NHS
United Lincolnshire Hospitals
NHS Trust

Annual Report and Accounts for the year ended 31 March 2021

OUTSTANDING CARE
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Contents

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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 pleased to be able to share with you our Annual Report for the year 2020/21.

This report covers one of the most challenging years that the NHS both nationally and locally has ever faced. It reflects the very difficult circumstances that our patients, the public, their loved ones and our own staff have faced over a sustained period of time.

For those people who work for our Trust, each person will have enduring memories of the year, and this report highlights the extraordinary circumstances in which professionalism, resilience and sheer determination was tested on a daily basis.

This has also been a year to be proud of, where our staff have gone above and beyond to support our patients and keep our services running safely through the COVID-19 pandemic. There is also significant learning around the way we do things in the organisation, which will be incorporated in our future plans.

As we now turn our attention to re-building and refocusing during the coming year, we recognise that we have significant work to do to recover some services that were affected during the pandemic. For example, we have at times cancelled some appointments so that we had capacity to care for COVID-19 patients, and restricted patient visiting for large swathes of the year. We know these have been difficult decisions, but they were made in the best interests of patient safety.

This has resulted in increased waiting lists for elective surgery and for outpatient appointments, which is reflected across the NHS nationally.

The year has also provided us with the opportunity to innovate, and we have established new ways of working - increasing telephone and video consultations for example. These are innovations that have been welcomed by and evaluate well with our patients and that have shifted how we work.

We are also proud of the temporary changes we've made to safeguarding urgent and cancer surgery, including the temporary creation of a 'Green' COVID-safe site at Grantham hospital. That successful change enabled us to

carry out thousands more procedures than we would otherwise have been able to do.

During the year, we've also been very lucky to attract additional £30.2 million external investment, which has enabled us to make significant improvements to our estates, including work to redevelop the A&E department at Pilgrim hospital, a new Urgent Treatment Centre for Lincoln, new scanning and diagnostic equipment and ward upgrades and refurbishments across our hospitals.

Whilst there is still a long way to go in reducing our estates maintenance backlog, the unusual nature of 2020/21 has provided us with opportunity to innovate and improve.

Overall, we are going into the next financial year with confidence in our amazing workforce and hope that we will be able to reinstate and restore services. We are also making a shift to managing COVID-19 as endemic in our society, with plans to manage it alongside other infections with robust infection prevention and control measures.

We look positively to the future.

Elaine Baylis, 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 2020/21, 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 and NHS 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 2020/21 of £643m. Our main contract is with NHS Lincolnshire Clinical Commissioning Group (CCG).

We provide services from three acute hospitals in Lincolnshire with a bed stock, excluding obstetrics, of 889 beds compiled as follows

Lincoln County Hospital – 509 core + 7 escalation Total cap available = 516

Pilgrim Hospital Boston – 338 core + 3 escalation Total cap available = 341

Grantham & District Hospital – 32 core + 0 escalation Total cap available = 32

The Trust also provides a wide variety of outpatient, day case and inpatient services from a range of other community hospitals operated by NHS property Services. These include:

County Hospital Louth

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 4,000 babies. Services during 2020/21 have been significantly affected by the pandemic. During 2020/21 the Trust conducted 6,429 video consultations and 240,145 telephone consultations.

For 2020/21 vs 2019/20 our attendances were as follows:

	2019/20	**2020/21**
Outpatient	622,045	558,546
A&E Attendances	145,381	100,992
Inpatients	146,310	106,567

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 NHS Lincolnshire CCG, Northern Lincolnshire and Goole NHS Foundation Trust and North West Anglia NHS Foundation Trust provide a significant share of elective care in East and South Lincolnshire respectively.

On 5th March 2020, in response to the Covid-19 pandemic, the Trust enacted the Pandemic Flu plan and elements of the Major Incident Plan and put in place Command and Control systems. This response continued until 1st August when nationally the national Emergency Response Level was reduced to Level 3. This signified the start of the Recovery Phase of the response to Covid-19 pandemic.

Operational performance for the periods from August 2020 where data is available reflects the Recovery Phase where services were being reinstated as part of the Phase 3 Recovery programme. From August this recovery commenced with ambitions to returning to pre-Covid-19 levels of waiting lists, response times and constitutional standards, in line with expectations as set out in Sir Simon Stevens' letter of 31st July 2020.

However, the Covid-19 2nd wave impacted significantly against the Trust's plans, posing challenges across both non-elective and elective pathways, including cancer, and resulting in the intermittent pausing of the green pathways at both Lincoln and Pilgrim hospitals. The Grantham Green Site has remained in operation.

Trust Organisational Structure

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

Division	Clinical Business Unit	Clinical Service
Family Health	Women's Health	Breast Obstetrics Gynaecology
	Children and Young People	Paediatrics Neonatology
Clinical Support Services	Diagnostics	Radiology Radiotherapy Medical Physics Pathology Audiology
	Therapies and Rehabilitation	Rehabilitation medicine Occupational Therapy Speech and Language Therapy Dietetics Physiotherapy
	Pharmacy	
	Outpatients	
	Cancer Services	
Surgery	Surgery	General Surgery Vascular Urology Head and Neck
	Orthopaedics and Opthalmology	Orthopaedics Opthalmology Orthoptics
	Theatres, Anaesthetics, Critical Care and Pain	Theatres Critical Care
Medicine	Urgent and 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 four Divisions reduce the 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.

Vision, ambitions and strategies for 2020-2025

As a Trust Board in February 2020 we committed to delivering our 5 year Integrated Improvement Plan (IIP) with year one delivery in 2020/21. At this time little did we know that we would be experiencing, a few weeks later, a global pandemic that disrupted healthcare delivery as we knew it. As a result our year one plans have been severely affected. Of the 71 original projects, 50 remain live but with either altered scopes, timelines or expected benefits. As would be expected focus has remained on those areas deemed by the project teams to have most impact on patient safety.

To deliver our IIP we have continued to develop our Outstanding Care Together Programme (OCTP). Our OCTP sets out how we will;

- Set our annual plans aligning the organisation through strategy deployment
- Create the conditions for the right leadership behaviours
- Develop our Improvement offer through the Improvement Academy
- Have a consistent approach to continuous improvement through our Outstanding Care Improvement System (OCIS)
- Ensure there is a consistent methodology for larger more complex Improvement projects / programmes based on the fundamentals of QSIR (Quality, Service Improvement and Redesign – NHS change methodology)

The following strategic framework was agreed to shape our plans for 2020-2025

	Patients	People	Services	Partners
Strategic objectives	To deliver high quality, safe and responsive **patient** services, shaped by best practice and our communities.	To enable our **people** to lead, work differently and to feel valued, motivated and proud to work at ULHT.	To ensure that **services** are sustainable, supported by technology and delivered from an improved estate.	To implement new integrated models of care with our **partners** to improve Lincolnshire's health and wellbeing.
Our five year priorities	• Deliver harm free care • Improve patient experience • Improve clinical outcomes	• A modern and progressive workforce • Making ULHT the best place to work • Well led services	• A modern, clean and fit for purpose environment • Efficient use of our resources • Enhanced data and digital capability	• Establish new evidence based models of care • Advancing professional practice with partners • Becoming a University Hospitals Teaching Trust
Our outcomes	• HSMR and SHMI are within the top quartile nationally • Patient surveys in top quartile • Top quartile for national clinical audits and benchmarking • Meeting all of our regulatory requirements	• Top quartile for vacancy and turnover rates • Staff survey results in top quartile • Rated outstanding for well led	• Capital funding secured to deliver Trust strategies • Financial plan delivered • Staff will have access to real-time data via electronic systems	• All nationally required access standards delivered • A full partner in a functioning Integrated Care System (ICS) • Reduced activity delivered in acute setting • Acute Service Review delivered in partnership • Becoming a University Hospitals Teaching Trust

Overview of progress of the People's Work Streams

Work streams	Start Date	Finish Date	Six Stage Methodology Status	Progress update	Previous RAG Status	Current RAG Status
A modern and progressive workforce						
Embed Robust workforce planning and development of new roles (PMO_2020_015)	01/02/2020	01/09/2021	Various	This project RAG status remains Amber Job Planning: The deadline has been extended to the end of June 21 for the Job Planning to be completed, current position: Consistency Checking Panels have been arranged for all specialties with three panels having been held to date. 465 job plans have been published to date, with 26 plans ready for panel and 20 plans signed off by panel. E-Rostering A plan has been developed to re-launch in Anaesthetics and ICU. Confirmation is being sought from the Division on the most appropriate time to do this. Agreement then needs to be reached with the Division on the next area of roll-out.	Amber	Amber

				Workforce Planning: The Initial ask from NHSE/I has been stood down, high-level workforce plans for 21/22 to be in place by the end of April Alternative Roles: Family Health are in the process of writing a Business Case to utilise ACP's into their service, this will potentially serve as the Proof-of-concept area Apprentice Pool: The next cohort adverts are due to go out as follows: 8 Apprentices in June 2021 7 Apprentices in Aug 2021		
Targeted recruitment campaigns to include overseas recruitment (PMO_2020_016)	01/04/2020	Contract due to expire 30th October 2022	5 (Implement)	The project is currently showing on track for delivery. International Nursing recruitment 120 Nurses – The timeline date has been extended to June 21 due to the lockdown issues in India Cohort recruitment Campaign for 225 FTE HCSW, on target Maximise our Talent Academy resource Apprenticeship levy. Awaiting confirmation of the 2020/21 final figures	Amber	Amber

Delivery of annual appraisals and mandatory training (PMO_2020_017)	01/04/2020	31/03/2021	5 (Implement)	Decision was taken by ELT to pause the implementation of WorkPal WorkPal launch May 2021. Approval has been requested from Executive Lead around extension to the timeline. Project will form one of the major projects for Year 2 of the IIP. . The project remains Red RAG due to the delivery of WorkPal being a key milestone for delivery.	Red	Red
Creating a framework for people to achieve their full potential (PMO_2020_018)	01/04/2020	31/03/2021	4 (Design & Plan)	Project to form one of the major projects for Year 2 of the IIP. All major milestones for Year 1 have been completed. One outstanding task – to incorporate talent indicators into WorkPal.	Amber	Green
Embed Continuous Improvement Methodology Across the Trust (PMO_2020_019)	01/04/2020	31/03/2021	5 (Implement)	Drafted our Strategic Offer for the Improvement Academy, which sets out our approach to Improvement with a dosing model to suit individuals and team's needs. We have been resetting our delivery schedules: > Quality Improvement for Shared Decision-Making being prepared > Restarted our Quality, Service	Amber	Amber

				Improvement and Redesign (QSIR) NHS E/I accredited programmes to support change > Restarted planning and training coaches for routine continuous improvement programme with the Outstanding Care Improvement System (OCIS) planning to start training delivery in May > Human Factors improvement conference attended, plus training being pulled together by the Safety culture lead > Shared learning from previous programmes through catalogues and year books. ULHT Associate is the Chair for the NHS E/I QSIR Associate programme for designing the future national Virtual Assessment programme for Associates		
Reducing absence management (PMO_2020_020)	01/10/2019	28/02/2021	5 (Implement)	The AMS project is moving to project closure, absence manager and case manager are both live across the Trust, the final milestone of long term sickness absence enabled by the External Empactis team is currently outstanding and expected to be achieved at the end of the month	Green	Green

				at which point the project closure report will be submitted for approval by the Sponsor. Project blue status against this category of rating will not by achieved within the lifecycle of the project. Implementation of the AMS requires cultural and behavioural change, some Directorates have embraced the AMS and are using it proficiently, others less so, the work to support embedding into BAU has commenced, however it will be at least six months before the AMS is fully embedded.		
Deliver Personal and Professional development (PMO_2020_021)	01/04/2020	31/03/2021	4 (Design & Plan)	Project to form one of the major projects for Year 2 of the IIP. Timeline has been rescoped and completion date extended. PMO to request new completion date is shared. A lot of progress has been made with the now focussed attention of the OD Lead.	Amber	Amber
Making ULHT the best place to work						
Embedding our values and behaviours (PMO_2020_022)	01/04/2020	31/03/2021	4 (Design & Plan)	Project to form one of the major projects for Year 2 of the IIP. Discussions are currently	Red	Red

				underway as to how this work stream will be impacted by the Culture and Leadership Programme. Project is Red RAG due to being delayed in achieving Year 1 milestones. Staff charter workshop has restarted in April 2021 along with appraisal training. The Culture and Leadership Programme team has been finalised.		
Reviewing the way in which we communicate with staff and involve them in shaping our plans (PMO_2020_023)	1/04/2020	31/03/2021	5 (Implement)	> The development of the new staff intranet is now well underway, with a Proof of Concept developed and staff user group testing due to begin in the coming weeks. > We've recently run our annual internal comms survey and have received the results. > We will be using these results to develop a plan for the future of internal comms during May/June. > We are taking an active role in the Culture and Leadership Programme, Wellbeing Weeks and the recent Recognition Week, working closely with OD. We will be incorporating these into the internal comms planning.	Amber	Amber

Adapting our responsibility framework and leadership programmes in line with the NHS Leadership Compact (PMO_2020_024)	01/04/2020	31/03/2021	4 (Design & Plan)	Project is likely to form one of the major projects for Year 2 of the IIP. Overall the project is on track; however, the implementation of leadership forums was paused until April 2021. Project lead to understand whether the completion date for the project requires extending to take this into account. Quarter 1 training plan and calendar of training sessions has been announced and widely advertised across the Trust. Culture and Leadership Programme is beginning to progress and has the potential to impact on this work stream.	Amber	Amber
Revising our diversity action plan for 2020/21 to ensure concerns around equity of treatment and opportunity are tackled (PMO_2020_025)	01/04/2020	31/03/2021	5 (Implement)		Amber	Amber
Agreeing and promoting the core offer of ULHT, so our staff feel valued, supported, and cared for (PMO_2020_026)	01/04/2020	31/03/2021	5 (Implement)	Project is Red due to Occupational Health's limited capacity to contribute to this work stream due to COVID vaccination focus. Completion date to be pushed back to October 2021,	Red	Red
Implementing Schwartz Rounds	13/01/2020	31/03/2021	4	Project RAG status remains RED	Red	Red

(PMO_2020_027)			(Design & Plan)	due to the project not completing on time the new proposed PID & Timeline will be updated once the work stream has been confirmed as a year 2 major project All facilitators are booked on to training dates and remain on track to complete by the end of April.		
To become a University Hospitals Teaching Trust						
Embed Guardian of safe Working/ Supporting the expansion of medical training posts/ Increasing the number of joint Clinical Academic posts/ Improving the training environment for Medical Students and Doctors (PMO_2020_028)	28/02/2020	31/01/2022	2 (Define & Scope)	The projects documentation is now needing to be reviewed and updated following the deep dive work that has been undertaken, this will include the timeline of the project to be re-baselined and the scope changes identified to be agreed. The budget for this project remains Red – this requirement will be further defined once the new normal for the delivery of the curriculum is understood and a gap analysis is completed to understand resource cost linked to the Business Case	Amber	Amber
Well Led services						
Embed Freedom to speak up	28/02/2020	Continuous	2	Additional resource identified.	Amber	Amber

