

NHS foundation trust annual reporting manual 2024/25

February 2025





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Introduction

About this document

This document contains the requirements for NHS foundation trusts preparing their annual report, and also contains NHS England's accounts direction (annex 1 to chapter 1).

This document does not relate to NHS trusts, which should solely refer to the *Department of Health and Social Care Group Accounting Manual 2024/25 (DHSC GAM 2024/25)*.

Requirements for foundation trust annual reports and accounts

In this document, the *NHS Foundation Trust Annual Reporting Manual 2024/25 (FT ARM 2024/25)*, we set out the requirements for foundation trusts' annual reports. It contains the formal accounts direction for foundation trusts and the requirements for the basic structure, but foundation trusts should also follow the *Department of Health and Social Care Group Accounting Manual 2024/25 (DHSC GAM 2024/25)* for detailed requirements for their accounts.

As explained in Chapter 1, an NHS foundation trust's annual report and accounts should be presented as one document.

Summary of changes for 2024/25: annual reports

For ease of reference, the main changes in annual report requirements compared to the *NHS Foundation Trust Annual Reporting Manual 2023/24 (FT ARM 2023/24)* are set out below. Changes are also shown in ***bold italics*** in this document except where this would impair clarity in large sections and a drafting note is added.

	Area of change	Reference in FT ARM
New and changed requirements		
1.	Task force on climate-related financial disclosures (TCFD) NHS foundation trusts are required to follow the 'task force on climate-related financial disclosures' requirements on a comply or explain basis. From 2024/25 entities should disclose how they identify, assess and manage climate related risks as part of the risk management pillar. Metrics and targets used in assessment and management of climate issues should also be disclosed.	Annex 7 to chapter 2

	Area of change	Reference in FT ARM
Minor changes and clarifications		
2.	Good practice in annual reporting The National Audit Office has produced a good practice guide with examples of published annual reports that illustrate how effective presentation can support the requirements of The Government Financial Reporting Manual.	Paragraph 2.6
3.	Off-payroll working HM Treasury has updated guidance on the application of off-payroll working rules (IR35). Links to this have been updated to the new guidance.	Paragraph 2.104 and annex 6 to chapter 2
4.	Impracticability in remuneration report Guidance has been added that where disclosure requirements are impracticable for the entity to follow, this should be stated and the approach taken disclosed.	Paragraph 2.46
5.	Fair pay disclosures: prior year services paid in current year Guidance has been added on adjusting fair pay disclosures where significant amounts remunerated in the current financial year relate to services rendered in a previous financial year.	Paragraph 2.89
6.	Requirement for TCFD disclosures The 2023/24 FT ARM included an inconsistency in that annex 7 of chapter 2 indicated TCFD reporting was only required for trusts with income over £500m. Footnote 10 on page 25 correctly noted that the requirement was for any trust with over 500 employees or operating income in excess of £500m. All foundation trusts have more than 500 employees. For the avoidance of doubt all foundation trusts are therefore required to include TCFD disclosures with their annual report.	Annex 7 to chapter 2

For changes in accounts requirements, please see the [DHSC GAM 2024/25](#) and accompanying [consultation](#) document.

Signature arrangements

Where signed documents relating to the annual report and accounts are submitted to NHS England, electronic signatures in documents will be accepted.



1. Annual report and accounts preparation and submission requirements


Statutory requirements for NHS foundation trusts' annual reports

- 1.1. Schedule 7, paragraph 26 of the NHS Act 2006 (the 2006 Act) requires NHS foundation trusts to prepare an annual report. Paragraph 26(3) of Schedule 7 provides that it is for NHS England to decide the form of the reports, when the reports are to be submitted, and the periods to which the reports relate.
- 1.2. NHS England's decision as to the requirements for NHS foundation trusts' annual reports is set out in Annex 1 to this chapter.
- 1.3. The detailed requirements for foundation trusts' annual reports are set out in Chapter 2. We base these requirements on those contained in *HM Treasury's Financial Reporting Manual (FReM)*,¹ adapted as necessary for NHS foundation trusts.

Statutory requirements for NHS foundation trusts' annual accounts

- 1.4. Schedule 7, paragraph 25(1) of the 2006 Act requires NHS foundation trusts to prepare annual accounts. Paragraph 25(2) of Schedule 7 provides that it is for NHS England to decide the form and content of the accounts.
- 1.5. NHS England's directions to NHS foundation trusts are set out in Annex 1 to this chapter.
- 1.6. The detailed requirements for foundation trusts' accounts are set out in the *DHSC GAM 2024/25*, as guided by our accounts direction. The annual accounts for NHS foundation trusts must include four primary statements (Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity and a Statement of Cash Flows), which should follow the presentational form set out in the summarisation schedules for providers issued by NHS England, although lines that are nil in the

¹ www.gov.uk/government/collections/government-financial-reporting-manual-frem



current and prior year can be omitted for clarity. Immaterial lines may be aggregated. Items must not be moved in or out of operating income or operating expenditure compared to the summarisation schedules.

The summarisation schedules for foundation trusts are termed Trust Accounts Consolidation (TAC) schedules and are included in NHS England's Provider Financial Return (PFR) forms. The accounts should also contain the notes to the accounts. Disclosures entitled 'note' (rather than 'table') in the TAC schedules should be included in the accounts, but entities have discretion over their precise format and these may be omitted if immaterial.

1.7. The *DHSC GAM* will be supported by the following materials to be issued by NHS England:

- the TAC schedules must be submitted to NHS England to support production of the provider consolidated accounts
- an accounts template, which is not mandatory for use
- template NHS provider accounting policies. Any deviation from the accounting policies in the *DHSC GAM* upon which these are based should be confirmed to NHS England via the confirmation question in the TAC schedules.

1.8. These materials will be issued as follows:

- in December 2024 and January 2025, for use in the month 9 exercise submitted in January 2025 and
- in March 2025 for use in the year end accounts.

1.9. The *DHSC GAM* sets out how these materials should be used.

Content of the annual report and accounts

1.10. The annual report and accounts of an NHS foundation trust consist of:

- the performance report comprising:
 - overview of performance
 - performance analysis
- the accountability report, comprising:
 - directors' report
 - remuneration report
 - staff report
 - the disclosures set out in the *Code of governance for NHS provider trusts*


- *NHS Oversight Framework*
- statement of accounting officer's responsibilities
- annual governance statement
- the auditor's report including certificate
- the foreword to the accounts which should state that the accounts are prepared in accordance with paragraphs 24 and 25 of Schedule 7 to the NHS Act 2006 and are presented to Parliament pursuant to Schedule 7, paragraph 25 (4) (a) of the National Health Service Act 2006
- four primary financial statements (see paragraph 1.6) and
- the notes to the accounts.

1.11. NHS foundation trusts are able to present their annual report and accounts in any way they choose, providing they are compliant with this manual for the annual report and with IFRS and the additional requirements in the *DHSC GAM* for the annual accounts. The sections of the annual report and accounts must follow the overall format set out in paragraph 1.10.

Deadlines, approval and publication procedures

- 1.12. The deadlines for the production of the NHS foundation trust annual reports and accounts for the year ended 31 March 2025 will be published separately in a letter and available [here](#).² **Please note it is the responsibility of the trust's Accounting Officer (not the auditor) to comply with these requirements. Our annual report and accounts timetable letter forms part of our direction to foundation trusts on the requirements for annual accounts.**
- 1.13. Auditors are required to read the information in the annual report and refer to this in their audit report. Therefore, the draft annual report must be submitted to the auditor to allow them sufficient time to do this prior to signing their opinion on the accounts.
- 1.14. The annual report and accounts submitted after audit (per timetable referred to in paragraph 1.12) must be formally approved by the NHS foundation trust board of directors (the board). After approval by the board, the chief executive, as the Accounting Officer, should sign and date the Statement of Financial Position and annual report (as guided in our direction) as evidence of this. As Accounting Officer, the chief executive should also sign the foreword to the accounts, the annual governance statement and the remuneration report. The annual report and accounts should disclose the


² <https://www.england.nhs.uk/financial-accounting-and-reporting/financial-reporting/>



name of the person who signed them. Once the annual report and accounts have been approved the auditor will sign the opinion on the accounts.

- 1.15. Once the annual report and accounts have been approved, the chief executive (in capacity as Accounting Officer) and director of finance must sign a certificate which states that the consolidation schedules are consistent with the annual accounts. Annex 2 to this chapter includes the required wording for such a certificate.
- 1.16. NHS foundation trusts are required to lay their annual report and accounts, with any report of the auditor on them, before Parliament (paragraph 25(4)(a)), Schedule 7 of the 2006 Act) to enable parliamentary scrutiny.
- 1.17. The requirement to lay the annual report and accounts before Parliament means that they are classified as an Act Paper and become the property of Parliament. There are strict rules about the format of the publication and these must be followed in every case. Full details are contained in Annex 5 to Chapter 2 of the *DHSC GAM 2024/25* and in [separate guidance](#)³ issued by the Department.
- 1.18. The annual report and accounts that are laid before Parliament **must include the full statutory accounts and not summarised information**. The annual report and accounts each NHS foundation trust submits to Parliament to be laid must be one document.
- 1.19. The annual report submitted at the end of the audit process (see timetable referred to in paragraph 1.12) must include all of the text which will be included in the final publication submitted to Parliament. This is because the auditors will need to see the form of the annual report prior to signing their opinions. The period before submission to Parliament is to allow NHS foundation trusts time to format the document to the standards required for publication.
- 1.20. Until the annual report and accounts have been laid before Parliament nothing can be published by the NHS foundation trust for the wider public.
- 1.21. Once laid before Parliament the annual report and accounts cannot be changed. However, NHS foundation trusts have the discretion to publish an additional summarised document locally; see paragraph 1.26 for more details.
- 1.22. Copies of the audited annual accounts, any report of the auditor and the latest annual report must be made available for inspection by members of the public free of charge at all reasonable times (paragraph 22(1), Schedule

³ www.gov.uk/government/publications/department-of-health-guidance-on-laying-accounts-in-parliament



7 of the 2006 Act). It is the foundation trust's own responsibility to ensure that once laid before Parliament, the annual report and accounts are made available to the public. Any person who requests a copy of or an extract from any of these documents must be provided with one, although a reasonable copying charge may be levied where the person requesting a physical copy or extract is not a member of the NHS foundation trust (paragraph 22(4), Schedule 7 of the 2006 Act).

- 1.23. The National Audit Office's guidance to auditors requires foundation trust auditors to issue an auditor's annual report. The auditor's annual report is intended to be a public document and foundation trusts must ensure that the document is made available to members of the public free of charge. The document should not be made publicly available until after the annual report and accounts have been laid before Parliament. We suggest that publication on the foundation trust's website alongside the annual report and accounts is the easiest way to ensure the auditor's annual report is made available.


Annual general meeting of the council of governors

- 1.24. The annual report and accounts and auditor's report on the accounts must be presented to the council of governors at a meeting of the council of governors (paragraph 28, Schedule 7 of the 2006 Act). This meeting of the council of governors should be convened within a reasonable timescale after the end of the financial year but must not be before the annual report and accounts have been laid before Parliament.
- 1.25. It is suggested that an advertisement be placed in the local media not less than 14 days prior to the date of the meeting, stating:
- the time, date and location of the meeting and
 - that copies of the annual report and accounts (or annual report and summary financial statements) of the NHS foundation trust are available, on request, prior to the meeting and how copies can be obtained.

Performance report: overview with supplementary material

- 1.26. Once the full annual report and accounts have been laid before Parliament, NHS foundation trusts have discretion as to whether they wish to publish the full document locally or a separate performance report: overview⁴ together with supplementary material.

⁴ The Companies Act 2006 refers to publishing a strategic report with supplementary material. The *FReM* has replaced the strategic report in the public sector with the performance report. NHS England considers that the performance report: overview section (as defined in Chapter 2) is the equivalent to the strategic report for these purposes.



1.27. The performance report: overview and supplementary material must be made available to the public free of charge, although a reasonable copying charge may be levied for copies of the full audited accounts where the decision has been made to publish the performance report: overview and supplementary material. The supplementary material must, as a minimum in accordance with s426A of the Companies Act 2006:

- contain a statement that the performance report: overview with supplementary material is only part of the foundation trust's annual report and accounts
- state how a person can obtain a copy of the foundation trust's full annual report and accounts
- state whether the auditor's report on the full annual report and accounts was unmodified or modified and, if qualified, set out the auditor's report in full together with any further material needed to understand the modification
- state whether, in that auditor's report, the auditor's statement as to whether the performance report and accountability report was consistent with the accounts was unqualified or qualified and, if it was qualified, set out the qualified statement in full together with any further material needed to understand the qualification and
- contain a copy of that part of the directors' remuneration report which sets out the single total figure table in respect of the foundation trust's directors' remuneration (in accordance with the requirements of Chapter 2 of this manual).

1.28. The performance report: overview and supplementary material must also contain the Annual Governance Statement.

1.29. The performance report: overview and supplementary material must not be published before the full annual report and accounts have been laid before Parliament.

NHS foundation trusts in their first period of operation

1.30. In the first period of operation of an NHS foundation trust as a new legal entity (including authorisation of a predecessor NHS trust), any requirement in the *FT ARM* to provide a prior period comparative against a disclosure should be ignored and no comparatives presented. Where a disclosure shows movements in the current year (for example the table for total pension entitlements), '1 April xxxx' should instead be substituted with the start of the current reporting period.




