

# ANNUAL ACCOUNTS

**Simon Stevens**

Accounting Officer

3 July 2017



## Statement of comprehensive net expenditure for the year ended 31 March 2017

	Note	Parent		Consolidated Group	
		2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
Income from sale of goods and services	2	(650,390)	(805,644)	(565,444)	(614,770)
Other operating income	2	(1,534,046)	(1,612,189)	(1,677,010)	(1,577,738)
<b>Total operating income</b>		<b>(2,184,436)</b>	<b>(2,417,833)</b>	<b>(2,242,454)</b>	<b>(2,192,508)</b>
Staff costs	3	720,782	807,812	1,781,450	1,741,656
Purchase of goods and services	4	106,122,171	101,462,103	104,988,385	100,469,547
Depreciation and impairment charges	4	75,719	69,222	89,508	79,586
Provision expense	4	(205,479)	(144,196)	(171,937)	(124,006)
Other operating expenditure	4	112,964	73,411	222,556	228,561
<b>Total operating expenditure</b>		<b>106,826,157</b>	<b>102,268,352</b>	<b>106,909,962</b>	<b>102,395,344</b>
<b>Net operating expenditure</b>		<b>104,641,721</b>	<b>99,850,519</b>	<b>104,667,508</b>	<b>100,202,836</b>
Finance expense	11	(8,218)	(11,587)	(8,030)	(11,400)
<b>Net expenditure for the year</b>		<b>104,633,503</b>	<b>99,838,932</b>	<b>104,659,478</b>	<b>100,191,436</b>
Other (gains)/losses		-	(1)	(10)	(2)
Net (gain)/loss on Transfer by Absorption <sup>1</sup>		4,003	-	-	-
<b>Total net expenditure for the year</b>		<b>104,637,506</b>	<b>99,838,931</b>	<b>104,659,468</b>	<b>100,191,434</b>
<b>Other comprehensive expenditure</b>					
<b>Items which will not be reclassified to net operating costs</b>					
Net (gain) on revaluation of intangible assets	7	-	-	(540)	-
Actuarial (gain)/loss on pension schemes		-	-	1,024	(3,533)
<b>Sub total</b>		-	-	484	(3,533)
<b>Comprehensive net expenditure for the year</b>		<b>104,637,506</b>	<b>99,838,931</b>	<b>104,659,952</b>	<b>100,187,901</b>

1. The net gain on absorption is eliminated on consolidation as the transfer of functions was between NHS England (the parent) and a CCG on 1 April 2016.

The following presentational changes have been made in line with the HM Treasury's Financial Reporting Manual 2016/17 (FRM):

- Income and Expenditure streams are no longer categorised between administration and programme
- Finance expenses are separately disclosed below operating expenditure
- Operating expenditure has now been split into different categories.

The format has been applied to prior year figures to ensure year on year comparability.

The notes on pages 189 to 234 form part of this statement.

# Statement of financial position as at 31 March 2017

	Note	Parent		Consolidated Group	
		31 March 2017 £000	31 March 2016 £000	31 March 2017 £000	31 March 2016 £000
<b>Non-current assets:</b>					
Property, plant and equipment	6	275,434	205,433	319,338	246,200
Intangible assets	7	7,486	12,862	12,714	18,590
Trade and other receivables	8	-	-	291	179
Other financial assets	8	-	278	540	278
<b>Total non-current assets</b>		<b>282,920</b>	<b>218,573</b>	<b>332,883</b>	<b>265,247</b>
<b>Current assets:</b>					
Inventories		10,594	150	17,348	5,237
Trade and other receivables	8	237,914	269,733	962,052	853,387
Cash and cash equivalents	9	263,885	261,740	284,835	283,543
<b>Total current assets</b>		<b>512,393</b>	<b>531,623</b>	<b>1,264,235</b>	<b>1,142,167</b>
<b>Total assets</b>		<b>795,313</b>	<b>750,196</b>	<b>1,597,118</b>	<b>1,407,414</b>
<b>Current liabilities</b>					
Trade and other payables	10	(3,239,950)	(2,520,172)	(8,142,409)	(7,267,679)
Provisions	12	(81,869)	(304,730)	(159,750)	(376,996)
<b>Total current liabilities</b>		<b>(3,321,819)</b>	<b>(2,824,902)</b>	<b>(8,302,159)</b>	<b>(7,644,675)</b>
<b>Total assets less current liabilities</b>		<b>(2,526,506)</b>	<b>(2,074,706)</b>	<b>(6,705,041)</b>	<b>(6,237,261)</b>
<b>Non-current liabilities</b>					
Trade and other payables	10	-	(2,440)	(4,927)	(6,538)
Provisions	12	(11,049)	(107,353)	(26,440)	(117,107)
<b>Total non-current liabilities</b>		<b>(11,049)</b>	<b>(109,793)</b>	<b>(31,367)</b>	<b>(123,645)</b>
<b>Total assets less total liabilities</b>		<b>(2,537,555)</b>	<b>(2,184,499)</b>	<b>(6,736,408)</b>	<b>(6,360,906)</b>
<b>Financed by taxpayers' equity and other reserves</b>					
General fund		(2,537,555)	(2,184,523)	(6,730,907)	(6,356,524)
Revaluation reserve		-	24	42	137
Other reserves		-	-	(5,543)	(4,519)
<b>Total taxpayers' equity</b>		<b>(2,537,555)</b>	<b>(2,184,499)</b>	<b>(6,736,408)</b>	<b>(6,360,906)</b>

The notes on pages 189 to 234 form part of this statement.

The financial statements on pages 184 to 188 were approved by the Board on 3 July 2017 and signed on its behalf by:

**Simon Stevens**  
Accounting Officer

## Statement of changes in taxpayers' equity for the year ended 31 March 2017

Parent	General fund	Revaluation reserve	Other reserves	Taxpayers' equity
	£000	£000	£000	£000
<b>Changes in taxpayers' equity for 2016/17</b>				
<b>Balance at 01 April 2016</b>	<b>(2,184,523)</b>	<b>24</b>	<b>-</b>	<b>(2,184,499)</b>
<b>Changes in taxpayers' equity for 2016/17</b>				
Total net expenditure for the financial year	(104,637,506)	-	-	(104,637,506)
Transfers between reserves	24	(24)	-	-
<b>Net recognised expenditure for the financial year</b>	<b>(104,637,482)</b>	<b>(24)</b>	<b>-</b>	<b>(104,637,506)</b>
Grant in Aid	104,284,450	-	-	104,284,450
<b>Balance at 31 March 2017</b>	<b>(2,537,555)</b>	<b>-</b>	<b>-</b>	<b>(2,537,555)</b>
	General fund	Revaluation reserve	Other reserves	Taxpayers' equity
	£000	£000	£000	£000
<b>Changes in taxpayers' equity for 2015/16</b>				
<b>Balance at 01 April 2015</b>	<b>(2,702,964)</b>	<b>24</b>	<b>-</b>	<b>(2,702,940)</b>
<b>Changes in taxpayers' equity for 2015/16</b>				
Total net operating expenditure for the financial year	(99,838,931)	-	-	(99,838,931)
<b>Net recognised expenditure for the financial year</b>	<b>(99,838,931)</b>	<b>-</b>	<b>-</b>	<b>(99,838,931)</b>
Grant in Aid	100,357,372	-	-	100,357,372
<b>Balance at 31 March 2016</b>	<b>(2,184,523)</b>	<b>24</b>	<b>-</b>	<b>(2,184,499)</b>

## Consolidated Group

	General fund	Revaluation reserve	Other reserves	Taxpayers' equity
	£000	£000	£000	£000
<b>Changes in taxpayers' equity for 2016/17</b>				
<b>Balance at 01 April 2016</b>	<b>(6,356,524)</b>	<b>137</b>	<b>(4,519)</b>	<b>(6,360,906)</b>
<b>Changes in taxpayers' equity for 2016/17</b>				
Total net expenditure for the financial year	(104,659,468)	-	-	(104,659,468)
Net gain/(loss) on revaluation of intangible assets	-	540	-	540
<b>Total revaluations against revaluation reserve</b>	<b>-</b>	<b>540</b>	<b>-</b>	<b>540</b>
Movements in other reserves	-	-	(1,024)	(1,024)
Transfers between reserves	635	(635)	-	-
<b>Net recognised expenditure for the financial year</b>	<b>(104,658,833)</b>	<b>(95)</b>	<b>(1,024)</b>	<b>(104,659,952)</b>
Grant in Aid	104,284,450	-	-	104,284,450
<b>Balance at 31 March 2017</b>	<b>(6,730,907)</b>	<b>42</b>	<b>(5,543)</b>	<b>(6,736,408)</b>

	General fund	Revaluation reserve	Other reserves	Taxpayers' equity
	£000	£000	£000	£000
<b>Changes in taxpayers' equity for 2015/16</b>				
<b>Balance at 01 April 2015</b>	<b>(6,522,485)</b>	<b>160</b>	<b>(8,052)</b>	<b>(6,530,377)</b>
<b>Changes in taxpayers' equity for 2015/16</b>				
Net operating expenditure for the financial year	(100,191,434)	-	-	(100,191,434)
Movements in other reserves	-	-	3,533	3,533
Release of reserves to the statement of comprehensive net expenditure	23	(23)	-	-
<b>Net recognised expenditure for the financial year</b>	<b>(100,191,411)</b>	<b>(23)</b>	<b>3,533</b>	<b>(100,187,901)</b>
Grant in Aid	100,357,372	-	-	100,357,372
<b>Balance at 31 March 2016</b>	<b>(6,356,524)</b>	<b>137</b>	<b>(4,519)</b>	<b>(6,360,906)</b>

Other reserves reflect pension assets/liabilities in respect of staff in non NHS defined benefit schemes.

The notes on pages 189 to 234 form part of this statement.

