
Data entered below will be used throughout the workbook:

Trust name	Lincolnshire Community Health Services NHS Trust
This year	2012-13
Last year	2011-12
This year ended	31 March 2013
Last year ended	31 March 2012
This year commencing:	1 April 2012
Last year commencing:	1 April 2011

Manual for Accounts 2012-13

**Statement of Comprehensive Income for year ended
31 March 2013**

	NOTE	2012-13 £000s	2011-12 £000s
Gross employee benefits	10.1	(69,613)	(71,149)
Other costs	8	(37,677)	(36,520)
Revenue from patient care activities	5	103,375	100,404
Other Operating revenue	6	5,398	8,334
Operating surplus/(deficit)		1,483	1,069
Investment revenue	12	29	12
Other gains and (losses)	13	0	0
Finance costs	14	0	0
Surplus/(deficit) for the financial year		1,512	1,081
Public dividend capital dividends payable		0	0
Net Gain/(loss) on transfers by absorption		0	
Retained surplus/(deficit) for the year		1,512	1,081
Other Comprehensive Income			
		2012-13 £000s	2011-12 £000s
Impairments and reversals		0	0
Net gain/(loss) on revaluation of property, plant & equipment		0	0
Net gain/(loss) on revaluation of intangibles		0	0
Net gain/(loss) on revaluation of financial assets		0	0
Movements in Other Reserves eg. Non NHS Pensions Scheme		0	0
Net gain/(loss) on available for sale financial assets		0	0
Net Gain / (loss) on Assets Held for Sale		0	
Net actuarial gain/(loss) on pension schemes		0	0
Reclassification Adjustments			
On disposal of available for sale financial assets		0	0
Total comprehensive income for the year*		1,512	1,081

* This sums the rows above and the surplus / (deficit) for the year before adjustments for PDC dividend and absorption accounting

Financial performance for the year	2012-13 £000s	2011-12 £000s
Retained surplus/(deficit) for the year	1,512	1,081
Prior period adjustment to correct errors	0	0
IFRIC 12 adjustment	0	0
Impairments	0	0
Adjustments in respect of donated assets reserve elimination	(39)	0
Adjustment re Absorption accounting	0	
Adjusted retained surplus/(deficit)	1,473	1,081

The adjustments above relate to the depreciation and amortisation on donated assets.

The notes on pages 19 to 22 form part of this account.

**Statement of Financial Position as at
31 March 2013**

		31 March 2013	31 March 2012
	NOTE	£000s	£000s
Non-current assets:			
Property, plant and equipment	15	421	406
Intangible assets	16	109	64
Investment property	18	0	0
Other financial assets	24	0	0
Trade and other receivables	22.1	0	0
Total non-current assets		<u>530</u>	<u>470</u>
Current assets:			
Inventories	21	0	0
Trade and other receivables	22.1	3,362	4,085
Other financial assets	24	0	0
Other current assets	25	0	0
Cash and cash equivalents	26	10,280	9,524
Total current assets		<u>13,642</u>	<u>13,609</u>
Non-current assets held for sale	27	0	0
		<u>13,642</u>	<u>13,609</u>
Total assets		<u>14,172</u>	<u>14,079</u>
Current liabilities			
Trade and other payables	28	(10,616)	(12,025)
Other liabilities	29	0	0
Provisions	35	(40)	(50)
Borrowings	30	0	0
Other financial liabilities	31	0	0
Working capital loan from Department	30	0	0
Capital loan from Department	30	0	0
Total current liabilities		<u>(10,656)</u>	<u>(12,075)</u>
Non-current assets plus/less net current assets/liabilities		<u>3,516</u>	<u>2,004</u>
Non-current liabilities			
Trade and other payables	28	0	0
Other Liabilities	29	0	0
Provisions	35	0	0
Borrowings	30	0	0
Other financial liabilities	31	0	0
Working capital loan from Department	30	0	0
Capital loan from Department	30	0	0
Total non-current liabilities		<u>0</u>	<u>0</u>
Total Assets Employed:		<u>3,516</u>	<u>2,004</u>
FINANCED BY:			
TAXPAYERS' EQUITY			
Public Dividend Capital		0	0
Retained earnings		3,509	1,995
Revaluation reserve		7	9
Other reserves		0	0
Total Taxpayers' Equity:		<u>3,516</u>	<u>2,004</u>

The notes on pages 23 to 32 form part of this account.

The financial statements on pages 2 to 5 were approved by the Board on [date] and signed on its behalf by

Chief Executive:

Date:

5/6/2013

**Statement of Changes in Taxpayers' Equity
For the year ended 31 March 2013**

	Public Dividend capital £000s	Retained earnings £000s	Revaluation reserve £000s	Other reserves £000s	Total reserves £000s
Balance at 1 April 2012	0	1,995	9	0	2,004
Changes in taxpayers' equity for 2012-13					
Retained surplus/(deficit) for the year	0	1,512	0	0	1,512
Net gain / (loss) on revaluation of property, plant, equipment	0	0	0	0	0
Net gain / (loss) on revaluation of intangible assets	0	0	0	0	0
Net gain / (loss) on revaluation of financial assets	0	0	0	0	0
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	0	0	0	0
Movements in other reserves	0	0	0	0	0
Transfers between reserves	0	2	(2)	0	0
Release of reserves to Statement of Comprehensive Income	0	0	0	0	0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
Transfers between Revaluation Reserve & Retained Earnings in respect of assets transferred under absorption	0	0	0	0	0
On Disposal of Available for Sale financial Assets	0	0	0	0	0
Originating capital for Trust established in year	0	0	0	0	0
New PDC Received	0	0	0	0	0
PDC Repaid In Year	0	0	0	0	0
PDC Written Off	0	0	0	0	0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in PDC In Year	0	0	0	0	0
Net Actuarial Gain/(Loss) on Pension	0	0	0	0	0
Net recognised revenue/(expense) for the year	0	1,514	(2)	0	1,512
Balance at 31 March 2013	0	3,509	7	0	3,516
Balance at 1 April 2011	0	909	14	0	923
Changes in taxpayers' equity for the year ended 31 March 2012					
Retained surplus/(deficit) for the year	0	1,081	0	0	1,081
Net gain / (loss) on revaluation of property, plant, equipment	0	0	0	0	0
Net gain / (loss) on revaluation of intangible assets	0	0	0	0	0
Net gain / (loss) on revaluation of financial assets	0	0	0	0	0
Net gain / (loss) on revaluation of assets held for sale	0	0	0	0	0
Impairments and reversals	0	0	0	0	0
Movements in other reserves	0	0	0	0	0
Transfers between reserves	0	5	(5)	0	0
Release of reserves to Statement of Comprehensive Income	0	0	0	0	0
Reclassification Adjustments					
Transfers to/(from) Other Bodies within the Resource Account Boundary	0	0	0	0	0
On Disposal of Available for Sale financial Assets	0	0	0	0	0
Reserves eliminated on dissolution	0	0	0	0	0
Originating capital for Trust established in year	0	0	0	0	0
New PDC Received	0	0	0	0	0
PDC Repaid In Year	0	0	0	0	0
PDC Written Off	0	0	0	0	0
Transferred to NHS Foundation Trust	0	0	0	0	0
Other Movements in PDC In Year	0	0	0	0	0
Net Actuarial Gain/(Loss) on Pension	0	0	0	0	0
Net recognised revenue/(expense) for the year	0	1,086	(5)	0	1,081
Balance at 31 March 2012	0	1,995	9	0	2,004