NHS foundation trusts in their first period of operation following authorisation of an existing NHS trust

- 1.31. When an NHS trust is authorised as an NHS foundation trust, an annual report and accounts must still be published for the final period of the NHS trust's existence. This may cover a full financial year where the change in status occurs on 1 April or a shorter period where the change in status occurs during the financial year. NHS foundation trusts will be required to prepare the final accounts and summarisation schedules for the predecessor NHS trust and meet the deadlines set by NHS England.
- 1.32. A public meeting must be held by 30 September following the end of the financial year in which the NHS foundation trust was authorised at which the predecessor NHS trust's final annual report and accounts for the final period of NHS trust status must be presented.
- 1.33. The annual report, annual accounts and consolidation schedules for the final period of NHS trust status must be prepared in accordance with the *DHSC GAM* for the period in question as applicable to NHS trusts. Two separate annual reports and accounts should be produced (rather than combined into one) as the corporate governance regimes and reporting frameworks are different for each type of body.
- 1.34. Further details are set out in Annex 9 to Chapter 4 of the *DHSC GAM*.


NHS foundation trusts in their final period of operation

- 1.35. Where an NHS foundation trust ceases to exist during or at the end of a financial year, the annual report and accounts should be prepared for that period in accordance with this manual and the *DHSC GAM*. The annual report and accounts should be prepared for the period from 1 April up to the date that the NHS foundation trust ceased to exist. This date may be considered to be the day before the date cited in a transfer order and/or legislation which transfers assets and liabilities to other bodies and dissolves the trust at midnight on that date. For example, if the trust is dissolved on 1 October (at midnight), it is reasonable to prepare for the final period accounts as at 30 September, immediately prior to the outward transfers. References to 31 March elsewhere in this manual should be read as the date at the end of the reporting period. The final period annual report and accounts should be submitted in line with the standard timetable referred to in paragraph 1.12 above.
- 1.36. When an NHS foundation trust ceases to exist and its services, assets and liabilities are transferring to another NHS body/(ies) or the Secretary of State, one of the receiving bodies will assume responsibility for the preparation of the final period annual report and accounts. Where the transfer and closure occurs significantly earlier than 31 March, the



receiving body may wish to prepare the final period accounts in advance of the deadlines referred to in paragraph 1.12. In any case, the annual report and accounts can only be finalised once the post-consultation *FT ARM* and *DHSC GAM* for that year have been issued. The receiving body will also be asked to provide a later Events after the Reporting Period confirmation to NHS England for the purposes of the consolidated foundation trust accounts and the whole of government accounts.

- 1.37. The chief executive of the nominated receiving body referred to in paragraph 1.36 will be required to take on the role of accounting officer for this final period annual report and accounts. The chief executive should ensure they are able to obtain the necessary assurances to enable them to make the required declarations.
- 1.38. NHS foundation trusts are reminded to refer to the *DHSC GAM* which sets out how the going concern concept is adapted for the public sector. This definition will continue to apply to the final period annual report and accounts.
- 1.39. Where an NHS foundation trust in special administration has ceased to provide services and its NHS provider licence has been revoked during the year but the entity continued to exist at the end of the financial year, it remains that foundation trust's responsibility to prepare an annual report and accounts for the year and have them audited. The annual report and accounts will be prepared for the full financial year and should be prepared in accordance with the requirements of this manual. It is likely that such a shell organisation will have arrangements in place with another entity (probably a receiving body for its former services) to prepare the annual report and accounts on its behalf, but it is the Accounting Officer of the now unlicensed foundation trust who will certify the annual report and accounts.
- 1.40. The requirement in paragraph 28, Schedule 7 of the 2006 Act that an NHS foundation trust's annual report and accounts must be presented to the council of governors does not apply to the final period annual report and accounts. This is because the council of governors for that NHS foundation trust will no longer exist when the final period annual report and accounts are prepared.
- 1.41. The requirement in paragraph 25(4a), Schedule 7 of the 2006 Act that an NHS foundation trust's annual accounts should be laid before Parliament will continue to apply. This responsibility will fall to the receiving body referred to in paragraphs 1.36 and 1.37. Where the foundation trust continues to exist but is unlicensed at the end of the financial year, that foundation trust is responsible for ensuring the annual report and accounts



are laid before Parliament, although this may be performed with the support of another organisation as envisaged by paragraph 1.39.

- 1.42. Quality accounts are prepared for a 12 month period;⁵ therefore an organisation that demises before 31 March is not required to prepare a quality account.
- 1.43. Further guidance is provided in Annex 9 to Chapter 4 of the *DHSC GAM*.

⁵ Specified in section 9(2) of the Health Act 2009



Annex 1 to Chapter 1: Decisions and Directions

NATIONAL HEALTH SERVICE ACT 2006

DECISION BY NHS ENGLAND IN RESPECT OF NHS FOUNDATION TRUSTS' ANNUAL REPORTS

NHS England, in exercise of powers conferred on it by paragraph 26 of Schedule 7 to the National Health Service Act 2006, hereby decides that:

1. The annual report of each NHS foundation trust shall be in the form and provide such information as laid down in the annual reporting guidance for NHS foundation trusts within the *NHS Foundation Trust Annual Reporting Manual (FT ARM)* that is in force for the relevant financial year.
2. The annual report of each NHS foundation trust shall be submitted in accordance with the requirements specified in the *FT ARM* and accompanying timetable letter as to when such reports must be sent to NHS England.
3. The following sections contained in each annual report shall be signed and dated by the chief executive of the NHS foundation trust to which it relates:
 - the performance report
 - the accountability report
 - the remuneration report
 - the annual governance statement.

Signed by authority of NHS England

Signed:

Name: Amanda Pritchard (Chief Executive)

Dated: February 2025



NATIONAL HEALTH SERVICE ACT 2006

DIRECTIONS BY NHS ENGLAND IN RESPECT OF NHS FOUNDATION TRUSTS' ACCOUNTS

NHS England, with the approval of the Secretary of State, in exercise of powers conferred on it by paragraphs 24(1A) and 25(1) of Schedule 7 to the National Health Service Act 2006 (the '2006 Act'), hereby gives the following Directions:

1. Application and interpretation

(1) These Directions apply to NHS foundation trusts in England.

(2) In these Directions:

(a) references to "the accounts" and to "the annual accounts" refer to:

for an NHS foundation trust in its first operating period since being authorised as an NHS foundation trust, the accounts of an NHS foundation trust for the period from point of licence until 31 March

for an NHS foundation trust in its second or subsequent operating period following initial authorisation, the accounts of an NHS foundation trust for the period from 1 April until 31 March

for an NHS foundation trust in its final period of operation and which ceased to exist as an entity during the year, the accounts of an NHS foundation trust for the period from 1 April until the end of the reporting period

(b) "the NHS foundation trust" means the NHS foundation trust in question.


2. Form and content of accounts

(1) The accounts of an NHS foundation trust kept pursuant to paragraph 24(1) of Schedule 7 to the 2006 Act must comply with the requirements of the *Department of Health and Social Care Group Accounting Manual (DHSC GAM)* in force for the relevant financial year.

3. Annual accounts

(1) The annual accounts submitted under paragraph 25 of Schedule 7 to the 2006 Act shall show, and give a true and fair view of, the NHS foundation trust's income and expenditure, cash flows and financial state at the end of the financial period.

(2) The annual accounts shall follow the requirements as to form and content set out in chapter 1 of the *NHS Foundation Trust Annual Reporting Manual (FT ARM)* in force for the relevant financial year.



(3) The annual accounts shall comply with the accounting requirements of the *Department of Health and Social Care Group Accounting Manual (DHSC GAM)* as in force for the relevant financial year.

(4) The Statement of Financial Position shall be signed and dated by the chief executive of the NHS foundation trust.

4. Annual accounts: Statement of accounting officer's responsibilities

(1) The statement of accounting officer's responsibilities in respect of the accounts shall be signed and dated by the chief executive of the NHS foundation trust.

5. Annual accounts: Foreword to accounts

(1) The foreword to the accounts shall be signed and dated by the chief executive of the NHS foundation trust.

Signed by the authority of NHS England

Signed:

Name: Amanda Pritchard (Chief Executive)

Dated: February 2025



Annex 2 to Chapter 1: Example Certificate on Summarisation Schedules

Trust Accounts Consolidation (TAC) Summarisation Schedules for [...] NHS Foundation Trust

Summarisation schedules numbers TAC01 to TAC34 and accompanying WGA sheets for 2024/25 have been completed and this certificate accompanies them.

Finance Director Certificate

1. I certify that the TAC schedules have been compiled and are in accordance with:
 - the financial records maintained by the NHS foundation trust
 - accounting standards and policies which comply with the *Department of Health and Social Care's Group Accounting Manual* and
 - the template NHS provider accounting policies issued by NHS England, or any deviation from these policies has been fully explained in the Confirmation questions in the TAC schedules.
2. I certify that the TAC schedules are internally consistent and that there are no validation errors*.
3. I certify that the information in the TAC schedules is consistent with the financial statements of the NHS Foundation Trust [****except for** [insert text on where the schedules differ from the accounts and explain the differences]].

[Signature]

[Name], Director of Finance

[Date]

Chief Executive Certificate

1. I acknowledge the accompanying TAC schedules, which have been prepared and certified by the Finance Director, as the TAC schedules which the Foundation Trust is required to submit to NHS England.
2. I have reviewed the schedules and agree the statements made by the Director of Finance above.

[Signature]

[Name], Chief Executive

[Date]

** If you are unable to eliminate validation errors after discussions with your auditors and contacting NHS England then amend this accordingly.*

*** Please insert the 'except for' clause only if applicable.*



2. Annual reporting guidance for NHS foundation trusts

- 2.1 This chapter sets out the requirements for the content and format of the annual report element of the annual report and accounts of NHS foundation trusts.

Content of the annual report


- 2.2 The annual report of NHS foundation trusts must, as a minimum, include:

- the performance report, comprising:
 - overview of performance
 - performance analysis
- the accountability report, comprising:
 - directors' report
 - remuneration report
 - staff report
 - the disclosures set out in the *Code of governance for NHS provider trusts*
 - *NHS Oversight Framework*
 - statement of accounting officer's responsibilities
 - annual governance statement.

- 2.3 The annual report may, at the NHS foundation trust's discretion, include additional reporting covering equality, the Modern Slavery Act 2015 and the NHS Constitution.

Principles to follow when preparing the annual report

- 2.4 The annual report should be prepared on the same 'group' basis as the accounts, including narrative. If the foundation trust has judged that it controls one or more entities under accounting standards for the purposes of its accounts, those entities should be included in the annual report disclosures where relevant. For example, when determining 'senior



managers' for the remuneration report as required by paragraph 2.53, if a controlled entity is material then consideration should be given to whether any senior managers of that entity meet the definition of a senior manager for the foundation trust group as a whole.

2.5 Chapters 2 and 3 of *HM Treasury's [Financial Reporting Manual](#)* (FReM) offer guidance on best practice in financial and narrative reporting. While primarily written for central government, the principles apply equally to NHS foundation trusts. In particular preparers should be mindful of its guidance on:

- whether information should be published, and questions to ask in determining this
- the importance of linking different parts of the annual report and accounts and achieving a balanced narrative overall
- the value of presenting trend data where available and guidance on the use of graphics and charts.

2.6 ***The National Audit Office has produced [Good Practice in annual reporting](#) which gives examples from actual annual reports of engaging presentation of information. The document is written for use across government but includes examples from NHS bodies.***


Performance report

2.7 The purpose of the performance section of the annual report is to provide information on the entity, its main objectives and strategies and the principal risks that it faces. The requirements of the performance report are based on the requirements of a Strategic Report as set out in with sections 414A, 414C and 414D⁶ of the Companies Act 2006, except for sections 414A(5) and (6) and 414D(2) which are not relevant. These requirements have been adapted for the public sector and NHS foundation trusts. The minimum requirements are contained in the subsequent paragraphs of this manual and foundation trusts do not need to refer to the regulations in order to meet the minimum requirements.

2.8 The performance report must provide a fair, balanced and understandable analysis of the entity's performance, in line with the overarching requirement for the annual report and accounts as a whole to be fair, balanced and understandable.

2.9 Performance of the organisation in both the overview and performance analysis should cover all aspects of performance and not only financial. This

⁶ As inserted/amended by the Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 (SI 2013/1970).



should include delivery against quality improvement priorities and performance against the most pertinent indicators for the NHS foundation trust in the NHS System Oversight Framework. Linkage should be made to disclosures on quality governance and data quality included in the accountability report.

- 2.10 As part of the performance report (the overview and performance analysis as appropriate) the NHS foundation trust should review the extent to which the trust has exercised its functions in accordance with the relevant plans of the integrated care board(s) (ICB(s)) for which it is a partner trust; namely (a) the relevant forward plans of the ICB (or predecessor CCGs for that ICB where these plans remain extant); (b) any joint capital resource plan agreed between the ICB, the trust and the other partner trusts of the ICB.⁷
- 2.11 If in the opinion of the directors, the disclosure of impending developments or matters in the course of negotiation would be seriously prejudicial to the interests of the foundation trust, these do not need to be disclosed.
- 2.12 The performance report shall be signed and dated by the chief executive in their capacity as Accounting Officer. The auditor will review the performance report for consistency with the financial statements.
- 2.13 The performance report is required to have two sections: an ‘overview’ and a ‘performance analysis’.

Overview

- 2.14 The purpose of the overview is to give the user a short summary that provides them with sufficient information to understand the organisation, its purpose, the key risks to the achievement of its objectives and how it has performed during the year. In referring to the NHS foundation trust, this should make reference to the objectives of the local health system of which it is a part (see paragraph 2.10). The performance report overview should be a short summary which draws together information from across the annual report and accounts to provide a holistic view of the organisation and its performance during the year. The performance overview should be enough for the lay user to have no need to look further into the rest of the annual report and accounts, unless they were interested in further detail or had specific needs.
- 2.15 The overview must include:
- a statement from the chief executive providing their perspective on the

⁷ In performing this review the NHS foundation trust may wish to refer to NHS England's guidance on good governance and collaboration: <https://www.england.nhs.uk/long-read/guidance-on-good-governance-and-collaboration/>



performance of the foundation trust over the period

- a statement of the purpose and activities of the foundation trust including a brief description of the business model and environment, organisational structure, objectives and strategies
- a brief history of the foundation trust and its statutory background
- a summary of the principal risks faced and how these have affected the delivery of objectives, how they have changed, how they have been mitigated and any emerging risks that may affect future performance. This should only serve as a summary of the further detail on risks provided in the performance analysis section, and cross-referenced to the annual governance statement where relevant⁸. This should also include the key issues and opportunities arising that could affect the foundation trust in delivering its objectives and/or its future success and sustainability
- a going concern disclosure (as set out below) and
- a summary of performance (to the extent not already covered above)

Overview: going concern

2.16 There is no presumption of going concern status for NHS foundation trusts. Directors must decide each year whether or not it is appropriate for the NHS foundation trust to prepare its accounts on the going concern basis.