# Statement of cash flows for the year ended 31 March 2017

	Note	Parent		Consolidated Group	
		2016/17 £000	2015/16 £000	2016/17 £000	2015/16 £000
<b>Cash flows from operating activities</b>					
Net operating costs for the financial year		(104,633,503)	(99,838,931)	(104,659,478)	(100,191,434)
Depreciation and amortisation	4	75,719	69,222	87,948	79,250
Impairments and reversals	4	-	-	1,560	336
Other non cash adjustments <sup>2</sup>		-	-	81	26
Movement due to transfers by absorption		(320)	-	-	-
(Gain)/loss on disposal		-	(1)	-	(2)
Unwinding of discount	11	(8,605)	(12,217)	(8,501)	(12,092)
Change in discount rate	4	342	384	255	341
(Increase)/decrease in inventories		(10,444)	28	(12,111)	(2,993)
(Increase)/decrease in trade & other receivables	8	32,097	(34,802)	(109,039)	(82,478)
Increase/(decrease) in trade & other payables	10	729,359	(72,516)	877,480	341,833
Provisions utilised	12	(104,761)	(98,821)	(127,475)	(117,862)
Increase/(decrease) in provisions	12	(205,821)	(144,580)	(172,192)	(124,347)
<b>Net cash outflow from operating activities</b>		<b>(104,125,937)</b>	<b>(100,132,234)</b>	<b>(104,121,472)</b>	<b>(100,109,422)</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(144,322)	(77,555)	(160,865)	(91,998)
Payments for intangible assets		(1,523)	(9,308)	(2,030)	(12,178)
Proceeds from disposal of assets: property, plant and equipment		-	185	168	189
Proceeds from disposal of assets : intangible assets		-	-	540	-
Loans to other bodies		-	(278)	-	(278)
<b>Net cash outflow from investing activities</b>		<b>(145,845)</b>	<b>(86,956)</b>	<b>(162,187)</b>	<b>(104,265)</b>
<b>Net cash outflow before financing activities</b>		<b>(104,271,782)</b>	<b>(100,219,190)</b>	<b>(104,283,659)</b>	<b>(100,213,687)</b>
<b>Cash flows from financing activities</b>					
Grant in aid funding received		104,284,450	100,357,372	104,284,450	100,357,372
Capital element of payments in respect of finance leases		(10,523)	(5,921)	(10,606)	(6,000)
<b>Net cash inflow from financing activities</b>		<b>104,273,927</b>	<b>100,351,451</b>	<b>104,273,844</b>	<b>100,351,372</b>
<b>Net increase (decrease) in cash &amp; cash equivalents</b>		<b>2,145</b>	<b>132,261</b>	<b>(9,815)</b>	<b>137,685</b>
Cash & cash equivalents at the beginning of the financial period	9	261,740	129,479	278,171	140,486
<b>Cash &amp; cash equivalents at the end of the financial year</b>		<b>263,885</b>	<b>261,740</b>	<b>268,356</b>	<b>278,171</b>

2. Other non cash adjustments comprise a non cash charge to reflect a discount on future lease charges of £25k (2015/16 £26k) and a pension charge of £56k.

The notes on pages 189 to 234 form part of this statement.

## Notes to the financial statements

### 1. Statement of accounting policies

These financial statements have been prepared in a form directed by the Secretary of State under Schedule 1(A), paragraph 16(1) of the Health and Social Care Act 2012 and in accordance with the 2016/17 Department of Health Group Accounting Manual (DH GAM) issued by the DH and comply with HM Treasury's Financial Reporting Manual 2016/17 (FRoM). The accounting policies contained in the DH GAM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the DH GAM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NHS England for the purpose of giving a true and fair view has been selected. The particular policies adopted by NHS England are described below. They have been applied consistently in dealing with items considered material to the accounts.

The functional and presentational currency is pounds sterling and figures are expressed in pounds thousands unless expressly stated. Two sets of figures are presented - the first relating to NHS England itself (the Parent) and a second set of consolidated figures (Consolidated Group). The entities making up the Consolidated Group are declared in Note 20.

#### 1.1 Operating segments

Income and expenditure are analysed in the Operating segments note (note 16) and reflect the management information used within NHS England. Information on assets less liabilities is not separately reported to the Chief Operating Decision Maker and therefore, in accordance with IFRS 8 does not form part of the disclosure in note 16.

#### 1.2 Accounting convention

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

#### 1.3 Basis of consolidation

These accounts comprise the results of the NHS England statutory entity as well as the consolidated position of NHS England and its 209 related Clinical Commissioning Groups (CCGs). Transactions between entities included in the consolidation are eliminated.

Commissioning Support Units (CSUs) form part of NHS England and provide services to CCGs. The CSU results are included within the Parent accounts, as they are not separate legal entities.

## 1.4 Comparative information

The comparative information provided in these financial statements is for the year ended 31 March 2016.

## 1.5 Going concern

NHS England's financial statements are produced on a going concern basis. NHS England is supply-financed and draws its funding from the DH. Parliament has demonstrated its commitment to fund DH for the foreseeable future via the latest Spending Review and the passing of the Health and Social Care Act 2012. In the same way, DH has demonstrated commitment to the funding of NHS England, with funding flows for the 2017/18 financial year having already commenced. It is therefore considered appropriate to adopt the going concern basis for the preparation of these financial statements.

## 1.6 Transfer of functions

As public sector bodies within a Departmental Boundary are deemed to operate under common control, business reconfigurations are outside the scope of IFRS 3 Business Combinations. When functions transfer between two public sector bodies (except for transfers between government departments) the FReM requires the application of 'absorption accounting'. Absorption accounting requires that entities account for their transactions in the period in which those transactions took place. Where assets and liabilities transfer, the gain or loss resulting is recognised in the Statement of Net Comprehensive Expenditure, and is disclosed separately from operating costs.

## 1.7 Revenue recognition

The main source of funding for NHS England is grant-in-aid from DH. NHS England is required to maintain expenditure within this allocation. DH also approves a cash limit for the period. NHS England is required to draw down cash in accordance with this limit. Cash drawn down is credited to the general fund. Grant-in-aid is recognised in the financial period in which it is received.

Other operating revenue in respect of fees, charges and services is recognised when the service is rendered and the stage completion of the transaction at the end of the reporting period can be measured reliably, and it is probable that economic benefit associated with the transaction will flow to the group. Income is measured at fair value of the consideration receivable. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.



## 1.8 Employee benefits

### Recognition of short-term benefits - retirement benefit costs:

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practitioners 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 assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme; the cost recognised in these accounts represents the contributions payable for the year. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions).

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 organisation commits itself to the retirement, regardless of the method of payment.

The scheme is subject to a full actuarial valuation every four years and an accounting valuation every year.

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 year.

## 1.9 Value added tax

Most of the activities of the group are outside the scope of value added tax (VAT). Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

## 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 group
- it is expected to be used for more than one financial year
- the cost of the item can be measured reliably, and either
- the item cost at least £5,000, or
- collectively, a number of items have a total cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

Where an asset includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their individual useful economic lives.

### Valuation of property, plant and equipment

All property, plant and equipment is 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 depreciated historical cost as a proxy for fair value.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historical cost as a proxy for fair value. This is in accordance with FReM requirements as these assets have short useful lives or low values or both.

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 is only recognised as an impairment charged to the revaluation reserve when it does not result from a loss in the economic value or service potential 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 are taken to expenditure. Gains and losses recognised in the revaluation reserve are reported in the statement of changes in taxpayers' equity.

## 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 charged to operating expenses.

### 1.11 Intangible non-current assets

Intangible non-current assets are non-monetary assets without physical substance that are capable of sale separately from the rest of the group's business or 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 group; where the cost of the asset can be measured reliably; and where the cost is at least £5,000.

Intangible non-current assets acquired separately are initially recognised at cost. Software that is integral to the operation of hardware is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware is capitalised as an intangible asset.

Following initial recognition, intangible assets are carried at depreciated historic cost as a proxy for fair value.

## 1.12 Research and development

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 reliably measure the expenditure attributable to the intangible asset during its development

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

## 1.13 Depreciation, amortisation and impairments

Freehold land, assets under construction, investment properties, stockpiled goods and assets held for sale are neither depreciated nor amortised.

Otherwise, depreciation or amortisation, as appropriate, is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, on a straight line basis over their estimated remaining useful lives. The estimated useful life of an asset is the period over which economic benefits or service potential is expected to be obtained from the asset. 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 the shorter of the lease term and the estimated useful life.

Depreciation/amortisation is charged as follows:

	Minimum life (Years)	Maximum life (Years)
Buildings excluding dwellings	5	20
Plant and machinery	5	10
Transport equipment	5	10
Information technology	2	10
Furniture and fittings	5	10
Computer software: purchased	2	5
Licences and trademarks	2	5
Development expenditure (internally generated)	2	5

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 being impaired and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are 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.

## 1.14 Leases

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

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 to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive net expenditure.

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.

## 1.15 Inventories

Inventories are valued at the lower of cost and net realisable value.

## 1.16 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and 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 cash management. Cash, bank and overdraft balances are recorded at current values.

## 1.17 Provisions

Provisions are recognised when there exists a present legal or constructive obligation as a result of a past event, it is probable that the group 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 rates.

Provisions are subject to three separate discount rates according to the expected timing of cashflows:

- A short term rate of minus 2.70 percent (2015/16: minus 1.55 percent) is applied to expected cash flows in a time boundary of between 0 and up to and including five years from the statement of financial position date
- A medium term rate of minus 1.95 percent (2015/16: minus 1 percent) is applied to the time boundary of after five and up to and including 10 years
- A long-term rate of minus 0.80 percent (2015/16: minus 0.80 percent) is applied to expected cashflows exceeding 10 years

All percentages are in real terms.

## 1.18 Clinical negligence costs

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which NHS England and CCGs pay an annual contribution to the NHSLA, which in turn 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 rests with the group.

## 1.19 Non-clinical risk pooling

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

## 1.20 Continuing healthcare risk pooling

In 2014/15 a risk pool scheme was introduced by NHS England for continuing healthcare claims, for claim periods prior to 31 March 2013. Under the scheme CCGs contribute annually to a pooled fund, which is used to settle the claims. The contributions of CCGs are charged to operating income in year in the NHS England parent account.

