**-**	**-**	**-**	**-**	**-**	**138,022**
MOVEMENT / IMPACT	**Land**	**Buildings excluding dwellings**	**Dwellings**	**Assets under construction**	**Plant & machinery**	**Transport equipment**	**Information technology**	**Furniture & fittings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Net book value at 31 March 2019									
Owned - purchased	-	(138,022)	-	-	-	-	-	-	**(138,022)**
On-SoFP PFI contracts and other service concession arrangements	-	-	-	-	-	-	-	-	**-**
Off-SoFP PFI residual interests	-	-	-	-	-	-	-	-	**-**
Owned - government granted	-	-	-	-	-	-	-	-	**-**
Owned - donated	-	-	-	-	-	-	-	-	**-**
NBV total at 31 March 2019	**-**	**(138,022)**	**-**	**-**	**-**	**-**	**-**	**-**	**(138,022)**

Note 38 Better Payment Practice Code

	2019/20	2019/20	2018/19	2018/19
Non-NHS Payables	**Number**	**£000**	**Number**	**£000**
Total non-NHS trade invoices paid in the year	-	-	131,088	207,633
Total non-NHS trade invoices paid within target	-	-	108,382	160,962
Percentage of non-NHS trade invoices paid within target	0.0%	0.0%	82.7%	77.5%
NHS Payables				
Total NHS trade invoices paid in the year	-	-	2,387	43,521
Total NHS trade invoices paid within target	-	-	1,508	35,340
Percentage of NHS trade invoices paid within targe	0.0%	0.0%	63.2%	81.2%

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

Note 39 External financing limit

The Trust is given an external financing limit against which it is permitted to underspend	2019/20	2018/19
	£000	**£000**
Cash flow financing	-	104,966
External financing requirement	**-**	**104,966**
External financing limit (EFL)	-	106,199
Under / (over) spend against EFL	**-**	**1,233**

Note 40 Capital Resource Limit

	2019/20	2018/19
	£000	**£000**
Gross capital expenditure	-	-
Less: Disposals	-	-
Less: Donated and granted capital additions	-	-
Charge against Capital Resource Limit	**-**	**-**
Capital Resource Limit	-	-
Under / (over) spend against CRL	**-**	**-**

Note 41 Breakeven duty financial performance

	2019/20	2018/19
	£000	**£000**
Adjusted financial performance surplus / (deficit) (control total basis)	-	-
Remove impairments scoring to Departmental Expenditure Limit	-	-
Add back income for impact of 2018/19 post-accounts PSF reallocation	-	-
IFRIC 12 breakeven adjustment	-	233
Breakeven duty financial performance surplus / (deficit)	**-**	**233**

Note 42 Breakeven duty rolling assessment

	1997/98 to 2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		-	-	-	-	-
Breakeven duty cumulative position	-	-	-	-	-	-
Operating income		-	-	-	-	-
Cumulative breakeven position as a percentage of operating income		0.0%	0.0%	0.0%	0.0%	0.0%
	2014/15	**2015/16**	**2016/17**	**2017/18**	**2018/19**	**2019/20**
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	-	-	-	-	-	-
Breakeven duty cumulative position	-	-	-	-	-	-
Operating income	-	-	-	-	-	-
Cumulative breakeven position as a percentage of operating income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

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.

Performance in respect of financial years prior to 2009/10 have not been restated to IFRS and remain on a UK GAAP basis.