2.17 The *FReM* explains:

“The anticipated continuation of the provision of a service in the future, as evidenced by inclusion of financial provision for that service in published documents, is normally sufficient evidence of going concern.”

“Where an entity ceases to exist, it should consider whether or not its services will continue to be provided (using the same assets, by another public sector entity) in determining whether to use the concept of going concern for the final set of financial statements.”

2.18 An NHS foundation trust’s assessment of whether the going concern basis is appropriate for its accounts should therefore only be based on whether it is anticipated that the services it provides will continue to be provided with the

⁸ The description of risk in the overview should serve as a summary of this detail provided in the analysis section. The performance analysis focuses on risks faced and the link to the performance of the organisation. The accountability report (annual governance statement) focuses on the arrangements for risk management, associated internal control, and the effectiveness of those controls. The performance report overview should give a summary. Clear and effective cross-referencing between the three sections is encouraged where relevant and appropriate.



same assets in the public sector. This is expected to be the case for NHS foundation trusts unless exceptional circumstances indicate otherwise; these should be discussed with NHS England. Where the continued provision of services in the public sector is anticipated to apply, there will not be any material uncertainties over going concern requiring disclosure.

2.19 Where an NHS foundation trust has or is expected to demise in its current organisational form but its services (and accompanying assets) are transferring to another NHS body, this would not prevent the going concern basis for accounts being adopted, and would also not be a material uncertainty on going concern. Clearly the changes to organisational form are important to the user of the annual report and accounts; in this scenario the going concern disclosure should cross-reference to the relevant disclosures elsewhere in the annual report and accounts.

2.20 A typical disclosure would read:

“After making enquiries, the directors have a reasonable expectation that the services provided by the NHS foundation trust will continue to be provided by the public sector for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the accounts, following the definition of going concern in the public sector adopted by HM Treasury’s Financial Reporting Manual.”


2.21 Consideration of risks to the financial sustainability of the organisation is a separate matter to the application of the going concern concept. Determining the financial sustainability of the organisation requires an assessment of its anticipated resources in the medium term. Any identified significant risk to financial sustainability is likely to form part of the risks disclosures included in the wider performance report, but is a separate matter from the going concern assessment.

Performance analysis

2.22 The purpose of the performance analysis is for entities to provide a detailed performance summary of how their entity measures its performance, more detailed integrated performance analysis and long-term trend analysis where appropriate.

2.23 As a minimum, the performance analysis must include:

- information on how the foundation trust measures performance, ie what the foundation trust sees as its key performance measures, how it checks performance against those measures and narrative to explain the link between key performance indicators (KPIs), risk and uncertainty
- a more detailed analysis and explanation of the financial and operational



performance of the foundation trust during the year and an explanation of the links between different pieces of information, and trend analysis of performance if not included elsewhere. This analysis is required to utilise a wide range of data including key financial information from the financial statements section of the accounts

- further detail on the risk profile of the foundation trust: ie the risks it faces, how risks have affected the organisation in achieving its objectives, how they have been mitigated and how this may affect future plans and performance. This should also cover how risks have changed over time and through the period – including significant changes in risks, such as a change in the likelihood or possible impact, and new and emerging risks. How existing and new risks could affect the entity in delivering its plans and performance in future years should also be discussed. See also footnote 8 above
- information about environmental matters, including the impact of the foundation trust's business on the environment:
 - disclose a summary of progress on delivery of the Green Plan⁹, covering actions taken and planned, and quantitative progress data under a subheading 'task force on climate-related disclosures', follow the requirements detailed in annex 7 to chapter 2¹⁰ on a comply or explain basis. Preparers may also cross-refer to disclosures elsewhere in the annual report such as the annual governance statement or other content such as Green Plans rather than duplicate this material in this section of the annual report.
- information on the trust's work to tackle health inequalities, including the extent to which the trust has exercised its functions consistent with NHS England's statement under section 13SA(1) of the NHS Act 2006 on how NHS bodies should exercise their powers to collect, analyse and publish information related to health inequalities. This statement is available at <https://www.england.nhs.uk/long-read/nhs-englands-statement-on-information-on-health-inequalities-duty/>.
- information about social, community, anti-bribery and human rights issues including information about any trust policies and the effectiveness of those

⁹ Guidance on preparing a Green Plan is provided by the *Greener NHS* programme: <https://www.england.nhs.uk/greenernhs/get-involved/organisations/> and is required by Service Condition 18 of the NHS Standard Contract

¹⁰ These requirements from HM Treasury apply to entities that have more than 500 employees or have operating income exceeding £500m. All NHS foundation trusts have more than 500 employees.



policies

- any important events since the end of the financial year affecting the foundation trust and
- details of any overseas operations.

2.24 The performance analysis should provide a summary of how equality of service delivery to different groups has been promoted through the organisation. The disclosure may include information regarding the following, or cross-referenced to other publications containing such information:

- how the entity has had due regard to the aims of the public sector equality duty where applicable.
- customer satisfaction scores broken down by protected characteristics where collected.
- performance against equality of service delivery KPIs and metrics if applicable.
- explanations of activities the entity is undertaking to promote equality of service delivery

Accountability report

2.25 The accountability report of the annual report comprises:

- directors' report
- remuneration report
- staff report
- the disclosures set out in the *Code of governance for NHS provider trusts*
- *NHS Oversight Framework*
- statement of accounting officer's responsibilities and
- annual governance statement.

2.26 The accountability report shall be signed and dated by the chief executive in their capacity as Accounting Officer.

2.27 The auditor will review the accountability report for consistency with the financial statements. The following parts of the accountability report will also be subject to audit:

- the elements of the remuneration report designated as subject to audit (see paragraphs 2.50 to 2.98) which comprise:
 - single total figure table of remuneration for each senior manager
 - pension entitlement table and other pension disclosures for each

- senior manager
 - fair pay disclosures
 - payments to past senior managers, if relevant
 - payments for loss of office, if relevant
- staff report: exit packages, if relevant
- staff report: analysis of staff numbers
- staff report: analysis of staff costs.


Directors' report

2.28 The Directors' report should include the items listed below, unless disclosed elsewhere in the annual report and accounts in which case a cross-reference may be provided. These requirements are based on the requirements of the *FReM*, together with some additional requirements adopted by NHS England from the regulations.¹¹

- the names of the chairperson, the deputy chairperson (where there is one) and the chief executive
- the names of individuals who at any time during the financial year were directors of the NHS foundation trust
- details of company directorships and other significant interests held by directors or governors which may conflict with their management responsibilities. Where the NHS foundation trust maintains a Register of Interests that is open to the public, the disclosure may be limited to a comment on how access to the information in that Register may be obtained
- (for public sector information holders only) - a statement that the NHS foundation trust has complied with the cost allocation and charging guidance issued by HM Treasury¹²
- details of any political donations
- a statement describing the better payment practice code, or any other policy adopted on payment of suppliers, and performance achieved. The disclosure of performance should include the number and value of (i) invoices paid within 30 days (ii) invoices that were or should have been paid within that 30-day period, and (iii) the proportion of (i)

¹¹ The requirements are based on sections 415, 416 and 418 of the Companies Act 2006 (section 415(4) and (5) and section 418(5) and (6) would not apply to NHS foundation trusts) as inserted by SI 2013(1970) and Regulation 10 and Schedule 7 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 ('the Regulations').

¹² This guidance relates to Chapter 6 of MPM ([here](#))



compared to (ii). To retain consistency with the disclosure made by NHS trusts, this should be split between NHS and non-NHS payables.

- the total amount of any liability to pay interest which accrued by virtue of failing to pay invoices within the 30 day period where obligated to do so, and the total amount of interest actually paid in discharge of any such liability
- disclosures relating to the well-led framework (see below)
- information on fees and charges (income generation) if not included in the accounts (see below) and
- income disclosures as required by section 43(2A) of the NHS Act 2006.

The Care Quality Commission and NHS England well-led framework

2.29 NHS foundation trusts are required to include in the directors' report a section which gives a brief overview of the arrangements in place to ensure that services are well-led.¹³ This should provide information or signpost the reader to where the trust's approach to ensuring services are well led is discussed in more detail in the annual report (eg in the annual governance statement or performance report). The section should summarise briefly:

- how the foundation trust has had regard to the well-led framework in arriving at its overall evaluation of the organisation's performance, internal control and board assurance framework, and a summary of action plans to improve the governance of quality
- material inconsistencies (if any) between the annual governance statement, other parts of the annual report, and reports arising from Care Quality Commission planned and responsive reviews of the NHS foundation trust and any consequent action plans developed by the NHS foundation trust.

2.30 In addition to the recommended disclosures in respect of the strategies, performance, resources and financial position of the business in the performance report and directors' report, NHS foundation trusts may wish to consider highlighting information about patient care activities and stakeholder relations, for example:

Patient care:

- descriptions of how the NHS foundation trust is using its foundation

¹³ The Care Quality Commission and NHS England well-led framework is published at <https://www.cqc.org.uk/guidance-regulation-nhs-key-question-well-led> (previously <https://www.england.nhs.uk/well-led-framework/>)



trust status to develop its services and improve patient care

- performance against key healthcare targets
- arrangements for monitoring improvements in the quality of healthcare and progress towards meeting any national and local targets, incorporating Care Quality Commission assessments and reviews and the NHS foundation trust's response to any recommendations made
- progress towards targets as agreed with local commissioners, together with details of other key quality improvements
- any new or significantly revised services
- service improvements following staff or patient surveys/ comments and Care Quality Commission reports
- improvements in patient/carer information
- information on complaints handling.

Stakeholder relations:

- descriptions of significant partnerships and alliances entered into by the NHS foundation trust to facilitate the delivery of improved healthcare. These should be described together with the benefits to patients and the methods used to fund these activities
- development of services involving other local services/agencies and involvement in local initiatives
- consultation with local groups and organisations, including the overview and scrutiny committees of local authorities covering the membership areas
- any other public and patient involvement activities.


Fees and charges (income generation)

2.31 Foundation trusts should disclose the income and full cost associated with fees and charges levied by the trust where the full cost exceeds £1 million or the service is otherwise material to the accounts. If this disclosure is included in the accounts (per *DHSC GAM* chapter 5) it need not be repeated in the annual report¹⁴.

Income disclosures required by Section 43(2A) of the NHS Act 2006

2.32 Section 43(2A) of the NHS Act 2006 (as amended by the Health and Social

¹⁴ Further information can be found in chapter 6 of Managing Public Money (MPM). MPM does not define "full cost" for the purpose of this disclosure: it is reasonable to infer this would include a sensible apportionment of overheads associated with delivery of the activity.



Care Act 2012) requires that the income from the provision of goods and services for the purposes of the health service in England must be greater than its income from the provision of goods and services for any other purposes. NHS foundation trusts should include a statement in their annual report that they have met this requirement, or where they have not met the requirement this fact should be disclosed, together with the principal reasons and the actions that the NHS foundation trust is taking to ensure that they meet the requirement in future financial years.

- 2.33 As required by section 43(3A) of the NHS Act 2006, an NHS foundation trust must provide information on the impact that other income it has received has had on its provision of goods and services for the purposes of the health service in England.

Remuneration report


- 2.34 The *FReM* requires NHS foundation trusts to prepare a remuneration report in their annual report and accounts. The *FReM* and NHS England requires that this remuneration report complies with:

- Sections 420 to 422 of the Companies Act 2006 (section 420(2) and (3), section 421(3) and (4) and section 422(2) and (3) do not apply to NHS foundation trusts)
- Regulation 11 and Parts 3 and 5 of Schedule 8¹⁵ of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410) (“the Regulations”)
- Parts 2 and 4 of Schedule 8 of the Regulations as adopted by this Manual and
- elements of the *Code of governance for NHS provider trusts*.

- 2.35 The remuneration report must be signed by the chief executive.

- 2.36 The remuneration report must disclose information on those persons in senior positions having authority or responsibility for directing or controlling the major activities of the NHS foundation trust. This means those who influence the decisions of the NHS foundation trust as a whole rather than the decisions of individual directorates or sections within the NHS foundation trust. Such persons will include advisory and non-executive board members. In the following paragraphs, such persons are described as “senior managers”. As guided by paragraph 44(1) of part 7 of schedule 8 to the Regulations, figures included in this table should include the aggregate

¹⁵ Schedule 8 as substituted by The Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013 (SI 2013/1981).



amount paid to a senior manager in respect of their services as a senior manager of the foundation trust and amounts received in respect of their services as a senior manager of a subsidiary or other undertaking of the foundation trust. Preparers should refer to [the Regulations](#)¹⁶ for more guidance if required.

2.37 The remuneration report comprises the following three sections:

- annual statement on remuneration
- senior managers' remuneration policy and
- annual report on remuneration (of which some elements are subject to audit).

Each of these three sections is described below.

Annual statement on remuneration

2.38 The remuneration report should contain an annual statement from the chair of the remuneration committee summarising for the financial year:

- the major decisions on senior managers' remuneration
- any substantial changes relating to senior managers' remuneration made during the year and
- the context in which those changes occurred and decisions have been taken.


Senior managers' remuneration policy

2.39 The information required below must be set out in a separate section of the remuneration report and constitutes the senior managers' remuneration policy of the foundation trust.