## 1.21 Contingent liabilities and contingent assets

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 organisation.
- 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 organisation. A contingent asset is disclosed where an inflow of economic benefits is probable.

Where the time value of money is material, contingent liabilities that are required to be disclosed under IAS37 are stated at discounted amounts.

## 1.22 Financial assets

Financial assets are recognised on the statement of financial position when the group 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 de-recognised when the contractual rights have expired or the asset has been transferred. Financial assets are initially recognised at fair value. Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

As available for sale financial assets, the group's investments are measured at fair value. With the exception of impairment losses, changes in value are taken to the revaluation reserve. Accumulated gains or losses are recycled to the consolidated statement of net comprehensive expenditure on de-recognition.

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. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

At the statement of financial position date, the group assesses whether any financial assets 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 have 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 the statement of net comprehensive expenditure.



## 1.23 Financial liabilities

Financial liabilities are recognised in the statement of financial position when the group 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.

Financial liabilities are initially recognised at fair value.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

## 1.24 Accounting standards that have been issued but have not yet been adopted

The FReM does not require the following Standards and Interpretations to be applied in 2016/17. Full assessments of the impact of these standards will be completed by NHS England in due course following the issue of relevant interpretations and guidance in the FReM.

IFRS 9 Financial Instruments (application from 1 January 2018)

IFRS 14 Regulatory Deferral Accounts (not applicable to DH group bodies)

IFRS15 Revenue for Contract with Customers (application from 1 January 2018)

IFRS 16 Leases (application from 1 January 2019)

IFRS 17 Insurance Contracts (application from 1 January 2021)

## 1.25 Significant accounting policies and material judgement

Estimates and the underlying assumptions are reviewed on a regular basis by the group's senior management. Areas of judgement made by management are:

IAS37 Provisions - judgement is applied in arriving at the best estimate 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.

IAS36 Impairments - management makes judgement on whether there are any indications of impairments to the carrying amounts of the group's assets.

## 2. Operating revenue

	Parent		Consolidated Group	
	2016/17	2015/16	2016/17	2015/16
	Total	Total	Total	Total
	£000	£000	£000	£000
<b>Income from sale of goods and services</b>				
Education, training and research	187,119	219,353	202,158	230,956
Non-patient care services to other bodies <sup>3</sup>	463,271	586,291	362,849	383,512
Rental revenue from operating leases	-	-	437	302
<b>Total Income from sale of goods and services</b>	<b>650,390</b>	<b>805,644</b>	<b>565,444</b>	<b>614,770</b>
<b>Other operating income</b>				
Recoveries in respect of employee benefits	8	1,215	5,084	4,911
Prescription fees and charges	547,961	517,769	554,935	523,539
Dental fees and charges	776,812	743,843	776,812	743,843
Charitable and other contributions to revenue expenditure: non-NHS	631	406	2,889	3,291
Continuing Healthcare risk pool contributions <sup>4</sup>	100,000	250,000	-	-
Other revenue	108,634	98,956	337,290	302,154
<b>Total other operating income</b>	<b>1,534,046</b>	<b>1,612,189</b>	<b>1,677,010</b>	<b>1,577,738</b>
<b>Total operating income</b>	<b>2,184,436</b>	<b>2,417,833</b>	<b>2,242,454</b>	<b>2,192,508</b>

3. Parent non-patient care services to other bodies revenue figures are greater than those of the consolidated group due to the elimination of intra-group trading.

4. Continuing healthcare risk pool contributions comprise contributions from CCGs to a risk pool scheme for which the related continuing healthcare claims are reimbursed by NHS England. This is eliminated on consolidation for the group account.

## 3. Employee benefits and staff numbers

### 3.1 Employee benefits

	Parent		Consolidated Group	
	2016/17	2015/16	2016/17	2015/16
	Total	Total	Total	Total
	£000	£000	£000	£000
<b>Employee benefits</b>				
Salaries and wages	601,132	680,295	1,490,620	1,475,747
Social security costs	52,230	45,407	130,152	101,777
Employer contributions to NHS Pension scheme	60,810	65,023	151,676	145,255
Termination benefits	6,806	17,087	9,444	18,877
<b>Gross employee benefits expenditure</b>	<b>720,978</b>	<b>807,812</b>	<b>1,781,892</b>	<b>1,741,656</b>
<b>Less: Employee costs capitalised</b>	(196)	-	(442)	-
<b>Net employee benefits excluding capitalised costs</b>	<b>720,782</b>	<b>807,812</b>	<b>1,781,450</b>	<b>1,741,656</b>
<b>Less recoveries in respect of employee benefits</b>	(8)	(1,215)	(5,083)	(4,911)
<b>Total net employee benefits</b>	<b>720,774</b>	<b>806,597</b>	<b>1,776,367</b>	<b>1,736,745</b>

Staff numbers can be found in the Accountability Report on page 152.

## 3.2 Pension costs

As described in Note 1.8 past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

### 3.2.1 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 are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

#### **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 their recent demographic experience), and to recommend contribution rates payable by employees and employers.

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012.

The Scheme Regulations allow for the level of contribution rates to be changed 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.

### 3.2.2 Scheme provisions

The NHS Pension Scheme provides 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) has been used and replaced 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.

### **3.2.3 Local Government Pension Scheme**

Within the group there are CCGs who account for defined benefit pension scheme assets and liabilities primarily in respect of local government superannuation schemes. These schemes are immaterial to the group financial statements and therefore have not been disclosed separately. Full disclosures are available in the underlying CCGs published accounts.

### **3.2.4 Principal Civil Service Pension Scheme**

The Principal Civil Service Pension Scheme is an unfunded multi-employer defined benefit scheme. As such, NHS England is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the Annual Report and Accounts of the Cabinet Office: Civil Superannuation on the Civil Service website.

The scheme actuary reviews employer contributions usually every four years following a full scheme valuation.

The contribution rates are set to meet the cost of the benefits accruing during the financial year to be paid when the member retires and not the benefits paid during this period to existing pensioners.

## 4. Operating expenses

	Parent		Consolidated Group	
	2016/17	2015/16	2016/17	2015/16
	Total	Total	Total	Total
	£000	£000	£000	£000
<b>Other costs</b>				
Services from CCGs	21,970	50,867	-	-
Services from Foundation Trusts	11,170,819	10,292,599	42,196,636	39,256,513
Services from other NHS Trusts	5,132,890	5,242,515	23,785,519	23,891,223
Sustainability and Transformation Fund <sup>5</sup>	1,800,000	-	1,800,000	-
Services from Other WGA bodies <sup>6</sup>	9,231	5,753	44,872	11,200
Purchase of healthcare from non-NHS bodies	1,201,954	1,118,429	13,025,524	12,552,868
General dental services and personal dental services <sup>7</sup>	2,909,509	3,314,086	2,909,509	3,313,160
Prescribing costs	14,794	158	8,534,616	8,557,135
Pharmaceutical services	1,982,372	2,094,255	1,992,230	2,105,899
General ophthalmic services	545,981	534,857	554,399	542,339
Primary care services <sup>8</sup>	3,771,509	5,263,459	7,971,342	7,797,894
Supplies and services – clinical	33,418	87,788	110,059	176,716
Supplies and services – general	503,973	673,242	959,624	1,116,785
Chair and lay membership body and governing body members	141	133	52,454	50,178
Consultancy services	18,353	25,051	101,264	112,964
Establishment	161,978	188,515	316,281	333,443
Transport	9,891	11,185	33,318	24,437
Premises	71,493	178,626	371,719	411,186
Audit fees	315	335	13,599	14,018
Other non statutory audit expenditure <sup>9</sup>	-	1,098	1,865	3,412
Other professional fees excl. services provided by external audit	50,552	50,758	125,764	105,961
Grants to other public bodies	76,007	56,564	106,760	108,659
Clinical negligence	-	58	338	373
Research and development (excluding staff costs)	549	686	12,937	13,400
Education and training	112,153	115,969	140,245	142,395
Funding to group bodies <sup>10</sup>	76,599,016	72,212,559	-	-
Other expenditure	35,884	15,077	41,726	43,085
<b>Total operating expenses - cash</b>	<b>106,234,752</b>	<b>101,534,622</b>	<b>105,202,600</b>	<b>100,685,243</b>
<b>Operating expenditure - non cash</b>				
Impairments and reversals of receivables	2	809	6,514	9,994
Impairment of loan	278	-	278	-
Inventories written down	103	83	1,549	2,871
Depreciation	70,903	64,534	82,091	73,795
Amortisation	4,816	4,688	5,857	5,455
Impairments and reversals of property, plant and equipment	-	-	1,154	336
Impairments and reversals of intangible assets	-	-	406	-
Change in discount rate	342	384	255	341
Provisions <sup>11</sup>	(205,821)	(144,580)	(172,192)	(124,347)
<b>Total operating expenses - non cash</b>	<b>(129,377)</b>	<b>(74,082)</b>	<b>(74,088)</b>	<b>(31,555)</b>
<b>Total operating expenses</b>	<b>106,105,375</b>	<b>101,460,540</b>	<b>105,128,512</b>	<b>100,653,688</b>

Parent expenditure figures may be greater than those of the consolidated group due to the elimination of intra-group trading.

- In 2016/17 NHS England has allocated expenditure through the Sustainability and Transformation Fund for provider sustainability support, in line with the 2016/17 NHS England mandate.
- Services from other WGA bodies comprises expenditure from the Department of Health and other Department arm's length bodies.
- There has been a significant fall in dental services due to the improved allocation of costs between primary care and secondary dental services.
- The reductions in primary care expenditure in 2016/17 and 2015/16 in the NHS England parent account are due to the switch in budget from NHS England to those CCGs who have taken delegated commissioning responsibilities. This also results in an increase in group funding to those CCGs who have assumed delegated commissioning responsibilities.
- In both financial years NHS England purchased no Non Audit services from the National Audit Office (NAO). Details of CCG non audit expenditure can be found in the underlying individual CCG accounts.
- Funding to group bodies is shown above and represents cash funding drawn down by the CCGs. These balances are eliminated on consolidation.
- Provision costs have been reduced in 2016/17 and 2015/16 by the ongoing reassessment of required provision values, particularly for legacy continuing healthcare. See note 12 for further details.