**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED
31 March 2013**

	NOTE	2012-13 £000s	2011-12 £000s
Cash Flows from Operating Activities			
Operating Surplus/Deficit		1,483	1,069
Depreciation and Amortisation		166	203
Impairments and Reversals		0	0
Other Gains / (Losses) on foreign exchange		0	0
Donated Assets received credited to revenue but non-cash		0	0
Government Granted Assets received credited to revenue but non-cash		0	0
Interest Paid		0	0
Dividend (Paid) / Refunded		0	0
Release of PFI/deferred credit		0	0
(Increase)/Decrease in Inventories		0	0
(Increase)/Decrease in Trade and Other Receivables		723	(1,806)
(Increase)/Decrease in Other Current Assets		0	0
Increase/(Decrease) in Trade and Other Payables		(1,409)	5,637
(Increase)/Decrease in Other Current Liabilities		0	0
Provisions Utilised		(30)	(10)
Increase/(Decrease) in Movement in non Cash Provisions		20	(89)
Net Cash Inflow/(Outflow) from Operating Activities		953	5,004
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest Received		29	12
(Payments) for Property, Plant and Equipment		(160)	0
(Payments) for Intangible Assets		(66)	0
(Payments) for Investments with DH		0	0
(Payments) for Other Financial Assets		0	0
(Payments) for Financial Assets (LIFT)		0	0
Proceeds of disposal of assets held for sale (PPE)		0	0
Proceeds of disposal of assets held for sale (Intangible)		0	0
Proceeds from Disposal of Investment with DH		0	0
Proceeds from Disposal of Other Financial Assets		0	0
Proceeds from the disposal of Financial Assets (LIFT)		0	0
Loans Made in Respect of LIFT		0	0
Loans Repaid in Respect of LIFT		0	0
Rental Revenue		0	0
Net Cash Inflow/(Outflow) from Investing Activities		(197)	12
NET CASH INFLOW/(OUTFLOW) BEFORE FINANCING		756	5,016
CASH FLOWS FROM FINANCING ACTIVITIES			
Net Cash Inflow/(Outflow) from Financing Activities		0	0
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		756	5,016
Cash and Cash Equivalents (and Bank Overdraft) at Beginning of the Period		9,524	4,508
Effect of Exchange Rate Changes in the Balance of Cash Held in Foreign Currencies		0	0
Cash and Cash Equivalents (and Bank Overdraft) at year end		10,280	9,524

NOTES TO THE ACCOUNTS

1. Accounting Policies

The Secretary of State for Health has directed that the financial statements of NHS trusts shall meet the accounting requirements of the NHS Trusts Manual for Accounts, which shall be agreed with HM Treasury. Consequently, the following financial statements have been prepared in accordance with the 2012-13 NHS Trusts Manual for Accounts issued by the Department of Health. The accounting policies contained in that manual follow International Financial Reporting Standards to the extent that they are meaningful and appropriate to the NHS, as determined by HM Treasury, which is advised by the Financial Reporting Advisory Board. Where the NHS Trusts Manual for Accounts permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the trust for the purpose of giving a true and fair view has been selected. The particular policies adopted by the trust are described below. They have been applied consistently in dealing with items considered material in relation to the accounts.

1.1 Accounting convention

These accounts have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets, inventories and certain financial assets and financial liabilities.

1.2 Acquisitions and discontinued operations

Activities are considered to be 'acquired' only if they are taken on from outside the public sector. Activities are considered to be 'discontinued' only if they cease entirely. They are not considered to be 'discontinued' if they transfer from one public sector body to another.

1.3 Transforming Community Services (TCS) transactions

Under the TCS initiative, services historically provided by PCTs have transferred to other providers - notably NHS Trusts and NHS Foundation Trusts. Such transfers fall to be accounted for by use of absorption accounting in line with the Treasury FReM. The FReM does not require retrospective adoption, so prior year transactions (which have been accounted for under merger accounting) have not been restated. Absorption accounting requires that entities account for their transactions in the period in which they took place, with no restatement of performance required when functions transfer within the public sector. Where assets and liabilities transfer, the gain or loss resulting is recognised in the SOCNE, and is disclosed separately from operating costs.

1.4 Pooled Budgets

The Trust has entered into a pooled budget with Lincolnshire County Council. Under the arrangement funds are pooled under S75 of the NHS Act 2006 for Integrated Community Equipment Services and a note to the accounts provides details of the income and expenditure.

The pool is hosted by Lincolnshire County Council. Payments for services provided by Nottingham Rehab Services are accounted for as expenditure to Local Government. The Trust accounts for its share of the assets, liabilities, income and expenditure arising from the activities of the pooled budget, identified in accordance with the pooled budget agreement.

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

1.5 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Trust's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates and the estimates and underlying assumptions are continually reviewed. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

1.6.1 Critical judgements in applying accounting policies

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

Integrated Community Equipment Service

This is one area where data and invoices from Lincolnshire County Council are not received on a regular basis. As the invoices vary considerably on a monthly basis because of variable demand Accruals have been included on a prudent basis to reflect the higher level of previous invoices.

Continence Products

Because of the varying level of usage accruals are based on the average usage.

1.6.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

The key sources of estimation uncertainty for the Trust relate to the accruals included in the financial statements and the non-current asset lives and depreciation amounts.