(PMO_2020_030)			(Define & Scope)	Recruitment commenced for fulltime FTSU Guardian for Trust.		
Embedding Divisional Governance structures to operate as one team/ Delivery of risk management training programmes (PMO_2020_033)	01/07/2020	31/08/2021	4 (Design & Plan)	Meeting has taken place with project lead and PMO to review evidence for project completion as project moves into BAU. Awaiting sign off from Executive Lead of Clinical Governance 2021/22 objectives as BAU. Agreed to move back to Amber pending receipt and review of evidence.	Amber	Amber
Implementing a Shared Decision-Making framework (PMO_2020_036)	01/11/2019	Ongoing	5 (Implement)	The overall project RAG status remains at Amber, the milestones timeline has been re-aligned and evidence is being provided for those completed. The focus is now on re-invigorating the current councils before moving to implementing the 2 remaining councils in July 2021. (Training to be completed on 21/07/2021), with the leadership councils due to commence on 11/06/2021.	Amber	Amber
Implementing a robust policy management system (PMO_2020_037)	28/02/2020	31/03/2021	2 (Define & Scope)	Priority policies being managed through fortnightly report to Executive. Additional resource in place to support improved	Amber	Amber

				referencing and performance reporting to divisions		

Overview of progress of the Service's Work Streams

Work streams	Start Date	Finish Date	Six Stage Methodology Status	Progress Update	Previous RAG Status	Current RAG Status
Modern, clean and fit for purpose environment						
Delivering environmental improvements in line with Estates Strategy (PMO_2020_041)	09/07/2020	16/11/2020 (Being reviewed)	4 (Design & Plan)	This project RAG status has moved to Amber this is due to improvements in our Carbon Reduction Measures. Phase 2 of the decarbonisation bid to open 7/4, currently working up a plan with Veolia for a bid. Sustainability options – Following interest from Community for EV charging points on site will also be explored.	Red	Amber
Continual improvement towards meeting PLACE assessment outcomes (PMO_2020_042)	07/07/2020	31/03/2021	5 (Implement)	This project is reporting the overall RAG status as Green, the project manager for this project finished his contract on 31/03/2021, an End Project report has been completed and is currently being	Amber	Green

				reviewed, alongside the evidence by the PMO Team		
Reviewing and improving the quality and value for money of facilities services including catering and housekeeping (PMO_2020_043)	07/07/2020	31/03/2021	5 (Implement)	Housekeeping: This work stream is reporting all milestones are completed, An End Project Report has been completed and is currently being reviewed by the PMO Team Porterage: All milestones are completed; An End Project Report has been completed and is currently being reviewed by the PMO Team Catering: This work-stream has also completed an End Project Report, this has been reviewed by the PMO Team and confirmed there is a good standard of evidence provided to support this closure, outstanding / ongoing actions now need to be continued within the division as documented in the report	Amber	Green
Continued progress on improving infrastructure to meet statutory Health and Safety compliance (PMO_2020_044)	09/07/2020	16/11/2020 (Being reviewed)	4 (Design & Plan)	Despite making substantial progress in addressing Health & Safety compliance the project has not completed all objectives specifically with regards to a refocus on infrastructure	Red	Red

				requirements where end of year priorities had to take priorities.		
Efficient use of our resources						
Delivering £25m CIP Programme in 2020/21 (PMO_2020_045)	01/04/2020	31/03/2021	5 (Implement)	The Trust is reporting an improved position and is on target to deliver, with a revised forecast of £10.8m, (£1.3m favourable to plan). The Trust has now received direction from NHS E&I for 2021/22 CIP. For Q1 there will be a continuation of the current block arrangement with the expectation from Q2 the Trust will have worked up its CIP Framework and methodology in readiness for implementation. National guidance was released on 25/03/2021 and over the next couple of weeks	Green	Green
Delivering Financial Plan (PMO_2020_046)	01/04/2020	31/03/2021	5 (Implement)	For 2021/22 there will be a continuation of the current block arrangement for Q1 and going into Q2, however, going forward there will be a tightening on the current financial regime in the form of an added 1.1% efficiency factor nationally. In addition, the Lincolnshire STP will have a	Green	Green

				further increase in its efficiency factor to approx. 2.5% as it was a system financial special measures in 2019/20 with a deficit of £96m. National guidance was released on 25/03/2021 around Priorities and Operational Planning which now be worked up by Executive Leads.		
Utilising Model Hospital, Service Line Reporting and Patient Level Costing data to drive focussed improvements (PMO_2020_047)			6 (Handover & Sustain)		Blue	
Implementing the CQC Use of Resources Report recommendations (PMO_2020_048)	01/04/2020	Continuous	5 (Implement)	Use of Resources continues to be paused while the Trust is going through the Restoration Phase of COVID. This is acknowledged by NHS E&I and CQC. The Trust's focus currently is on the Transitional Monitoring Approach being requested by CQC. UoR is monitored through the fortnightly PMO Finance Steering Group.	Amber	
Enhanced data and digital capacity						
Improving utilisation of the Care Portal	TBC	TBC	5	The Project Team to complete	Green	Green

with increased availability of information. (PMO_2020_049)			(Implement)	the End Project Report to capture evidence and ongoing governance reporting to close this project		
Commencing implementation of the Electronic Health Record (PMO_2020_050)	01/09/2008	TBC	5 (Implement)	EPR OBC heard at CRIG and Funding for 2021/22 has been approved for ICU and ophthalmology projects, funding is being requested at CRIG, this will be subject to Board approving OBC's.	Amber	Amber
Undertake review of business intelligence platform to better support decision making. (PMO_2020_051)	28/02/2020	31/03/2021	4 (Design & Plan)	Review of assurance questions for the BI platform has been ongoing. Questions and answers are being finalised for areas of assurance for this project.	Amber	Amber
Implement Robotic Process Automation (PMO_2020_052)	TBC	TBC		Working with Blue Prism and Royal Free Hospital to set up workshops to understand benefits to the Trust which will inform the OBC, workshop date confirmed as 30/04/2021.	Amber	Amber
Completing roll-out of Data Quality Kite mark (PMO_2020_054)	28/02/2020	31/03/2021	4 (Design & Plan)	Work significantly delayed due to COVID related activities and re-prioritisation of the team's workload. Project has re-prioritised to business as usual.	Amber	Amber

				Agreed with PMO to convert to Amber pending approval of Year 2 priorities.		

Overview of progress of the Partners' Work Streams

Work streams	Start Date	Finish Date	Six Stage Methodology Status	Progress update	Previous RAG Status	Current RAG Status
Establish new evidence-based models of care						
Ensuring system alignment with improvement activity (PMO_2020_038)	01/04/2020	31/03/2021	1 (Start Out)	Ongoing work through the system planning and delivery, supported by the Improvement Task and Finish Group, where there has been work to develop the shared NHS Collaboration Platform for setting out the offer of the Lincolnshire Learning Network. There has been the sharing of materials for the collaboration space and it has been tested by the Task and Finish Group. There are key objectives to be achieved, and there is a link back to helping to shape improvement support to the system planning. Started Advanced Process Improvement	Amber	Amber

				Training, working across the system with buddies from the training working on process improvement.		
Support Creation of ICS (PMO_2020_056)	01/07/2020	31/03/2021	2 (Define & Scope)	This work stream is on track. Provider collaborative will be developed	Amber	Amber
Support the consultation for Acute Service Review (ASR) (PMO_2020_058)	December 2017	30/04/2021	4 (Measure & understand)	This work stream is behind on its timeline.	Red	Red
Improvement Programme for Cancer (PMO_2020_059)	01/04/2020	31/03/2021	5 (Implement)	There is now funding for Cancer Navigators to sit within the Divisions to assist with the triaging and clinical review processes to support the work that the Divisions are doing to improve upon their cancer performance	Amber	Amber
Improvement Programme for Outpatients (PMO_2020_060)	01/04/2020	31/03/2021	5 (Implement	Overall project is off track due to the COVID19 operational pressures and the decision to pause Evolution Group activities across all specialties in November 2020. Restart of some Wave 1 OP activities for specialties	Red	Amber

				Dermatology, Gastroenterology, Paediatrics. Rheumatology expected to restart at the end of April 2021. Cardiology expected to restart in Q1 21/22. Proposal is for Diabetes, Endocrinology and Respiratory to be included as part of a structured review of wider whole system transformation opportunities within these specialties. This will include OP improvement. This work is scheduled to commence Q2 21/22 (allowing for remaining W1 OP activity to be completed). A review of Neurology and its respective OP elements may also be pulled into the 21/22 schedule to support restoration of services activities – this is being scoped and considered. Gynae EG to restart 7th April. ENT EG to restart Q1 21/22. Vascular surgery, General Surgery, OMF, Orthopaedics still stood down currently.		

Development and implementation of new pathways for Paediatric services (PMO_2020_063)	01/01/2020	31/03/2022	5 (Implement)	The project is moving forward and have made progress with the plan to submit a proposal paper to the board in May 2021. The project team has reviewed and refreshed the project documentation and will be refocusing the PAU Group going forward, a change request is in the progress of being completed & will be ready for submission in May.	Amber	Amber
Advancing professional practise with partners						
Support Widening Access to Nursing, Midwifery and AHP (PMO_2020_064)	01/04/2020	31/03/2021	6 (Handover & Sustain)		Blue	Blue
To become a University hospital teaching Trust						
Refresh of our Research, Development, and Innovation Strategy (PMO_2020_070)	01/05/2020	31/01/2021	6 (Handover & Sustain)		Blue	Blue

Our key risks and issues

Workforce

During 2020/21, we maintained our efforts to recruiting to vacant medical posts. 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, breast and haematology services.

Due to our staffing challenges three 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. Noting that in response to the pandemic the Grantham site was temporarily set up as a Green site and the emergency department was operated as an Urgent Treatment Centre. The department will revert back in June 2021

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 vacant posts has been successful, and as such, work is in progress to continue to evolve the paediatric service across our hospital sites.

Stroke

A temporary stroke pathway was implemented on 8th April 2020. This was an emergency response required due to significant shortfall in staffing related to the pandemic. The temporary pathway saw the consolidation of stroke services down to a single Hyper-Acute Stroke Service at Lincoln with acute and rehabilitation care taking place on both the Lincoln and Boston sites.

The key focus of our workforce plan for 2021/22 is improving the quality of patient care, together with the balance of substantive and temporary staffing, thus reducing the cost of our workforce. The Trust continues to work to support staff wellbeing as we put in place our restoration of services.

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 are optimising both domestic and overseas recruitment, and have run a successful recruitment drive for Healthcare Support Workers, as well as further developing our international recruitment programmes.

Finance

We remained in Financial Special Measures throughout 2020/21.

The Trust exited 2019/20 with a deficit of £71.2m. excluding Provider Sustainability Fund and Financial Recovery Fund funding but inclusive of £25.7m system support.

During 2020/21 a national NHS financial regime was introduced which provided sufficient central resource to enable each organisation to break-even in half one of the year. Half Two replaced this with an STP based income envelope. The Lincolnshire income envelope was inclusive of proposed block arrangements for each of the three Providers and the CCG and £87m 'top up, growth and COVID related' income that the STP had agreed an apportionment of planned support across the four organisations.

The block arrangements are set to continue for months 1 to 6 of 2021/22
The Trust has achieved a £2.4m surplus for the Financial Year 2020/21 inclusive of £72.1m of planned system support and £4.5m of funding for lost Other Operating Income.

Capital expenditure for the financial year equated to c£42.6m, with spend of c£21m delivered in Month 12 alone. The capital programme for 2020/21 was the largest in the Trusts' history and delivered in extremely challenging circumstances. Overall the outturn spend was c£2.5m under planned funding levels – the 'slippage' mainly relates to 2 key schemes, that being c£1.7m on Ward IPC (£3.8m funding received on 7th February 2021) and c£0.5m on Lincoln ED as part of the £9.0m UEC monies allocated.

Cost Improvement savings of £11.5m (£1.6m favourable to plan) have been delivered in 2020/21.

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.

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 were been built into the Divisional & Corporate improvement plans for 2020/21, and also were a key focus in the Trusts overall Integrated Improvement Plan with an Executive lead assigned to support delivery of the improvements. Whilst the Trust has seen the pandemic impact on delivery of some of the actions, the Trust has maintained focussed on improvement.

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

Title	Rating
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. The pandemic saw inspections paused. In March 2020 the Trust was subject to Transitional Monitoring Arrangements (TMA) reviews by the CQC in Family Health and Medicine with the Well Led TMA planned for May 2021.

Performance challenges

Whilst this report covers 2020/21 Performance it should be noted that as the demands of Wave 2 have diminished, the Trust is now moving into a period of restoration of services and is now guided by national requirements as set out in NHS England's 2021/22 Priorities and Operational Planning Guidance. This guidance which moves away from a focus on statutory access standards will have direct impact on performance, specifically RTT.

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.

Work continues with the System to reduce overall ambulance conveyances to the Trust. Dedicated UEC Project Management resource has been supported by the Improvement and Integration Team, to support sustainable change with a particular focus on SDEC to aid improved bed flow.

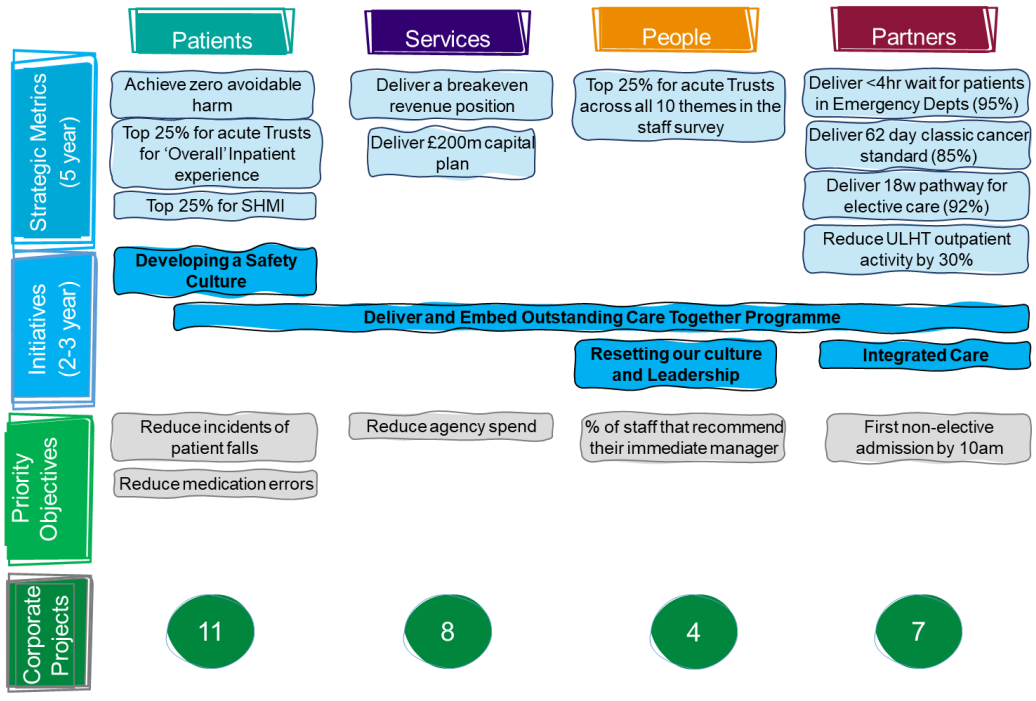
On 1 April 2020, there were 38,106 patients on the Trust's waiting lists. The impact of Covid-19 as the Trust reduced elective activity has had an impact on waiting list size, at 31 March 2021 the waiting list was 39,368 (28 Feb).

The Future: Looking ahead to our vision, ambitions and strategies for 2021/22

As part of planning for Year two focus has been on developing the above modules for our Outstanding Care Together Programme. All modules will be finalised and fully operationalised during April 2021. Significant progress has been made in setting organisational priorities, in line with the IIP, for 2021/22 a draft annual plan will be presented to Board in May 2021 and final plan in June in line with the recently published (25th March 2021) National planning guidance.

Our emerging plans have fed into system planning and reviewed at an event on 30th March 2021. Our plans will continue to evolve aligned to our IIP, system priorities and national guidance.

These are our draft priorities for 2021/22



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 2021, 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.

Going Concern

In preparing Financial Statements, all organisations are required to consider whether it is appropriate to prepare financial statements on a 'going concern'.

HM Treasury's Financial Reporting Manual provides the following interpretations of going concern in the public sector context:

- For non-trading entities in the public sector, 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.
- DHSC group bodies must therefore prepare their accounts on a going concern basis unless informed by the relevant national body or DHSC sponsor of the intention for dissolution without transfer of services or function to another entity.

On-going service provision by the United Lincolnshire Hospitals NHS Trust is confirmed. It is therefore appropriate to prepare the Annual Financial Statements on a Going Concern basis.

There is 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.

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 2021.

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. Core standard 50 relating to Data protection and Security Toolkit was partially compliant as the Trust is following the NHS Digital action plan.

During 2020/21 there was no self assessment submission. Instead an assessment was completed at System level.

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.

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 external 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 2020/21, this committee consisted of the chair and the non-executive directors.

Board Changes

During the year there were no changes to the Trust Board membership but the status of director secondments is described below :

Andrew Morgan remained on a long term secondment to the organisation as Chief Executive.

Dr Karen Dunderdale was substantively appointed as Director of Nursing in October 2020 following a secondment to the organisation from March 2020.

Simon Evans was substantively appointed as Chief Operating Officer in November 2020 following a period as Acting Chief Operating Officer from January 2020.

A full list of directors who have served during the year is shown within the remuneration report on page 66.

Audit and Risk Committee

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

For 2020/21, 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 four information governance data breaches which were reportable in line with the Information Commissioners Office guidance in 2020/21. The incidents involved unauthorised access to disused Trust property where corporate records were found, maternity notes being delivered to incorrect address, Trust laptop stolen from community midwife with patient notes and patient notes being emailed to third party email address 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 2020/21

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.