## 5. Operating leases

### 5.1 As lessee

The group has arrangements in place with NHS Property Services Ltd and Community Health Partnerships Ltd in respect of the utilisation of various clinical and non-clinical properties. These largely relate to payments made in respect of void space in clinical properties, as well as for accommodation costs.

Although formal signed leases are not typically in place for these properties, the transactions involved do convey the right of the group to use property assets. The group has considered the substance of these arrangements under IFRIC 4 'Determining whether an arrangement contains a lease' and determined that the arrangements are (or contain) leases. Work is on-going with NHS Property Services to determine the future minimum lease payments.

Accordingly the payments made in 2016/17 and 2015/16 are disclosed as minimum lease payments in the buildings category in note 5.1.1. However in the absence of formal contracts it is not possible to confirm minimum lease payments for future years and hence no disclosure is made for these buildings in note 5.1.2. It is expected that the payments recognised in 2016/17 would continue to be minimum lease payments in 2017/18.

Within the group a small number CCGs act as a lessor. Details of these arrangements can be found in the underlying CCG accounts.



## 5.1.1 Payments recognised as an expense

Parent	2016/17			2015/16		
	Buildings £000	Other £000	Total £000	Buildings £000	Other £000	Total £000
<b>Payments recognised as an expense</b>						
Minimum lease payments	50,358	1,182	<b>51,540</b>	153,732	1,477	<b>155,209</b>
Contingent rents	-	-	-	-	-	-
<b>Total</b>	<b>50,358</b>	<b>1,182</b>	<b>51,540</b>	<b>153,732</b>	<b>1,477</b>	<b>155,209</b>

### Consolidated Group

Parent	2016/17			2015/16		
	Buildings £000	Other £000	Total £000	Buildings £000	Other £000	Total £000
<b>Payments recognised as an expense</b>						
Minimum lease payments	288,065	3,305	<b>291,370</b>	347,592	3,846	<b>351,438</b>
Contingent rents	-	36	<b>36</b>	-	34	<b>34</b>
<b>Total</b>	<b>288,065</b>	<b>3,341</b>	<b>291,406</b>	<b>347,592</b>	<b>3,880</b>	<b>351,472</b>

## 5.1.2 Future minimum lease payments

Parent	2016/17			2015/16		
	Buildings £000	Other £000	Total £000	Buildings £000	Other £000	Total £000
<b>Payable:</b>						
No later than one year	17,189	1,086	<b>18,275</b>	14,107	1,071	<b>15,178</b>
Between one and five years	32,078	2,206	<b>34,284</b>	33,042	2,459	<b>35,501</b>
After five years	327	-	<b>327</b>	108	365	<b>473</b>
<b>Total</b>	<b>49,594</b>	<b>3,292</b>	<b>52,886</b>	<b>47,257</b>	<b>3,895</b>	<b>51,152</b>

### Consolidated Group

Parent	2016/17			2015/16		
	Buildings £000	Other £000	Total £000	Buildings £000	Other £000	Total £000
<b>Payable:</b>						
No later than one year	35,707	2,144	<b>37,851</b>	25,267	2,232	<b>27,499</b>
Between one and five years	83,277	3,085	<b>86,362</b>	65,014	3,933	<b>68,947</b>
After five years	29,297	15	<b>29,312</b>	27,652	385	<b>28,037</b>
<b>Total</b>	<b>148,281</b>	<b>5,244</b>	<b>153,525</b>	<b>117,933</b>	<b>6,550</b>	<b>124,483</b>

## 6. Property, plant and equipment

Parent 2016/17	Buildings excluding dwellings £000	Assets under construction and payments on account £000	Plant and machinery £000	Transport equipment £000	Information technology £000	Fixtures and fittings £000	Total £000
<b>Cost or valuation at 1 April 2016</b>	<b>12,027</b>	<b>447</b>	<b>4,404</b>	<b>32</b>	<b>316,324</b>	<b>3,579</b>	<b>336,813</b>
Addition of assets under construction and payments on account	-	229	-	-	-	-	<b>229</b>
Additions purchased	396	-	190	-	138,485	3,524	<b>142,595</b>
Reclassifications	-	-	-	-	1,757	(113)	<b>1,644</b>
Disposals	(10,131)	-	(2,654)	-	(31,833)	(73)	<b>(44,691)</b>
Impairments charged	-	-	-	-	-	-	-
Transfer (to)/from other public sector body	-	-	-	-	(10,325)	(15)	<b>(10,340)</b>
<b>Cost or valuation at 31 March 2017</b>	<b>2,292</b>	<b>676</b>	<b>1,940</b>	<b>32</b>	<b>414,408</b>	<b>6,902</b>	<b>426,250</b>
<b>Depreciation at 1 April 2016</b>	<b>10,521</b>	<b>-</b>	<b>3,645</b>	<b>13</b>	<b>116,218</b>	<b>983</b>	<b>131,380</b>
Reclassifications	-	-	-	-	114	(113)	<b>1</b>
Disposals	(10,131)	-	(2,654)	-	(31,833)	(73)	<b>(44,691)</b>
Charged during the year	1,499	-	403	5	67,730	1,266	<b>70,903</b>
Transfer (to)/from other public sector body	-	-	-	-	(6,770)	(7)	<b>(6,777)</b>
<b>At 31 March 2017</b>	<b>1,889</b>	<b>-</b>	<b>1,394</b>	<b>18</b>	<b>145,459</b>	<b>2,056</b>	<b>150,816</b>
<b>Net Book Value at 31 March 2017</b>	<b>403</b>	<b>676</b>	<b>546</b>	<b>14</b>	<b>268,949</b>	<b>4,846</b>	<b>275,434</b>
<b>Asset financing:</b>							
Owned	403	676	546	14	268,949	4,846	<b>275,434</b>
<b>Total at 31 March 2017</b>	<b>403</b>	<b>676</b>	<b>546</b>	<b>14</b>	<b>268,949</b>	<b>4,846</b>	<b>275,434</b>

**Parent  
2015/16**

	<b>Buildings excluding dwellings</b>	<b>Assets under construction and payments on account</b>	<b>Plant and machinery</b>	<b>Transport equipment</b>	<b>Information technology</b>	<b>Fixtures and fittings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation at 1 April 2015</b>	<b>18,083</b>	<b>895</b>	<b>5,164</b>	<b>32</b>	<b>251,864</b>	<b>1,429</b>	<b>277,467</b>
Addition of assets under construction and payments on account	-	296	-	-	-	-	<b>296</b>
Additions purchased	7	-	165	-	73,827	1,266	<b>75,265</b>
Reclassifications	-	(744)	(337)	-	(1,933)	972	<b>(2,042)</b>
Disposals	(6,063)	-	(588)	-	(7,434)	(88)	<b>(14,173)</b>
<b>Cost or valuation at 31 March 2016</b>	<b>12,027</b>	<b>447</b>	<b>4,404</b>	<b>32</b>	<b>316,324</b>	<b>3,579</b>	<b>336,813</b>
<b>Depreciation at 1 April 2015</b>	<b>14,321</b>	<b>-</b>	<b>3,764</b>	<b>5</b>	<b>62,474</b>	<b>296</b>	<b>80,860</b>
Reclassifications	-	-	(122)	4	(27)	120	<b>(25)</b>
Disposals	(6,065)	-	(588)	-	(7,248)	(88)	<b>(13,989)</b>
Charged during the year	2,265	-	591	4	61,019	655	<b>64,534</b>
<b>At 31 March 2016</b>	<b>10,521</b>	<b>-</b>	<b>3,645</b>	<b>13</b>	<b>116,218</b>	<b>983</b>	<b>131,380</b>
<b>Net Book Value at 31 March 2016</b>	<b>1,506</b>	<b>447</b>	<b>759</b>	<b>19</b>	<b>200,106</b>	<b>2,596</b>	<b>205,433</b>
<b>Asset financing:</b>							
Owned	-	447	304	19	200,106	2,596	<b>203,472</b>
Held on finance lease	1,506	-	455	-	-	-	<b>1,961</b>
<b>Total at 31 March 2016</b>	<b>1,506</b>	<b>447</b>	<b>759</b>	<b>19</b>	<b>200,106</b>	<b>2,596</b>	<b>205,433</b>

**Consolidated Group  
2016/17**

	<b>Buildings excluding dwellings</b>	<b>Assets under construction and payments on account</b>	<b>Plant and machinery</b>	<b>Transport equipment</b>	<b>Information technology</b>	<b>Fixtures and fittings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation at 1 April 2016</b>	<b>13,441</b>	<b>2,475</b>	<b>20,626</b>	<b>151</b>	<b>352,837</b>	<b>11,967</b>	<b>401,497</b>
Addition of assets under construction and payments on account	-	837	-	-	-	-	<b>837</b>
Additions purchased	736	-	334	-	148,535	4,456	<b>154,061</b>
Reclassifications	-	(733)	252	-	2,142	(17)	<b>1,644</b>
Disposals	(10,131)	-	(2,920)	(3)	(32,095)	(127)	<b>(45,276)</b>
Impairments charged	-	-	(443)	-	(1,229)	(4)	<b>(1,676)</b>
<b>Cost or valuation at 31 March 2017</b>	<b>4,046</b>	<b>2,579</b>	<b>17,849</b>	<b>148</b>	<b>470,190</b>	<b>16,275</b>	<b>511,087</b>
<b>Depreciation at 1 April 2016</b>	<b>10,613</b>	<b>-</b>	<b>9,146</b>	<b>104</b>	<b>131,560</b>	<b>3,874</b>	<b>155,297</b>
Reclassifications	-	-	-	-	114	(113)	<b>1</b>
Disposals	(10,131)	-	(2,787)	(3)	(32,095)	(102)	<b>(45,118)</b>
Impairments charged	-	-	(338)	-	(184)	-	<b>(522)</b>
Charged during the year	1,602	-	2,288	33	75,651	2,517	<b>82,091</b>
<b>At 31 March 2017</b>	<b>2,084</b>	<b>-</b>	<b>8,309</b>	<b>134</b>	<b>175,046</b>	<b>6,176</b>	<b>191,749</b>
<b>Net book value at 31 March 2017</b>	<b>1,962</b>	<b>2,579</b>	<b>9,540</b>	<b>14</b>	<b>295,144</b>	<b>10,099</b>	<b>319,338</b>
<b>Asset financing:</b>							
Owned	1,692	2,579	8,604	14	295,144	10,099	<b>318,132</b>
Held on finance lease	270	-	936	-	-	-	<b>1,206</b>
<b>Total at 31 March 2017</b>	<b>1,962</b>	<b>2,579</b>	<b>9,540</b>	<b>14</b>	<b>295,144</b>	<b>10,099</b>	<b>319,338</b>