1.7 Revenue

Revenue in respect of services provided is recognised when, and to the extent that, performance occurs, and is measured at the fair value of the consideration receivable. The main source of revenue for the trust is from commissioners for healthcare services. Revenue relating to patient care spells that are part-completed at the year end are apportioned across the financial years on the basis of length of stay at the end of the reporting period compared to expected total length of stay.

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

The Trust receives income under the NHS Injury Cost Recovery Scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid e.g. by an insurer. The cash income received is measured at the agreed tariff for the treatments provided to the injured individual, less a provision for unsuccessful compensation claims and doubtful debts.

1.8 Employee Benefits

Short-term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees.

The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following period.

Retirement benefit costs

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

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

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

1.9 Other expenses

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

1.10 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

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

Where a large asset, for example a building, includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their own useful economic lives.

Valuation

All property, plant and equipment are measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at fair value.

Land and buildings used for the trust's services or for administrative purposes are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation less any impairments and subsequent accumulated depreciation and impairment losses. Revaluations are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

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

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

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

Until 31 March 2008, fixtures and equipment were carried at replacement cost, as assessed by indexation and depreciation of historic cost. From 1 April 2008 indexation has ceased. The carrying value of existing assets at that date will be written off over their remaining useful lives and new fixtures and equipment are carried at depreciated historic cost as this is not considered to be materially different from fair value.

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

Subsequent expenditure

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

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

1.11 Intangible assets

Recognition

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

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

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

Measurement

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

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

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

1.12 Depreciation, amortisation and impairments

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

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

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

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

Impairments are analysed between Departmental Expenditure Limits (DEL) and Annually Managed Expenditure (AME) from 2011-12. This is necessary to comply with Treasury's budgeting guidance. DEL limits are set in the Spending Review and Departments may not exceed the limits that they have been set. AME budgets are set by the Treasury and may be reviewed with departments in the run-up to the Budget. Departments need to monitor AME closely and inform Treasury if they expect AME spending to rise above forecast. Whilst Treasury accepts that in some areas of AME inherent volatility may mean departments do not have the ability to manage the spending within budgets in that financial year, any expected increases in AME require Treasury approval.

1.13 Donated assets

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

This accounting policy change has been applied retrospectively.

1.14 Government grants

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

This accounting policy change has been applied retrospectively.

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

1.15 Non-current assets held for sale

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

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Statement of Comprehensive Income. On disposal, the balance for the asset on the revaluation reserve is transferred to retained earnings. For donated and government-granted assets, a transfer is made to or from the relevant reserve to the profit/loss on disposal account so that no profit or loss is recognised in income or expenses. The remaining surplus or deficit in the donated asset or government grant reserve is then transferred to retained earnings.

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

1.16 Leases

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

The trust as lessee

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

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

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

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

The trust as lessor

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

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

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

1.17 Inventories

As the level of stock holding is not material the Trust does not hold inventories.

1.18 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.

1.19 Provisions

Provisions are recognised when the Trust has a present legal or constructive obligation as a result of a past event, it is probable that the Trust will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rate of 2.2% in real terms (2.8% for employee early departure obligations).

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

Present obligations arising under onerous contracts are recognised and measured as a provision. An onerous contract is considered to exist where the Trust has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

A restructuring provision is recognised when the Trust has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with ongoing activities of the entity.

1.20 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which the trust pays an annual contribution to the NHSLA which in return settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHSLA is administratively responsible for all clinical negligence cases the legal liability remains with the trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of the trust is disclosed at note 35.

1.21 Non-clinical risk pooling

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

1.22 Contingencies

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust, or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the trust. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingencies are disclosed at their present value.

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

1.23 Financial assets

Financial assets are recognised when the Trust becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets at fair value through profit and loss; held to maturity investments; available for sale financial assets, and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Financial assets at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial assets at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in calculating the trust's surplus or deficit for the year. The net gain or loss incorporates any interest earned on the financial asset.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity, and there is a positive intention and ability to hold to maturity. After initial recognition, they are held at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Available for sale financial assets

Available for sale financial assets are non-derivative financial assets that are designated as available for sale or that do not fall within any of the other three financial asset classifications. They are measured at fair value with changes in value taken to the revaluation reserve, with the exception of impairment losses. Accumulated gains or losses are recycled to surplus/deficit on de-recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method.

Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

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

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

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through expenditure to the extent that the carrying amount of the receivable at the date of the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

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

1.24 Financial liabilities

Financial liabilities are recognised on the statement of financial position when the trust becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Loans from the Department of Health are recognised at historical cost. Otherwise, financial liabilities are initially recognised at fair value.

Financial liabilities at fair value through profit and loss

Embedded derivatives that have different risks and characteristics to their host contracts, and contracts with embedded derivatives whose separate value cannot be ascertained, are treated as financial liabilities at fair value through profit and loss. They are held at fair value, with any resultant gain or loss recognised in the trust's surplus/deficit. The net gain or loss incorporates any interest payable on the financial liability.

Other financial liabilities

After initial recognition, all other financial liabilities are measured at amortised cost using the effective interest method, except for loans from Department of Health, which are carried at historic cost. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset, to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.25 Value Added Tax

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

1.26 Foreign currencies

The Trust's functional currency and presentational currency is sterling. Transactions denominated in a foreign currency are translated into sterling at the exchange rate ruling on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the spot exchange rate on 31 March. Resulting exchange gains and losses for either of these are recognised in the trust's surplus/deficit in the period in which they arise.

1.27 Third party assets

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since the trust has no beneficial interest in them. Details of third party assets are given in Note 44 to the accounts.

1.28 Public Dividend Capital (PDC) and PDC dividend

Public dividend capital represents taxpayers' equity in the NHS trust. At any time the Secretary of State can issue new PDC to, and require repayments of PDC from, the trust. PDC is recorded at the value received. As PDC is issued under legislation rather than under contract, it is not treated as an equity financial instrument.

An annual charge, reflecting the cost of capital utilised by the trust, is payable to the Department of Health as public dividend capital dividend. The charge is calculated at the real rate set by HM Treasury (currently 3.5%) on the average carrying amount of all assets less liabilities, except for donated assets and cash balances with the Office of the Paymaster General. The average carrying amount of assets is calculated as a simple average of opening and closing relevant net assets.

1.29 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the health service or passed legislation. By their nature they are items that ideally should not arise. They are therefore subject to special control procedures compared with the generality of payments. They are divided into different categories, which govern the way that individual cases are handled.