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.....

Annual Governance Statement

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 2021 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 Director of Nursing, 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.

As the Trust entered 2020/21 it 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, Audit and Risk Committee and Quality Governance Committee continued to meet and received reports on how the pandemic was impacting on the operation of Trust services. During 2020 hospital services were reduced to free up capacity to respond to both waves of covid 19 and reduce the risk to patients coming in to our hospitals. Appointments were deferred and attendances at A&E departments significantly reduced. The Trust made the decision in June 2020 to create a green site at Grantham. This allowed some procedures for the most vulnerable Lincolnshire patients to continue. However as the Trust enters 2021/22 many patients are 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 2020/21 adjustments were made to the board assurance framework to reflect the impact of the pandemic in relation to the progress with and assurances on the Trust strategic objectives. The Trust Board continued to consider the board assurance framework at each of its meetings

During 2020/21 the Board saw the following changes. The Chief Executive remained on long term secondment to the Trust. The Chief Operating Officer post which had been filled since January 2020 on an interim basis by the

Director of Operations was substantively filled in November 2020. The Interim Director of Nursing who had been seconded to the organisation since February 2020 was appointed into the substantive role in October 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.

During their well led review in July 2019 the Care Quality Commission (CQC) recognised the progress that had been made with the BAF. The Head of Internal Audit (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 has continued to be reviewed monthly by the Board.

There are 4 key strategic objectives defined within the 2020/21 BAF underpinned by more detailed underlying objectives with metrics and 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 metrics were identified in relation to each strategic risk in the BAF. Reporting against these metrics 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. It should be noted that in the period between April 2020 and June 2020 when the Finance, Performance and Estates

Committee and People and OD Committee were stood down to support reducing the burden during the pandemic, the Board continued with oversight of the Board Assurance Framework.

The Trust Board agreed a risk appetite statement in March 2019 during a facilitated Board Development session which 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 risk appetite statement has not been reviewed during 2020/21. This has been identified as an area for Board review in 2021/22

In year significant work has been completed to strengthen the clinical governance function to support risk management and governance arrangements within the divisions. The Quality Governance Committee has given oversight to these actions.

The Integrated Performance Report continues to be reviewed in response to challenge from the Board about its ability to meet the Board's needs and has been aligned to 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 2020/21 BAF. The treatment of these risks is through a cyber security plan and digital strategy which are reviewed at the Finance Performance and Estates Committee.

The key strategic risks to the organisation during 2020/21 that were the focus of consideration by the Trust Board and Executive were:

- The local impact of the global coronavirus (covid 19) pandemic
- The Trust financial position and financial controls during the pandemic;
- The ability of the Trust to attract and retain staff;
- Workforce engagement and morale
- 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;
- 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;
- Delivery of constitutional standards;

It is noted that these areas will have seen the impact of the pandemic during 2020/21

The Trust remains at risk of non compliance with condition G4 of the NHS Providers licence in relation to CQC registration conditions and Quality 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 maintained throughout the pandemic 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 encourages 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 the Trust utilises 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 Triumverates 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 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 were also aligned to the Trust Integrated Improvement Plan for 2020/21. The Trust has continued to provide progress updates to the CQC in respect of all conditions. The pandemic has meant that the CQC have not conducted further inspections. During April the CQC conducted Transitional Monitoring

Arrangement (TMA) interviews with the Trust covering Family Health and Medicine, with a further Well Led TMA planned for May 2021.

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 receives assurance reports from the Finance, Performance and Estates Committee following its monthly review of Trust financial and operational performance, apart from the months of April, May and June 2020 when the Trust operated reduced governance arrangements during the pandemic. During these months financial reporting was made directly to the Trust Board. In 2019 the CQC completed a Use of Resources review for the Trust which resulted in the Trust being rated inadequate.

The Trust did not set an operational plan for 2020/21 as a result of the pandemic.

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 2021 the Trust's External Audit providers highlighted the following significant risks

- Management override of controls
- Risk of fraud in revenue recognition
- Risk of fraud in expenditure recognition
- Valuation of land, buildings and dwelling assets

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 accordance with the published requirements and given day-to-day operational challenges, the Trust has business-as usual dynamic staffing risk assessments 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.

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 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 2021/22.

Whilst the Trusts current approach to workforce planning is underdeveloped, the complexity should not be under-estimated and is multi-faceted.

Stakeholder engagement

The Trust has continued a programme of engagement events with patients, members of the public, staff and other key stakeholders where possible in year to help inform and develop the clinical and financial strategies, to support the arrangements put in place to address the pandemic. In 2020 the Trust was subject to a judicial review in relation to the public involvement ahead of the decision to create the Grantham green site and in April 2021 the Trust was found to have acted unlawfully. The Trust accepted the decision and agreed to review the machinery it had in place to engage and involve patients in it's decision making whilst reiterating that the actual decision taken had been found to have been made in good faith in responding to the unprecedented situation.

The Trust continues to work with the whole Lincolnshire health and care system – engaging with the whole community on proposals for improvements to services. This includes the centralisation of some services to provide centres of excellence.

It is hoped that during 2021, 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 four information governance data breaches which were reportable in line with the Information Commissioners Office guidance in 2020/21. The incidents involved unauthorised access to disused Trust property where corporate records were found, maternity notes being delivered to incorrect address, Trust laptop stolen from community midwife with patient notes and patient notes being emailed to third party email address. 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. The training programme developed and delivered by the 18 week team has slowed due to the pandemic. The team have ensure monthly returns have been validated were possible to ensure that figures were accurate.

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.

The roll out of a Data Quality Kite Mark continues. This is being applied to all metrics that are in the Trust Board Integrated Performance Report (IPR).

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 People and OD Committee as well as considering the Trust Integrated Performance Report and Board Assurance Framework. The Board have continued to direct their work to improve the identified weaknesses in the control framework and governance arrangements throughout the pandemic whilst recognising the need to take action to reduce the burden. As such the Board made the decision to cancel meetings of some of its committees during quarter one of 2020/21 and operate limited agendas for each of its committees during the rest of the year, with the exception of the Quality Governance Assurance Committee.

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. Internal Audit plans were adjusted in year to reflect the demands of the pandemic, with some reviews being carried forward to 2021/22. The key reviews which would allow the Head of Internal Audit Opinion to be given were prioritised.

Clinical Audit

During 2020/21 the Trust participated in 95% 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 2020/21 of partial assurance with improvement required. The Opinion was based

- an assessment of the design and operation of the underpinning Assurance Framework and supporting processes
- an assessment of the range of individual assurances arising from core and risk based internal audit assignments that have been reported throughout the year. This assessment has taken account of the relative materiality of these areas
- the extent to which the Trust responded to audit recommendations

Partial Assurance with Improvement required has been given in respect of design and operation of the BAF and risk management. Partial assurance with improvement required was given in respect of the outcome of individual assignments reported within the 2020/21 Internal Audit Plan and the extent to which the Trust had responded to audit recommendations.

Internal Audit reported the following high risk areas and reported that the level of non-compliance in a number of areas puts some system objectives at risk.

Weaknesses were identified in relation to 8 out of the 11 areas reviewed.

- The most significant weaknesses were identified in Estates Management review. No assurance could be provided over the controls and processes in place relating to estate management, in particular the controls around planned preventative maintenance and the awarding of maintenance contracts. The weaknesses within the control environment within the Estates department and limited progress made in response to recommendations raised in previous years informed this conclusion.
- Weaknesses in the Pharmacy and Medicines Management review, particularly in the governance arrangements managing controlled drugs and the oversight of medication stock.
- Core Financial Controls work on payroll identified that limited progress had been made in implementing further control of overpayments to staff who have ceased employment and as such, the number and value of overpayments made had increased since the previous year.

As such, the recommendations in these three areas were rated high risk and until embedded, could impact on the ability of the Trust to achieve its strategic objectives.

Internal audit recommendations should continue to be implemented in full to address the gaps identified in either design and / or operation of internal controls. In particular, recommendations from all reports receiving partial assurance with improvement required remain a key focus for attention. These include Governance, Risk Management, Incident Reporting and Investigation, Complaints, Temporary Staffing and Workforce Planning.

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 and address the issues raised during the CQC reviews.

In September 2017 the Trust was placed in Financial Special Measures. The Trust has continued to face significant financial challenges. The Trust agreed a Financial Recovery Plan for NHSI. The pandemic has materially impacted progression of the financial recovery plan with most elements paused during 2020/21. A new system led plan will be put in place for 2021/22 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.

The Trust remains subject to improvement notices from the Lincolnshire Fire and Rescue Service although significant work has been completed to meet the conditions identified.

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 as it restores services heavily affected by the pandemic. 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 county. 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, as well as the ongoing impact of the pandemic on the Trust plans, the Trust recognises that there remain some further improvements which it can make to its governance arrangements. The Board Assurance Framework remains under regular review 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 2021

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 very 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.

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 2021.

There were no payments made to former Directors in 2020/21.

Single total figures remuneration table (the figures incorporated within the note below are subject to audit)

					2019/20					2020/21				
Name	Position	Notes	Term in post		Salary (bands of £5,000) £000's	Expense payments - taxable (total to nearest £100) £00's	All pension-related benefits (bands of £2,500) £000's	Benefits in kind total to nearest £100 £00's	Total (bands of £5,000) £000's	Salary (bands of £5,000) £000's	Expense payments - taxable (total to nearest £100) £00's	All pension-related benefits (bands of £2,500) £000's	Benefits in kind total to nearest £100 £00's	Total (bands of £5,000) £000's
			Start	Finish										
Elaine Baylis	Trust Chair		Jan-17	Ongoing	40 - 45	14		-	40 - 45	40 - 45	5		-	40 - 45
Sarah Dunnett	Non-Executive Director		Jul-16	Ongoing	5 - 10	11		-	5 - 10	10 - 15	-		-	10 - 15
Dr Chris Gibson	Non-Executive Director		Aug-17	Ongoing	5 - 10	-		-	5 - 10	10 - 15	-		-	10 - 15
Geoff Hayward	Non-Executive Director		Jul-13	Ongoing	5 - 10	11		-	5 - 10	10 - 15	-		-	10 - 15
Elizabeth Libiszewski	Non-Executive Director		Mar-18	Ongoing	5 - 10	8		-	5 - 10	10 - 15	-		-	10 - 15
Gill Ponder	Non-Executive Director		May-15	Ongoing	5 - 10	8		-	5 - 10	10 - 15	1		-	10 - 15
Andrew Morgan	Chief Executive	1, 4	Jul-19	Ongoing	145 - 150	8	-	-	145 - 150	215 - 220	7	-	-	220 - 225
Paul Matthew	Director of Finance and Digital		Nov-18	Ongoing	130 - 135	-	102.5 - 105	-	235 - 240	140 - 145	-	155 - 157.5	-	295 - 300
Mark Brassington	Director of Improvement and Integration and Deputy Chief Executive		Mar-16	Ongoing	130 - 135	22	40 - 42.5	-	170 - 175	145 - 150	10	82.5 - 85	-	230 - 235
Simon Evans	Chief Operating Officer		Jan-20	Ongoing	25 - 30	-	-	-	25 - 30	115 - 120	-	35 - 37.5	-	150 - 155
Karen Dunderdale	Director of Nursing	2, 4	Feb-20	Ongoing	15 - 20	-	-	-	15 - 20	160 - 165	-	-	-	160 - 165
Dr Neil Hepburn	Medical Director	3, 4	May-17	Ongoing	185 - 190	19	62.5 - 65	-	250 - 255	230 - 235	15	-	-	235 - 240
Martin Rayson	Director of People & Organisational Development		Sep-16	Ongoing	105 - 110	4	-	-	110 - 115	110 - 115	1	-	-	110 - 115

Notes:

1. Andrew Morgan is seconded and costs recharged from Lincolnshire Community Health Services NHS Trust.
2. Karen Dunderdale was originally seconded with costs recharged from Walsall Healthcare NHS Trust until joining ULHT on a substantive basis in October 2020.
3. 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.
4. Salary payments for Andrew Morgan, Karen Dunderdale and Neill Hepburn include pension restructuring payments, equivalent to 12.25% of basic salary. This is in lieu of employer contributions to the NHS pension scheme

Definitions:

Salary

The total amount of salary (net of any salary sacrificed on a contractual basis), 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.

Pension related benefits in kind

prescribed formula as set out within the Finance Act (2004).

The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less, the contributions made by the individual.

The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

This value does not represent an amount that will be received by the individual. It is a calculation that is intended to convey to the reader of the accounts an estimation of the benefit that being a member of the pension scheme could provide.

The pension benefit table provides further information on the pension benefits accruing to the individual."

No benefits in kind, performance related pay or bonus payments have been made in 2019/20 or 2020/21.

Fair pay disclosure (the figures incorporated within the note below are subject to audit)

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 mid-point of the banded remuneration of the highest paid director in United Lincolnshire Hospitals NHS Trust in the financial year 2020/21 was £232,500 (2019/20: £217,500). This was 7.72 times (2019/20: 7.51) the median remuneration of the workforce, which was £30,098 (2019/20: £28,966). The percentage uplift in the median salary was greater than the uplift to the highest paid director.

In 2020/21, 15 (2019/20: 17) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £385,056 to £8,897 (2019/20: £361,833 to £8,506).

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."

Pensions entitlement table (the figures incorporated within the note below are subject to audit)

The Trust operates the standard NHS Pension Scheme. The benefits and related CETVs disclosed in the table below do not allow for a potential future adjustment for some eligible employees arising from the McCloud judgement.

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 2021 (bands of £5,000) £000's	Lump sum at pension age related to accrued pension at 31 March 2021 (bands of £5,000) £000's	Cash Equivalent Transfer Value at 1 April 2020 £000's	Real increase in Cash Equivalent Transfer Value £000's	Cash Equivalent Transfer Value at 31 March 2021 £000's	Employer's contribution to stakeholder pension £000's
Andrew Morgan	Chief Executive	1	-	-	-	-	-	-	-	
Paul Matthew	Director of Finance & Digital		7.5 - 10	5 - 7.5	35 - 40	20 - 25	293	100	398	
Mark Brassington	Director of Improvement and Integration and Deputy Chief Executive		2.5 - 5	5 - 7.5	45 - 50	90 - 95	626	82	719	
Simon Evans	Chief Operating Officer		0 - 2.5	0 - 2.5	20 - 25	40 - 45	258	30	292	
Karen Dunderdale	Director of Nursing	1	-	-	-	-	-	-	-	
Dr Neil Hepburn	Medical Director	1	-	-	-	-	-	-	-	
Martin Rayson	Director of People & Organisational Development	1	-	-	-	-	-	-	-	

Notes:

Andrew Morgan, Karen Dunderdale, Dr Neil Hepburn and Martin Rayson are not current members of the NHS the pension scheme and have made no contributions during 2020/21.

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 and senior managers over Normal Pension Age (NPA).

NPA is age 60 in the 1995 Section, age 65 in the 2008 Section or State Pension Age (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).

Inflation

"The inflation applied to the accrued pension, lump sum (where applicable) and CETV is the percentage 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 2019 was 1.7%, therefore, an increase of 1.7% has been applied to pensions and CETV at April 2020."

Staff report

The following tables contain details of staff costs and numbers employed in 2020/21 alongside comparators for 2019/20.

Permanently employed staff are defined as: members of staff with a permanent (UK) employment contract directly with the Trust.

Other staff are staff engaged on the objectives of the Trust that do not have a permanent (UK) employment contract with the Trust. It includes employees on short term contracts of employment, agency/temporary staff, locally engaged staff overseas, and inward secondments from other entities where the whole or majority of the employees' costs are met locally.

Staff Costs

Staff costs					
			2020/21	2019/20	
	Permanent	Other	Total	Total	
	£000	£000	£000	£000	
Salaries and wages	276,078	29,727	**305,805**	266,439	
Social security costs	24,989	2,872	**27,861**	24,601	
Apprenticeship levy	1,483	-	**1,483**	1,354	
Employer's contributions to NHS pension scheme	42,270	6,871	**49,141**	43,174	
Pension cost - other	139	-	**139**	123	
Termination benefits	-	-	**-**	70	
Temporary staff	-	42,254	**42,254**	44,064	
Total staff costs	**344,959**	**81,724**	**426,683**	**379,825**	
Of which					
Costs capitalised as part of assets	549	10	**559**	1,038	
Average number of employees (WTE basis)					
			2020/21	2019/20	2019/20
	Permanent	Other	Total	Total	As per
	Number	Number	Number	Number	19/20 AR
Medical and dental	852	285	**1,137**	1,039	1,039
Ambulance staff	6	-	**6**	2	-
Administration and estates	1,035	87	**1,122**	989	1,367
Healthcare assistants and other support staff	2,245	287	**2,532**	2,402	819
Nursing, midwifery and health visiting staff	1,910	326	**2,236**	2,365	3,316
Nursing, midwifery and health visiting learners	-	-	**-**	1	1
Scientific, therapeutic and technical staff	768	46	**814**	628	840
Healthcare science staff	128	4	**132**	105	149
Total average numbers	**6,944**	**1,035**	**7,979**	**7,531**	**7,531**
Of which:					
Number of employees (WTE) engaged on capital projects	16	-	**16**	35	
The categorisation of employees into the groupings above was incorrectly stated within the 2019/20 Annual Report. The figures above have been restated to allow direct comparability between 2019/20 and 2020/21.					