2.40 Future policy table:

- In table form, a description of each of the components of the remuneration package for senior managers which comprise the senior managers' remuneration policy (including, but not limited to the items which are relevant for the purposes of the single total figure table). Where the explanation describes components that apply generally to all senior managers, the table must also include any particular arrangements which are specific to any individual senior manager.

¹⁶ www.legislation.gov.uk/ukxi/2013/1981/schedule/made

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- For each component described in the table, set out:
 - how that component supports the short- and long-term strategic objectives of the foundation trust
 - an explanation of how that component operates
 - the maximum that could be paid in respect of that component (which may be the monetary amount or a description)
 - where applicable, a description of the framework used to assess performance, including:
 - a description of any performance measures that apply, and where more than one performance measure an indication of the weightings used
 - details of the performance period and
 - the amount (expressed in monetary terms or otherwise) that may be paid in respect of
 - the minimum level of performance that results in any payment under the policy and
 - any further levels of performance set in accordance with the policy

and in a note accompanying the table, an explanation of why any performance measures were chosen and how any performance targets are set

 - an explanation of whether there are any provisions for the recovery of sums paid to directors or for withholding the payments of sums to senior managers
- Accompanying notes setting out, where applicable:
 - for any new components of the remuneration package, why they have been introduced
 - any changes made to existing components of the remuneration package
 - an explanation of the differences between the foundation trust's policy on senior managers' remuneration and its general policy on employees' remuneration.

- Where one or more senior managers are paid more than £150,000,¹⁷ the remuneration report should explain (not necessarily on an individual basis) the steps the foundation trust has taken to satisfy itself that this remuneration is reasonable. Pay for a part time senior manager should be compared against a pro rata of £150,000. For this disclosure, 'pay' should be considered to be columns (a), (b), (c) and (d) of the 'single total figure table' in paragraph 2.51.
- For non-executive directors, the policy for the components of their remuneration may be set out in a separate table, which must include:
 - the fee payable to such directors
 - any additional fees payable for any other duties to the foundation trust
 - such other items that are considered to be remuneration in nature

2.41 Service contracts obligations

- A description of any obligation on the foundation trust which:
 - is contained in all senior managers' service contracts
 - is contained in the service contracts of any one or more existing senior managers (not including any obligations in the preceding disclosure) and/or
 - the foundation trust proposes would be contained in senior managers' service contracts to be entered into

and which could give rise to, or impact on, remuneration payments or payments for loss of office but which is not disclosed elsewhere in the remuneration report.

2.42 Policy on payment for loss of office

- The policy on the setting of notice periods under senior managers' service contracts.
- The principles on which the determination of payments for loss of office will be approached, including:
 - an indication of how each component will be calculated and
 - whether, and if so how, the circumstances of the loss of office and the senior manager's performance are relevant to any exercise of

¹⁷ £150,000 is the threshold used in the Civil Service for approval by the Chief Secretary to the Treasury, as set out in guidance issued by the Cabinet Office. The Cabinet Office approvals process does not apply to NHS foundation trusts but this is considered a suitable benchmark above which NHS foundation trusts should make this disclosure.



discretion.

- 2.43 Statement of consideration of employment conditions elsewhere in the foundation trust
- a statement of how the pay and conditions of employees (including any other group entities) were taken into account when setting the remuneration policy for senior managers
 - whether, and if so how, the foundation trust consulted with employees when preparing the senior managers' remuneration policy and
 - whether any remuneration comparisons were used and if so, what they were and how the information was taken into account.
- 2.44 The policy on diversity and inclusion used by the remuneration committee, the policy objectives and link to the trust's strategy, how it has been implemented and progress on achieving the objectives. This can cross-reference to disclosure provided in the staff report (as required by paragraph 2.99) as appropriate.

Annual report on remuneration

- 2.45 **This section of the remuneration report includes some elements that are subject to audit.**
- 2.46 ***In making the required remuneration report disclosures, entities may need to use estimates and make judgements. These should be clearly explained to assist users. Where expected approaches to disclosure requirements are impracticable for the entity to follow this should be stated and the approach taken by the entity should be disclosed.***

Information not subject to audit

- 2.47 **Service contracts**
For each senior manager who has served during the year, disclose the date of their service contract, the unexpired term, and details of the notice period.
- 2.48 **Remuneration committee**
The report must contain the following details in respect of the remuneration committee:
- Details of the membership of the remuneration committee. This means the names of the chair and members of the remuneration committee should be disclosed (*Code of governance* B.2.13).
 - The number of meetings and individuals' attendance at each should also be disclosed (*Code of governance* B.2.13).

- The name of any person (and in particular any director of the trust who was not a member of the committee) who provided advice or services to the committee that materially assisted the committee in their consideration of any matter.

Where such a person was neither a director or employee of the trust, nor someone providing legal advice on compliance with any relevant legislation:

- a description of the nature of any other services that person has provided to the trust during the financial year
- by whom the advisor was appointed, whether or not by the committee and how they were selected
- whether and how the committee satisfied itself that the advice received was objective and independent and
- the fee or other charge paid by the foundation trust to the advisor for the remuneration advice or services received and the basis on which it was charged.

2.49 **Disclosures relating to specific pay and remuneration matters**

The following information is required by paragraph 26(2) of Schedule 7 to the NHS Act 2006, and is not subject to audit:

- information on the corporation's policy on pay and on the work of the committee established under paragraph 18(2) of Schedule 7 to the NHS Act 2006, and such other procedures as the corporation has on pay and
- information on the remuneration of the directors and on the expenses of the governors and the directors.

The NHS foundation trust should assess whether it considers the requirements of the first bullet point above to be already met by the disclosures in the remuneration report and staff report.

NHS England considers that information relating to the expenses of the governors and the directors should (separately for governors and for directors) include:

- the total number of [governors/directors] in office
- the number of [governors/directors] receiving expenses in the reporting period and
- the aggregate sum of expenses paid to [governors/directors] in the reporting period.

Disclosures should be made in £00 rather than £000 and be on an accruals

basis. Comparative period information should be provided.

Information subject to audit

2.50 The following information is required by paragraphs 4 to 16 inclusive of Part 3 of Schedule 8 to the Regulations or by the *FT ARM*, and is subject to audit. The disclosures subject to audit are detailed below in paragraphs 2.51 to 2.98, including the supporting definitions.

2.51 The report should contain a single total figure for remuneration for each senior manager (see definition below) who served during the year shown in tabular form ('the single total figure table'). The format of this table is as follows:


Single total figure table						
	a	b	c	d	e	Total
Units	£000, bands of £5k	£s, to the nearest £100	£000, bands of £5k	£000, bands of £5k	£000, bands of £2.5k	£000, bands of £5k
Director 1	xxx	xxx	xxx	xxx	xxx	xxx
Director 2	xxx	xxx	xxx	xxx	xxx	xxx

2.52 In the table above:

- "a" is salary and fees (in bands of £5,000)
- "b" is all taxable benefits (total to the nearest £100)
- "c" is annual performance-related bonuses (in bands of £5,000)
- "d" is long-term performance-related bonuses (in bands of £5,000)
- "e" is all pension-related benefits (in bands of £2,500)
- Additional columns must also be included for any other items in the nature of remuneration – but excluding payments to former senior managers (see below).
- The final column is total of the above items (in bands of £5,000).
- Each of the above requirements is described in further detail below.
- Prior year comparatives are required for each of the amounts.
- As set out in paragraph 8(3) of the Regulations, where the calculations of any of these columns in accordance with the detail below result in a negative value (other than in respect of a recovery or withholding), the result should be expressed as zero in the relevant column in the table.

Definition of 'senior managers'

2.53 The definition of 'senior managers' is "those persons in senior positions



having authority or responsibility for directing or controlling the major activities of the NHS foundation trust”. The chief executive should confirm whether this covers more than the chair, the executive and non-executive directors of the NHS foundation trust (who should be treated as senior managers as a matter of course).

2.54 This note covers all those individuals who hold or have held office as chair, non-executive director, executive director or senior manager (as identified by the chief executive) of the NHS foundation trust during the reporting year. It is irrelevant that:

- an individual was not substantively appointed (holding office is sufficient, irrespective of defects in appointment)
- an individual’s title as director included a prefix such as ‘temporary’ or ‘alternate’ or
- an individual was engaged via a corporate body, such as an agency, and payments were made to that corporate body rather than to the individual directly.


2.55 There is a presumption that information about named individuals will be given in all circumstances and all disclosures in the remuneration report will be consistent with identifiable information of those individuals in the financial statements. However, entities must inform individuals in advance of the intention to disclose information about them, invite them to see what is intended to be published, and notify them they can object under Article 21 of the General Data Protection Regulation (GDPR).

2.56 If a named individual does not agree to disclosure, the trust must consider its approach to the disclosure. Under such circumstances the GDPR requires entities to demonstrate compelling legitimate grounds for the disclosure which override the interests, rights and freedoms of the named individual or for the establishment, exercise or defence of legal claims. NHS foundation trusts are strongly advised to take legal advice in such cases, because a decision not to publish the information may be challenged under the Freedom of Information Act. Where non-disclosure is agreed, the fact that certain disclosures have been omitted should be disclosed.

2.57 Alongside these steps for the remuneration report, NHS foundation trusts should also consider whether any other personal information contained within the annual report and accounts should also be subject to GDPR considerations as set out here.

Senior managers with additional duties (eg medical directors)

2.58 Remuneration reports are required to disclose a single total figure of remuneration for each person occupying a director post. This should include



all remuneration paid by the entity to the individual in respect of their service for the entity, including remuneration for duties that are not part of their management role.

- 2.59 The disclosure in single total figure table for medical directors and similar staff should therefore represent their total remuneration package from the entity. For transparency, entities should add a footnote underneath the table specifying the element of the individual's remuneration from the entity that relates to their clinical role. This footnote need not include details of the individual components (columns) of the single total figure table if the split between elements is not available in this detail.
- 2.60 Where the individual receives part of their remuneration from another body the entity should make disclosures only in respect of its share of the individual's remuneration.

Column A: salary and fees

- 2.61 Salary is the gross salary paid/payable to the individual; this should be shown in £5,000 ranges. Where an individual held a contract of employment for the entire financial year but was only a senior manager for six months, it is the remuneration for six months which should be shown. Where there has been overlap in a post, for example where there have been two finance directors for a month, both must be shown.
- 2.62 Salary includes:
- all amounts paid or payable by the NHS foundation trust to the individual, including recharges from any other health body
 - overtime
 - the gross cost of any arrangement whereby a senior manager receives a net amount and an NHS foundation trust pays income tax on their behalf
 - any financial loss allowances paid in place of remuneration
 - any severance payment, including compensation for loss of office or early retirement (see also paragraph 2.87 for additional separate disclosure requirement)
 - recruitment and retention allowances
 - geographical allowances such as London weighting and
 - any ex-gratia payments.
- 2.63 Salaries should exclude:
- taxable benefits

- performance pay and bonuses
- employers' National Insurance and superannuation contributions
- recharges to any other health body
- reimbursement of out-of-pocket expenses directly incurred in the performance of an individual's duties
- reimbursement of "travelling and other allowances" (paid under determination order) including home to work travel costs and
- any amount paid which the senior manager must subsequently repay. However, these amounts must be disclosed in the next report, and distinguished from other remuneration, where a senior manager is subsequently released from the liability or a loan to a senior manager remains unpaid for two years after the due date.

2.64 NHS foundation trusts should consider adding additional information to explain the circumstances of an individual senior manager in footnotes to the table if this will help the reader understand the disclosure.

Column B: taxable benefits

2.65 This is the gross value of such benefits before tax. It includes:

- expenses allowances that are subject to UK income tax and paid or payable to the person in respect of qualifying services and
- benefits received by the person (other than salary) that are emoluments of the person and are received by them in respect of qualifying services.

2.66 A narrative disclosure detailing the types of benefits and, where significant, the amount should be given after the table. Please note that this column should be disclosed in £s, to the nearest £100.

Column C: Annual performance-related bonuses

2.67 These comprise money or other assets received or receivable for the financial year as a result of achieving performance measures and targets relating to a period ending in the relevant financial year other than:

- those which result from awards made in a previous financial year and the final vesting is determined as a result of achieving performance measures or targets relating to a period ending in the relevant financial year and
- those which are receivable subject to the achievement of performance measures or targets in a future financial year.

2.68 The amounts should be reported in bands of £5,000.

- 2.69 Where an amount included in column C is for deferred bonus, the amount and percentage of such deferral should be disclosed in a note accompanying the table.

Column D: Long-term performance-related bonuses

- 2.70 These comprise money or other assets received or receivable for periods of more than one year where final vesting:
- is determined as a result of achieving performance measures or targets relating to a period ending in the relevant financial year and
 - is not subject to the achievement of performance measures or targets in a future financial year.
- 2.71 The amounts should be reported in bands of £5,000.

Performance bonuses – additional matters

- 2.72 In respect of columns C and D, where the performance measures or targets are substantially (but not fully) completed by the end of the financial year, the amount shown in the table may include sums which relate to the following financial year but this must be explained in the report. In the following year's report, the amount must not be included as remuneration for that year.
- 2.73 For every component of remuneration included in columns C or D, a note accompanying the table must disclose:
- details of any performance measures and the relative weighting of each
 - for each performance measure:
 - the performance targets set at the beginning of the performance period and the corresponding value of bonus achievable and
 - details of actual performance against the targets set and measured over the performance period and the resulting bonus awarded
 - Where discretion has been exercised in the award, details of how the discretion was exercised and how the resulting bonus was determined.

Column E: Pension-related benefits

- 2.74 This will apply to executives only as non-executive directors do not receive any pensionable remuneration. The amount included here comprises all pension related benefits, including:
- the cash value of payments (whether in cash or otherwise) in lieu of retirement benefits and
 - all benefits in year from participating in pension schemes.