**Consolidated Group  
2015/16**

	<b>Buildings excluding dwellings</b>	<b>Assets under construction and payments on account</b>	<b>Plant and machinery</b>	<b>Transport equipment</b>	<b>Information technology</b>	<b>Fixtures and fittings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or valuation at 1 April 2015</b>	<b>18,329</b>	<b>2,787</b>	<b>19,675</b>	<b>151</b>	<b>278,352</b>	<b>8,422</b>	<b>327,716</b>
Addition of assets under construction and payments on account	-	2,324	-	-	-	-	<b>2,324</b>
Additions purchased	167	-	2,038	-	83,515	2,832	<b>88,552</b>
Reclassifications	1,012	(2,636)	(337)	-	(1,053)	972	<b>(2,042)</b>
Disposals	(6,063)	-	(750)	-	(7,739)	(165)	<b>(14,717)</b>
Impairments charged	(4)	-	-	-	(238)	(94)	<b>(336)</b>
<b>Cost or valuation at 31 March 2016</b>	<b>13,441</b>	<b>2,475</b>	<b>20,626</b>	<b>151</b>	<b>352,837</b>	<b>11,967</b>	<b>401,497</b>
<b>Depreciation at 1 April 2015</b>	<b>14,358</b>	<b>-</b>	<b>7,283</b>	<b>67</b>	<b>72,192</b>	<b>2,157</b>	<b>96,057</b>
Reclassifications	-	-	(122)	4	(27)	120	<b>(25)</b>
Disposals	(6,065)	-	(750)	-	(7,550)	(165)	<b>(14,530)</b>
Impairments charged	-	-	-	-	-	-	-
Charged during the year	2,320	-	2,735	33	66,945	1,762	<b>73,795</b>
<b>At 31 March 2016</b>	<b>10,613</b>	<b>-</b>	<b>9,146</b>	<b>104</b>	<b>131,560</b>	<b>3,874</b>	<b>155,297</b>
<b>Net book value at 31 March 2016</b>	<b>2,828</b>	<b>2,475</b>	<b>11,480</b>	<b>47</b>	<b>221,277</b>	<b>8,093</b>	<b>246,200</b>
<b>Asset financing:</b>							
Owned	-	2,475	10,003	47	221,277	8,093	<b>241,895</b>
Held on finance lease	2,828	-	1,477	-	-	-	<b>4,305</b>
<b>Total at 31 March 2016</b>	<b>2,828</b>	<b>2,475</b>	<b>11,480</b>	<b>47</b>	<b>221,277</b>	<b>8,093</b>	<b>246,200</b>

## 7. Intangible non-current assets

<b>Parent 2016/17</b>	<b>Computer software: purchased £000</b>	<b>Licences and trademarks £000</b>	<b>Development expenditure (internally generated) £000</b>	<b>Total £000</b>
<b>Cost or valuation at 1 April 2016</b>	<b>20,526</b>	<b>8</b>	<b>1,893</b>	<b>22,427</b>
Additions purchased	1,523	-	-	<b>1,523</b>
Reclassifications	(100)	-	(1,544)	<b>(1,644)</b>
Disposals	(520)	-	-	<b>(520)</b>
Transfer (to)/from other public sector body	(757)	-	-	<b>(757)</b>
<b>At 31 March 2017</b>	<b>20,672</b>	<b>8</b>	<b>349</b>	<b>21,029</b>
<b>Amortisation at 1 April 2016</b>	<b>9,208</b>	<b>8</b>	<b>349</b>	<b>9,565</b>
Reclassifications	(1)	-	-	<b>(1)</b>
Disposals	(520)	-	-	<b>(520)</b>
Charged during the year	4,816	-	-	<b>4,816</b>
Transfer (to)/from other public sector body	(317)	-	-	<b>(317)</b>
<b>At 31 March 2017</b>	<b>13,186</b>	<b>8</b>	<b>349</b>	<b>13,543</b>
<b>Net book value at 31 March 2017</b>	<b>7,486</b>	<b>-</b>	<b>-</b>	<b>7,486</b>
<b>Asset financing:</b>				
Owned	7,486	-	-	<b>7,486</b>
<b>Total at 31 March 2017</b>	<b>7,486</b>	<b>-</b>	<b>-</b>	<b>7,486</b>

**Parent  
2015/16**

	Computer software: purchased £000	Licences and trademarks £000	Development expenditure (internally generated) £000	Total £000
<b>Cost or valuation at 1 April 2015</b>	<b>13,205</b>	<b>8</b>	<b>349</b>	<b>13,562</b>
Additions purchased	7,764	-	1,544	<b>9,308</b>
Reclassifications	2,043	-	-	<b>2,043</b>
Disposals	(2,486)	-	-	<b>(2,486)</b>
<b>At 31 March 2016</b>	<b>20,526</b>	<b>8</b>	<b>1,893</b>	<b>22,427</b>
<b>Amortisation at 1 April 2015</b>	<b>7,292</b>	<b>8</b>	<b>38</b>	<b>7,338</b>
Reclassifications	25	-	-	<b>25</b>
Disposals other than by sale	(2,486)	-	-	<b>(2,486)</b>
Charged during the year	4,377	-	311	<b>4,688</b>
<b>At 31 March 2016</b>	<b>9,208</b>	<b>8</b>	<b>349</b>	<b>9,565</b>
<b>Net book value at 31 March 2016</b>	<b>11,318</b>	<b>-</b>	<b>1,544</b>	<b>12,862</b>
<b>Asset financing:</b>				
Owned	11,318	-	1,544	<b>12,862</b>
<b>Total at 31 March 2016</b>	<b>11,318</b>	<b>-</b>	<b>1,544</b>	<b>12,862</b>

**Consolidated Group  
2016/17**

	Computer software: purchased £000	Licences and trademarks £000	Development expenditure (internally generated) £000	Total £000
<b>Cost or valuation at 1 April 2016</b>	<b>26,168</b>	<b>8</b>	<b>4,117</b>	<b>30,293</b>
Additions purchased	2,030	-	-	<b>2,030</b>
Reclassifications	(100)	-	(1,544)	<b>(1,644)</b>
Disposals	(549)	-	(540)	<b>(1,089)</b>
Upward revaluation gains	-	-	540	<b>540</b>
Impairments charged	(406)	-	-	<b>(406)</b>
<b>At 31 March 2017</b>	<b>27,143</b>	<b>8</b>	<b>2,573</b>	<b>29,724</b>
<b>Amortisation at 1 April 2016</b>	<b>10,427</b>	<b>8</b>	<b>1,268</b>	<b>11,703</b>
Reclassifications	(1)	-	-	<b>(1)</b>
Disposals	(549)	-	-	<b>(549)</b>
Charged during the year	5,720	-	137	<b>5,857</b>
<b>At 31 March 2017</b>	<b>15,597</b>	<b>8</b>	<b>1,405</b>	<b>17,010</b>
<b>Net book value at 31 March 2017</b>	<b>11,546</b>	<b>-</b>	<b>1,168</b>	<b>12,714</b>
<b>Asset financing:</b>				
Owned	11,546	-	1,168	<b>12,714</b>
<b>Total at 31 March 2017</b>	<b>11,546</b>	<b>-</b>	<b>1,168</b>	<b>12,714</b>



**Consolidated Group  
2015/16**

	Computer software: purchased £000	Licences and trademarks £000	Development expenditure (internally generated) £000	Total £000
<b>Cost or valuation at 1 April 2015</b>	<b>17,175</b>	<b>8</b>	<b>1,398</b>	<b>18,581</b>
Additions purchased	9,459	-	2,719	<b>12,178</b>
Reclassifications	2,043	-	-	<b>2,043</b>
Disposals	(2,509)	-	-	<b>(2,509)</b>
<b>At 31 March 2016</b>	<b>26,168</b>	<b>8</b>	<b>4,117</b>	<b>30,293</b>
<b>Amortisation at 1 April 2015</b>	<b>8,048</b>	<b>8</b>	<b>676</b>	<b>8,732</b>
Reclassifications	25	-	-	<b>25</b>
Disposals	(2,509)	-	-	<b>(2,509)</b>
Charged during the year	4,863	-	592	<b>5,455</b>
<b>At 31 March 2016</b>	<b>10,427</b>	<b>8</b>	<b>1,268</b>	<b>11,703</b>
<b>Net book value at 31 March 2016</b>	<b>15,741</b>	<b>-</b>	<b>2,849</b>	<b>18,590</b>
<b>Asset financing:</b>				
Owned	15,741	-	2,849	<b>18,590</b>
<b>Total at 31 March 2016</b>	<b>15,741</b>	<b>-</b>	<b>2,849</b>	<b>18,590</b>