A breakdown of staff by gender (as at 31/3/21)

	Gender (Fte)	
Pay Band/Grade	**Female**	**Male**
Band 1	94.14	19.40
Band 2	1622.28	345.45
Band 3	538.29	121.46
Band 4	358.15	97.60
Band 5	1135.62	189.88
Band 6	775.02	153.69
Band 7	421.09	97.32
Band 8A	160.52	49.95
Band 8B	47.48	19.07
Band 8C	21.60	10.00
Band 8D	7.00	7.85
Band 9	7.00	6.00
Director	1.00	5.00
Consultant	89.36	242.29
Associate Specialist	3.28	20.34
Staff Grade		0.73
Specialty Doctor	45.77	114.90
GPCA/Hospital Practitioner	1.18	0.73
Specialty Registrar	83.34	66.74
Foundation Year 2	46.19	48.56
Foundation Year 1	27.00	51.00

Females make up 78.71% and males make up 21.29% of the workforce.

The Trust reports annually on its gender pay gap. The normal deadline for the publication of the data for the last financial year is the 31st March. However, this deadline has been extended to October 2021 owing to COVID. Once published, our latest report will be found here. https://www.ulh.nhs.uk/about/equality-diversity/gender-pay-gap-reporting/

Sickness Absence

NHS Sickness Absence Rates are published by NHS Digital and can be found at:

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. The Trust has an 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 April 2021 the Trust was delighted to have its Disability Confident Employer status renewed by the national government body which leads this important work.

In spite of Covid 19 challenges we have continued to develop and grow our MAPLE network. Indeed, Covid 19 has made the importance of the MAPLE network even more important, with the key important developments:

- Covid 19 Individual Risk Assessments being offered to all staff which includes co-morbidities / disability in the assessment.
- Well-being support for all staff, but particularly offered to those who were shielding.
- Well-being support and conversations for staff as shielding ended.
- Appointment of an interim chair and vice-chair to the MAPLE network.
- Regular meetings of the MAPLE network commenced in the financial year.
- Reach on the MAPLE increased 5-fold in the financial year.
- Appointment of an OD Practitioner, with ED&I focus, to specialise on bespoke support for the staff networks.
- Organisational commitment to resource and support staff network chairs and vice-chairs to excel in their roles.
- Plans in development to provide a structured mechanism for the voices of MAPLE and other staff networks to be amplified in the organisations.
- Plans in development to engage the MAPLE and other staff networks in the decision making processes of the Trust.

- Plans in development to implement the national Sunflower Scheme through the MAPLE network to support staff with hidden disabilities.
- Plans in development to implement the national NHS Employers Health Passport for staff with disabilities through the MAPLE network.

As we continue to invest into the MAPLE staff network and see all the above coming to fruition, we are confident that by the next renewal of the Disability Confident status, we will be in a position to confidently apply for the third, and highest, level of the scheme, which is Disability Confident Leader. Achievement of this prestigious Leader level, is dependent upon external scrutiny of our Disability Confident Leader application.

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 need to do more to ensure that all staff groups are properly represented at all level within the organisation. We know that staff with protected characteristics are underrepresented at more senior levels in the Trust (BME staff and female staff for example). Equality and Diversity is at the heart of our Integrated Improvement Plan within the Outstanding Care Together Programme. We have a particular focus around talent management and enabling all people with talent in ULHT to progress and we will identify and address the barriers preventing them from doing so.

Working in Partnership

The Trust is committed to building strong partnerships with all stakeholders. One key partner is our Trade Union 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 the process.

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 2020/21 financial year):

TMA

	24 (14 zero time and 10 paid time)
	6373.04
	£112,366
Total pay bill	£29,859 million
Percentage of the total pay bill spent on facility time, calculated as:	0.04%

Over the course of the last 12 months we have built on that spirit of working in partnership and have involved staffside colleagues in the decision making processes around COVID. We have had weekly partnership meetings between the Executive Leadership Team and staffside and members of staffside have been part of the Gold Command structure. We want to build on

that strengthened partnership as we review the formal agreements that we have in place that underpin that relationship.

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 2020/21:

	Total Cases	**Cases received anonymously**	**Cases with element of patient safety**	**Cases with element of bullying/ harassment**	**Cases where detriment reported**
Q1	3	0	2	1	0
Q2	6	0	4	5	0
Q3	43	0	1	21	0
Q4	11	0	2	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 2020 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.

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

The 2019 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. The Trust is running a recruitment exercise to recruit a dedicated speak up guardian to support staff moving forward.

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 2020/21 was £15,000 (2019/20: £63,000).

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.

A worker (or contractor) in this context is defined as:

"someone who is not employed by the client department, the supplier or any other organisation within the supply chain, that instead provides their services

through their own limited company or another type of intermediary to the client. An intermediary will usually be the worker's own personal service company but could also be a partnership or an individual."

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 2021 for more than £245 per day and that last longer than six months

No of existing engagements as of 31 March 2021*	**181**
Of which	
No that have existed for less than one year at time of reporting	**166**
No that have existed for between one and two years at time of reporting	**5**
No that have existed for between two and three years at time of reporting	**4**
No that have existed for between three and four years at time of reporting	**4**
No that have existed fo four years or more at time of reporting	**2**

* This number includes 145 agency nurses who were employed on an adhoc basis at the period end, on 31st March 2021

New off-payroll engagements

For all new off payroll engagements, or those that reached six months duration between 1 April 2020 and 31 March 2021 for more than £245 per day and that last longer than six months

No of off-payroll workers engaged during the year ended 31st March 2021 *	1093
Of Which	
Not Subject to off-payroll legislation	1076
Subject to off payroll legislation and determined as in scope of IR35	15
Subject to off payroll legislation and determined as out of scope of IR35	2
No of engagements reassessed for compliance or assurance purposes during the year	0
Of which: Number of engagements that saw a change to IR35 status following review	0

* This number includes 1,049 agency nurses who were employed on an ad-hoc basis during the year ended 31st March 2021

Off-payroll board members/senior official engagements

For all off payroll engagements of Board members, and/or senior officials with significant financial responsibility, between 1 April 2020 and 31 March 2021

No of off-payroll enagements of board members and/or senior officials with significant financial responsibility during the financial year	0
Number of individuals that have been deemed 'board members and/or senior officials with significant financial responsibility' during the financial year. This figure must include both off payroll and on payroll engagements.	13

Exit packages

NHS Organisations are required to disclose details of any exit packages agreed in the year. The tables below are subject to audit and set out the number and cost of exit packages agreed by the Trust in 2020/21.

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 2020/21

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	Number	Number
Exit package cost band (including any special payment element)			
<£10,000	-	5	**5**
£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	**-**	**5**	**5**
Total cost (£)	£0	£13,000	**£13,000**

Reporting of compensation schemes –exit packages 2019/20

	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages
	Number	Number	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 resource cost (£)	£0	£170,000	**£170,000**

Any reported redundancy and other departure costs are 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

	2020/21		2019/20	
	Payments agreed	Total value of agreements	Payments agreed	Total value of agreements
	Number	£000	Number	£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	5	13	4	20
Exit payments following Employment Tribunals or court orders	-	-	-	-
Non-contractual payments requiring HMT approval	-	-	-	-
Total	**5**	**13**	**7**	**170**
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 in Table 1 which will be the number of individuals.

In 2020/21 the Trust made zero non-contractual payments in lieu of notice.

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 27, 31, 34 and 5.

Audit Completion Certificate issued to the Directors of United Lincolnshire Hospitals NHS Trust for the year ended 31 March 2021

In our auditor's report dated 11 June 2021 we explained that the audit could not be formally concluded until we had completed the work necessary to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness is its use of resources.

This work has now been completed.

No matters have come to our attention since 11 June 2021 that would have a material impact on the financial statements on which we gave our unqualified opinion.

The Trust's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

On the basis of our work, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have identified the following significant weaknesses in the Trust's arrangements for the year ended 31 March 2021:

Significant weakness in arrangements	Recommendation(s)
The Trust is in Special Measures The outcome from the most recent Care Quality Commission (CQC) 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. 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. United Lincolnshire Hospitals NHS Trust was placed into financial special measures by NHS England and Improvement in 2017, when its deficit was £30.7m at 31 March 2017. The Trust ended the 2019/20 financial year with a deficit of £70.3m, excluding Provider Sustainability Funding and Financial Recovery Fund income but inclusive of £25.7m of support from the sustainability and transformation partnership for Lincolnshire. The Trust ended 2020/21 with a surplus for the year of £3.6m and a cumulative breakeven duty deficit position of £369m. Lincoln County Hospital and Pilgrim Hospital were last inspected by the CQC in January 2020 and rated 'Requires Improvement'. Grantham & District Hospital and County Hospital Louth were last inspected in February 2018, both rated 'Good'. At the end of 2020/21, the Trust's overall quality rating by the CQC remains as 'Requires Improvement'. Ratings will not change until the next formal inspection by the CQC. NHSE/I continues to meet with the Trust for Performance review meetings.	1. Within the context of revisions to NHS financing and the 2021/22 Planning Guidance, the Trust should ensure that it delivers the action plans that have been developed by management, and that monitoring and reporting, challenge and scrutiny and escalation arrangements are in place to drive the required improvements for patients and sustain the improvements that are made.

Significant weakness in arrangements	Recommendation(s)
The Trust is given a public score under the Single Oversight Framework (SOF), which is designed to help NHS providers attain, and maintain, CQC ratings of 'Good' or 'Outstanding'. Each trust is segmented into one of four categories, and for 2020/21, the Trust was rated "4", defined as: "Providers in special measures: there is actual or suspected breach of licence with very serious and/or complex issues. The Provider Regulation Committee [of NHSE/I] has agreed it meets the criteria to go into special measures." The public segment rating of "4" is changed only once providers have been informed by their regional lead and there is a move between segments. We recognise the impact of Covid-19 during the year, but the Trust has remained in financial and quality special measures throughout 2020/21 and there is insufficient evidence to demonstrate the Trust has made sufficient progress for conditions to be lifted. As a result, there is a significant weakness in the Trust's arrangements that exposes it to a risk of significant financial loss and can be reasonably expected to lead to a significant impact on the quality or effectiveness of service and the Trust's reputation.	
Capital Backlog and Fire Safety Notices In 2017, United Lincolnshire Hospitals NHS Trust (ULHT) was handed two fire enforcement notices for the Lincoln and Boston Pilgrim sites and a fire action plan for Grantham Hospital. ULHT are in the process of completely renovating Lincoln County Hospital as part of a £46m major refurbishment programme to improve fire safety. The Trust began 2020/21 with 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. Investment in NHS capital funding is critical to safety, care quality and efficient use of the NHS estate, equipment and wider resources. This has become increasingly clear during the pandemic when trusts with old and outdated estates, and equipment, found it more difficult to reconfigure old sites to accommodate social distancing and infection, prevention and control. NHS trusts are given a "Capital Resource Limit" (CRL), which means NHS trusts cannot incur capital expenditure above that limit and it is managed, in part, through the external finance limit of the Department of Health and Social Care. Note 36 of the audited 2020/21 financial statements, shows the CRL for 2020/21 was £44m and the Trust incurred relevant capital expenditure of £42m. Within the confines of the CRL, the Trust continues to make progress with capital spending and backlog maintenance, which eventually saw the lifting of Fire Enforcement Notices in 2021/22. The capital backlog as at the end of 2020/21 was £230m, down from £236m in the previous year, but remains clearly significant.	2. The Audit and Risk Committee should continue to monitor progress against the Estates Management action plan, which we would suggest is routinely reported by the Head of Estates until all critical actions are implemented. Consideration should also be given to real-time reporting as each action falls due, to prevent slippage on progress. 3. On completion of the actions raised by Internal Audit into Estates Management, which includes plans to improve the accuracy of planned, preventative maintenance, the Audit and Risk Committee should seek assurance over the accuracy of the capital backlog maintenance. 4. The Trust should engage with the Sustainability and Transformation Partnership for Lincolnshire to ensure its capital plan is consistent with system-wide discussions on prioritisation and the deliver its agreed capital programme.

Significant weakness in arrangements	Recommendation(s)
Internal Audit issued a report on Estates Management in May 2021, that concluded the Trust's arrangements provide 'No assurance' to the Board. Overall, the long-standing and ongoing issues regarding the scale of the Trust's capital backlog, coupled with the Internal Audit review into estate management indicates that there is a significant weakness in the Trust's arrangements that can be reasonably expected to lead to a significant impact on the quality or effectiveness of service and the Trust's reputation.	
Workforce: agency spend & staffing indicators The NHS Staff Survey was considered by the People and Organisational Development Committee and then Board in April 2021, with the overall theme scores showing the Trust predominantly either below average or in line with the worst performing trusts across most areas, including morale and staff engagement. The Trust's main response to the survey results is to commence a Culture and Leadership Programme using a framework used across many other trusts to address the issue of culture and consistency of leadership. Staff sickness data from NHS Digital for the period 2018 to December 2020 (the most up-to-date data set as at date of reporting) shows the Trust has a higher-than-average sickness rate which affects the need for agency and bank staff. Total agency costs for 2020/21 were presented to the May Board via the Integrated Performance Report, being £42.05m for the year, compared to £44m in 2019/20 where the agency ceiling was £21m. This figure is included within the 'other' costs shown in the annual report. The Trust is being supported by NHS England and Improvement (NHSE/I) nursing recruitment programme, with the March 2021 Board being informed that 126 job offers had been made to international nurse recruits, against a target of 200 recruits by October 2021 and therefore there remains a shortfall in staff numbers that still needs to be addressed by further action. Covid-19 has disrupted organisational development and staff engagement plans across the country. The Trust has already begun to initiate a Culture and Leadership Programme and is undertaking regular pulse surveys to monitor improvements in staff engagement, however actions taken by the Trust to improve workforce arrangements have not yet demonstrated sufficient traction to deliver sustained levels of improvement, including: • NHS Staff Survey results show the Trust is performing poorly across a range of areas, including morale and staff engagement; • the Trust remains heavily reliant on agency and bank staff, although data on staff turnover indicates there is an underling workforce shortage that is contributing to the current position; and	1. The Trust should ensure that progress with the Culture and Leadership Programme and pulse surveys are regularly reported to the People and Organisational Development Committee and through to Board to monitor staff engagement and morale. 2. The Trust should ensure the Culture and Leadership Programme demonstrates tangible and measurable improvements and that the People and Organisation Development Committee demonstrably challenge and scrutinise performance. 3. The Trust should work with system partners to tackle the recruitment deficit and manage agency costs.