Losses and special payments are charged to the relevant functional headings in expenditure on an accruals basis, including losses which would have been made good through insurance cover had NHS trusts not been bearing their own risks (with insurance premiums then being included as normal revenue expenditure).

1.30 Subsidiaries

Material entities over which the Trust has the power to exercise control so as to obtain economic or other benefits are classified as subsidiaries and are consolidated. Their income and expenses; gains and losses; assets, liabilities and reserves; and cash flows are consolidated in full into the appropriate financial statement lines. Appropriate adjustments are made on consolidation where the subsidiary's accounting policies are not aligned with the Trust's or where the subsidiary's accounting date is before 1 January or after 30 June.

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

For 2011-12 and 2012-13 in accordance with the directed accounting policy from the Secretary of State, the Trust does not consolidate the NHS charitable funds for which it is the corporate trustee.

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

1.31 Associates

Material entities over which the Trust has the power to exercise significant influence so as to obtain economic or other benefits are classified as associates and are recognised in the Trust's accounts using the equity method. The investment is recognised initially at cost and is adjusted subsequently to reflect the Trust's share of the entity's profit/loss and other gains/losses. It is also reduced when any distribution is received by the Trust from the entity.

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

1.32 Joint ventures

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

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

1.33 Joint operations

Joint operations are activities undertaken by the Trust in conjunction with one or more other parties but which are not performed through a separate entity. The Trust records its share of the income and expenditure; gains and losses; assets and liabilities; and cashflows.

1.34 Research and Development

Research and development expenditure is charged against income in the year in which it is incurred, except insofar as development expenditure relates to a clearly defined project and the benefits of it can reasonably be regarded as assured. Expenditure so deferred is limited to the value of future benefits expected and is amortised through the Operating Cost Statement on a systematic basis over the period expected to benefit from the project. It should be revalued on the basis of current cost. The amortisation is calculated on the same basis as depreciation, on a quarterly basis.

1.35 Accounting Standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2012-13. The application of the Standards as revised would not have a material impact on the accounts for 2012-13, were they applied in that year:

- IAS 27 Separate Financial Statements - subject to consultation
- IAS 28 Investments in Associates and Joint Ventures - subject to consultation
- IFRS 9 Financial Instruments - subject to consultation - subject to consultation
- IFRS 10 Consolidated Financial Statements - subject to consultation
- IFRS 11 Joint Arrangements - subject to consultation
- IFRS 12 Disclosure of Interests in Other Entities - subject to consultation
- IFRS 13 Fair Value Measurement - subject to consultation
- IPSAS 32 - Service Concession Arrangement - subject to consultation

2. Pooled Budgets

From November 2012 Lincolnshire Community Health Services NHS Trust entered into a pooled budget arrangement with the host, Lincolnshire County Council for Integrated Community Equipment Services.

3. Operating Segments

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

The 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.

Lincolnshire Community Health Services is the largest provider of community healthcare services for the population of Lincolnshire, one of the largest healthcare communities in the country. The main commissioner of the services provided by the Trust was Lincolnshire Primary Care Trust who represented 95% of the total revenue received by the Trust in 2012-13.

4. Income generation activities

The Trust does not undertake any income generation activities which exceed £1m.

5. Revenue from patient care activities	2012-13	2011-12
	£000s	£000s
Strategic Health Authorities	0	0
NHS Trusts	940	481
Primary Care Trusts - tariff	1,180	938
Primary Care Trusts - non-tariff	100,637	97,464
Primary Care Trusts - market forces factor	0	0
NHS Foundation Trusts	10	241
Local Authorities	218	285
Department of Health	0	0
NHS other	0	0
Non-NHS:		
Private patients	0	0
Overseas patients (non-reciprocal)	0	0
Injury costs recovery	106	118
Other	284	877
	<u>103,375</u>	<u>100,404</u>
6. Other operating revenue	2012-13	2011-12
	£000s	£000s
Recoveries in respect of employee benefits	0	0
Patient transport services	0	0
Education, training and research	1,107	835
Charitable and other contributions to revenue expenditure - NHS	0	0
Charitable and other contributions to revenue expenditure -non- NHS	82	106
Receipt of donations for capital acquisitions - NHS Charity	42	0
Receipt of Government grants for capital acquisitions	0	0
Non-patient care services to other bodies	3,535	7,010
Income generation	0	0
Rental revenue from finance leases	0	0
Rental revenue from operating leases	0	0
Other revenue	632	383
Total Other Operating Revenue	<u>5,398</u>	<u>8,334</u>
Total operating revenue	<u>108,773</u>	<u>108,738</u>
7. Revenue	2012-13	2011-12
	£000s	£000s
From rendering of services	108,773	108,738
From sale of goods	0	0

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

8. Operating expenses (excluding employee benefits)	2012-13 £000s	2011-12 £000s
Services from other NHS trusts	0	0
Services from PCTs	0	0
Services from other NHS bodies	0	0
Services from foundation trusts	0	0
Purchase of healthcare from non NHS bodies	0	0
Trust Chair and Non-executive Directors	56	52
Supplies and services - clinical	14,916	12,373
Supplies and services - general	4,332	5,290
Consultancy services	789	162
Establishment	5,612	4,901
Transport	237	252
Premises	10,956	11,220
Impairments and Reversals of Receivables	1	0
Inventories write down	0	0
Depreciation	145	174
Amortisation	21	29
Impairments and reversals of property, plant and equipment	0	0
	0	0
Impairments and reversals of financial assets	0	0
Impairments and reversals of non current assets held for sale	0	0
Impairments and reversals of investment properties	0	0
Audit fees	61	95
Other auditor's remuneration	0	0
Clinical negligence	119	133
Research and development (excluding staff costs)	0	0
Education and Training	319	1,425
Change in Discount Rate	0	
Other	113	414
Total Operating expenses (excluding employee benefits)	37,677	36,520
Employee benefits		
Employee benefits excluding Board members	69,037	70,674
Board members	576	475
Total employee benefits	69,613	71,149
Total operating expenses	107,290	107,669

9 Operating Leases

The Trust leases five buildings for the use within the Phoenix Stop Smoking service. The other leases are made up of lease cars which are used by staff who pay a contribution.