- 2.75 For defined benefit schemes,¹⁸ the amount included here is the annual increase (expressed in £2,500 bands) in pension entitlement determined in accordance with the 'HMRC' method,¹⁹ less any amounts paid by employees. In summary, this is as follows:

Column E = Increase in entitlement – employee contributions

$$\text{Increase} = ((20 \times \text{PE}) + \text{LSE}) - ((20 \times \text{PB}) + \text{LSB})$$

Where:

PE is the annual rate of pension that would be payable to the director if they became entitled to it at the end of the financial year

PB is the annual rate of pension, adjusted for inflation, that would be payable to the director if they became entitled to it at the beginning of the financial year;

LSE is the amount of lump sum that would be payable to the director if they became entitled to it at the end of the financial year; and

LSB is the amount of lump sum, adjusted for inflation, that would be payable to the director if they became entitled to it at the beginning of the financial year.

The '*Disclosure of Senior Managers' Remuneration (Greenbury)*' document published by the NHS Business Services Authority includes an example of this calculation.

- 2.76 To help explain these figures to readers of the remuneration report, the foundation trust may wish to include narrative like the following:

'The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.'

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

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

¹⁸ This includes the NHS Pension Scheme which is a defined benefit scheme, though accounted for locally as a defined contribution scheme.

¹⁹ The HMRC method derives from s229 of the Finance Act 2004, but is modified for the purpose of this calculation by paragraph 10(1)(e) of schedule 8 of SI 2008/410 (as replaced by SI 2013/1981).

2.77 Refer to paragraph 2.85 for guidance on senior managers in post for part of the reporting year.

Total pension entitlement

2.78 Under the Companies Act Regulations, disclosure is required for each senior manager of:


- their pension entitlement: this requirement will be covered by inclusion of the pension entitlements table detailed in paragraph 2.79 below
- a description of any additional benefit that will become receivable by a director in the event that that senior manager retires early and
- where a senior manager has rights under more than one type of pension, separate details relating to each.

2.79 The *FReM* requires the following to be disclosed:

- the real increase during the reporting year in the pension and (if applicable) related lump sum at pension age in bands of £2,500
- the value at the end of the reporting year of the accrued pension and (if applicable) related lump sum at pension age in bands of £5,000
- the value of the cash equivalent transfer value at the beginning of the reporting year to the nearest £1,000
- the real increase in the cash equivalent transfer value during the reporting year, to the nearest £1,000
- the value of the cash equivalent transfer value at the end of the reporting year to the nearest £1,000 and
- in the case of a stakeholder pension account, the employer's contribution (in these circumstances the first four bullet points in this paragraph will not apply).

The following tabular format is recommended:

Name and title	(a) Real increase in pension at pension age (bands of £2,500) £000	(b) Real increase in pension lump sum at pension age (bands of £2,500) £000	(c) Total accrued pension at pension age at 31 March 20xx (bands of £5,000) £000	(d) Lump sum at pension age related to accrued pension at 31 March 20xx (bands of £5,000) £000	(e) Cash Equivalent Transfer Value at 1 April 20xx £000	(f) Real increase in Cash Equivalent Transfer Value £000	(g) Cash Equivalent Transfer Value at 31 March 20xx £000	(h) Employer's contribution to stakeholder pension £000

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- 2.80 The CETV is the actuarially assessed capitalised value of the pension scheme benefits accumulated by a member at a particular point in time. The benefits valued are the member's accumulated benefits and any contingent spouse's pension payable from the scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.
- 2.81 The accrued benefits derived from the member's purchase of added years of service and any "transferred-in" service must be included in these *FReM* pension disclosures.
- 2.82 The information required for the senior managers' pension entitlements will be provided by NHS Pensions. The request for information from NHS Pensions must be made by the NHS foundation trust by the deadline set by NHS Pensions providing complete information at that time.
- 2.83 Detailed guidance regarding the end of year procedures for requesting information from NHS Pensions can be found on its [website](#).
- 2.84 Where a senior manager has opted out of the pension arrangements for the whole of the year, no pension figures should be reported and a footnote should be included stating "xxxxx chose not to be covered by the pension arrangements during the reporting year". If a member opts out or opts in during the year, they should be treated in the same way as a leaver or joiner.
- 2.85 Where individuals subject to remuneration disclosures have not been a senior manager of the NHS foundation trust for the whole financial year (for example due to joining, leaving, or promotion in the year or due to organisational changes in year), the real increase should be apportioned to reflect the period that the senior manager has been in post at the reporting body, as detailed in guidance from the NHSA BSA and the reporting body should make pension disclosures on that basis. The same guidance on apportionment applies to column e in the single total figure table.
- 2.86 Where the NHS foundation trust has senior managers who are members of a different pension scheme the disclosure information should be requested in good time from the scheme.

Payments for loss of office

- 2.87 For each individual who was a senior manager in the current or in a previous financial year that has received a payment for loss of office during the financial year, the following must be disclosed:
- the total amount payable to the individual, broken down into each component

- an explanation of how each component was calculated
- any other payments to the individual in connection with the termination of services as a senior manager, including outstanding long term bonuses that vest on or following termination and
- where any discretion was exercised in respect of the payment, an explanation of how it was exercised.

The requirements of Annex 1 to Chapter 2 which define what should be included in the disclosure of a non-compulsory departure payment also apply to the remuneration report.

Payments to past senior managers

2.88 The report must contain details of any payments of money or other assets to any individual who was not a senior manager during the financial year but has previously been a senior manager at any time. The following payments do not need to be reported in this disclosure:

- payments for loss of office (which are separately reported above)
- payments that are otherwise shown in the single total figure table
- payments that have already been disclosed by the foundation trust in a previous remuneration report
- payments for regular pension benefits that commenced in a previous year and
- payments for employment or services provided by the individual other than as a senior manager of the foundation trust.

Fair pay disclosures

2.89 ***Where amounts remunerated in the current financial year relate to services rendered in a previous financial year and are significant, these amounts should be removed from current year payments to avoid distortion of ratios and percentages. Appropriate estimates and adjustments can be made. Where it is not practicable for such estimates or adjustments to be made, the entity can instead disclose that the median pay ratio (or other affected disclosure) may not be consistent with the pay policies for the entity's employees taken as a whole, with suitable explanation provided.***

Percentage change in remuneration

2.90 For the single total figure table components of (i) salary and allowances, and (ii) performance pay and bonuses, NHS foundation trusts are required to disclose separately:

- the percentage change from the previous financial year in respect of the highest paid director, and
- the average percentage change from the previous financial year in respect of employees²⁰ of the entity, taken as a whole.

2.91 Four percentages will therefore be disclosed for each financial year under this requirement (or two if there are no performance pay and bonuses). Information is derived as follows:

- The calculation in (a) in paragraph 2.90 for salaries and allowances shall be based on the mid-point of the band for each of salary and performance pay and bonuses payable.
- The calculation in (b) in paragraph 2.90 for salary and allowances shall be the total for all employees on an annualised basis, excluding the highest paid director, divided by the FTE number of employees (also excluding the highest paid director).
- The calculation for (b) in paragraph 2.90 for performance pay and bonuses payable shall be the total for all employees, excluding the highest paid director, divided by the FTE number of employees (also excluding the highest paid director).

2.92 Prior year comparatives for each percentage change are required.

2.93 NHS foundation trusts should disclose the range of staff remuneration together with prior year comparatives. This should include directors (including the highest paid director) and exclude pension benefits of all employees. NHS foundation trusts should also disclose the number of employees that received remuneration in excess of the highest-paid director.

2.94 NHS foundation trusts should provide context regarding the percentage figures disclosed, to help users of the accounts understand percentages disclosed.

Pay ratio information

2.95 NHS foundation trusts must disclose pay ratio information set out in the following table. The structure of the table itself is illustrative. The disclosure

²⁰ HM Treasury's implementation guidance for the Fair Pay disclosures (available on this webpage: <https://www.gov.uk/government/publications/government-financial-reporting-manual-application-guidance>) includes in paragraph 3.19 that "*The calculation should include agency and other temporary employees covering staff vacancies, but exclude consultancy services. Only the remuneration paid to the employee should be included, not agency fees. An estimate may be appropriate to ascertain a reasonable split where this information is not available on entity payroll systems.*" HM Treasury has advised that this definition should be applied to the term 'employees' in this Fair Pay section (paragraphs 2.90 to 2.98).

is of information relating to the pay and benefits, and salary, of the employee whose pay and benefits are on the 25th percentile, median and 75th of the pay and benefits of all employees at the reporting date, together with a ratio comparing the total pay and benefits figure to the remuneration of the highest paid director.

<u>20XX/20YY</u>	25th percentile	Median	75th percentile	<u>[Guidance to preparers]</u>
Salary component of pay	£	£	£	[This is the salary component of the total pay and benefits figure below – same guidance applies]
Total pay and benefits excluding pension benefits	£ [= 'Y25' for calculation below]	£ [= 'Y50' for calculation below]	£ [= 'Y75' for calculation below]	[These figures are based on annualised, full-time equivalent pay and benefits (per para 2.51 excluding pension benefits) of all staff (including temporary and agency staff) as at the reporting date]
Pay and benefits excluding pension: pay ratio for highest paid director	[X1 / Y25]:1	[X1 / Y50]:1	[X1 / Y75]:1	[X1 = mid-point of banded remuneration (excluding pension benefits) of the highest paid director, using the banding total for the highest paid director in the single total figure table]

2.96 Prior year comparatives should be provided for all figures in the table above.

2.97 NHS foundation trusts must also provide an explanation of any significant changes in the ratios between the current and prior financial years, including whether the movement is attributable to a change in the remuneration of the highest paid director, or the pay and benefits of the trust's employees taken as a whole and if the latter why this has occurred.

Format for disclosure

2.98 Based on requirements from HM Treasury, NHS foundation trusts should use the following introductory text and format for the disclosure:

NHS foundation trusts are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in the organisation in the financial year 202X-2Y was £xx (202W-2X, £xx). This is a change between years of X%.

Total remuneration includes salary, non-consolidated performance-related pay, benefits-in-kind, but not severance payments. It does not include

employer pension contributions and the cash equivalent transfer value of pensions.

For employees of the Trust as a whole, the range of remuneration in 202X-2Y was from £xx to £xx (202W-2X £xx to £xx). The percentage change in average employee remuneration (based on total for all employees on an annualised basis divided by full time equivalent number of employees) between years is X%. XX employees received remuneration in excess of the highest-paid director in 202X-2Y. (202W-2X: YY employees.)

[Note requirement in paragraph 2.90 to set the above out separately for (i) salary and allowances, and (ii) performance pay and bonuses.]

[Add additional explanation if required to explain figures]

The remuneration of the employee at the 25th percentile, median and 75th percentile is set out below. The pay ratio shows the relationship between the total pay and benefits of the highest paid director (excluding pension benefits) and each point in the remuneration range for the organisation's workforce.

[Disclose pay ratio information required by paragraph 2.95]


[Add explanation required by paragraph 2.97]

Staff report

2.99 The staff report must include the following information (these requirements are based on the HM Treasury *FReM*):

- An analysis of staff costs.²¹ This should follow the format in the TAC schedules. This expands the disclosure in the example accounts to analyse between 'permanently employed' and 'other staff':
 - 'Permanently employed' – staff with a permanent (UK) employment contract directly with the entity (this will include executive directors but exclude non-executive directors)
 - 'Other' – staff engaged on the objectives of the entity that do not have a permanent (UK) employment contract with the entity. This includes employees on short-term contracts of employment, agency/temporary staff, locally engaged staff overseas, and inward secondments from other entities

²¹ In line with the *FReM*, the detailed staff costs note is included in the staff report in the annual report, rather than the accounts. A more summarised note is retained in the accounts, as required by the *DHSC GAM* and shown in the template accounts issued by NHS England.

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- An analysis of average staff numbers. These should be disclosed in the categories listed in the TAC schedules. In allocating employees to categories, the employee definitions should be those in the [Occupational Code Manual](#)

This analysis should distinguish between ‘permanently employed’ and ‘other’ staff, following the definitions above.

The average number of employees is calculated as the whole time equivalent number of employees under contract of service in each week in the financial year, divided by the number of weeks in the financial year. The “contracted hours” method of calculating whole time equivalent number should be used, that is, dividing the contracted hours of each employee by the standard working hours. Staff on outward secondment should not be included in the average number of employees.

- A breakdown at the year end of the number of each gender who were:
 - directors
 - other senior managers and
 - employees.
- Sickness absence data
- Staff policies and actions applied during the financial year:
 - policies applied during the financial year for giving full and fair consideration to applications for employment made by disabled persons, having regard to their particular aptitudes and abilities
 - policies applied during the financial year for continuing the employment of, and for arranging appropriate training for, employees who have become disabled persons during the period
 - policies applied during the financial year for the training, career development and promotion of disabled employees
 - actions taken in the financial year to provide employees systematically with information on matters of concern to them as employees
 - actions taken in the financial year to consult employees or their representatives on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests
 - actions taken in the financial year to encourage the involvement of employees in the NHS foundation trust’s performance


- information on health and safety performance and occupational health
- information on policies and procedures with respect to countering fraud and corruption
- information on diversity and inclusion policies, initiatives and longer term ambitions. The disclosure may include information regarding the following, or cross-referenced to other publications containing such information:
 - how policies and activities undertaken in the year have or will improve the diversity and inclusiveness of the workforce
 - whether the entity has identified any barriers to improving the diversity of its workforce and if so, what actions the organisation has or will put in place
 - changes in staff composition impacting on the diversity and inclusiveness of the workforce, including appropriate trend data, if not provided elsewhere
 - performance against internal targets set in relation to diversity and inclusiveness of the workforce if applicable.
- Information on staff turnover: foundation trusts can meet this requirement by providing a link to [NHS workforce statistics](#)
- Staff survey results (see below)
- Trade Union Facility Time disclosures (see below)
- Expenditure on consultancy
- Off-payroll engagements (see below)
- Exit packages (see Annex 1 to Chapter 2). This element is subject to audit, per paragraph 6.2.1 of the *FReM*.
- Information on where the entity's information on the gender pay gap can be found: this should include reference to the Cabinet Office website (<https://gender-pay-gap.service.gov.uk/>) and may also include a link to the relevant part of the NHS foundation trust's own website if it provides additional information.