Significant weakness in arrangements	Recommendation(s)
Cumulatively, this exposes the Trust to a significant risk to the quality and effectiveness of service as well as a risk of increased expenditure on agency costs.	
The Trust's financial sustainability In March 2020, pre Covid-19, the Trust submitted a 2020/21 financial plan with a deficit of £73m against a £53m control total. Following the onset of the Covid-19 pandemic, the original NHS Planning Guidance 2020/21 was suspended and a new financial regime was implemented. Systems were expected to achieve financial balance within this envelope and individual organisations were able to deliver surplus or deficit positions by mutual agreement within the system. However, NHS trusts were still required to meet their statutory break-even duty. The audited financial statements show an Operating Surplus for 2020/21 of £9m, compared to a £34m deficit in 2019/20. The Trust's Annual Report, explains the Trust's surplus, delivered in-line with the system envelope, was inclusive of £72m of planned system support. Despite the performance against the temporary financial regime described above, the Trust's cumulative break-even position, as set out in Note 38 of the financial statements, is a £369m deficit. As the Trust itself reports in its 2020/21 Annual Governance Statement, the Trust has been in Financial Special Measures since September 2017 and continues to face significant financial challenges. The Trust agreed a Financial Recovery Plan with NHSE/I, but this has been materially impacted by Covid-19 with most elements paused during 2020/21. No future trajectory has to date been agreed to return the Trust to breakeven. The Trust's financial sustainability is dependent on the resolution of long-standing issues in workforce planning and in implementing the outcomes of the public consultation on the future configuration of Lincolnshire health services initiated in March 2019. It is also dependent on the national funding structures yet to be determined. These unresolved and ongoing issues have not been addressed by the Trust and this continues to prevent it from improving arrangements to secure financial sustainability during 2020/21. Overall, therefore, we have concluded that there is an ongoing significant weakness in arrangements to secure financial sustainability.	1. On obtaining clarity over the financial regime for the remainder of 2021/22, the Trust must agree a realistic revised Financial Recovery Plan with NHSI, and monitor its progress in achieving that plan, including addressing the underlying issues the Trust faces in relation to workforce and site configuration planning.
Judicial review of the Trust's downgrading of Grantham Hospital A&E to an urgent treatment centre During the first Covid wave, the Trust designated Grantham and District Hospital a "Green Site". This meant that Covid patients were not treated at the hospital, which allowed treatments such as elective surgery and chemotherapy to occur on the site with reduced risk of Covid infection. All patients treated at the hospital were tested for Covid-19, and the A&E department was replaced with a walk-in Urgent Treatment Centre.	1. The Trust has already taken steps to improve public involvement, but we recommend the Audit and Risk Committee receives direct assurance that arrangements have been updated to a sufficient standard to prevent a recurrence of a failure to lawfully publicly consult

Significant weakness in arrangements	Recommendation(s)
A member of the public took the decision to judicial review. The original case was made on four grounds and the claimant was only given permission to proceed in respect of two of these: one being a failure to consult; and the other that the decision was either irrational, for an improper purpose or insufficiently reasoned. The judicial review considered the impact of the Covid-19 pandemic on the Trust with the final judgement upheld one of the grounds, being that there was no clear evidence that the Trust was unable to consult and it could have made suitable arrangements to secure the meaningful participation of service users. The judicial review found the Trust breached both section 242 (1B) (b) and (c) of the National Health Service Act 2006 Act. Section 242 is one of several provisions in the 2006 Act which place obligations on NHS bodies to make arrangements to secure the involvement of service users in decision-making about services. This is indicative of a significant weakness in arrangements because it: • leads to (or could reasonably be expected to lead to) significant impact on the Trust's reputation; • leads to (or could reasonably be expected to lead to) unlawful actions.	

Certificate

We certify that we have completed the audit of United Lincolnshire Hospitals NHS Trust in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Mark Surridge, Key Audit Partner For and on behalf of Mazars LLP

2 Chamberlain Square, Birmingham, B3 3AX

3 September 2021

United Lincolnshire Hospitals NHS Trust

Annual accounts for the year ended 31 March 2021

CONTENTS

FOREWORD TO THE ACCOUNTS

Financial Review - year ended 31 March 2021

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		
	2020-21 £000		**2019-2020 £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)	**3,597**	**(Deficit)**	**(42,653)**
	2,753	**Impairments**	244
	(3,976)	**Impact of Grants & Donations**	155
	2,374	**Reported Performance**	**(42,254)**
	368	**Exclude DEL impairments**	
	407	**IFRIC 12 adjustments**	378
	3,149	**Performance against breakeven duty**	**(41,876)**
	(369,201)	**Cumulative position against breakeven duty (deficit)**	**(372,350)**
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	**£19.98m**	**Underspent**	**£8.73m**
To operate within a Capital Resource Limit set by the Department of Health and Social Care	**£2.28m**	**Underspent**	**£0.5m**
To pay 95% of creditor invoices within 30 days (by number of invoices)	87%	**Trade (Non-NHS)**	66%
	76%	**NHS**	54%

Paul Matthew
Director of Finance and Digital
9 June 2021

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 **Chief Executive**

Date **9 June 2021**

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 **9 June 2021**

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

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of United Lincolnshire Hospitals NHS Trust ('the Trust') for the year ended 31 March 2021, which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Taxpayers' Equity, the Statement of Cash Flows, and notes to the financial statements, including the summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards as interpreted and adapted by HM Treasury's Financial Reporting Manual 2020/21 as contained in the Department of Health and Social Care Group Accounting Manual 2020/21, and the Accounts Direction issued by the Secretary of State with the approval of HM Treasury as relevant to NHS Trusts in England.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Trust as at 31 March 2021 and of its income and expenditure for the year then ended;
- have been properly prepared in accordance with the Department of Health and Social Care Group Accounting Manual 2020/21; and
- have been properly prepared in accordance with the requirements of the National Health Service Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Trust in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Trust's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Responsibilities of the Directors and the Accountable Officer for the financial statements

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. The Directors are required to comply with the Department of Health and Social Care Group Accounting Manual 2020/21 and prepare the financial statements on a going concern basis, unless the Trust is informed of the intention for dissolution without transfer of services or function to another entity. The Directors are responsible for assessing each year whether or not it is appropriate for the Trust to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

As explained in the Statement of the Chief Executive's Responsibilities as the Accountable Officer of the Trust, the Accountable Officer is responsible for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Accountable Officer is responsible for ensuring that the financial statements are prepared in a format directed by the Secretary of State.

Auditor's 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 auditor's 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Trust, we identified that the principal risks of non-compliance with laws and regulations related to the National Health Service Act 2006 (as amended by the Health and Social Care Act 2012), and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Accountable Officer's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, and any significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Risk Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Trust which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Risk Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Risk Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the NAO in April 2021.

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

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

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.
We have not completed our work on the Trust's arrangements. On the basis of our work to date, having regard to the guidance issued by the Comptroller and Auditor General in April 2021, we have not identified any significant weaknesses in arrangements for the year ended 31 March 2021.

We will report the outcome of our work on the Trust's arrangements in our commentary on those arrangements within the Auditor's Annual Report. Our audit completion certificate will set out any matters which we are required to report by exception.

Responsibilities of the Accountable Officer

As explained in the Statement of Accountable Officer's Responsibilities, the Accountable Officer is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in the use of the Trust's resources.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 21(1)(c) 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 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 guidance issued by the Comptroller and Auditor General in April 2021.

Report on other legal and regulatory requirements

Opinion on other matters prescribed by the Code of Audit Practice

In our opinion:

- the parts of the Remuneration Report subject to audit have been properly prepared in accordance with the Accounts Direction made under the National Health Service Act 2006; and
- the other information published together with the audited financial statements in the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required to report to you if:

- in our opinion the Annual Governance Statement does not comply with the guidance issued by NHS Improvement; or
- we refer a matter to the Secretary of State under section 30 of the Local Audit and Accountability Act; or
- we issue a report in the public interest under section 24 and schedule 7(1) of the Local Audit and Accountability Act 2014; or
- we make a written recommendation to the Trust under section 24 and schedule 7(2) of the Local Audit and Accountability Act 2014.

We have nothing to report in respect of these matters.

Use of the audit report

This report is made solely to the Board of Directors of United Lincolnshire Hospitals NHS Trust, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the Directors of the Trust those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Directors of the Trust, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed the work necessary to satisfy ourselves that the Trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, and issued our assurance statement to the group auditor in respect of the Trust's consolidation schedules.

Mark Surridge, *Key Audit Partner*
For and on behalf of Mazars LLP

2 Chamberlain Square, Birmingham, B3 3AX

11 June 2021

Statement of Comprehensive Income

	Note	2020/21 £000	2019/20 £000
Operating income from patient care activities	3	531,696	475,065
Other operating income	4	112,182	64,183
Operating expenses	6, 8	(635,100)	(572,752)
Operating surplus/(deficit) from continuing operations		**8,778**	**(33,504)**
Finance income	11	-	149
Finance expenses	12	9	(9,324)
PDC dividends payable		(4,943)	-
Net finance costs		**(4,934)**	**(9,175)**
Other gains / (losses)	13	(247)	26
Surplus / (deficit) for the year		**3,597**	**(42,653)**
Other comprehensive income			
Will not be reclassified to income and expenditure:			
Impairments	7	(191)	(307)
Revaluations	17	2,966	1,289
Other reserve movements		1	(1)
Total comprehensive income / (expense) for the period		**6,373**	**(41,672)**

Statement of Financial Position

	Note	31 March 2021 £000	31 March 2020 £000
Non-current assets			
Intangible assets	14	4,600	4,748
Property, plant and equipment	15	247,119	214,684
Receivables	19	2,790	2,534
Total non-current assets		**254,509**	**221,966**
Current assets			
Inventories	18	6,510	7,037
Receivables	19	25,935	41,603
Non-current assets for sale and assets in disposal groups	20	-	660
Cash and cash equivalents	21	54,042	13,717
Total current assets		**86,487**	**63,017**
Current liabilities			
Trade and other payables	22	(69,644)	(50,788)
Borrowings	24	-	(380,376)
Provisions	26	(2,056)	(753)
Other liabilities	23	(1,587)	(3,671)
Liabilities in disposal groups	20.1	-	-
Total current liabilities		**(73,287)**	**(435,588)**
Total assets less current liabilities		**267,709**	**(150,605)**
Non-current liabilities			
Trade and other payables	22	-	-
Borrowings	24	(4,025)	(1,482)
Provisions	26	(4,069)	(3,831)
Other liabilities	23	(12,075)	(12,579)
Total non-current liabilities		**(20,169)**	**(17,892)**
Total assets employed		**247,540**	**(168,497)**
Financed by			
Public dividend capital		677,570	267,906
Revaluation reserve		27,522	26,049
Other reserves		190	190
Income and expenditure reserve		(457,742)	(462,642)
Total taxpayers' equity		**247,540**	**(168,497)**

The notes on pages 18 to 75 form part of these accounts.

The financial statements on pages 13 to 75 were approved by the Board on 9 June 2021 and signed on its behalf by;

Signed:

Name	Andrew Morgan
Position	Chief Executive Officer
Date	9 June 2021

Statement of Changes in Taxpayers Equity for the year ended 31 March 2021

	Public dividend capital	Revaluation reserve	Other reserves	Income and expenditure reserve	Total
	£000	£000	£000	£000	£000
Taxpayers' and others' equity at 1 April 2020 - brought forward	**267,906**	**26,049**	**190**	**(462,642)**	**(168,497)**
Surplus/(deficit) for the year	-	-	-	3,597	**3,597**
Other transfers between reserves	-	(960)	-	960	**-**
Impairments	-	(191)	-	-	**(191)**
Revaluations	-	2,966	-	-	**2,966**
Transfer to retained earnings on disposal of assets	-	(342)	-	342	**-**
Public dividend capital received*	409,664	-	-	-	**409,664**
Other reserve movements	-	-	-	1	**1**
Taxpayers' equity at 31 March 2021	**677,570**	**27,522**	**190**	**(457,742)**	**247,540**

*** Public Dividend Capital (PDC) received in 2020/21 was made up of two components:**

PDC issued to facilitate repayment of revenue and capital loans	**377,859**
PDC issued to fund in year capital programme	**31,805**
Total	**409,664**

Statement of Changes in Taxpayers 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	**260,042**	**27,310**	**190**	**(422,232)**	**(134,690)**
Surplus/(deficit) for the year	-	-	-	(42,653)	**(42,653)**
Other transfers between reserves	-	(2,243)	-	2,243	**-**
Impairments	-	(307)	-	-	**(307)**
Revaluations	-	1,289	-	-	**1,289**
Transfer to retained earnings on disposal of assets	-	-	-	-	**-**
Public dividend capital received	7,865	-	-	-	**7,865**
Other reserve movements	(1)	-	-	-	**(1)**

Taxpayers' equity at 31 March 2020	**267,906**	**26,049**	**190**	**(462,642)**	**(168,497)**

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 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

	Note	2020/21 £000	2019/20 £000
Cash flows from operating activities			
Operating surplus / (deficit)		8,778	(33,504)
Non-cash income and expense:			
Depreciation and amortisation	6	13,674	12,976
Net impairments	7	3,121	244
Income recognised in respect of capital donations	4	(3,923)	(75)
Amortisation of PFI deferred credit		(503)	(503)
(Increase) / decrease in receivables and other assets		16,119	(20,529)
(Increase) / decrease in inventories		527	403
Increase / (decrease) in payables and other liabilities		14,903	(719)
Increase / (decrease) in provisions		1,556	1,104
Net cash flows from / (used in) operating activities		**54,252**	**(40,603)**
Cash flows from investing activities			
Interest received		12	137
Purchase of intangible assets		(1,245)	(15)
Sales of intangible assets		-	-
Purchase of PPE and investment property		(39,483)	(31,092)
Sales of PPE and investment property		625	33
Net cash flows from / (used in) investing activities		**(40,091)**	**(30,937)**
Cash flows from financing activities			
Public dividend capital received		409,664	7,865
Movement on loans from DHSC		(377,859)	77,286
Movement on other loans		2,543	1,482
Interest on loans		(2,517)	(8,761)
Other interest		(5)	(1)
PDC dividend (paid) / refunded		(5,662)	-
Net cash flows from / (used in) financing activities		**26,164**	**77,871**
Increase / (decrease) in cash and cash equivalents		**40,325**	**6,331**
Cash and cash equivalents at 1 April - brought forward		**13,717**	**7,386**
Cash and cash equivalents at 31 March	21	**54,042**	**13,717**

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 2020/21 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
These accounts have been prepared on a going concern basis. The financial reporting framework applicable to NHS bodies, derived from the HM Treasury Financial Reporting Manual, defines that the anticipated continued provision of the entity's services in the public sector is normally sufficient evidence of going concern. The directors have a reasonable expectation that this will continue to be the case.

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 accounting policies for revenue recognition and the application of IFRS 15 are consistently applied. The contracting arrangements in the NHS changed between 2019/20 and 2020/21 affecting the application of the accounting policy under IFRS 15. This difference in application is explained below.

2020/21

The main source of income for the Trust is contracts with commissioners for health care services. In 2020/21, the majority of the trust's income from NHS commissioners was in the form of block contract arrangements. During the first half of the year the trust received block funding from its commissioners. For the second half of the year, block contract arrangements were agreed at the Sustainability and Transformation Partnership level. The related performance obligation is the delivery of healthcare and related services during the period, with the trust's entitlement to consideration not varying based on the levels of activity performed.
The Trust has received additional income outside of the block and system envelopes to reimburse specific costs incurred and other income top-ups to support the delivery of services. Reimbursement and top-up income is accounted for as variable consideration.

Comparative period (2019/20)

In the comparative period (2019/20), the trust's contracts with NHS commissioners included those where the trust's entitlement to income varied according to services delivered. A performance obligation relating to delivery of a spell of health care was generally satisfied over time as healthcare was received and consumed simultaneously by the customer as the Trust performed it. The customer in such a contract was the commissioner, but the customer benefited as services were provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligned with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that were substantially the same and had a similar pattern of transfer. At the year end, the Trust accrued income relating to activity delivered in that year, where a patient care spell was incomplete. This accrual was disclosed as a contract receivable as entitlement to payment for work completed was usually only dependent on the passage of time.

Throughout 2019/20 revenue was recognised to the extent that collection of consideration was probable. Where contract challenges from commissioners were expected to be upheld, the Trust reflected this in the transaction price and derecognised the relevant portion of income.

Similarly where the Trust was aware of a penalty based on contractual performance, the Trust reflected this in the transaction price for its recognition of revenue. Revenue being reduced by the value of the penalty.

The Trust does not receive income where a patient was readmitted within 30 days of discharge from a previous planned stay. This being considered an additional performance obligation to be satisfied under the original transaction price.

The Trust also received income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. CQUIN payments were not considered distinct performance obligations in their own right; instead they formed part of the transaction price for performance obligations under the contract.

In 2019/20, the Provider Sustainability Fund and Financial Recovery Fund enabled 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.

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.

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.

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 on 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.

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

Items of property, plant and equipment are depreciated over their remaining useful lives in a manner consistent with the consumption of economic or service delivery benefits. Freehold land is considered to have an infinite life and is not depreciated.

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.

In 2020/21 this includes assets donated to the trust by the Department of Health and Social Care as part of the response to the coronavirus pandemic. As defined in the GAM, the trust applies the principle of donated asset accounting to assets that the trust controls and is obtaining economic benefits from at the year end.

Private Finance Initiative (PFI) transactions

PFI 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 unitary payment is included within operating expenses. Instead the operator derives income from charges made to users rather than from payments by the Trust.