9.1 Trust as lessee	Land £000s	Buildings £000s	Other £000s	2012-13	2011-12
				Total £000s	£000s
Payments recognised as an expense					
Minimum lease payments	0	116	832	948	693
Contingent rents	0	0	0	0	0
Sub-lease payments	0	0	0	0	0
Total	0	116	832	948	693
Payable:					
No later than one year	0	112	800	912	441
Between one and five years	0	93	766	859	487
After five years	0	0	0	0	0
Total	0	205	1,566	1,771	928
Total future sublease payments expected to be received:				0	0

9.2 Trust as lessor

Lincolnshire Community Health Services NHS Trusts does not act as a lessor for any lease arrangements

10 Employee benefits and staff numbers**10.1 Employee benefits**

	2012-13		
	Total £000s	Permanently employed £000s	Other £000s
Employee Benefits - Gross Expenditure			
Salaries and wages	58,571	53,483	5,088
Social security costs	3,695	3,695	0
Employer Contributions to NHS BSA - Pensions Division	6,785	6,785	0
Other pension costs	0	0	0
Other post-employment benefits	0	0	0
Other employment benefits	0	0	0
Termination benefits	562	562	0
Total employee benefits	69,613	64,525	5,088
Less recoveries in respect of employee benefits (table below)	0	0	0
Total - Net Employee Benefits including capitalised costs	69,613	64,525	5,088
Employee costs capitalised	0	0	0
	69,613	64,525	5,088

	2011-12		
	Total £000s	Permanently employed £000s	Other £000s
Gross Employee Benefits & Net expenditure 2011-12			
Salaries and wages	60,297	54,070	6,227
Social security costs	3,794	3,794	0
Employer Contributions to NHS BSA - Pensions Division	7,058	7,058	0
Other pension costs	0	0	0
Other post-employment benefits	0	0	0
Other employment benefits	0	0	0
Termination benefits	0	0	0
TOTAL - including capitalised costs	71,149	64,922	6,227
Less recoveries in respect of employee benefits	0	0	0
Total - Net Employee Benefits including capitalised costs	71,149	64,922	6,227
Recognised as			
Employee costs capitalised	0		
Net Employee Benefits excluding capitalised costs	71,149		

10.2 Staff Numbers

	2012-13			2011-12
	Total Number	Permanently employed Number	Other Number	Total Number
Average Staff Numbers				
Medical and dental	52	30	22	32
Ambulance staff	0	0	0	0
Administration and estates	364	342	22	471
Healthcare assistants and other support staff	368	355	13	453
Nursing, midwifery and health visiting staff	863	847	16	841
Nursing, midwifery and health visiting learners	0	0	0	0
Scientific, therapeutic and technical staff	241	237	4	231
Social Care Staff	0	0	0	0
Other	48	48	0	1
TOTAL	1,936	1,859	77	2,029
Of the above - staff engaged on capital projects	0	0	0	0

10.3 Staff Sickness absence and ill health retirements

	2012-13	2011-12
	Number	Number
Total Days Lost	23,828	22,392
Total Staff Years	1,845	2,016
Average working Days Lost	13	11

	2012-13	2011-12
	Number	Number
Number of persons retired early on ill health grounds	0	2
	£000s	£000s
Total additional pensions liabilities accrued in the year	0	77

10.4 Exit Packages agreed in 2012-13

Exit package cost band (including any special payment element)	2012-13			2011-12		
	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
	Number	Number	Number	Number	Number	Number
Less than £10,000	0	1	1	0	0	0
£10,001-£25,000	0	5	5	0	0	0
£25,001-£50,000	0	6	6	0	0	0
£50,001-£100,000	0	4	4	0	0	0
Total number of exit packages by type (total cost)	0	16	16	0	0	0
Total resource cost (£)	0	562,042	562,042	0	0	0

Exit costs in this note are accounted for in full in the year of departure. Where the Trust has agreed early retirements, the additional costs are met by the Trust and not by the NHS pensions scheme. Ill-health retirement costs are met by the NHS pensions scheme and are not included in the table.

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

The agreed exit packages above relate to a Mutually Agreed Resignation Scheme (MARS).

10.5 Pension costs

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

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FRoM 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 the scheme liability is carried out annually by the scheme actuary as at the end of the reporting period. Actuarial assessments are undertaken in intervening years between formal valuations using updated membership data and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2013, is based on the valuation data as 31 March 2012, updated to 31 March 2013 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FRoM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

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 scheme (taking into account its recent demographic experience), and to recommend the contribution rates.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2004. Consequently, a formal actuarial valuation would have been due for the year ending 31 March 2008. However, formal actuarial valuations for unfunded public service schemes were suspended by HM Treasury on value for money grounds while consideration is given to recent changes to public service pensions, and while future scheme terms are developed as part of the reforms to public service pension provision due in 2015.

The Scheme Regulations were changed to allow contribution rates to be set by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next formal valuation to be used for funding purposes will be carried out at as at March 2012 and will be used to inform the contribution rates to be used from 1 April 2015.

b) Scheme provisions

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

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

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

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

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

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

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

11 Better Payment Practice Code**11.1 Measure of compliance**

	2012-13 Number	2012-13 £000s	2011-12 Number	2011-12 £000s
Non-NHS Payables				
Total Non-NHS Trade Invoices Paid in the Year	21,602	28,459	25,336	21,023
Total Non-NHS Trade Invoices Paid Within Target	18,490	22,668	21,350	18,171
Percentage of Non-NHS Trade Invoices Paid Within Target	85.59%	79.65%	84.27%	86.43%
NHS Payables				
Total NHS Trade Invoices Paid in the Year	1,248	18,119	935	13,431
Total NHS Trade Invoices Paid Within Target	964	14,187	774	10,177
Percentage of NHS Trade Invoices Paid Within Target	77.24%	78.30%	82.78%	75.77%

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

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

	2012-13 £000s	2011-12 £000s
Compensation paid to cover debt recovery costs under this legislation	0	0
Total	0	0

12 Investment Income

	2012-13 £000s	2011-12 £000s
Rental Income		
PFI finance lease revenue (planned)	0	0
PFI finance lease revenue (contingent)	0	0
Other finance lease revenue	0	0
Subtotal	0	0
Interest Income		
LIFT: equity dividends receivable	0	0
LIFT: loan interest receivable	0	0
Bank interest	29	12
Other loans and receivables	0	0
Impaired financial assets	0	0
Other financial assets	0	0
Subtotal	29	12
Total investment income	29	12