Staff survey

2.100 The foundation trust should include information on its staff survey results covering:

a) Commentary

- Statement of approach to staff engagement – each NHS foundation



trust will be required to include a statement of its approach to staff engagement and what mechanisms are in place to monitor and learn from staff feedback.

b) Summary of performance – results from the NHS staff survey

- NHS foundation trusts will be required to provide a summary of the key findings from the most recent NHS staff survey including the response rate. The minimum information to include is set out below. Disclosures should include:
 - indicator score for the trust for each of the nine indicators (seven ‘Promise’ elements, two themes) in the NHS staff survey report for the current and at least the two prior years (if the entity discloses information for 2020/21 and earlier it will be in the previous format of ten indicators)
 - the score for the benchmarking group for each of the nine indicators (seven ‘Promise’ elements, two themes) in the NHS staff survey report for the current year and at least the two prior years (if the entity discloses information for 2020/21 and earlier it will be in the previous format of ten indicators)

The trust may optionally disclose information on the best and worst scores for each indicator if it wishes.

- Action plans to address areas of concerns
- The commentary on the key findings from the survey and each NHS foundation trust will include a summary of its plans to address specific areas of concern emerging from their listening channels, including the NHS staff survey, and workforce metrics, and any plans to improve these in the short, medium, and long term.


c) Future priorities and targets

- The commentary should include a statement on the key priorities to improve staff feedback it has (or plans to) put in place and what mechanisms are in place to monitor performance.

2.101 A sample template commentary and summary performance analysis is provided in Annex 2.

Trade Union Facility Time

2.102 The required disclosures are set out in Schedule 2 to [The Trade Union](#)



[\(Facility Time Publication Requirements\) Regulations 2017](#)²² with further guidance provided by the Cabinet Office [here](#)²³. All NHS foundation trusts are within scope of the requirements, where the foundation trust has at least one trade union representative and at least 49 full-time equivalent employees during any seven of the twelve-month period of the annual report. The disclosure is not required if the period of the annual report for a demising trust is less than seven months.

- 2.103 Schedule 2 of the Regulations and annex A of the Cabinet Office guidance provide the format of the required disclosures. No disclosures are required for the prior year. If required to make the disclosures, NHS foundation trusts must include them within the staff report, rather than elsewhere in the annual report and accounts as permitted by the Cabinet Office guidance.

Reporting high paid off-payroll arrangements

- 2.104 As part of the staff report NHS foundation trusts should present three tables relating to off-payroll arrangements, with some supporting disclosures. The details of these requirements are set out in Annex 6 to this chapter. Further guidance is available at <https://www.gov.uk/guidance/off-payroll-working-for-clients> and on the Tax Centre of Excellence pages of the Government Finance Function OneFinance website: <https://www.gff.civilservice.gov.uk>.
- 2.105 The staff report should also contain a statement on the NHS foundation trust's policy on the use of off-payroll arrangements, which as a minimum should cover arrangements for highly paid staff and controls it has in place over the use of such arrangements. 'Highly paid' is defined as the threshold used by HM Treasury in the reporting tables as reproduced in Annex 6 to this chapter.

Code of Governance for NHS provider trusts

- 2.106 The [Code of governance for NHS provider trusts](#) ('Code of governance') sets out a common overarching framework for the corporate governance of NHS providers (being NHS trusts and NHS foundation trusts), reflecting developments in UK corporate governance and the development of integrated care systems. Providers must comply with each of the provisions of the code or, where appropriate, explain in each case why the provider has departed from the code.
- 2.107 NHS foundation trusts are required to provide some disclosures in their annual report to meet the requirements of the Code of governance. Schedule A to the *Code of governance* summarises the relevant provisions in the document. For the purposes of preparing an annual report, the most

²² www.legislation.gov.uk/uksi/2017/328/made

²³ www.gov.uk/government/publications/trade-union-facility-time-publication-requirements

pertinent lists are:

- **required disclosures:** provisions which require a supporting explanation in a trust's annual report, even in the case that the trust is compliant with the provision. Where the information is already in the annual report, a reference to its location is sufficient to avoid unnecessary duplication. These are replicated in a table below.
- provisions where the basic '**comply or explain**' requirement applies. The disclosure in the annual report should therefore contain an explanation in each case where the trust has departed from the code, explaining the reasons for the departure and how the alternative arrangements continue to reflect the principles of the code. Trusts are welcome but are not required to provide a simple statement of compliance with each individual provision. These are not replicated in the *FT ARM*; preparers should refer to the *Code of governance*.
- provisions where information must be made available to governors, made available to members, and made publicly available. These are not specific requirements for the annual report but a foundation trust may choose to meet these requirements through provision in the annual report if it wishes.

2.108 The table below replicates schedule A to the *Code of governance* to list the required disclosures. It also includes some requirements not listed in schedule A to the *Code of governance* but are required by the *FT ARM*. Any queries on the provisions of the *Code of governance* or presentation of Schedule A should be raised via regional teams or the central NHS England enquiries team so they can be routed appropriately.

Part of Schedule A	Code section	Summary of requirement
Required disclosures		
Disclose	A 2.1	The board of directors should assess the basis on which the trust ensures its effectiveness, efficiency and economy, as well as the quality of its healthcare delivery over the long term, and contribution to the objectives of the ICP and ICB, and place-based partnerships. The board of directors should ensure the trust actively addresses opportunities to work with other providers to tackle shared challenges through entering into partnership arrangements such as provider collaboratives. The trust should describe in its annual report how opportunities and risks to future sustainability have been considered and addressed, and how its governance is contributing to the delivery of its strategy.

Part of Schedule A	Code section	Summary of requirement
Disclose	A 2.3	The board of directors should assess and monitor culture. Where it is not satisfied that policy, practices or behaviour throughout the business are aligned with the trust's vision, values and strategy, it should seek assurance that management has taken corrective action. The annual report should explain the board's activities and any action taken, and the trust's approach to investing in, rewarding and promoting the wellbeing of its workforce.
Disclose	A 2.8	The board of directors should describe in the annual report how the interests of stakeholders, including system and place-based partners, have been considered in their discussions and decision-making, and set out the key partnerships for collaboration with other providers into which the trust has entered. The board of directors should keep engagement mechanisms under review so that they remain effective. The board should set out how the organisation's governance processes oversee its collaboration with other organisations and any associated risk management arrangements.
Disclose	B 2.6	<p>The board of directors should identify in the annual report each non-executive director it considers to be independent. Circumstances which are likely to impair, or could appear to impair, a non-executive director's independence include, but are not limited to, whether a director:</p> <ul style="list-style-type: none"> • has been an employee of the trust within the last two years • has, or has had within the last two years, a material business relationship with the trust either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the trust • has received or receives remuneration from the trust apart from a director's fee, participates in the trust's performance-related pay scheme or is a member of the trust's pension scheme • has close family ties with any of the trust's advisers, directors or senior employees • holds cross-directorships or has significant links with other directors through involvement with other companies or bodies • has served on the trust board for more than six years from the date of their first appointment • is an appointed representative of the trust's university medical or dental school. <p>Where any of these or other relevant circumstances apply, and the board of directors nonetheless considers that the non-executive director is independent, it needs to be clearly explained why.</p>
Disclose	B 2.13	The annual report should give the number of times the board and its committees met, and individual director attendance.

Part of Schedule A	Code section	Summary of requirement
Disclose	B 2.17	For foundation trusts, this schedule should include a clear statement detailing the roles and responsibilities of the council of governors. This statement should also describe how any disagreements between the council of governors and the board of directors will be resolved. The annual report should include this schedule of matters or a summary statement of how the board of directors and the council of governors operate, including a summary of the types of decisions to be taken by the board, the council of governors, board committees and the types of decisions which are delegated to the executive management of the board of directors.
Disclose	C 2.5	If an external consultancy is engaged, it should be identified in the annual report alongside a statement about any other connection it has with the trust or individual directors.
Disclose	C 2.8	The annual report should describe the process followed by the council of governors to appoint the chair and non-executive directors. The main role and responsibilities of the nominations committee should be set out in publicly available written terms of reference.
Disclose	C 4.2	The board of directors should include in the annual report a description of each director's skills, expertise and experience.
Disclose	C 4.7	All trusts are strongly encouraged to carry out externally facilitated developmental reviews of their leadership and governance using the Well-led framework every three to five years, according to their circumstances. The external reviewer should be identified in the annual report and a statement made about any connection it has with the trust or individual directors.
Disclose	C 4.13	<p>The annual report should describe the work of the nominations committee(s), including:</p> <ul style="list-style-type: none"> the process used in relation to appointments, its approach to succession planning and how both support the development of a diverse pipeline how the board has been evaluated, the nature and extent of an external evaluator's contact with the board of directors and individual directors, the outcomes and actions taken, and how these have or will influence board composition the policy on diversity and inclusion including in relation to disability, its objectives and linkage to trust vision, how it has been implemented and progress on achieving the objectives the ethnic diversity of the board and senior managers, with reference to indicator nine of the NHS Workforce Race Equality Standard and how far the board reflects the ethnic diversity of the trust's workforce and communities served the gender balance of senior management and their direct reports.
Disclose	C 5.15	Foundation trust governors should canvass the opinion of the trust's members and the public, and for appointed governors the body they represent, on the NHS foundation trust's forward plan, including its objectives, priorities and strategy, and their views should be communicated to the board of directors. The annual report should contain a statement as to how this requirement has been undertaken and satisfied.

Part of Schedule A	Code section	Summary of requirement
Disclose	D 2.4	<p>The annual report should include:</p> <ul style="list-style-type: none"> the significant issues relating to the financial statements that the audit committee considered, and how these issues were addressed an explanation of how the audit committee (and/or auditor panel for an NHS trust) has assessed the independence and effectiveness of the external audit process and its approach to the appointment or reappointment of the external auditor; length of tenure of the current audit firm, when a tender was last conducted and advance notice of any retendering plans where there is no internal audit function, an explanation for the absence, how internal assurance is achieved and how this affects the external audit an explanation of how auditor independence and objectivity are safeguarded if the external auditor provides non-audit services.
Disclose	D 2.6	<p>The directors should explain in the annual report their responsibility for preparing the annual report and accounts, and state that they consider the annual report and accounts, taken as a whole, is fair, balanced and understandable, and provides the information necessary for stakeholders to assess the trust's performance, business model and strategy.</p>
Disclose	D 2.7	<p>The board of directors should carry out a robust assessment of the trust's emerging and principal risks. The relevant reporting manuals will prescribe associated disclosure requirements for the annual report.</p>
Disclose	D 2.8	<p>The board of directors should monitor the trust's risk management and internal control systems and, at least annually, review their effectiveness and report on that review in the annual report. The monitoring and review should cover all material controls, including financial, operational and compliance controls. The board should report on internal control through the annual governance statement in the annual report.</p>
Disclose	D 2.9	<p>In the annual accounts, the board of directors should state whether it considered it appropriate to adopt the going concern basis of accounting when preparing them and identify any material uncertainties regarding going concern. Trusts should refer to the DHSC group accounting manual and NHS foundation trust annual reporting manual which explain that this assessment should be based on whether a trust anticipates it will continue to provide its services in the public sector. As a result, material uncertainties over going concern are expected to be rare.</p>
Disclose	E 2.3	<p>Where a trust releases an executive director, eg to serve as a non-executive director elsewhere, the remuneration disclosures in the annual report should include a statement as to whether or not the director will retain such earnings.</p>
Disclose	Appendix B, para 2.3 (not in Schedule A)	<p>The annual report should identify the members of the council of governors, including a description of the constituency or organisation that they represent, whether they were elected or appointed, and the duration of their appointments. The annual report should also identify the nominated lead governor.</p>

Part of Schedule A	Code section	Summary of requirement
Disclose	Appendix B, para 2.14 (not in Schedule A)	The board of directors should ensure that the NHS foundation trust provides effective mechanisms for communication between governors and members from its constituencies. Contact procedures for members who wish to communicate with governors and/or directors should be clear and made available to members on the NHS foundation trust's website and in the annual report.
Disclose	Appendix B, para 2.15 (not in Schedule A)	The board of directors should state in the annual report the steps it has taken to ensure that the members of the board, and in particular the non-executive directors, develop an understanding of the views of governors and members about the NHS foundation trust, eg through attendance at meetings of the council of governors, direct face-to-face contact, surveys of members' opinions and consultations.
Disclose	Additional requirement of <i>FT ARM</i> resulting from legislation	<p>If, during the financial year, the Governors have exercised their power* under paragraph 10C** of schedule 7 of the NHS Act 2006, then information on this must be included in the annual report.</p> <p>This is required by paragraph 26(2)(aa) of schedule 7 to the NHS Act 2006, as amended by section 151 (8) of the Health and Social Care Act 2012.</p> <p>* Power to require one or more of the directors to attend a governors' meeting for the purpose of obtaining information about the foundation trust's performance of its functions or the directors' performance of their duties (and deciding whether to propose a vote on the foundation trust's or directors' performance).</p> <p>** As inserted by section 151 (6) of the Health and Social Care Act 2012)</p>

2.109 Preparers are reminded of the need to also consider the *Code of governance* itself; in particular the list of 'comply or explain' provisions where the trust should explain in its annual report if it has departed from the Code.


NHS Oversight Framework

2.110 NHS foundation trusts must include a section in the accountability report which describes the application of NHS England's *NHS Oversight Framework* to the trust. An example commentary and disclosure is provided in Annex 3. Any rating relating to finance and use and resources should be disclosed on the same basis as in the foundation trust's monitoring templates issued by NHS England: on a group basis but excluding the impact of consolidated charitable funds.

2.111 Where NHS England has notified the foundation trust that it has been found to have been in breach or suspected breach of its licence, this should be disclosed together with the action taken or proposed actions to remedy this.