Further description of the scheme is set out in note 29

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 Years	Max life Years
Land	-	-
Buildings, excluding dwellings	1	44
Dwellings	60	78
Plant & machinery	3	15
Transport equipment	5	11
Information technology	2	10
Furniture & fittings	5	10

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

Recognition

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 Years	Max life Years
Information technology	5	3
Websites	5	5
Software licences	3	15

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.

In 2020/21, the Trust received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, the Trust has accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the Department.

Note 1.11 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.

Note 1.12 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 due to their nature.

Financial liabilities classified as subsequently measured at amortised cost due to their nature.

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.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets, 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).

Expected credit losses are made up of three constituent elements:
- Compensation Recovery Unit, where a provision of 22.43% is made based upon historic recovery rates as set out within the DHSC GAM.
- Full 100% provision for those debts referred to the Trust's appointed debt collection agent.
- All other non-NHS sales invoices based upon expected recovery rates for each category and ageing of debt.

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 1.13 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 1.14 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 2021:

		Nominal rate
Short-term	Up to 5 years	0.51%
Medium-term	After 5 years up to 10 years	0.55%
Long-term	Exceeding 10 years	1.99%

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 2021:

	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 0.95% ((2019/20: minus 0.5%) 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 26.2 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 1.15 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 27 where an inflow of economic benefits is probable.
Contingent liabilities are not recognised, but are disclosed in note 27, 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 1.16 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, with certain additions and deductions as defined by the Department of Health and Social Care.

This policy is available at:

https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts

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 1.17 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 1.18 Corporation tax
The Trust has no Corporation tax liability.

Note 1.19 Climate change levy
Expenditure on the climate change levy is recognised in the Statement of Comprehensive Income as incurred, based on the prevailing chargeable rates for energy consumption.

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.

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 21.2 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.

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 Early adoption of standards, amendments and interpretations

No new accounting standards or revisions to existing standards have been early adopted in 2020/21.

Note 1.24 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 2022. 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 2022, 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 defined by HM Treasury. Currently this rate is 0.91% 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 2022 for existing finance leases.

For leases commencing in 2022/23, 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.

The implementation date for IFRS 16 in the NHS was revised to 1 April 2022 in November 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity in from April 2022 and beyond, a quantification of the expected impact of applying the standard in 2022/23 is currently impracticable. However, the trust does expect this standard to have a material impact on non-current assets, liabilities and depreciation.

The Trust undertook considerable work to understand those arrangements which do not currently meet the lease definition under IAS 17 / IFRIC 4 prior to submission of the 2019/20 accounts. Pressures and re-prioritisation during 2020/21 has meant the further review and assessment planned has not progressed.
The delayed implementation of IFRS 16 until 1 April 2022 will provide additional time to refine those assessments and embed revised processes within the Trust to identify and quantify 'Right of Use Assets' 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 1.25 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:

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 17.

Note 1.26 Sources of estimation uncertainty
The following are assumptions about the future and other major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

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 £186.0m and is detailed at Note 15.

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 1.8.

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

Depreciation and asset lives

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 predominantly) 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 occupancy levels have been estimated for the relevant properties based upon average occupancy levels over the preceding 24 months ending October 2020.

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. The selection of average occupancy levels over the preceding 24 months as a basis for future occupancy is therefore a key source of estimation uncertainty.

Pension Costs:
Details of the actuarial assumptions used in calculating the Trust's pension liabilities are provided in Note 9.

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 2021 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 NHS Resolution and Trust solicitor detailing ongoing claims against the Trust and which provide an assessment of the probable outcome and costs.
Further details are provided at note 26.1

Trade and other payables:
Outstanding pay liabilities incorporate estimates for:
• Overtime and enhancements relating to March 2021 - based upon actual payments for a 'similar' accounting period.
• Agency - based upon details of unclaimed 'booked' shifts going back 3 months.
• Annual Leave carried forward - calculated and costed based upon actual leave carried forward as recorded on the Trust rostering information systems and covering 79% of staff. Estimates for the remaining staff not captured are based upon further extrapolation of leave data.
• Pay obligations following agreement between NHS Employers and UNIONS in relation to the national application of the decision in the Flowers v East of England Ambulance Service case. Liability has been assessed in accordance with the Nationally agreed settlement and eligibility.

Note 2 Operating Segments

The Trust 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.

	2020/21		2019/20	
	£000s	**%**	£000s	%
Revenue from HM Government sources	**604,984**	**94.0**	514,243	95.4
Revenue from non HM Government sources	**38,894**	**6.0**	25,005	4.6
Total	**643,878**	**100.0**	539,248	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)	2020/21 £000	2019/20 £000
Acute services		
Block contract / system envelope income*	500,773	401,695
High cost drugs income from commissioners (excluding pass-through costs)**	3,088	49,533
Other NHS clinical income***	3,395	5,212
All services		
Private patient income	232	203
Additional pension contribution central funding****	14,310	13,130
Other clinical income*****	9,898	5,292
Total income from activities	**531,696**	**475,065**

*As part of the coronavirus pandemic response, transaction flows were simplified in the NHS and providers and their commissioners moved onto block contract payments at the start of 2020/21. In the second half of the year, a revised financial framework built on these arrangements but with a greater focus on system partnership and providers derived most of their income from these system envelopes. Comparatives in this note are presented to be comparable with the current year activity. This does not reflect the contracting and payment mechanisms in place during the prior year.

** The value reported as high cost drugs expenditure in 2020/21 is limited to funding over and above that included within the block contact.
The corresponding value of £49.5m in 2019/20 includes all high cost drugs and devices expenditure and is therefore not directly comparable.

*** Other NHS Clinical income is primarily made up of income from provider to provider block contracts £2.9m in 2020/21.
The 2019/20 income also includes £1.0m transitional support.

****The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge 0.08%) from 1 April 2019. Since 2019/20, NHS providers have 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 Clinical Income includes: income earned through the Injury Cost Recovery Scheme £0.9m (2019/20: £1.3m), treatment of Overseas Patients £0.4m (2019/20: £0.2m) and central funding to support additional pay / annual leave costs £8.3m (2019/20: £nil)

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2020/21 £000	2019/20 £000
NHS England	95,387	85,737
Clinical commissioning groups*	431,165	381,630
Department of Health and Social Care	108	11
Other NHS providers	2,941	4,165
NHS other	329	193
Local authorities	115	115
Non-NHS: private patients	232	203
Non-NHS: overseas patients (chargeable to patient)	292	204
Injury cost recovery scheme	916	1,281
Non NHS: other**	211	1,526
Total income from activities	**531,696**	**475,065**
Of which:		
Related to continuing operations	531,696	475,065
Related to discontinued operations	-	-

* Changes in the financial regime to support NHS providers through the pandemic included 'Top-Up' payments above normal contract levels.
Through the first half of 2020/21 this 'Top-up' of £57.9m was received via NHS England and is identified separately within other operating income. In the latter six months, 'Top-up' payments of £72.0m were received through Lincolnshire CCG and have been classified as Patient related income.
CCG income for 2019/20 included £21m transitional relief.

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

	2020/21	2019/20
	£000	£000
Income recognised this year	292	204
Cash payments received in-year	69	103
Amounts added to provision for impairment of receivables	221	126
Amounts written off in-year	74	342

Note 4 Other operating income

	2020/21			2019/20		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£000	£000	£000	£000	£000	£000
Research and development	1,390	-	**1,390**	1,409	-	**1,409**
Education and training	18,259	851	**19,110**	16,173	658	**16,831**
Non-patient care services to other bodies	9,434		**9,434**	6,815		**6,815**
Provider sustainability fund (2019/20 only)*			**-**	10,461		**10,461**
Financial recovery fund (2019/20 only)*			**-**	14,807		**14,807**
Marginal rate emergency tariff funding (2019/20 only)*			**-**	3,660		**3,660**
Reimbursement and top up funding**	63,038		**63,038**			**-**
Income in respect of employee benefits accounted on a gross basis	2,628		**2,628**	3,402		**3,402**
Receipt of capital grants and donations		3,923	**3,923**		75	**75**
Charitable and other contributions to expenditure		7,198	**7,198**		-	**-**
Rental revenue from finance leases		156	**156**		156	**156**
Rental revenue from operating leases		1,183	**1,183**		419	**419**
Amortisation of PFI deferred income / credits		503	**503**		503	**503**
Other income ***	3,619	-	**3,619**	5,645	-	**5,645**
Total other operating income	**98,368**	**13,814**	**112,182**	**62,372**	**1,811**	**64,183**
Of which:						
Related to continuing operations			112,182			64,183
Related to discontinued operations			-			-

*Changes in the financial regime implemented as a result of the pandemic meant that the Provider Sustainability Fund, Financial Recovery Fund and Marginal rate emergency tariff did not exist in 2020/21.

** In addition to the £57.9m provider 'top up' received during the first half of 2020/21 (note 3.2), a further £4.5m income was allocated to trusts to compensate for lost income during 2020/21.

***Other Income includes: car parking £0.2m (2019/20: £3.2m), catering £0.5m (2019/20: £1.0m), central funding for lost income due to Covid-19 restrictions £2.0m (2019/20: £nil), staff lease cars £1m (2019/20: £0.1m) and miscellaneous other income £0.9m (2019/20: £1.4m)

Note 5 Additional information on contract revenue and performance obligations'

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

	2020/21	2019/20
	£000	£000
Revenue recognised in the reporting period that was included in within contract liabilities at the previous period end	3,168	2,869
Revenue recognised from performance obligations satisfied (or partially satisfied) in previous periods	-	-

Note 5.2 Profits and losses on disposal of property, plant and equipment

During 2020/21 the Trust disposed of 782 assets with a combined gross replacement cost of £3.8m and net book value of £0.8m at the point of disposal.
Proceeds of £0.6m were received and a net loss on disposal of £0.2m has been recorded.

The largest single transaction related to the sale of land at the former Welland hospital site where proceeds of £0.5m were received.
At the point of disposal the majority, 772 assets were fully depreciated. Proceeds and 'profit' from sale of these assets was £0.1m.

Assets disposed fall into the following broad categories:
IT assets - 734
Intangible assets - 4
Plant - 1
Medical Equipment - 33
Assets under construction - 9
Land - 1

Loss on disposal (£0.3m) almost exclusively arises from capital schemes where preliminary costs had been occurred, but where the scheme has not be taken forward to completion.
The Trust through its' capital programme reviews and replaces capital assets based upon service requirements and prioritisation.
The net book value of assets disposed, is reinvested within the Trust property, plant and equipment base.

Note 5.3 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.

	2020/21	2019/20
	£000	£000
Income	699	4,195
Full cost	(1,756)	(1,888)
Surplus / (deficit)	**(1,057)**	**2,307**

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

Catering	2020/21	2019/20
	£000s	£000s
Income	**476**	960
Full cost	**(918)**	(1,071)
Surplus / (deficit)	**(442)**	(111)

Car Parking	2020/21	2019/20
	£000s	£000s
Income	**223**	3,235
Full cost	**(838)**	(817)
Surplus / (deficit)	**(615)**	2,418

The impact of the pandemic has meant that fewer patients and visitors have been on site utilising services through 2020/21. As a consequence income and costs for car parking and catering have reduced and are below the limit required for disclosure. However to ensure continuity and consistency in reporting this note has been retained.

Note 6 Operating expenses

	2020/21	2019/20
	£000	£000
Purchase of healthcare from non-NHS and non-DHSC bodies	-	1,183
Staff and executive directors costs	421,921	374,937
Remuneration of non-executive directors	104	84
Supplies and services - clinical (excluding drugs costs)	66,843	62,279
Supplies and services - general	11,656	9,343
Drug costs (drugs inventory consumed and purchase of non-inventory drugs)	51,203	53,449
Inventories written down	482	315
Consultancy costs	15	63
Establishment	5,511	5,702
Premises	21,467	19,396
Transport (including patient travel)	2,087	2,822
Depreciation on property, plant and equipment	11,978	11,278
Amortisation on intangible assets	1,696	1,698
Net impairments *	3,121	244
Movement in credit loss allowance: contract receivables / contract assets	203	265
Change in provisions discount rate(s)	142	237
Audit fees payable to the external auditor**		
audit services- statutory audit	136	116
other auditor remuneration (external auditor only)	-	3
Internal audit costs	185	214
Clinical negligence	21,058	20,214
Legal fees	481	252
Insurance	80	53
Research and development ***	1,589	1,464
Education and training ***	4,860	4,686
Rentals under operating leases	1,576	1,256
Redundancy	-	70
Car parking & security	71	47
Hospitality	-	18
Losses, ex gratia & special payments	217	459
Other services, e.g. external payroll****	5,474	427
Other	944	178
Total	**635,100**	**572,752**
Of which:		
Related to continuing operations	635,100	572,752
Related to discontinued operations	-	-

* Note 7 provides further detail relating to the Net Impairments expense

** The External Audit fee is shown net of VAT with non recoverable VAT included within 'other' expenditure.

***The figures presented above for Research and Development along with Education and training include £4.20m pay costs (2019/20: £3.78m) and £2.25m non-pay costs (2019/20: £2.37m).

**** The 2019/20 comparator for Other services was limited to Payroll Services, in 2020/21 this has been expanded to include a wide range of services previously classified predominantly within premises and supplies general.

Note 6.1 Other auditor remuneration

	2020/21	2019/20
	£000	£000
Other auditor remuneration paid to the external auditor:		
Audit-related assurance services	-	3
Total	**-**	**3**

Note 6.2 Limitation on auditor's liability

There is no limitation on the auditor's liability.

Note 7 Impairment of assets

	2020/21	2019/20
	£000	£000
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	368	-
Changes in market price	2,656	244
Other	97	-
Total net impairments charged to operating surplus / deficit	**3,121**	**244**
Impairments charged to the revaluation reserve	191	307
Total net impairments	**3,312**	**551**

Material Impairment losses / (reversals) charged to the SOCI in 2020/21 resulting from loss or damage from normal operations are summarised below:

	2020/21	2019/20
	£000	£000
Fluroscopy suite and equipment - water damage	368	-

The principle asset that was damaged is insured through NHS Resolution. An anticipated insurance receipt has been recognised in the SoCI.

The damaged equipment has been impaired down to market (salvage) value.

Material Impairment losses / (reversals) charged to the SOCI in 2020/21 resulting from changes in market price following valuation are summarised below:

	2020/21	2019/20
	£000	£000
Reversals of impairments charged to SOCI in previous years:		
Maternity Unit Lincoln County Hospital	(1,406)	-
Phase 2: Lincoln County Hospital	(590)	-
Outpatients Pilgrim Hospital	(516)	-
Other - buildings*	(684)	(2,171)
Impairments charged to SOCI in current year:		
Ward Block 50 Lincoln County Hospital	692	-
A&E Building Pilgrim Hospital	743	-
Phase 2: Lincoln County Hospital	-	734
Hutton Block: Lincoln County Hospital	-	978
Other - buildings*	4,417	703
	2,656	244

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

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

	2020/21	2019/20
	£000	£000
Reversal of impairments charged to SOCI in previous years		
Progress Care Housing Association **	97	-
	97	-

* *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 projected future occupancy levels and therefore projected income streams associated with this contract are reviewed annually. The Annual property valuation takes account of this assessment and may result in an impairment or reversal.

Impairments charged / (reversed) against this contract were:	2020/21	2019/20
	£000	£000
Grantham District Hospital Site	97	-
	97	-

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

	2020/21	2019/20
	£000	£000
Changes in market price	191	307
Total impairments for PPE charged to reserves	**191**	**307**

Note 8 Employee benefits

	2020/21 Total £000	2019/20 Total £000
Salaries and wages	305,805	266,439
Social security costs	27,861	24,601
Apprenticeship levy	1,483	1,354
Employer's contributions to NHS pensions	49,141	43,174
Pension cost - other	139	123
Termination benefits	-	70
Temporary staff (including agency)	42,254	44,064
Total gross staff costs	**426,683**	**379,825**
Recoveries in respect of seconded staff	-	-
Total staff costs	**426,683**	**379,825**
Of which		
Costs capitalised as part of assets	559	1,038

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 2020/21 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 £49.1m (2019/20: £43.2m) shown in the table above includes £14.3m (2019/20: £13.1m) 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 8.1 Retirements due to ill-health

During 2020/21 there were 7 early retirements from the trust agreed on the grounds of ill-health (7 in the year ended 31 March 2020). The estimated additional pension liabilities of these ill-health retirements is £208k (£191k in 2019/20).