13 Other Gains and Losses

	2012-13 £000s	2011-12 £000s
Gain/(Loss) on disposal of assets other than by sale (PPE)	0	0
Gain/(Loss) on disposal of assets other than by sale (intangibles)	0	0
Gain/(Loss) on disposal of Financial Assets other than held for sale	0	0
Gain (Loss) on disposal of assets held for sale	0	0
Gain/(loss) on foreign exchange	0	0
Change in fair value of financial assets carried at fair value through the SoCI	0	0
Change in fair value of financial liabilities carried at fair value through the SoCI	0	0
Change in fair value of investment property	0	0
Recycling of gain/(loss) from equity on disposal of financial assets held for sale	0	0
Total	0	0

14 Finance Costs

	2012-13 £000s	2011-12 £000s
Interest		
Interest on loans and overdrafts	0	0
Interest on obligations under finance leases	0	0
Interest on obligations under PFI contracts:		
- main finance cost	0	0
- contingent finance cost	0	0
Interest on obligations under LIFT contracts:		
- main finance cost	0	0
- contingent finance cost	0	0
Interest on late payment of commercial debt	0	0
Other interest expense	0	0
Total interest expense	0	0
Other finance costs	0	0
Provisions - unwinding of discount	0	0
Total	0	0

15.1 Property, plant and equipment

	Plant & machinery	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's
2012-13				
Cost or valuation:				
At 1 April 2012	1,355	447	67	1,869
Additions Purchased	32	86	0	118
Additions Donated	42	0	0	42
At 31 March 2013	<u>1,429</u>	<u>533</u>	<u>67</u>	<u>2,029</u>
Depreciation				
At 1 April 2012	996	440	27	1,463
Charged During the Year	129	6	10	145
At 31 March 2013	<u>1,125</u>	<u>446</u>	<u>37</u>	<u>1,608</u>
Net Book Value at 31 March 2013	<u>304</u>	<u>87</u>	<u>30</u>	<u>421</u>
Purchased	257	87	30	374
Donated	47	0	0	47
Total at 31 March 2013	<u>304</u>	<u>87</u>	<u>30</u>	<u>421</u>
Asset financing:				
Owned	304	87	30	421
Held on finance lease	0	0	0	0
Total at 31 March 2013	<u>304</u>	<u>87</u>	<u>30</u>	<u>421</u>

Revaluation Reserve Balance for Property, Plant & Equipment

	Plant & machinery	Information technology	Furniture & fittings	Total
	£000's	£000's	£000's	£000's
At 1 April 2012	9	0	0	9
Movements	(2)	0	0	(2)
At 31 March 2013	<u>7</u>	<u>0</u>	<u>0</u>	<u>7</u>

Additions to Assets Under Construction in 2012-13

There were no asset under construction additions in 2012-13

15.2 Property, plant and equipment prior-year

	Plant & machinery	Information technology	Furniture & fittings	Total
	£000s	£000s	£000s	£000s
2011-12				
Cost or valuation:				
At 1 April 2011	1,355	447	67	1,869
At 31 March 2012	<u>1,355</u>	<u>447</u>	<u>67</u>	<u>1,869</u>
Depreciation				
At 1 April 2011	858	414	17	1,289
Charged During the Year	138	26	10	174
At 31 March 2012	<u>996</u>	<u>440</u>	<u>27</u>	<u>1,463</u>
Net book value at 31 March 2012	359	7	40	406
Purchased				
Donated	7	0	0	7
Government Granted	0	0	0	0
Total at 31 March 2012	<u>359</u>	<u>7</u>	<u>40</u>	<u>406</u>
Asset financing:				
Owned	359	7	40	406
Held on finance lease	0	0	0	0
On-SOFP PFI contracts	0	0	0	0
PFI residual: interests	0	0	0	0
Total at 31 March 2012	<u>359</u>	<u>7</u>	<u>40</u>	<u>406</u>

15.3 Property, plant and equipment

All assets donated in-year were donated by the Lincolnshire Community Health services Charitable Funds

Economic Lives of Non-Current Assets

	Min Life	Max Life
Intangible Assets		
Software Licences	2	4
Property, Plant and Equipment		
Plant & Machinery	1	10
Information Technology	4	4
Furniture and Fittings	5	8

16.1 Intangible non-current assets

	Software purchased	Total
	£000's	£000's
2012-13		
At 1 April 2012	153	153
Additions - purchased	<u>66</u>	<u>66</u>
At 31 March 2013	<u>219</u>	<u>219</u>
Amortisation		
Opening Amortisation	89	89
Charged during the year	<u>21</u>	<u>21</u>
At 31 March 2013	<u>110</u>	<u>110</u>
Net Book Value at 31 March 2013	109	109
Net book value at 31 March 2013 comprises:		
Purchased	109	109
Donated	0	0
Government Granted	<u>0</u>	<u>0</u>
Total at 31 March 2013	<u>109</u>	<u>109</u>
Revaluation reserve balance for intangible non-current assets		
	£000's	£000's
At 1 April 2012	0	0
Movements	<u>0</u>	<u>0</u>
At 31 March 2013	<u>0</u>	<u>0</u>

16.2 Intangible non-current assets prior year

	Software purchased	Total
	£000s	£000s
2011-12		
Cost or valuation:		
At 1 April 2011	<u>153</u>	<u>153</u>
At 31 March 2012	<u>153</u>	<u>153</u>
Amortisation		
Opening Amortisation	60	60
Charged during the year	<u>29</u>	<u>29</u>
At 31 March 2012	<u>89</u>	<u>89</u>
Net book value at 31 March 2012	64	64
Net book value at 31 March 2012 comprises:		
Purchased	64	64
Donated	0	0
Government Granted	0	0
Total at 31 March 2012	<u>64</u>	<u>64</u>

16.3 Intangible non-current assets

Economic Lives of Non-Current Assets

	Min Life	Max Life
Intangible Assets		
Software Licences	2	4

17 Analysis of impairments and reversals recognised in 2012-13

There were no impairments and reversals recognised in 2012-13

18 Investment property

The Trust does not have any investment property

19 Commitments

19.1 Capital commitments

The Trust did not have any contracted capital commitments as at 31 March 2013.

19.2 Other financial commitments

The Trust has not entered into non-cancellable contracts.