Statement of accounting officer's responsibilities

2.112 The NHS foundation trust's chief executive should explain their responsibility for preparing the financial statements. This should be positioned after the annual report and before the annual governance statement. A model




statement of accounting officer's responsibilities is provided in Annex 4 to this chapter.

- 2.113 Paragraph 25 of Schedule 7 to the 2006 Act states that the NHS foundation trust is to prepare annual accounts, and that such functions of the trust are to be delegated to the Accounting Officer. The [NHS Foundation Trust Accounting Officer Memorandum](#) further states that it is the chief executive's personal responsibility to prepare the financial statements.
- 2.114 In addition, the *Code of governance for NHS provider trusts (D 2.6)* requires the directors to include in the annual report an explanation of their responsibility for preparing the annual report and accounts. This includes the directors ensuring the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS foundation trust's performance, business model and strategy (*Code of governance D 2.6*). The model statement of accounting officer's responsibilities in Annex 4 includes a statement from the accounting officer that this has been achieved.
- 2.115 The Accounting Officer is required to confirm that, as far as they are aware, there is no relevant audit information of which the entity's auditors are unaware, and the Accounting Officer has taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the entity's auditors are aware of that information. [Section 418](#) of the Companies Act gives more guidance on what this confirmation means.

Annual governance statement

- 2.116 All entities covered by the requirements of this manual shall prepare an annual governance statement. A model annual governance statement is reproduced in Annex 5 to this document, but should be adapted and expanded to reflect the particular circumstance of the NHS foundation trust. NHS England does not prescribe for foundation trusts which issues should be considered to be significant control issues. Foundation trusts should ensure that a consistent definition of what constitutes significance is applied from year to year. Annex 5 provides examples of factors to consider in determining whether an issue is significant.
- 2.117 The annual governance statement includes reference to services being well-led. Trusts should refer to The Care Quality Commission and NHS England well-led framework published at <https://www.cqc.org.uk/guidance-regulation-nhs-key-question-well-led> (previously <https://www.england.nhs.uk/well-led-framework/>).
- 2.118 The annual governance statement should include disclosure of any serious



incidents relating to information governance including data loss or confidentiality breach. As a minimum this should include details of any incidents notified to the ICO/DHSC in the Data Security Incident Reporting Tool. For these cases the foundation trust should detail any action taken by the ICO. If disclosure would be prejudicial to any ongoing investigations or disciplinary or regulatory proceedings, details may be omitted.

- 2.119 The annual report should also include a statement report that the board has conducted a review of the effectiveness of the trust's system on internal controls. (Code of Governance D.2.8).

Voluntary disclosures


- 2.120 NHS foundation trusts are encouraged to include a section on equality reporting in the annual report. Inclusion is left to NHS foundation trusts' discretion. If included, we recommend treating this as a sub-section of the Accountability Report.

Equality reporting

- 2.121 Requirements for the equality report, which may be included in the annual report and accounts at NHS foundation trusts' discretion, will be found at www.gov.uk/equality-act-2010-guidance. If an equality report is included in the annual report, NHS foundation trusts are required to follow these requirements. If this is followed, the trust should also consider the related requirements in paragraph 2.24 and paragraph 2.99 and is encouraged to link these together.

Modern Slavery Act 2015

- 2.122 The Modern Slavery Act 2015 established a duty for commercial organisations to prepare an annual slavery and human trafficking statement. This is a statement of the steps the organisation has taken during the financial year to ensure that slavery and human trafficking is not taking place in any of its supply chains or in any part of its own business.
- 2.123 An entity is a 'commercial organisation' for the purposes of the Act if it supplies goods and services and has an annual turnover in excess of £36 million (set out in The Modern Slavery Act 2015 (Transparency in Supply Chains) Regulations 2015). Additionally, it must be a body corporate or partnership which carries on a business, or part of a business, in any part of the United Kingdom.
- 2.124 The Act does not specify what constitutes a business, and the potential therefore exists for NHS bodies, particularly NHS providers, that earn income from providing services to be considered to be within the scope of the Act's reporting requirements.

- 
- 2.125 Home Office guidance indicates that pursuit of primarily charitable or educational aims or purely public functions does not necessarily exempt an organisation if it engages in commercial activities. However, discussions between the Department of Health and Social Care and Home Office have established that NHS bodies are not considered to be carrying on a business where they are engaged in publicly funded activities and that it was not intended that such activities should be within the scope of the Act. Income earned by NHS providers from government sources, including integrated care boards and local authorities, is considered to be publicly funded for this purpose.
- 2.126 Where NHS bodies engage in profit-making activities, these may still be sufficient to trigger the reporting requirements. This is likely to be the case where income is earned from non-government sources, such as private patients, and where this income exceeds £36 million in total. It is ultimately for individual NHS bodies to consider whether they have activities that require them to be treated as a commercial organisation for the purpose of the Act, and to produce the required statement accordingly.
- 2.127 Where a slavery and human trafficking statement is required, the Act specifies that entities must publish this on their website if they have one. NHS England does not require NHS foundation trusts to include the slavery and human trafficking statement in their annual report (where the Act requires one be produced) but foundation trusts may include it in the annual report if they wish.

Annex 1 to Chapter 2: Exit packages

Staff exit packages

NHS foundation trusts are required to disclose summary information of their use of exit packages agreed in the year, as required by the *FreM*.

A narrative description should be provided, together with summary information in accordance with the table below (comparative information should be included either in brackets, additional columns, or a separate table).

Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000			
£10,000 – £25,000			
£25,001 – £50,000			
£50,001 – £100,000			
£100,000 – £150,000			
£150,001 – £200,000			
etc.			
Total number of exit packages by type			
Total resource cost			

The exit packages within the scope of this disclosure include, but are not limited to, those made under nationally-agreed arrangements or local arrangements for which Treasury approval was required.

This note should disclose all exit packages, including those paid to senior managers as defined in Chapter 2 of the *FT ARM*. Amounts paid to senior managers will require further disclosure in the directors' remuneration report.

The cost of ill-health retirements falls on the relevant pension scheme, not the foundation trust, and should not be included in this disclosure.

Exit packages: non-compulsory departure payments

This note discloses the number of non-compulsory departures which attracted an exit package in the year, and the values of the associated payment(s) by individual type. The note is prepared on the same basis as the exit packages note, ie showing the exit packages agreed in the year, irrespective of the actual date of accrual or payment.

The total value in this note should agree with the total resource cost for other departures in the exit packages note. However, there are likely to be differences in the component numbers as the exit packages note relates to the number of individuals receiving an exit package, while this note gives the number for each component. As a single exit package is likely to be made up of several components, each of which will be counted separately, the total number is likely to be higher than the number of individuals. The first four lines should only be used for amounts due under contractual entitlements. Any non-contractual element of a payment (such as a non-contractual payment in lieu of notice) should be included in the 'non-contractual payment requiring HM Treasury (HMT) approval' line.

Payments are disclosed in the following categories. Comparative information should be included either in brackets, additional columns, or a separate table and restated if last year they were not disclosed as clarified here.

	Agreements Number	Total Value of Agreements £000
Voluntary redundancies including early retirement contractual costs		
Mutually agreed resignations (MARS) contractual costs		
Early retirements in the efficiency of the service contractual costs		
Contractual payments in lieu of notice		
Exit payments following Employment Tribunals or court orders		
Non-contractual payments requiring HMT approval *		
Total		
Of which: non-contractual payments requiring HMT approval made to individuals where the payment value was more than 12 months of their annual salary	[this will be a subset of the non-contractual line above]	[this will be a subset of the non-contractual line above]


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

*Includes any non-contractual severance payment made following judicial mediation, and X [list amounts] relating to non-contractual payments in lieu of notice.

The Remuneration Report provides details of exit payments payable to individuals named in that Report.

The foundation trust should also disclose the maximum (highest), minimum (lowest) and median values of special severance payments, ie amounts included in the 'non-contractual payments' line of the table above.

Early retirement costs include any top-up to compensation provided by the employer to buy out the actuarial reduction on an individual's pension. Exit



payments made following an Employment Tribunal or court order are also included. Any such payments are considered contractual as the orders have to be paid by the party against whom the order is made, although may relate to compensation for loss of office.

Non-contractual payments are those made outside of contractual or legal obligation, including those from judicial mediation. Pre-authorisation from HM Treasury (or the parent body for cases below de minimis limits) must be sought for such payments before they are agreed with the employee. Failure to obtain HM Treasury authorisation before making such a payment may constitute irregular expenditure. The amount of any non-contractual payments in lieu of notice must be listed in the footnote. A further line discloses the number and value of non-contractual payments made to individuals where the payment was more than 12 months' annual salary. The reference salary for this disclosure is the annualised salary at the date of termination of employment, and excludes bonus payments and employer's pension contributions.

Annex 2 to Chapter 2: Staff survey report – template disclosure for NHS staff survey

Staff experience and engagement

[Statement of approach to staff engagement and feedback arrangements in place and key priorities and targets.]


NHS staff survey

The NHS staff survey is conducted annually. From 2021/22 the survey questions align to the seven elements of the NHS ‘People Promise’, retaining two previous themes of engagement and morale. All indicators are based on a score out of 10 for specific questions with the indicator score being the average of those.

The response rate to the 2024/25 survey among trust staff was [x] % (2023/24: [x] %).

Scores for each indicator together with that of the survey benchmarking group ([specify the benchmarking group]) are presented below.

Indicators (‘People Promise’ elements and themes)	2024/25		2023/24		2022/23	
	Trust score	Benchmarking group score	Trust score	Benchmarking group score	Trust score	Benchmarking group score
People Promise:						
We are compassionate and inclusive						
We are recognised and rewarded						
We each have a voice that counts						
We are safe and healthy						
We are always learning						
We work flexibly						
We are a team						
Staff engagement						
Morale						



[Optional: NHS foundation trusts may wish to include additional information from their results, including their strongest and lowest scores against their benchmark group, or results showing greatest improvement or decline over time.]

[Add commentary – this may include commenting on:

- Response rate compared to prior year
- Areas of improvement / deterioration from prior year
- Comparisons to benchmarking group
- Key areas for improvement
- Summary details of any local surveys and results (if applicable)

Future priorities and targets

Include:

- Statement of key priority areas
- Performance against priority areas (against targets set)
- Monitoring arrangements and
- Future priorities and how they will be measured.

Annex 3 to Chapter 2: NHS Oversight Framework – example disclosure

NHS England's *NHS Oversight Framework*²⁴ provides the framework for overseeing systems including providers and identifying potential support needs. NHS organisations are allocated to one of four 'segments'.

A segmentation decision indicates the scale and general nature of support needs, from no specific support needs (segment 1) to a requirement for mandated intensive support (segment 4). A segment does not determine specific support requirements. By default, all NHS organisations are allocated to segment 2 unless the criteria for moving into another segment are met. These criteria have two components:

- a) objective and measurable eligibility criteria based on performance against the six oversight themes using the relevant oversight metrics (the themes are: quality of care, access and outcomes; people; preventing ill-health and reducing inequalities; leadership and capability; finance and use of resources; local strategic priorities)
- b) additional considerations focused on the assessment of system leadership and behaviours, and improvement capability and capacity.

An NHS foundation trust will be in segment 3 or 4 only where it has been found to be in breach or suspected breach of its licence conditions.

Segmentation

[The foundation trust should disclose the segment in which NHS England has placed it, using the most up-to-date information available at the time of preparing the annual report. This should include details of any enforcement action²⁵ taken by NHS England, or in force during the year, together with any actions being taken or proposed action by the trust. This can cross-refer to another part of the annual report (such as the annual governance statement) if appropriate.]

This segmentation information is the trust's position as at [date]. Current segmentation information for NHS trusts and foundation trusts is published on the NHS England website: <https://www.england.nhs.uk/publication/nhs-system-oversight-framework-segmentation/>.

²⁴ NHS England, *NHS Oversight Framework* is published [here](#) for reference.

²⁵ NHS England, *NHS enforcement guidance* is published [here](#) for reference.



Annex 4 to Chapter 2: Model statement of accounting officer's responsibilities

Statement of the chief executive's responsibilities as the accounting officer of [name of provider] NHS Foundation Trust


The NHS Act 2006 states that the chief executive is the accounting officer of the NHS foundation trust. The relevant responsibilities of the accounting officer, including their responsibility for the propriety and regularity of public finances for which they are answerable, and for the keeping of proper accounts, are set out in the *NHS Foundation Trust Accounting Officer Memorandum* issued by NHS England.

NHS England has given Accounts Directions which require [name] NHS foundation trust to prepare for each financial year a statement of accounts in the form and on the basis required by those Directions. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of [name] NHS foundation trust and of its income and expenditure, other items of comprehensive income and cash flows for the financial year.

In preparing the accounts and overseeing the use of public funds, the Accounting Officer is required to comply with the requirements of the *Department of Health and Social Care Group Accounting Manual* and in particular to:

- observe the Accounts Direction issued by NHS England, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the *NHS Foundation Trust Annual Reporting Manual* (and the *Department of Health and Social Care Group Accounting Manual*) have been followed, and disclose and explain any material departures in the financial statements
- ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance
- confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS foundation trust's performance, business model and strategy and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

The accounting officer is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the NHS



foundation trust and to enable them to ensure that the accounts comply with requirements outlined in the above mentioned Act. The Accounting Officer is also responsible for safeguarding the assets of the NHS foundation trust and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

To the best of my knowledge and belief, I have properly discharged the responsibilities set out in the *NHS Foundation Trust Accounting Officer Memorandum*.

Signed.....

Chief Executive

Date: xx xx 20xx

Annex 5 to Chapter 2: Model annual governance statement

[The wording which is not in square brackets in this pro forma AGS should be replicated in every AGS and the words in square brackets should be amended and expanded as appropriate to the body in question.]

Drafting note: changes from the prior year are **shown in red text** to help NHS foundation trusts update their statements.