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

Note 9 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 2021, is based on valuation data as at 31 March 2020, updated to 31 March 2021 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% of pensionable pay. The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

The Government subsequently announced in July 2020 that the pause had been lifted, and so the cost control element of the 2016 valuations could be completed. The Government has set out that the costs of remedy of the discrimination will be included in this process. HMT valuation directions will set out the technical detail of how the costs of remedy will be included in the valuation process. The Government has also confirmed that the Government Actuary is reviewing the cost control mechanism (as was originally announced in 2018). The review will assess whether the cost control mechanism is working in line with original government objectives and reported to Government in April 2021. The findings of this review will not impact the 2016 valuations, with the aim for any changes to the cost cap mechanism to be made in time for the completion of the 2020 actuarial valuations.

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 2021 there were 9,947 (31 March 2020: 9,217) employees employed by the Trust, of these 8,436 (31 March 2020: 7,701) are members of the NHS Pension Scheme, 384 (31 March 2020: 363) are enrolled within NEST and 1,127 (31 March 2020:1,153) are not currently contributing through a workplace pension scheme.

Note 10 Operating leases

Note 10.1 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 has leased a number of buildings to non-NHS organisations which provide ancillary services to patients.

	2020/21	2019/20
	£000	£000
Operating lease revenue		
Minimum lease receipts	1,061	198
Contingent rent	122	221
Other	-	-
Total	**1,183**	**419**

	31 March 2021	31 March 2020
	£000	£000
Future minimum lease receipts due:		
- not later than one year;	275	379
- later than one year and not later than five years;	904	984
- later than five years.	517	714
Total	**1,696**	**2,077**

Note 10.2 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.

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.

In 20/21 the Trust entered a six month lease for additional land adjacent to the hospital site, a number of short term agreements were entered to lease additional buildings as a result of COVID 19. These are expected to end in July 21

The Trust also leases various items of medical equipment, photocopiers and vehicles. These leases are due to expire in the periods up to September 2027, July 2023 and April 2025 respectively.

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 with a collective annual lease cost of £0.7m.

	2020/21	2019/20
	£000	£000
Operating lease expense		
Minimum lease payments	1,576	1,256
Contingent rents	-	-
Less sublease payments received	-	-
Total	**1,576**	**1,256**

	31 March 2021	31 March 2020
	£000	£000
Future minimum lease payments due:		
- not later than one year;	1,401	1,210
- later than one year and not later than five years;	3,622	3,924
- later than five years.	2,460	2,921
Total	**7,483**	**8,055**
Future minimum sublease payments to be received	-	-

Note 11 Finance income

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

	2020/21	2019/20
	£000	£000
Interest on bank accounts	-	149
Total finance income	**-**	**149**

Note 12 Finance expenditure

Note 12.1 Finance expenditure analysis

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

	2020/21	2019/20
	£000	£000
Interest expense:		
Loans from the Department of Health and Social Care	3	9,315
Interest on late payment of commercial debt	3	-
Total interest expense	**6**	**9,315**
Unwinding of discount on provisions	(15)	9
Total finance costs	**(9)**	**9,324**

Note 12.2 The late payment of commercial debts (interest) Act 1998 / Public Contract Regulations 2015

	2020/21	2019/20
	£000	£000
Total liability accruing in year under this legislation as a result of late payments	683	2,139
Amounts included within interest payable arising from claims made under this legislation	3	-
Compensation paid to cover debt recovery costs under this legislation	-	-

Note 13 Other gains / (losses)

	2020/21	2019/20
	£000	£000
Gains on disposal of assets	115	29
Losses on disposal of assets	(362)	(3)
Total gains / (losses) on disposal of assets	**(247)**	**26**
Other gains / (losses)	-	-
Total other gains / (losses)	**(247)**	**26**

Note 14 Intangible assets

Note 14.1 Intangible assets - 2020/21

	Software licences	Internally generated information technology	Websites	Total
	£000	£000	£000	£000
Valuation / gross cost at 1 April 2020 - brought forward	**12,898**	**20**	**15**	**12,933**
Additions	1,458	-	-	**1,458**
Reclassifications	90	-	-	**90**
Disposals / derecognition	(40)	-	-	**(40)**
Valuation / gross cost at 31 March 2021	**14,406**	**20**	**15**	**14,441**
Amortisation at 1 April 2020 - brought forward	**8,150**	**20**	**15**	**8,185**
Provided during the year	1,696	-	-	**1,696**
Disposals / derecognition	(40)	-	-	**(40)**
Amortisation at 31 March 2021	**9,806**	**20**	**15**	**9,841**
Net book value at 31 March 2021	**4,600**	**-**	**-**	**4,600**
Net book value at 1 April 2020	**4,748**	**-**	**-**	**4,748**

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 £0.45m.

Note 14.2 Intangible assets - 2019/20

	Software licences	Internally generated information technology	Websites	Total
	£000	£000	£000	£000
Valuation / gross cost at 1 April 2019 - as previously stated	**12,884**	**20**	**15**	**12,919**
Additions	105	-	-	**105**
Reclassifications	-	-	-	**-**
Disposals / derecognition	(91)	-	-	**(91)**
Valuation / gross cost at 31 March 2020	**12,898**	**20**	**15**	**12,933**
Amortisation at 1 April 2019 - as previously stated	**6,546**	**20**	**12**	**6,578**
Provided during the year	1,695	-	3	**1,698**
Disposals / derecognition	(91)	-	-	**(91)**
Amortisation at 31 March 2020	**8,150**	**20**	**15**	**8,185**
Net book value at 31 March 2020	**4,748**	**-**	**-**	**4,748**
Net book value at 1 April 2019	**6,338**	**-**	**3**	**6,341**

Note 15 Property, plant and equipment

Note 15.1 Property, plant and equipment - 2020/21

	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 2020 - brought forward	**9,841**	**142,229**	**25,604**	**12,612**	**56,676**	**735**	**9,682**	**302**	**257,681**
Additions	-	4,722	-	29,871	9,066	-	1,348	54	**45,061**
Impairments	-	(12,458)	(128)	-	(406)	-	-	-	**(12,992)**
Reversals of impairments	-	3,210	1,493	-	-	-	-	-	**4,703**
Revaluations	-	(146)	2,671	-	-	-	-	-	**2,525**
Reclassifications	-	8,789	-	(14,702)	2,985	-	2,041	797	**(90)**
Transfers to / from assets held for sale	150	-	-	-	(1,700)	-	-	-	**(1,550)**
Disposals / derecognition	-	-	-	(362)	(90)	-	(1,092)	-	**(1,544)**
Valuation/gross cost at 31 March 2021	**9,991**	**146,346**	**29,640**	**27,419**	**66,531**	**735**	**11,979**	**1,153**	**293,794**
Accumulated depreciation at 1 April 2020 - brought forward	**-**	**-**	**-**	**-**	**38,047**	**626**	**4,085**	**239**	**42,997**
Provided during the year	-	4,988	392	-	4,163	46	2,285	104	**11,978**
Impairments	-	(3,723)	(31)	-	(38)	-	-	-	**(3,792)**
Reversals of impairments	-	(1,062)	(123)	-	-	-	-	-	**(1,185)**
Revaluations	-	(203)	(238)	-	-	-	-	-	**(441)**
Reclassifications	-	-	-	-	-	-	-	-	**-**
Transfers to / from assets held for sale	-	-	-	-	(1,700)	-	-	-	**(1,700)**
Disposals / derecognition	-	-	-	-	(90)	-	(1,092)	-	**(1,182)**
Accumulated depreciation at 31 March 2021	**-**	**-**	**-**	**-**	**40,382**	**672**	**5,278**	**343**	**46,675**
Net book value at 31 March 2021	**9,991**	**146,346**	**29,640**	**27,419**	**26,149**	**63**	**6,701**	**810**	**247,119**
Net book value at 1 April 2020	**9,841**	**142,229**	**25,604**	**12,612**	**18,629**	**109**	**5,597**	**63**	**214,684**

Note 15.2 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 - as previously stated	**9,841**	**123,422**	**27,654**	**6,583**	**56,758**	**735**	**11,568**	**302**	**236,863**
Additions	-	13,817	-	14,047	2,797	-	811	-	**31,472**
Impairments	-	(3,222)	(2,050)	-	-	-	-	-	**(5,272)**
Reversals of impairments	-	523	-	-	-	-	-	-	**523**
Revaluations	-	293	-	-	-	-	-	-	**293**
Reclassifications	-	7,396	-	(8,018)	622	-	-	-	**-**
Transfers to / from assets held for sale	-	-	-	-	(1,335)	-	-	-	**(1,335)**
Disposals / derecognition	-	-	-	-	(2,166)	-	(2,697)	-	**(4,863)**
Valuation/gross cost at 31 March 2020	**9,841**	**142,229**	**25,604**	**12,612**	**56,676**	**735**	**9,682**	**302**	**257,681**
Accumulated depreciation at 1 April 2019 - as previously stated	**-**	**-**	**-**	**-**	**37,883**	**577**	**4,429**	**215**	**43,104**
Provided during the year	-	4,778	416	-	3,658	49	2,353	24	**11,278**
Impairments	-	(757)	(416)	-	-	-	-	-	**(1,173)**
Reversals of impairments	-	(3,025)	-	-	-	-	-	-	**(3,025)**
Revaluations	-	(996)	-	-	-	-	-	-	**(996)**
Reclassifications	-	-	-	-	-	-	-	-	**-**
Transfers to / from assets held for sale	-	-	-	-	(1,331)	-	-	-	**(1,331)**
Disposals / derecognition	-	-	-	-	(2,163)	-	(2,697)	-	**(4,860)**
Accumulated depreciation at 31 March 2020	**-**	**-**	**-**	**-**	**38,047**	**626**	**4,085**	**239**	**42,997**
Net book value at 31 March 2020	**9,841**	**142,229**	**25,604**	**12,612**	**18,629**	**109**	**5,597**	**63**	**214,684**
Net book value at 1 April 2019	**9,841**	**123,422**	**27,654**	**6,583**	**18,875**	**158**	**7,139**	**87**	**193,759**

Note 15.3 Property, plant and equipment financing - 2020/21

	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 2021									
Owned - purchased	9,991	145,985	-	27,419	21,970	57	6,700	806	**212,928**
On-SoFP PFI contracts and other service concession arrangements	-	-	29,640	-	-	-	-	-	**29,640**
Owned - donated/granted	-	361	-	-	4,179	6	1	4	**4,551**
NBV total at 31 March 2021	**9,991**	**146,346**	**29,640**	**27,419**	**26,149**	**63**	**6,701**	**810**	**247,119**

Note 15.4 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	9,841	141,838	-	12,612	18,036	95	5,592	56	**188,070**
On-SoFP PFI contracts and other service concession arrangements	-	-	25,604	-	-	-	-	-	**25,604**
Owned - donated/granted	-	391	-	-	593	14	5	7	**1,010**
NBV total at 31 March 2020	**9,841**	**142,229**	**25,604**	**12,612**	**18,629**	**109**	**5,597**	**63**	**214,684**

Note 16 Donations of property, plant and equipment

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

Donor: United Lincolnshire Hospitals NHS Trust Charitable Fund

	Plant & machinery	Fair value of asset
Asset Description - Donation of physical asset	**£000**	**£000**
Philips 1.5T Acheiva DS MRI	499	**499**
Toshiba Radrex-I Drad-3000E	96	**96**
5020 Pal Lipoplasty Console	25	**25**
Total value of physical assets donated	**620**	**620**

Donors: Dept of Social Care and NHS England

In response to the pandemic DHSC established a national pandemic equipment pool (termed the 'national loan stock') of ventilators and other medical equipment. This equipment was made available to trusts free of charge. The legal transfer of ownership of assets to trusts will happen in 2021/22. However, in accordance with the DHSC GAM, items held by the Trust at 31 March 2021 are in substance donations and have therefore been accounted for as donated assets.

	Plant & machinery	Fair value of asset
Asset Description - Donation of physical asset	**£000**	**£000**
DHSC centrally procured ventilators and other medical equipment	1,758	**1,758**
DHSC and NHS England diagnostic imaging equipment	1,545	**1,545**
Total value of physical assets donated	**3,303**	**3,303**

Note 17 Revaluations of property, plant and equipment

The Trust commissioned a desktop revaluation of land, buildings and dwellings in March 2021 with a valuation date of 31 March 2021. 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'), to the 2019/20 financial statements, the valuer declared a 'material valuation uncertainty' in the 31 March 2020 valuation report. This being on the basis of uncertainties in markets caused by COVID-19.

The 31 March 2021 valuation does not report a material valuation uncertainty.
Cushman and Wakefield have provided the following explanatory note with regard to market conditions:
The outbreak of COVID-19, declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has and continues to impact many aspects of daily life and the global economy – with some real estate markets having experienced lower levels of transactional activity and liquidity. Travel, movement and operational restrictions have been implemented by many countries. Although these may imply a new stage of the crisis, they are not unprecedented in the same way as the initial impact.

The pandemic and the measures taken to tackle COVID-19 continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning again, with transaction volumes and other relevant evidence at levels where an adequate quantum of market evidence exists upon which to base opinions of value. Accordingly, and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.

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 at 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 2021.

	2020/21	2019/20
	£000s	£000s
Land	850	700
Dwellings*	29,640	25,604
Buildings	-	-
	30,490	26,304

Accounting policies Note 1.8 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 1.8
The gross value of fully depreciated assets still in use is £5.08m (31 March 2020: £4.23m).

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

	2020/21 £000s	2019/20 £000s
Net book value 1 April 2020	4,904	4,457
Additions	141	419
Depreciation	(122)	(115)
Increase in valuation 31 March 2021	-	71
Impairments	12	72
Terminated Leases	(18)	-
Net book value 31 March 2021	**4,917**	**4,904**

Note 18 Inventories

	31 March 2021 £000	31 March 2020 £000
Drugs	2,073	2,511
Consumables	4,437	4,524
Energy	-	2
Total inventories	**6,510**	**7,037**
of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £63,181k (2019/20: £57,308k). Write-down of inventories recognised as expenses for the year were £482k (2019/20: £315k).

In response to the COVID 19 pandemic, the Department of Health and Social Care centrally procured personal protective equipment and passed these to NHS providers free of charge. During 2020/21 the Trust received £7,198k of items purchased by DHSC.

These inventories were recognised as additions to inventory at deemed cost with the corresponding benefit recognised in income. The utilisation of these items is included in the expenses disclosed above.

Note 19 Receivables

Note 19.1 Receivables

	31 March 2021 £000	31 March 2020 £000
Current		
Contract receivables	19,140	36,789
Allowance for impaired contract receivables / assets	(786)	(718)
Prepayments (non-PFI)	4,710	3,857
Interest receivable	-	12
PDC dividend receivable	719	-
VAT receivable	1,157	989
Other receivables	995	674
Total current receivables	**25,935**	**41,603**
Non-current		
Contract receivables	1,978	1,872
Allowance for impaired contract receivables / assets	(444)	(408)
Other receivables	1,256	1,070
Total non-current receivables	**2,790**	**2,534**
Of which receivable from NHS and DHSC group bodies:		
Current	17,050	33,378
Non-current	1,256	1,070

The main constituent elements of other receivables are:

Clinicians pension tax scheme receivable £1.28m
Clinicians who are members of the NHS Pension Scheme and who as a result of work undertaken in the 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 26.
NHS England are to meet the cost of this liability, this being reflected within current (£0.03m) / non current (£1.25m) receivables.

Receivables in relation to Lease Car, Cycle and Home Electronics Salary Sacrifice schemes with Trust employees £0.8m.

Note 19.2 Allowances for credit losses

	2020/21	2019/20
	Contract receivables and contract assets	Contract receivables and contract assets
	£000	£000
Allowances as at 1 April - brought forward	**1,126**	**1,210**
New allowances arising	853	664
Reversals of allowances	(650)	(399)
Utilisation of allowances (write offs)	(99)	(349)
Allowances as at 31 Mar 2021	**1,230**	**1,126**

Note 19.3 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 2021	31 March 2020
	£000	£000
0 - 30 days	2	33
30-60 Days	2	58
60-90 days	2	28
90- 120 days	2	129
Over 120 days	323	878
Total	**331**	**1,126**

Ageing of non-impaired financial assets past their due date

	31 March 2021	31 March 2020
	£000	£000
0 - 30 days	3,325	1,310
30-60 Days	517	782
60-90 days	360	126
90- 120 days	82	582
Over 120 days	347	265
Total	**4,631**	**3,065**

In addition to providing against specific invoiced debt (£0.3m), the Trust also makes general provision for impairment based upon expected recovery rates.
This covers both invoiced debt (£0.2m) and income from the Compensation recovery unit (£0.7m).