## 8. Trade and other receivables

	Parent				Consolidated Group			
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	2016/17	2016/17	2015/16	2015/16	2016/17	2016/17	2015/16	2015/16
	£000	£000	£000	£000	£000	£000	£000	£000
NHS receivables: revenue	46,492	-	48,686	-	127,601	-	107,199	-
NHS prepayments	6,273	-	1,969	-	213,712	-	182,696	-
NHS accrued income	6,885	-	18,586	-	78,193	-	57,888	-
Non-NHS and other WGA receivables: revenue	75,105	-	111,978	-	247,794	-	281,513	-
Non-NHS and other WGA prepayments	76,340	-	74,845	-	171,803	161	124,399	179
Non-NHS and other WGA accrued income	17,859	-	16,080	-	96,709	130	94,716	-
Provision for the impairment of receivables	(997)	-	(13,373)	-	(15,049)	-	(29,780)	-
VAT	8,990	-	9,249	-	24,670	-	19,172	-
Other receivables and accruals	967	-	1,713	-	16,619	-	15,584	-
<b>Total</b>	<b>237,914</b>	<b>-</b>	<b>269,733</b>	<b>-</b>	<b>962,052</b>	<b>291</b>	<b>853,387</b>	<b>179</b>
Other financial assets	-	-	-	278	-	540	-	278
<b>Total current and non current</b>	<b>237,914</b>	<b>-</b>	<b>270,011</b>	<b>-</b>	<b>962,883</b>	<b>-</b>	<b>853,844</b>	<b>-</b>

## 9. Cash and cash equivalents

	Parent		Consolidated Group	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Balance at 1 April 2016	261,740	129,479	278,171	140,486
Net change in year	2,145	132,261	(9,815)	137,685
<b>Balance at 31 March 2017</b>	<b>263,885</b>	<b>261,740</b>	<b>268,356</b>	<b>278,171</b>
Made up of:				
Cash with the Government Banking Service	193,173	162,759	213,635	183,936
Hosted cash/cash in hand	70,712	98,981	71,200	99,607
<b>Cash and cash equivalents as in statement of financial position</b>	<b>263,885</b>	<b>261,740</b>	<b>284,835</b>	<b>283,543</b>
Bank overdraft: Government Banking Service	-	-	(16,479)	(5,372)
<b>Total bank overdrafts</b>	<b>-</b>	<b>-</b>	<b>(16,479)</b>	<b>(5,372)</b>
<b>Balance at 31 March 2017</b>	<b>263,885</b>	<b>261,740</b>	<b>268,356</b>	<b>278,171</b>

For details of bank overdraft see note 10.

Included within hosted cash/cash in hand above is £70.7 million (2015/16 £98.9m) held on behalf of NHS England by the NHS Business Services Authority.

## 10. Trade and other payables

	Parent				Consolidated Group			
	Current	Non-current	Current	Non-current	Current	Non-current	Current	Non-current
	2016/17	2016/17	2015/16	2015/16	2016/17	2016/17	2015/16	2015/16
	£000	£000	£000	£000	£000	£000	£000	£000
NHS payables: revenue	492,491	-	520,136	-	1,143,087	-	1,260,410	-
NHS payables: capital	3,323	-	482	-	1,088	-	884	-
NHS accruals	1,149,796	-	242,516	-	1,700,133	-	742,649	-
NHS deferred income	1,654	-	955	-	687	-	200	-
Non-NHS and Other WGA payables: revenue	162,420	-	243,082	2,440	988,834	-	1,048,435	2,440
Non-NHS and Other WGA payables: capital	613	-	4,952	-	2,401	-	9,364	-
Non-NHS and Other WGA accruals	1,115,898	-	1,215,237	-	3,620,281	-	3,742,406	-
Non-NHS and Other WGA deferred income	5,042	-	4,545	-	19,073	360	11,947	580
Social security costs	7,504	-	5,869	-	19,662	-	15,297	-
VAT	-	-	-	-	519	-	290	-
Tax	6,738	-	6,237	-	17,185	-	15,860	-
Payments received on account	65	-	108	-	170	-	288	-
Other payables and accruals	294,406	-	265,530	-	612,689	3,464	403,634	2,357
<b>Total</b>	<b>3,239,950</b>	<b>-</b>	<b>2,509,649</b>	<b>2,440</b>	<b>8,125,809</b>	<b>3,824</b>	<b>7,251,664</b>	<b>5,377</b>
<b>Other financial liabilities</b>								
Bank overdraft - Government Banking Service	-	-	-	-	16,479	-	5,372	-
Finance lease liabilities	-	-	10,523	-	121	1,002	10,643	1,085
Other financial liabilities - other	-	-	-	-	-	101	-	76
<b>Total</b>	<b>-</b>	<b>-</b>	<b>10,523</b>	<b>-</b>	<b>16,600</b>	<b>1,103</b>	<b>16,015</b>	<b>1,161</b>
<b>Total trade and other payables (current)</b>	<b>3,239,950</b>		<b>2,520,172</b>		<b>8,142,409</b>		<b>7,267,679</b>	
<b>Total trade and other payables (non-current)</b>		<b>-</b>		<b>2,440</b>		<b>4,927</b>		<b>6,538</b>
<b>Total trade and other payables (current and non-current)</b>		<b>3,239,950</b>		<b>2,522,612</b>		<b>8,147,336</b>		<b>7,274,217</b>

## 11. Finance costs

	Parent		Consolidated Group	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
<b>Interest</b>				
Interest on obligations under finance leases	379	569	422	614
Interest on late payment of commercial debt	8	-	33	15
Other interest expense	-	-	16	2
<b>Total interest</b>	<b>387</b>	<b>569</b>	<b>471</b>	<b>631</b>
Other finance costs	-	61	-	61
Provisions: unwinding of discount	(8,605)	(12,217)	(8,501)	(12,092)
<b>Total finance costs</b>	<b>(8,218)</b>	<b>(11,587)</b>	<b>(8,030)</b>	<b>(11,400)</b>

## 12. Provisions

Parent	Current		Non-current		Current		Non-current	
	2016/17		2016/17		2015/16		2015/16	
	£000		£000		£000		£000	
Restructuring	522	-	317	223				
Redundancy	1,147	-	6,956	-				
Legal claims	930	-	1,267	428				
Continuing care	54,261	822	278,345	80,653				
Other	25,009	10,227	17,845	26,049				
<b>Total</b>	<b>81,869</b>	<b>11,049</b>	<b>304,730</b>	<b>107,353</b>				
<b>Total current and non-current</b>	<b>92,918</b>		<b>412,083</b>					

	Restructuring	Redundancy	Legal claims	Continuing care	Other	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2016</b>	<b>540</b>	<b>6,956</b>	<b>1,695</b>	<b>358,998</b>	<b>43,894</b>	<b>412,083</b>
Arising during the year	476	74	-	9,941	4,753	15,244
Utilised during the year	(56)	(4,137)	(192)	(94,171)	(6,205)	(104,761)
Reversed unused	(473)	(1,743)	(595)	(210,663)	(7,591)	(221,065)
Unwinding of discount	35	(1)	32	(9,777)	1,106	(8,605)
Change in discount rate	-	(2)	(10)	755	(401)	342
Transfer (to) from other public sector body under absorption	-	-	-	-	(320)	(320)
<b>Balance at 31 March 2017</b>	<b>522</b>	<b>1,147</b>	<b>930</b>	<b>55,083</b>	<b>35,236</b>	<b>92,918</b>

### Expected timing of cash flows:

Within one year	522	1,147	930	54,261	25,009	81,869
Between one and five years	-	-	-	822	4,674	5,496
After five years	-	-	-	-	5,553	5,553
<b>Balance at 31 March 2017</b>	<b>522</b>	<b>1,147</b>	<b>930</b>	<b>55,083</b>	<b>35,236</b>	<b>92,918</b>

## Consolidated Group

	Current		Non-current	
	2016/17	2016/17	2015/16	2015/16
	£000	£000	£000	£000
Restructuring	825	-	3,028	244
Redundancy	2,481	-	7,348	-
Legal claims	1,392	2	1,443	446
Continuing care	87,817	8,213	321,890	86,770
Other	67,235	18,225	43,287	29,647
<b>Total</b>	<b>159,750</b>	<b>26,440</b>	<b>376,996</b>	<b>117,107</b>
<b>Total current and non-current</b>	<b>186,190</b>		<b>494,103</b>	

	Restructuring	Redundancy	Legal claims	Continuing care	Other	Total
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2016</b>	<b>3,272</b>	<b>7,348</b>	<b>1,889</b>	<b>408,660</b>	<b>72,934</b>	<b>494,103</b>
Arising during the year	501	1,543	442	38,031	44,274	<b>84,791</b>
Utilised during the year	(1,282)	(4,444)	(210)	(108,956)	(12,583)	<b>(127,475)</b>
Reversed unused	(1,701)	(1,963)	(749)	(232,665)	(19,905)	<b>(256,983)</b>
Unwinding of discount	35	(1)	32	(9,701)	1,134	<b>(8,501)</b>
Change in discount rate	-	(2)	(10)	661	(394)	<b>255</b>
<b>Balance at 31 March 2017</b>	<b>825</b>	<b>2,481</b>	<b>1,394</b>	<b>96,030</b>	<b>85,460</b>	<b>186,190</b>

### Expected timing of cash flows:

Within one year	825	2,481	1,392	87,817	67,235	<b>159,750</b>
Between one and five years	-	-	2	8,213	11,467	<b>19,682</b>
After five years	-	-	-	-	6,758	<b>6,758</b>
<b>Balance at 31 March 2017</b>	<b>825</b>	<b>2,481</b>	<b>1,394</b>	<b>96,030</b>	<b>85,460</b>	<b>186,190</b>

NHS Continuing Healthcare is a package of health and social care arranged and funded solely by the NHS for a person aged 18 or over to meet physical or mental health needs which have arisen as a result of disability, accident or illness. Where an individual has both health and social care needs, but they have been assessed as having a 'primary health need' under the National Framework for NHS Continuing Healthcare and NHS-funded Nursing Care, the NHS has responsibility for providing for all of that individual's assessed needs, both the health and social care. The amount included in the table above as 'Continuing Care' represents the best estimate, at the year end date, of the liabilities of NHS England group relating to the obligation of the NHS to pay for cases of such care and hence its responsibility for reimbursing patients and their families for costs incurred.