20 Intra-Government and other balances

	Current receivables £000s	Non-current receivables £000s	Current payables £000s	Non-current payables £000s
Balances with other Central Government Bodies	2,302	0	4,793	0
Balances with Local Authorities	10	0	492	0
Balances with NHS bodies outside the Departmental Group	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	377	0	2,147	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	673	0	3,184	0
At 31 March 2013	3,362	0	10,616	0
prior period:				
Balances with other Central Government Bodies	838	0	3,053	0
Balances with Local Authorities	0	0	0	0
Balances with NHS Trusts and Foundation Trusts	2,009	0	1,817	0
Balances with Public Corporations and Trading Funds	0	0	0	0
Balances with bodies external to government	1,238	0	7,155	0
At 31 March 2012	4,085	0	12,025	0

21 Inventories

The Trust did not separately account for inventory due to its immateriality

22.1 Trade and other receivables

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
NHS receivables - revenue	1,480	2,041	0	0
NHS receivables - capital	0	0	0	0
NHS prepayments and accrued income	1,186	806	0	0
Non-NHS receivables - revenue	92	330	0	0
Non-NHS receivables - capital	0	0	0	0
Non-NHS prepayments and accrued income	603	886	0	0
Provision for the impairment of receivables	(12)	(12)	0	0
VAT	13	34	0	0
Current/non-current part of PFI and other PPP arrangements prepayments and accrued income	0	0	0	0
Interest receivables	0	0	0	0
Finance lease receivables	0	0	0	0
Operating lease receivables	0	0	0	0
Other receivables	0	0	0	0
Total	3,362	4,085	0	0
Total current and non current	3,362	4,085		
Included in NHS receivables are prepaid pension contributions:	0	0		

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

22.2 Receivables past their due date but not impaired

	31 March 2013 £000s	31 March 2012 £000s
By up to three months	285	1,343
By three to six months	16	28
By more than six months	14	128
Total	315	1,499

22.3 Provision for impairment of receivables

	2012-13 £000s	2011-12 £000s
Balance at 1 April 2012	(12)	(12)
Amount written off during the year	1	0
Amount recovered during the year	0	4
(Increase)/decrease in receivables impaired	(1)	(4)
Transfer to NHS Foundation Trust	0	
Balance at 31 March 2013	(12)	(12)

23 NHS LIFT investments

The Trust does not have any LIFT investments

24.1 Other Financial Assets - Current

The Trust does not have any other financial assets - current

24.2 Other Financial Assets - Non Current

The Trust does not have any other financial assets - non current

24.3 Other Financial Assets - Non Current - Capital Analysis

The Trust does not have any other financial assets - non current - capital analysis

25 Other current assets

	31 March 2013 £000s	31 March 2012 £000s
EU Emissions Trading Scheme Allowance	0	0
Other Assets	0	0
Total	0	0

26 Cash and Cash Equivalents

	31 March 2013 £000s	31 March 2012 £000s
Opening balance	9,524	4,508
Net change in year	756	5,016
Closing balance	10,280	9,524
Made up of		
Cash with Government Banking Service	10,277	9,520
Commercial banks	0	4
Cash in hand	3	0
Current investments	0	0
Cash and cash equivalents as in statement of financial position	10,280	9,524
Bank overdraft - Government Banking Service	0	0
Bank overdraft - Commercial banks	0	0
Cash and cash equivalents as in statement of cash flows	10,280	9,524
Patients' money held by the Trust, not included above	0	0

27 Non-current assets held for sale

The Trust does not currently have any non-current assets held for sale

28 Trade and other payables

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Interest payable	0	0		
NHS payables - revenue	3,974	1,372	0	0
NHS payables - capital	0	0	0	0
NHS accruals and deferred income	830	2,230	0	0
Non-NHS payables - revenue	396	631	0	0
Non-NHS payables - capital	0	0	0	0
Non_NHS accruals and deferred income	3,261	5,654	0	0
Social security costs	599	634		
VAT	0	0	0	0
Tax	676	634		
Payments received on account	0	0	0	0
Other	880	870	0	0
Total	10,616	12,025	0	0
Total payables (current and non-current)	10,616	12,025		

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

29 Other liabilities

The Trust does not have any other liabilities

30 Borrowings

The Trust does not have any borrowings

31 Other financial liabilities

The Trust does not have any other financial liabilities

32 Deferred income

	Current		Non-current	
	31 March 2013 £000s	31 March 2012 £000s	31 March 2013 £000s	31 March 2012 £000s
Opening balance at 1 April 2012	47	0	0	0
Deferred income addition	14	47	0	0
Transfer of deferred income	(47)	0	0	0
Current deferred income at 31 March 2013	14	47	0	0
Total deferred income (current and non-current)	14	47		

33 Finance lease obligations as lessee

The Trust does not have any finance lease obligations as a lessee

34 Finance lease receivables as lessor

The Trust does not have any finance lease obligations as a lessor

35 Provisions

	Total	Pensions to Former Directors	Pensions Relating to Other Staff	Legal Claims
	£000s	£000s	£000s	£000s
Balance at 1 April 2012	50	0	0	50
Arising During the Year	30	0	0	30
Utilised During the Year	(30)	0	0	(30)
Reversed Unused	(10)	0	0	(10)
Unwinding of Discount	0	0	0	0
Change in Discount Rate	0	0	0	0
Transfers to NHS Foundation Trusts (for Trusts becoming FTs only)	0	0	0	0
Transferred (to)/from other public sector bodies	0	0	0	0
Balance at 31 March 2013	40	0	0	40
Expected Timing of Cash Flows:				
No Later than One Year	40	0	0	40
Later than One Year and not later than Five Years	0	0	0	0
Later than Five Years	0	0	0	0

Amount Included in the Provisions of the NHS Litigation Authority in Respect of Clinical Negligence Liabilities:

As at 31 March 2013	220
As at 31 March 2012	34

The provision for legal claims are subject to the timing of claims being processed. The amounts are based on the excess liability payable by the trust in the event that a claimant is successful.

36 Contingencies

The Trust does not have any contingent assets or liabilities

37.1 PFI and LIFT - additional information

The Trust does not have a PFI or LIFT scheme in operation

37.2 Other financial Commitments

The Trust does not have any other financial commitments

38 Impact of IFRS treatment - current year

As the Trust does not have a PFI or LIFT scheme, the impact of IFRS treatment is not applicable

39 Financial Instruments

39.1 Financial risk management

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

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

Currency risk

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

Interest rate risk

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

Credit risk

Because the majority of the trust's income comes from contracts with other public sector bodies, the trust has low exposure to credit risk. The maximum exposures as at 31 March 2013 are in receivables from customers, as disclosed in the trade and other receivables note.