Note 20 Non-current assets held for sale

Note 20.1 Non-current assets held for sale and assets in disposal groups

	2020/21 £000	2019/20 £000
NBV of non-current assets for sale and assets in disposal groups at 1 April	**660**	**660**
Assets classified as available for sale in the year	-	4
Assets sold in year	(510)	(4)
Assets no longer classified as held for sale, for reasons other than sale	(150)	-
NBV of non-current assets for sale and assets in disposal groups at 31 March	**-**	**660**

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

(1) Land at the site of the former Welland Hospital, Spalding was held at £0.51m. This property was sold in April 2020.

(2) Land at Grantham Hospital Site, the site of the 'old main entrance' was held at £0.15m. The property no longer fulfils the criteria under IFRS 5 to be classified as a 'held for sale asset' and is not currently being actively marketed.

Note 21 Cash and third party assets

Note 21.1 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.

	2020/21	2019/20
	£000	£000
At 1 April	**13,717**	**7,386**
Net change in year	40,325	6,331
At 31 March	**54,042**	**13,717**
Broken down into:		
Cash at commercial banks and in hand	12	13
Cash with the Government Banking Service	54,030	13,704
Total cash and cash equivalents as in SoFP	**54,042**	**13,717**
Total cash and cash equivalents as in SoCF	**54,042**	**13,717**

Note 21.2 Third party 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 has no beneficial interest. This has been excluded from the cash and cash equivalents figure reported in the accounts.

	31 March 2021	31 March 2020
	£000	£000
Monies on deposit	1	1
Total third party assets	**1**	**1**

Note 22 Trade and other payables

Note 22.1 Trade and other payables

	31 March 2021 £000	31 March 2020 £000
Current		
Trade payables	18,555	15,608
Capital payables	13,052	11,186
Accruals	25,103	11,498
Social security costs	4,768	4,343
Other taxes payable	3,839	3,558
Other payables	4,327	4,595
Total current trade and other payables	**69,644**	**50,788**
Non-current		
Total non-current trade and other payables	**-**	**-**
Of which payables from NHS and DHSC group bodies:		
Current	1,816	3,973
Non-current	-	-
Other payables includes:		
Outstanding Pension contributions at 31 March	4,618	4,225

Note 23 Other liabilities

	31 March 2021 £000	31 March 2020 £000
Current		
Deferred income: contract liabilities	1,084	3,168
Deferred PFI credits / income	479	479
Lease incentives	24	24
Total other current liabilities	**1,587**	**3,671**
Non-current		
Deferred PFI credits / income	11,493	11,972
Lease incentives	582	607
Total other non-current liabilities	**12,075**	**12,579**

*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 24 Borrowings and Financing Activities

Note 24.1 Borrowings

	31 March 2021 £000	31 March 2020 £000
Current		
Loans from DHSC	-	380,376
Other loans	-	-
Total current borrowings	**-**	**380,376**
Non-current		
Other loans	4,025	1,482
Total non-current borrowings	**4,025**	**1,482**

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 were extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment.

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 24.2 Reconciliation of liabilities arising from financing activities - 2020/21

	Loans from DHSC	Other loans	Total
	£000	£000	£000
Carrying value at 1 April 2020	**380,376**	**1,482**	**381,858**
Cash movements:			
Financing cash flows - payments and receipts of principal	(377,859)	2,543	**(375,316)**
Financing cash flows - payments of interest	(2,517)	-	**(2,517)**
Carrying value at 31 March 2021	**-**	**4,025**	**4,025**

Note 24.3 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC	Other loans	Total
	£000	£000	£000
Carrying value at 1 April 2019	**302,536**	**-**	**302,536**
Cash movements:			
Financing cash flows - payments and receipts of principal	77,286	1,482	**78,768**
Financing cash flows - payments of interest	(8,761)	-	**(8,761)**
Non-cash movements:			
Application of effective interest rate	9,315	-	**9,315**
Carrying value at 31 March 2020	**380,376**	**1,482**	**381,858**

Note 25 Finance leases

Note 25.1 United Lincolnshire Hospitals NHS Trust as a 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 2021 £000	31 March 2020 £000
Gross lease receivables	**-**	**-**
Net lease receivables	**-**	**-**
The unguaranteed residual value accruing to the lessor	-	-
Contingent rents recognised as income in the period	156	156

Note 25.2 United Lincolnshire Hospitals NHS Trust as a lessee

Obligations under finance leases where the trust is the lessee.

	31 March 2021 £000	31 March 2020 £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 26 Provisions for liabilities and charges

Note 26.1 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 2020	**953**	**1,994**	**543**	**1,094**	**4,584**
Change in the discount rate	22	120	-	-	**142**
Arising during the year	65	53	1,705	190	**2,013**
Utilised during the year	(102)	(87)	(175)	-	**(364)**
Reversed unused	-	-	(235)	-	**(235)**
Unwinding of discount	(5)	(10)	-	-	**(15)**
At 31 March 2021	**933**	**2,070**	**1,838**	**1,284**	**6,125**
Expected timing of cash flows:					
- not later than one year;	102	88	1,838	**28**	**2,056**
- later than one year and not later than five years;	418	358	-	**100**	**876**
- later than five years.	413	1,624	-	**1,156**	**3,193**
Total	**933**	**2,070**	**1,838**	**1,284**	**6,125**

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

The provision for 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.

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 the 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 26.2 Clinical negligence liabilities

At 31 March 2021, £320,868k was included in provisions of NHS Resolution in respect of clinical negligence liabilities of United Lincolnshire Hospitals NHS Trust (31 March 2020: £283,517k).

Note 27 Contingent assets and liabilities

	31 March 2021 £000	31 March 2020 £000
Value of contingent liabilities		
Employment tribunal and other employee related litigation	-	(197)
Gross value of contingent liabilities	**-**	**(197)**
Amounts recoverable against liabilities	-	-
Net value of contingent liabilities	**-**	**(197)**
Net value of contingent assets	**-**	**-**

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

Note 28 Contractual capital commitments

	31 March 2021 £000	31 March 2020 £000
Property, plant and equipment	9,653	11,757
Intangible assets	104	112
Total	**9,757**	**11,869**

Note 29 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 and costs recorded as 'Premises' costs within operating expenses.

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.

Note 30 Financial instruments

Note 30.1 Financial risk management

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

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

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

In April 2020 reforms to the NHS cash regime were announced by he Department of Health and Social Care (DHSC) and NHS England and NHS Improvement.
The effect of these has been that during 2020/21 the Trust has repaid . replaced existing revenue and capital loans through the issue of Public Dividend Capital (PDC).

The rate of return on PDC is set at 3.5% of net relevant assets.
The Trust Salix loan carries no interest charge.
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 2021 are in receivables from customers, as disclosed in the trade and other receivables note.

The impact of COVID-19 was initially felt by trusts at the very end of the 2019/20 financial year, with significant impact throughout 2020/21.
DHSC instigated changes to provide stability and support to the wider NHS through additional revenue and capital funding in 2019/20 and 2020/21.
Aligned to this has been the temporary suspension of the Payment by Results mechanism and the introduction of block contract payments from commissioners.
These arrangements will continue until at least 30 September 2021.
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 by DHSC in relation to Covid-19 support offers security to NHS bodies, providing and maintaining liquidity and minimising risks in this regard.

Note 30.2 Carrying values of financial assets

Carrying values of financial assets as at 31 March 2021	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	22,139	**22,139**
Cash and cash equivalents	54,042	**54,042**
Total at 31 March 2021	**76,181**	**76,181**

Carrying values of financial assets as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Trade and other receivables excluding non financial assets	39,291	**39,291**
Cash and cash equivalents	13,717	**13,717**
Total at 31 March 2020	**53,008**	**53,008**

Note 30.3 Carrying values of financial liabilities

Carrying values of financial liabilities as at 31 March 2021	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	-	**-**
Obligations under finance leases	-	**-**
Obligations under PFI, LIFT and other service concession contracts	-	**-**
Other borrowings	4,025	**4,025**
Trade and other payables excluding non financial liabilities	61,036	**61,036**
Other financial liabilities	-	**-**
Provisions under contract	1,284	**1,284**
Total at 31 March 2021	**66,345**	**66,345**

Carrying values of financial liabilities as at 31 March 2020	Held at amortised cost	Total book value
	£000	£000
Loans from the Department of Health and Social Care	380,376	**380,376**
Obligations under finance leases	-	**-**
Obligations under PFI, LIFT and other service concession contracts	-	**-**
Other borrowings	1,482	**1,482**
Trade and other payables excluding non financial liabilities	42,887	**42,887**
Other financial liabilities	-	**-**
Provisions under contract	2,728	**2,728**
Total at 31 March 2020	**427,473**	**427,473**

Note 30.4 Maturity of financial liabilities

The following maturity profile of financial liabilities is based on the contractual undiscounted cash flows. This does not differ to the amounts recognised in the statement of financial position because the effects of discounting are not material.

	31 March 2021 £000	31 March 2020 £000
In one year or less	61,466	423,287
In more than one year but not more than five years	3,320	1,122
In more than five years	1,560	3,064
Total	**66,346**	**427,473**

Note 30.5 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 31 Losses and special payments

	2020/21		2019/20	
	Total number of cases	Total value of cases	Total number of cases	Total value of cases
	Number	£000	Number	£000
Losses				
Cash losses	17	7	1	1
Fruitless payments and constructive losses	1	256	1	241
Bad debts and claims abandoned	51	95	91	353
Stores losses and damage to property	6	334	7	315
Total losses	**75**	**692**	**100**	**910**
Special payments				
Compensation under court order or legally binding arbitration award	27	145	15	104
Extra-contractual payments	-	-	-	-
Ex-gratia payments	184	7	124	18
Total special payments	**211**	**152**	**139**	**122**
Total losses and special payments	**286**	**844**	**239**	**1,032**
Compensation payments received		-		-

Reported losses include payments made to Progress Housing under an occupancy guarantee £0.26m (2019/20 £0.24m)

Note 32 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 2020/21 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 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**
Lincolnshire Community Health Services NHS Trust	2,799	1,922	365	758
Health Quality Improvement Partnership	37	-	-	-
North West Anglia NHS Foundation Trust	685	3	193	7
St Barnabas Hospice	109	1,366	2	341

ULHT Key Management details	**Position / related party relationship**	**Related Party**
Mrs Elaine Baylis -Trust Chair	Trust Chair	
Mr Andrew Morgan - Chief Executive	Employee	Lincolnshire Community Health Services NHS Trust
Mrs Elizabeth Libizewski - Non Executive Director	Non Executive Director	
Mrs S Dunnett - Non Executive Director	Trustee / Hon Treasurer	Health Quality Improvement Partnership
Mrs S Dunnett - Non Executive Director	Non Executive Director	North West Anglia NHS Foundation Trust
Mrs Elizabeth Libizewski - Non Executive Director	Spouse is Trustee & Vice Chair	St Barnabas Hospice

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.
The main entities with whom the Trust had dealings with during 2020/21are listed below.

Northern Lincolnshire and Goole NHS Foundation Trust
Lincolnshire Partnership NHS Foundation Trust
North West Anglia NHS Foundation Trust
Sheffield Teaching Hospitals NHS Foundation Trust
Sheffield Children's NHS Foundation Trust
University Hospitals of Derby and Burton NHS Foundation Trust
Doncaster & Bassetlaw Teaching Hospitals NHS Foundation Trust
Bradford Teaching Hospitals NHS Foundation Trust
Oxford Health NHS Foundation Trust
Northumbria Healthcare NHS Foundation Trust
Lincolnshire Community Health Services NHS Trust
Nottingham University Hospitals NHS Trust
University Hospitals of Leicester NHS Trust
Walsall Healthcare NHS Trust
NHS Resolution (formerly NHS Litigation Authority)
NHS Improvement
NHS Property Services
NHS Lincolnshire CCG
NHS England
NHS Nottingham and Nottinghamshire CCG
NHS North Lincolnshire CCG
NHS East Leicestershire and Rutland CCG
NHS Bassetlaw CCG
NHS Northamptonshire CCG
NHS Cambridgeshire and Peterborough CCG
NHS North East Lincolnshire CCG
NHS Derby and Derbyshire CCG
NHS Barnsley CCG
NHS Sheffield CCG
NHS Norfolk & Waveney CCG
NHS Rotherham CCG
Health Education England
NHS Blood and Transplant
Care Quality Commission

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

NHS Pension Scheme
HM Revenue & Customs
South Kesteven District Council
Boston Borough Council
Lincoln City Council

The DHSC Group Accounting Manual identifies DHSC Ministers and senior officials, and entities controlled or influenced by them as being related parties of DHSC group bodies.
The Trust has conducted business in 2020/21 with the following two organisations with whom Ministers or senior officials have declared interests to the Department of Health and Social Care.

Medicines and Healthcare products Regulatory Agency (MHRA)
The Cabinet Office

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 2020/21 including the purchase / donation of various capital assets to the Trust as detailed at note 16.

Other 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	-	98	1	7

Note 33 Events after the reporting date

There have been no significant events after the reporting date which require disclosure.

Note 34 Better Payment Practice code

	2020/21 Number	2020/21 £000	2019/20 Number	2019/20 £000
Non-NHS Payables				
Total non-NHS trade invoices paid in the year	93,345	206,228	120,549	202,476
Total non-NHS trade invoices paid within target	81,669	177,707	79,737	127,831
Percentage of non-NHS trade invoices paid within target	87.5%	86.2%	66.1%	63.1%
NHS Payables				
Total NHS trade invoices paid in the year	4,162	46,851	2,525	41,891
Total NHS trade invoices paid within target	3,178	39,368	1,376	28,135
Percentage of NHS trade invoices paid within target	76.4%	84.0%	54.5%	67.2%
Total Payables				
Total NHS trade invoices paid in the year	97,507	253,079	123,074	244,367
Total NHS trade invoices paid within target	84,847	217,075	81,113	155,966
Percentage of NHS trade invoices paid within target	87.0%	85.8%	65.9%	63.8%

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 35 External financing limit

The trust is given an external financing limit against which it is permitted to underspend

	2020/21 £000	2019/20 £000
Cash flow financing	(5,977)	80,302
Finance leases taken out in year		
Other capital receipts	-	
External financing requirement	**(5,977)**	**80,302**
External financing limit (EFL)	13,999	89,032
Under / (over) spend against EFL	**19,976**	**8,730**

Note 36 Capital Resource Limit

	2020/21 £000	2019/20 £000
Gross capital expenditure	46,519	31,577
Less: Disposals	(872)	(7)
Less: Donated and granted capital additions	(3,923)	(75)
Charge against Capital Resource Limit	**41,724**	**31,495**
Capital Resource Limit	44,005	31,997
Under / (over) spend against CRL	**2,281**	**502**

Note 37 Adjusted financial performance and Breakeven duty financial performance

	2020/21 £000	2019/20 £000
Adjusted financial performance (control total basis):		
Surplus / (deficit) for the period	3,597	(42,653)
Remove net impairments not scoring to the Departmental expenditure limit	2,753	244
Remove I&E impact of capital grants and donations	(3,541)	155
Remove net impact of inventories received from DHSC group bodies for COVID response	(435)	-
Adjusted financial performance surplus / (deficit)	**2,374**	**(42,254)**
Adjusted financial performance against breakeven duty:		
Adjusted financial performance (control total basis):	2,374	(42,254)
Remove impairments scoring to Departmental Expenditure Limit	368	-
IFRIC 12 breakeven adjustment	407	378

Adjusted financial performance against breakeven duty surplus / (deficit)	**3,149**	**(41,876)**

Note 38 Breakeven duty rolling assessment

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance		1,282	(13,880)	320	124	(25,813)	(15,161)
Breakeven duty cumulative position	4,071	5,353	(8,527)	(8,207)	(8,083)	(33,896)	(49,057)
Operating income		391,141	392,202	407,975	422,802	425,524	433,250
Cumulative breakeven position as a percentage of operating income		1.4%	(2.2%)	(2.0%)	(1.9%)	(8.0%)	(11.3%)

	2015/16	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000	£000
Breakeven duty in-year financial performance	(56,917)	(56,891)	(79,664)	(87,945)	(41,876)	3,149
Breakeven duty cumulative position	(105,974)	(162,865)	(242,529)	(330,474)	(372,350)	(369,201)
Operating income	423,428	437,324	433,161	447,492	539,248	643,878
Cumulative breakeven position as a percentage of operating income	(25.0%)	(37.2%)	(56.0%)	(73.9%)	(69.0%)	(57.3%)

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.