'Other' provisions include miscellaneous provisions inherited under the Health and Social Care Reforms (April 2012) including onerous contracts, property related provisions and dilapidations.

The NHS Litigation Authority financial statements disclose a provision of £71,795,033 as at 31 March 2017 in respect of clinical negligence liabilities of NHS England (31 March 2016: £66,589,000).

## 13. Contingencies

	Parent		Consolidated Group	
	2016/17 £000	Restated 2015/16 £000	2016/17 £000	Restated 2015/16 £000
<b>Contingent liabilities</b>				
Employment tribunal	863	1,157	863	1,157
NHSLA employee liability claim	12	15	31	24
Continuing healthcare	-	-	13,695	16,631
Local authority - package recharges	-	-	532	-
Legal claims	5,526	8,051	5,526	8,073
NHS Litigation Authority legal claims	-	-	3	-
NHS Property Services	-	-	-	3,270
Employee pension <sup>12</sup>	250	1,800	250	1,800
Other employee related litigation	103	155	103	155
Other employee related issues	-	600	-	600
Older people Sec 117 recharges	-	-	-	1,320
Responsible commissioner dispute	-	-	615	370
Her Majesty's Revenue and Customs	-	-	832	42
West Wakefield Health & Wellbeing Ltd potential VAT liability	-	-	685	-
Other - service issues	15,000	-	15,000	-
Risk share	-	-	392	-
Contract disputes with NHS bodies	-	-	3,712	1,000
Other	-	-	1,259	-
<b>Net value of contingent liabilities</b>	<b>21,754</b>	<b>11,778</b>	<b>43,498</b>	<b>34,442</b>

	Parent		Consolidated Group	
	2016/17 £000	Restated 2015/16 £000	2016/17 £000	Restated 2015/16 £000
<b>Contingent assets</b>				
Legal cases	3,913	1,015	3,913	1,015
Potential recoveries re disrupted services	10,000	-	10,000	-
<b>Net value of contingent assets</b>	<b>13,913</b>	<b>1,015</b>	<b>13,913</b>	<b>1,015</b>

12. Further review of the 2015/16 contingent liabilities has confirmed that £1.8 million of the £1.96 million shown as "Other employee related litigation" was not in fact a legal case. Therefore the 2015/16 reported value has been extracted and included in the "Employee Pension" line.

Contingent liabilities are those for which provisions have not been recorded as there is a possible obligation depending on uncertain future events, or a present obligation where payment is not probable or the amount cannot be measured reliably.



## 14. Commitments

### 14.1 Capital commitments

	Parent		Consolidated Group	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
Property, plant and equipment	2,675	332	2,855	429
<b>Total</b>	<b>2,675</b>	<b>332</b>	<b>2,855</b>	<b>429</b>

### 14.2 Other financial commitments

NHS England has entered into non-cancellable contracts (which are not leases, private finance initiative contracts or other service concession arrangements) which expire as follows:

	Parent		Consolidated Group	
	2016/17	2015/16	2016/17	2015/16
	£000	£000	£000	£000
In not more than one year	125,920	80,368	224,440	165,778
In more than one year but not more than five years	421,921	371,819	657,291	563,988
In more than five years	80,304	219,796	146,228	321,811
<b>Total</b>	<b>628,145</b>	<b>671,983</b>	<b>1,027,959</b>	<b>1,051,577</b>

In the parent account the most significant contracts relate to:

- contract with Capita for the delivery of administration services for Primary Care
- PET Scanner contract with Alliance Medical.

In the group account the most significant contracts relate to:

- contract with Virgin Healthcare for the delivery of Community Services in Staffordshire.

## 15. Financial instruments

### 15.1 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 NHS England is financed through parliamentary funding, it 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. NHS England 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 CCG in undertaking its activities.

Treasury management operations are carried out by the finance department, within parameters defined formally within the NHS England standing financial instructions and policies agreed by the Governing Body. Treasury activity is subject to review by the NHS England internal auditors.

#### 15.1.1 Currency risk

NHS England is principally a domestic organisation with the great majority of transactions, assets and liabilities being in the UK and sterling based.

NHS England has no overseas operations. NHS England therefore has low exposure to currency rate fluctuations.

#### 15.1.2 Interest rate risk

NHS England does not have any borrowings that are subject to interest rate risk.

### **15.1.3 Credit risk**

Because the majority of NHS England revenue comes from parliamentary funding, NHS England has low exposure to credit risk. The maximum exposure as at the end of the financial year is in receivables from customers, as disclosed in the trade and other receivables note.

### **15.1.4 Liquidity risk**

NHS England is required to operate within revenue and capital resource limits, which are financed from resources voted annually by Parliament.

NHS England draws down cash to cover expenditure, as the need arises. NHS England is not, therefore, exposed to significant liquidity risks.

### **15.1.5 Financial instruments**

As the cash requirements of NHS England are met through the Estimate process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with NHS England's expected purchase and usage requirements and NHS England is therefore exposed to little credit, liquidity or market risk.

## 16. Operating segments

### Consolidated Group 2016/17

	CCGs £000	Direct commissioning £000	NHS England £000	Other £000	Intra-group eliminations £000	NHS England group total £000
Income	(1,089,513)	(1,547,506)	(56,051)	(646,165)	1,096,781	(2,242,454)
Gross expenditure	77,710,491	26,907,600	2,992,480	388,132	(1,096,781)	106,901,922
<b>Total net expenditure</b>	<b>76,620,978</b>	<b>25,360,094</b>	<b>2,936,429</b>	<b>(258,033)</b>	<b>-</b>	<b>104,659,468</b>

### Revenue resource expenditure

Revenue departmental expenditure limit						104,896,663
Annually managed expenditure						(307,842)
Technical expenditure						70,647
<b>Total net expenditure</b>						<b>104,659,468</b>

### Consolidated Group 2015/16

	CCGs £000	Direct commissioning £000	NHS England £000	Other £000	Intra-group eliminations £000	NHS England group total £000
Income	(1,037,148)	(1,543,667)	(50,957)	(912,178)	1,351,442	(2,192,508)
Gross expenditure	73,602,211	28,267,150	1,342,154	523,869	(1,351,442)	102,383,942
<b>Total net expenditure</b>	<b>72,565,063</b>	<b>26,723,483</b>	<b>1,291,197</b>	<b>(388,309)</b>	<b>-</b>	<b>100,191,434</b>

### Revenue resource expenditure

Revenue departmental expenditure limit						100,372,452
Annually managed expenditure						(253,960)
Technical expenditure						72,942
<b>Total net expenditure</b>						<b>100,191,434</b>

The reportable segments disclosed within this note reflect the current structure of NHS England with the activities of each reportable segment reflecting the remit of the organisation. These operating segments are regularly reported to the NHS England Board of Directors for financial management and decision making purposes.

The activities of each segment are defined as follows:-

CCGs - clinically led groups that are responsible for commissioning healthcare services as defined in the Health and Social Care Act 2012.

Direct Commissioning - the services commissioned by NHS England (via Local Offices and Specialised Commissioning Hubs) as defined in the Health and Social Care Act 2012.

NHS England - the central administration of the organisation and centrally managed programmes.

Other - includes CSUs, social care, national reserves, technical accounting items and legacy balances.

Multiple transactions take place between reportable segments, all of which are eliminated upon consolidation as shown in the 'Intra-group eliminations' column. Information on total assets and liabilities and net assets and liabilities is not separately reported to the Chief Operating Decision Maker and thus, in accordance with IFRS 8, does not form part of this disclosure.

## 17. Related party transactions

Details of related party transactions with individuals are as follows:

Related party transactions associated with the Parent are disclosed within this note. As disclosed in note 1.3 NHS England acts as the parent to 209 CCGs whose accounts are consolidated within these financial statements. These bodies are regarded as related parties with which the Parent has had various material transactions during the year; those transactions are disclosed in those entities' financial statements.

The following individuals hold director positions within NHS England and during the year NHS England has transacted with other organisations to which the directors are connected. Details of these relationships and transactions are set out below.

### 2016/17

Name and position in NHS England	Related party	Nature of relationship	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Professor Sir Malcom Grant - Chair	Cancer Research	Family member is an employee	110	170	-	156
Professor Sir Malcom Grant - Chair	University of York	Chancellor	45	-	5	-
Lord Victor Adebowale - Non-executive director	Turning Point	Chief Executive Officer and Company Secretary	1,138	-	16	-
Lord Victor Adebowale - Non-executive director	IOCOM	Non-executive director	12	-	-	-
Lord Victor Adebowale - Non-executive director	Co-operative Society	Board member	4	-	-	-
Professor Sir John Burn - Non-executive director	Newcastle University.	Professor of Clinical Genetics	261	16	-	-
Professor Sir John Burn - Non-executive director	Newcastle Hospitals NHS Foundation Trust	Honorary Consultant Clinical Geneticist	392,627	7	3,124	-
Professor Sir John Burn - Non-executive director	Advisory Board to Astra Zeneca	Member	-	23	-	2
Professor Sir John Burnn - Non-executive director	Health Education England	Genomics Advisory Board, member	11,558	176,426	516	19,444
Dame Moira Gibb - Non-executive director	Skills for Health	Chair	216	-	42	-
Dame Moira Gibb - Non-executive director	University of Reading	Council member	3	-	-	-
Noel Gordon - Non-executive director	Uservice.org	Chairman of Board of Trustees	142	-	24	-
Noel Gordon - Non-executive director	NHS Digital	Chair	2,644	-	8,251	-
Noel Gordon - Non-executive director	Age UK	Member	26	-	5	-
Noel Gordon - Non-executive director	University of Warwick, Audit and Risk Committee	Member	97	-	-	-

## 2016/17 continued...

Name and position in NHS England	Related party	Nature of relationship	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
David Roberts - Non-executive director	Henley Business School, University of Reading	Member, Strategy Board	3	-	-	-
Wendy Becker - Non-executive director	Cancer Research UK	Deputy Chairman	110	170	-	156
Wendy Becker - Non-executive director	SAID School Business Advisory Body, Oxford University	Member	25	-	-	-
Wendy Becker - Non-executive director	BUPA association	Member	16	-	-	-
Joanne Shaw - Non-executive director	Nuffield Health	Deputy Chair and Governor	2,558	-	435	-
Joanne Shaw - Non-executive director	Imperial College Healthcare Trust	Family member is Non Executive Director	326,335	-	704	29
Ian Dodge - National director	Institute of Global Health Innovation, Imperial College London	Adjunct Professor	193	1	-	-
Professor Sir Bruce Keogh - National director	Cancer research UK	Company member	110	170	-	156
Matthew Swindells - National director	Royal College of General Practitioners	Member of Research and Surveillance Centre Advisory Board	757	-	492	-

The Department of Health, as the parent of NHS England, is regarded as a related party. During the year NHS England has had a significant number of material transactions with entities for which the Department is regarded as the parent Department.