Liquidity risk

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

	At 'fair value through profit and loss' £000s	Loans and receivables £000s	Available for sale £000s	Total £000s
39.2 Financial Assets				
Embedded derivatives	0			0
Receivables - NHS		2,666		2,666
Receivables - non-NHS		80		80
Cash at bank and in hand		10,280		10,280
Other financial assets	0	0	0	0
Total at 31 March 2013	0	13,026	0	13,026
Embedded derivatives	0			0
Receivables - NHS		2,847		2,847
Receivables - non-NHS		318		318
Cash at bank and in hand		9,524		9,524
Other financial assets	0	0	0	0
Total at 31 March 2012	0	12,689	0	12,689
	At 'fair value through profit and loss' £000s	Other £000s	Total £000s	
39.3 Financial Liabilities				
Embedded derivatives	0		0	
NHS payables		4,804	4,804	
Non-NHS payables		4,537	4,537	
Other borrowings		0	0	
PFI & finance lease obligations		0	0	
Other financial liabilities	0	0	0	
Total at 31 March 2013	0	9,341	9,341	
Embedded derivatives	0		0	
NHS payables		3,602	3,602	
Non-NHS payables		7,155	7,155	
Other borrowings		0	0	
PFI & finance lease obligations		0	0	
Other financial liabilities	0	0	0	
Total at 31 March 2012	0	10,757	10,757	

40 Events after the end of the reporting period

As a direct consequence of the closedown of Lincolnshire Primary Care Trust, Lincolnshire Community Health Services NHS Trust will receive the following Non-Current assets on the 1st April 2013:

	NBV £000	Revaluation Reserves £000
Land and Buildings	1,982	923
Plant and Machinery	75	
	2,057	923

41 Related party transactions

Details of related party transactions with individuals are as follows:

Member	Official appointment in LCHS	Related Party	Payments to	Receipts from	Amounts owed	Amounts due
			Related Party	Related Party	to Related	from Related
			£000	£000	Party	Party
					£000	£000
Clinicians						
P Mitchell	Medical Director	Out of hours sessional GP providing substance misuse services to prisoners at HMP Lincoln as contracted by LPFT, Section 12 (MHS) approved doctor.	594	1,396	0	41
Other						
E Baylis	Non-Executive Director	Independent member North Kesteven District Council Standards Committee ceased 31st June 2012	9	0	0	0
Peter T Clay	Non-Executive Director	Member of Remuneration Panels for West Lindsey District Council Ceased 31st January 2013	1	0	0	0
		Member of Remuneration Panels for Lincolnshire County Council Cease 31st January 2013	4,261	614	164	0

The Department of Health is regarded as a related party. During the year Lincolnshire Community Health Services NHS Trust has had a significant number of material transactions with the Department, and with other entities for which the Department is regarded as the parent Department.

The entities with the five highest transactions by value are listed below for this year.

Lincolnshire Teaching Primary Care Trust
 United Lincolnshire Hospitals NHS Trust
 East Midlands SHA
 Lincolnshire Partnership NHS Foundation Trust
 North Lincolnshire & Goole NHS Foundation Trust

In addition, the Trust has had a number of material transactions with other government departments and other central and local government bodies. Most of these transactions have been with Lincolnshire County Council.

The Trust has also received revenue and capital payments from a number of charitable funds. The Lincolnshire Community Health Services NHS Trust Board is the corporate trustee of the Lincolnshire Community Health Services NHS Trust Charitable Fund; accounts of which are available upon request.

42 Losses and special payments

The total number of losses cases in 2012-13 and their total value was as follows:

	Total Value of Cases £s	Total Number of Cases
Losses	1,793	12
Special payments	31,072	8
Total losses and special payments	32,865	20

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

	Total Value of Cases £s	Total Number of Cases
Losses	2,309	8
Special payments	20,662	13
Total losses and special payments	22,971	21

43. Financial performance targets

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

43.1 Breakeven performance

	2010-11	2011-12	2012-13
	£000s	£000s	£000s
Turnover	0	108,738	108,773
Retained surplus/(deficit) for the year	0	1,081	1,512
Adjustment for:			
Timing/non-cash impacting distortions:			
Use of pre - 1.4.97 surpluses [FDL(97)24 Agreements]	0	0	0
2006/07 PPA (relating to 1997/98 to 2005/06)			
2007/08 PPA (relating to 1997/98 to 2006/07)			
2008/09 PPA (relating to 1997/98 to 2007/08)			
Adjustments for Impairments	0	0	0
Adjustments for impact of policy change re donated/government grants assets		0	(39)
Consolidated Budgetary Guidance - Adjustment for Dual Accounting under IFRIC12*	0	0	0
Adsorption Accounting Adjustment			0
Other agreed adjustments	0	0	0
	<u>0</u>	<u>1,081</u>	<u>1,473</u>
Break-even cumulative position	<u>0</u>	<u>1,081</u>	<u>2,554</u>

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.

	2010-11	2011-12	2012-13
	%	%	%
Materiality test (I.e. is it equal to or less than 0.5%):			
Break-even in-year position as a percentage of turnover	0.00	0.99	1.35
Break-even cumulative position as a percentage of turnover	0.00	0.99	2.35

43.2 Capital cost absorption rate

The dividend payable on public dividend capital is based on the actual (rather than forecast) average relevant net assets and therefore the actual capital cost absorption rate is automatically 3.5%.

43.3 External financing

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

	£000s	2012-13 £000s	2011-12 £000s
External financing limit		0	(988)
Cash flow financing	(756)		(5,016)
Finance leases taken out in the year	0		0
Other capital receipts	0		0
External financing requirement	<u>0</u>	<u>(756)</u>	<u>(5,016)</u>
Undershoot/(overshoot)		<u>756</u>	<u>4,028</u>

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

	2012-13 £000s	2011-12 £000s
Gross capital expenditure	226	0
Less: book value of assets disposed of	0	0
Less: capital grants	0	0
Less: donations towards the acquisition of non-current assets	(42)	0
Charge against the capital resource limit	<u>184</u>	<u>0</u>
Capital resource limit	<u>299</u>	<u>0</u>
(Over)/underspend against the capital resource limit	<u>115</u>	<u>0</u>

44 Third party assets

The Trust does not hold cash and cash equivalents on behalf of patients or other parties.