For example:

- NHS Foundation Trusts
- NHS Trusts
- NHS Litigation Authority
- NHS Business Services Authority, and
- NHS Property Services.

In addition, NHS England has had a number of material transactions with other government departments and other central and local government bodies. The compensation paid to key management personnel can be found in the remuneration report on pages 161-170.

Name and position in NHS England	Related party	Nature of relationship	Payments to related party £000	Receipts from related party £000	Amounts owed to related party £000	Amounts due from related party £000
Professor Sir Malcom Grant - Chair	University College London (UCL)	Non-executive, former President and Provost	673	-	114	-
Professor Sir Malcom Grant - Chair	UCL Partners	Ex Board member	4,132	-	274	-
Professor Sir Malcom Grant - Chair	Genomics England Ltd	Director	53	-	-	-
Professor Sir Malcom Grant - Chair	Cancer Research	Family member is an employee	222	368	-	77
Professor Sir Malcom Grant - Chair	University of York	Chancellor	76	-	5	-
Lord Victor Adebowale - Non-executive director	Turning Point	Chief Executive Officer and Company Secretary	1,226	-	-	-
Lord Victor Adebowale - Non-executive director	University of Lincoln	Chancellor & Visiting Professor	2	-	-	-
Lord Victor Adebowale - Non-executive director	London School of Economics	Governor	17	-	34	-
Professor Sir John Burn - Non-executive director	Newcastle University	Professor of Clinical Genetics	711	-	-	-
Professor Sir John Burn - Non-executive director	Newcastle Hospitals NHS Foundation Trust	Honorary Consultant Clinical Geneticist	377,551	-	1,008	-
Professor Sir John Burn - Non-executive director	Genomics England	Science Advisory Committee	53	-	-	-
Professor Sir John Burn - Non-executive director	Health Education England	Genomics Advisory Board, member	15,261	193,058	1,954	28,469
Margaret Casely-Hayford - Non-executive director	Metropolitan Police	Panel	130	-	-	-
Dame Moira Gibb - Non-executive director	Skills for Health	Chair	57	-	70	-
Dame Moira Gibb - Non-executive director	University of Reading	Council member	3	-	-	-
David Roberts - Non-executive director	Henley Business School, University of Reading	Member, Strategy Board	1	-	-	-
Wendy Becker - Non-executive director	Cancer Research UK	Unremunerated	222	368	-	77
Ed Smith -- Non-executive director to 30 September 2015	PWC	Retired Senior Partner	3,301	-	-	-
Ed Smith - Non-executive director to 30 September 2015	University of Birmingham	Pro Chancellor and Chair of Council	132	-	12	-
Ed Smith - Non-executive director to 30 September 2015	Crown Commercial Services	Non-Executive Chairman	33	-	-	-
Professor Jane Cummings - National director	Macmillan Cancer Support	Director and Trustee	6	189	-	153
Professor Sir Bruce Keogh - National director	Royal College of Surgeons in England (previous Member of Council)	Fellow	174	-	-	-
Professor Sir Bruce Keogh - National director	Royal College of General Practitioners	Honorary Fellow	832	-	8	-

## 2015/16 continued...

<b>Name and position in NHS England</b>	<b>Related party</b>	<b>Nature of relationship</b>	<b>Payments to related party £000</b>	<b>Receipts from related party £000</b>	<b>Amounts owed to related party £000</b>	<b>Amounts due from related party £000</b>
Professor Sir Bruce Keogh - National director	Faculty of Medical Management and Leadership	Honorary Member	382	-	-	-
Professor Sir Bruce Keogh - National director	Cancer research UK	Company Member	222	368	-	77
Dame Barbara Hakin - National director to 31 December 2015	Ernst and Young	Family member is an employee	2,315	-	1	-
Dame Barbara Hakin - National director to 31 December 2015	NHS Trust Development Authority	Family member is an employee	151	-	-	-
Dame Barbara Hakin - National director to 31 December 2015	Leeds Teaching Hospitals NHS Trust	Family member is an employee	461,656	-	597	40
Tim Kelsey - National director to 31 December 2015	ZPB	Partner is a director, this is a health strategy company	-	-	37	-

The Department of Health, as the parent of NHS England, is regarded as a related party. During the year NHS England has had a significant number of material transactions with entities for which the DH is regarded as the parent Department.

For example:

- NHS Foundation Trusts
- NHS Trusts
- NHS Litigation Authority
- NHS Business Services Authority, and
- NHS Property Services

In addition, NHS England had only a number of material transactions with other government departments and other central and local government bodies.

The compensation paid to key management personnel can be found in the remuneration report on page 161-170.



## 18. Events after the end of the reporting period

The Accounts were authorised for issue by the Accounting Officer on the date of the Audit Certificate of the Comptroller & Auditor General.

There are no adjusting events after the reporting period which will have a material effect on the financial statements of NHS England.

From 1 April 2017 a further 62 CCGs commenced delegated commissioning arrangements, taking the total number operating under this initiative to 174. These arrangements were first introduced in 2014/15 as part of the NHS Five Year Forward View, under which CCGs assume full responsibility for contractual GP performance management and the design and implementation of local incentive schemes. This will result in a switch in expenditure from NHS England to those CCGs and a corresponding increase in funding to those CCGs.

## 19. Financial performance targets

The mandate: A mandate from Government to NHS England: April 2016 to March 2017 published by the Secretary of State under section 13A of the National Health Service Act 2006, and the associated Financial Directions as issued by the DH, set out NHS England's total revenue resource limit and total capital resource limit for 2016/17 and certain additional expenditure controls to which NHS England must adhere. These stem from budgetary controls that HM Treasury applies to the DH. Those limits were revised in March 2017 and NHS England's performance against those revised limits is set out in the tables below.

	2016/17					2015/16
	Revenue departmental expenditure limit		Annually managed expenditure	Technical	Total	Total
	Non ringfenced	Ringfenced				
	£000	£000	£000	£000	£000	£000
Mandate limit	105,702,000	166,000	300,000	360,000	<b>106,528,000</b>	<b>102,205,000</b>
Actual expenditure	104,800,435	96,228	(307,842)	70,647	<b>104,659,468</b>	<b>100,191,434</b>
<b>Surplus</b>	<b>901,565</b>	<b>69,772</b>	<b>607,842</b>	<b>289,353</b>	<b>1,868,532</b>	<b>2,013,566</b>
Revenue resource limit (excluding planned surplus c/f into 2016/17 of £497m)						<b>101,708,000<sup>13</sup></b>
<b>2015/16 Surplus (excluding planned surplus c/f)</b>	<b>599,127</b>	<b>76,421</b>	<b>553,960</b>	<b>287,058</b>		<b>1,516,566</b>

	2016/17	2015/16
	Capital resource limit	Capital resource limit
	£000	£000
Limit	260,000	300,000
Actual expenditure	226,875	176,142
<b>Surplus</b>	<b>33,125</b>	<b>123,858</b>

13. The above table has been slightly amended from the 2015/16 accounts presentation, as there is no required surplus within the 2016/17 revenue resource limit.

NHS England is required to spend no more than £1,832,000,000 of its Revenue Departmental Expenditure Limit mandate on matters relating to administration in the full year. The actual amount spent on RDEL administration matters to 31st March 2017 was £1,595,463,000 as set out below.

	<u>2016/17</u>	<u>2015/16</u>
<b>Administration limit:</b>	<b>£000</b>	<b>£000</b>
Net administration costs before interest	1,609,025	1,652,709
Less:		
Administration expenditure covered by AME/Technical funding	(13,562)	(3,855)
Administration costs relating to RDEL	1,595,463	1,648,854
RDEL administration expenditure limit	1,832,000	1,862,000
<b>Underspend</b>	<b>236,537</b>	<b>213,146</b>

The various limits of expenditure set out in the table above stem from the limits imposed by HM Treasury on the DH. Departmental Expenditure Limits are set in the Spending Review, and government departments may not exceed the limits they have been set. This control is passed down to NHS England by the DH and NHS England may not therefore exceed its Departmental Expenditure Limit.

Annually Managed Expenditure budgets are set by HM Treasury and may be reviewed with departments in the run-up to the Budget. Departments must manage AME closely and inform HM Treasury if they expect AME to rise above forecast. Any increase requires Treasury approval.

There are clear rules governing the classification of certain types of expenditure as Annually Managed Expenditure or Departmental Expenditure Limit.

## 20. Entities within the Consolidated Group

NHS England acts as the Parent of the group comprising 209 CCGs whose accounts are consolidated within these Financial Statements.

From the 1st of April 2017 this became 207 CCGs with the merger of NHS Central Manchester CCG, NHS North Manchester CCG and NHS South Manchester CCG to form NHS Manchester CCG.

A full list of the CCGs can be found on the NHS England website.

The parent entity of NHS England is the DH.

The largest group of entities for which group accounts are drawn up and of which NHS England is a member is the DH Group.

Copies of the accounts can be obtained from [www.gov.uk/government/publications](http://www.gov.uk/government/publications).