Scope of responsibility

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

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the policies, aims and objectives of [insert name of provider] NHS Foundation Trust, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in [insert name of provider] NHS Foundation Trust for the year ended 31 March 20xx and up to the date of approval of the annual report and accounts.


Capacity to handle risk

[Describe the key ways in which:

- leadership is given to the risk management process; and
- staff are trained or equipped to manage risk in a way appropriate to their authority and duties. Include comment on guidance provided to them and ways in which you seek to learn from good practice.]

The risk and control framework

[Describe the key elements of the risk management strategy, including the way in which risk (or change in risk) is identified, evaluated, **transferred** and controlled. Include mention of how risk appetites are determined. Explicitly describe the key elements of the quality governance arrangements, including how the quality of



performance information is assessed and how assurance is obtained routinely on compliance with CQC registration requirements. Explicitly include how risks to data security are being managed and controlled as part of this process. Include a brief description of the organisation's major risks, including significant clinical risks, separately identifying in-year and future risks, how they are/will be managed and mitigated and how outcomes are/will be assessed. Work performed to assess whether services are well-led under **The Care Quality Commission and NHS England well-led framework** will assist with this assessment and the trust should refer to well-led reviews as appropriate.]

[Include a description of the principal risks to compliance with the NHS provider licence section 4 (governance) and actions identified to mitigate these risks, particularly in relation to:

- the effectiveness of governance structures
- the responsibilities of directors and subcommittees
- reporting lines and accountabilities between the board, its subcommittees and the executive team
- the submission of timely and accurate information to assess risks to compliance with the trust's licence and
- the degree and rigour of oversight the board has over the trust's performance.]


[Describe key ways in which risk management is embedded in the activity of the organisation. For example, set out the ways in which equality impact assessments are integrated into core trust business or how incident reporting is openly encouraged and handled across the trust.]

[Describe the key elements of the way in which public stakeholders are involved in managing risks which impact on them.]

[Describe the key ways in which the trust ensures that short, medium and long-term workforce strategies and staffing systems are in place which assure the Board that staffing processes are safe, sustainable and effective. Describe how your Trust complies with the *Developing Workforce Safeguards*²⁶ recommendations.]

The foundation trust is fully/is not fully compliant with the registration requirements of the Care Quality Commission.

²⁶ https://www.england.nhs.uk/nursingmidwifery/safer-staffing-nursing-and-midwifery/#developing_workforce_safeguards



The foundation trust has published on its website an up-to-date register of interests, including gifts and hospitality, for decision-making staff (as defined by the trust with reference to the guidance) within the past twelve months as required by the *Managing Conflicts of Interest in the NHS*²⁷ guidance.

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

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

The foundation trust has undertaken risk assessments on the effects of climate change and severe weather and has developed a Green Plan following the guidance of the Greener NHS programme. The trust ensures that its obligations under the Climate Change Act and the Adaptation Reporting requirements are complied with.

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

[Describe the key process that has been applied to ensure that resources are used economically, efficiently and effectively, including some comment on the role of the board, internal audit and any other review or assurance mechanisms.]

Information governance

[Describe any serious incidents relating to information governance including data loss or confidentiality breach. As a minimum this should include details of any incidents notified to the ICO/DHSC in the Data Security Incident Reporting Tool. For these cases the foundation trust should detail any action taken by the ICO.]

Data quality and governance


[Brief description of steps which have been put in place to assure the board that there are appropriate controls in place to ensure the accuracy of data

In particular this should explain how the foundation trust assures the quality and accuracy of elective waiting time data, and the risks to the quality and accuracy of this data]

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the

²⁷ www.england.nhs.uk/publication/managing-conflicts-of-interest-in-the-nhs-guidance-for-staff-and-organisations/



system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors, clinical audit and the executive managers and clinical leads within the NHS foundation trust who have responsibility for the development and maintenance of the internal control framework. I have drawn on performance information available to me. My review is also informed by comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, the audit committee [and risk/clinical governance/quality committee, if appropriate] and a plan to address weaknesses and ensure continuous improvement of the system is in place.

[Describe the process that has been applied in maintaining and reviewing the effectiveness of the system of internal control, including some comment on the role and conclusions of:

- the board
- the audit committee
- if relevant, the risk/ clinical governance/ quality committee/risk managers/risk improvement manager
- clinical audit
- internal audit and
- other explicit review/assurance mechanisms.

Include an outline of the actions taken, or proposed to deal with any significant internal control issues and gaps in control, if applicable.]

Conclusion

[state either that no significant internal control issues have been identified or make specific reference to those significant internal control issues which have been identified in the body of the AGS above]

Signed.....

Chief Executive

Date: xx xx 20xx

Drafting guidance

PLEASE NOTE the requirement above: The Conclusion section must clearly state either that no <u>significant internal control issues</u> have been identified, or specifically list the <u>significant internal control issues</u> that have been identified in the body of the AGS.



Determining significant internal control issues

Applying the requirements of paragraph 2.116 above, the following list gives examples of factors to consider when determining whether an internal control issue is significant. This list is not intended to be exhaustive.

- Might the issue prejudice achievement of priorities?
- Could the issue undermine the integrity or reputation of the NHS?
- What view does the Audit Committee take on this point?
- What advice has the internal or external audit given?
- Could delivery of the standards expected of the accounting officer be at risk?
- Has the issue made it harder to resist fraud or other misuse of resources?
- Did the issue divert resources from another significant aspect of the business?
- Could the issue have a material impact on the accounts?
- Might national or data security or integrity be put at risk?

Annex 6 to Chapter 2: Off-payroll arrangements disclosure requirements

As part of the remuneration report, NHS foundation trusts should present the following data on their highly paid and/or senior off-payroll engagements.

Guidance

The reported data should include (where paid £245 or more per day per day):

- i. Those appointments to which the off-payroll legislation applies whereby the Trust is required to undertake IR35 assessments under Part 2, Chapter 10 of the 2003 Income Tax (Earnings and Pensions) Act. They are defined as: “A worker (or contractor), not employed by the client Trust, the supplier or any other organisation within the supply chain, that instead provides their services through their own limited company or another type of intermediary to the client. An intermediary will usually be the worker’s own personal service company but could also be a partnership or an individual.”
- ii. Those appointments that are not on the Trust’s payroll and where the off-payroll legislation does not apply. For example, the legislation does not apply to sole traders or workers that are employed by and on the payroll of an umbrella company, agency or other organisation in the supply chain.


Off-payroll appointments should be included regardless of the commercial route through which they are engaged. This includes all other commercial routes aside from the following reported data:

- i. Workers that are controlled and directed by external suppliers in the course of providing the Trust with a contracted-out service
- ii. Workers who are seconded to the Trust and on the payroll of the supplying organisation and
- iii. Consultants that are providing consultancy services to the Trust that do not go beyond provision of advice.

The principal guidance for off-payroll rules (IR35) in the public sector is available at <https://www.gov.uk/guidance/off-payroll-working-for-clients>. Further guidance on the distinction between procurement of a contracted-out service versus procurement of workers / resource, is available in the Tax Centre of Excellence pages of the Government Finance Function OneFinance website: <https://www.gff.civilservice.gov.uk/>.

Disclosure requirements

1. For all off-payroll engagements as of 31 March 2025, earning at least £245 per day, trusts should report:

- 
- i. the total number of existing engagements as of 31 March 2025
 - ii. the number that have existed for less than one year at time of reporting
 - iii. the number that have existed for between one and two years at time of reporting
 - iv. the number that have existed for between two and three years at time of reporting
 - v. the number that have existed for between three and four years at time of reporting; and
 - vi. the number that have existed for four or more years at time of reporting.

Reporting of this should follow the format of Table 1 below. To determine the length of the appointment, trusts should use the time engaged under the current contract including all extensions to that contract. Breaks in appointments that are no more than the typical period of a holiday should be ignored.

2. For all off-payroll appointments engaged at any point during the year ended 31 March 2025 and earning at least £245 per day, trusts should report:
 - i. the number of appointments in force during the time period
 - ii. the number of these appointments to which the off-payroll legislation does not apply
 - iii. the number of these appointments to which the off-payroll legislation does apply and which were assessed as within the scope of IR35
 - iv. the number of these appointments to which the off-payroll legislation does apply and which were assessed as not within the scope of IR35
 - v. the number that were reassessed for consistency/ assurance purposes during the year and
 - vi. the number that saw a change to IR35 status following the assurance review.

Reporting of this should follow the format of Table 2 (below). For any off-payroll worker tax liabilities and/or HMRC penalties imposed upon the trust as a result of non-compliance with off-payroll worker legislation, trusts must disclose these as losses in the disclosure of losses and special payments note to the accounts. Reference to any such losses should also be disclosed in Table 2.

3. For any off-payroll engagements of board members, and/or, senior officials

with significant financial responsibility, between 1 April 2024 and 31 March 2025 trusts must also disclose:

- i. the number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year¹
- ii. details of the exceptional circumstances that led to each of these engagements
- iii. details of the length of time each of these exceptional engagements lasted and
- iv. the total number of individuals (both on and off-payroll) that have been deemed 'board members and/or senior officials with significant financial responsibility' during the financial year. This figure must include both off-payroll and on-payroll engagements.²

Reporting of this should follow the format of Table 3 (below).

¹ There should only be a very small number of off-payroll engagement of board members and/or senior officials with significant financial responsibility.

² As the total figure includes both on-payroll and off-payroll engagements, no entries here should be blank or zero.

Table formats

Table 1: Highly-paid off-payroll worker engagements as at 31 March 2025 earning £245 per day or greater

Number of existing engagements as of 31 March 2025	
Of which:	
Number that have existed for less than one year at time of reporting	
Number that have existed for between one and two years at time of reporting	
Number that have existed for between two and three years at time of reporting	
Number that have existed for between three and four years at time of reporting	
Number that have existed for four or more years at time of reporting	

Table 2: All highly-paid off-payroll workers engaged at any point during the year ended 31 March 2025 earning £245 per day or greater

Number of off-payroll workers engaged during the year ended 31 March 2025	
Of which:	
Not subject to off-payroll legislation *	
Subject to off-payroll legislation and determined as in-scope of IR35 *	
Subject to off-payroll legislation and determined as out-of-scope of IR35 *	
Number of engagements reassessed for compliance or assurance purposes during the year	
Of which: number of engagements that saw a change to IR35 status following review	

* A worker that provides their services through their own limited company or another type of intermediary to the client will be subject to off-payroll legislation and the Trust must undertake an assessment to determine whether that worker is in-scope of Intermediaries legislation (IR35) or out-of-scope for tax purposes.

Table 3: For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2024 and 31 March 2025

Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	
Number of individuals that have been deemed 'board members and/or senior officials with significant financial responsibility' during the financial year. This figure must include both off-payroll and on-payroll engagements.	

In any cases where individuals are included within the first row of this table the trust should set out:

- Details of the exceptional circumstances that led to each of these engagements.
- Details of the length of time each of these exceptional engagements lasted.

Annex 7 to Chapter 2: Task force on climate-related financial disclosures

Drafting note: Minor amendments have been made to prior year text to change which section guidance on linking to other parts of the annual report sits within. A reference to the trust's duties in the NHS Act 2006 has also been added but this is not a new requirement. The sections on the risk management pillar and metrics and targets pillar are new for 2024/25. These changes are not shown in bold italics to help clarity.

HM Treasury has [issued guidance](#)²⁸ on applying the task force on climate-related financial disclosure (TCFD) recommendations to the public sector. The *FT ARM* adopts these requirements for NHS foundation trusts on a phased basis up to 2025/26 as part of the performance report: see paragraph 2.23.

For reporting entities that have total operating income exceeding £500m or more than 500 employees (which is the case for all NHS foundation trusts), the recommended disclosure requirements detailed below are required to be compiled on a comply or explain basis. The TCFD framework defines 'pillars' which structure how that disclosure should be presented.

In compiling the TCFD recommended disclosures it is expected that they are detailed under a heading of '*Task force on climate-related financial disclosures (TCFD)*' in the performance analysis section of the performance report. If the entity chooses to explain rather than comply with the TCFD recommended disclosures, the explanation given as to why the disclosures have not been compiled should be provided under the heading '*Task force on climate-related financial disclosures (TCFD)*' in the performance analysis.


Other elements of the annual report may contribute to the content of the TCFD disclosures such as content in the governance statement contributing to the disclosures under the governance or risk management pillars. Where this is the case preparers should cross reference to content elsewhere in the report rather than duplicate content for the purpose of compiling the TCFD recommended disclosures.

Equally where external reports, such as NHS Green Plans, contain relevant information for the recommended disclosures, entities are not required to duplicate this information in this part of the annual report. Entities can cross reference to the content of external reports for the purpose of compiling these TCFD disclosures.

NHS foundation trusts also have a duty²⁹ to contribute to the Government's

²⁸ <https://www.gov.uk/government/publications/tcf-aligned-disclosure-application-guidance>

²⁹ This duty is defined in section 63B of the National Health Service Act 2006.



statutory environmental targets, and adapt to any current or predicted impacts of climate change as identified in the most recent report under section 56 of the Climate Change Act 2008.

NHS foundation trusts are not required to disclose or develop processes to disclose scope 1, scope 2 and scope 3 emissions under the 'metrics and targets pillar' in the HM Treasury guidance as emissions estimates for the NHS in England are derived centrally by NHS England.

Introduction to the recommended disclosures in the annual report

The below is suggested text for entities to use to introduce the recommended disclosures as part of the performance analysis:


Task force on climate-related financial disclosures (TCFD)

NHS England's NHS foundation trust annual reporting manual has adopted a phased approach to incorporating the TCFD recommended disclosures as part of sustainability annual reporting requirements for NHS bodies, stemming from HM Treasury's TCFD aligned disclosure guidance for public sector annual reports. TCFD recommended disclosures as interpreted and adapted for the public sector by the HM Treasury TCFD aligned disclosure application guidance, will be implemented in sustainability reporting requirements on a phased basis up to the 2025/26 financial year. Local NHS bodies are not required to disclose scope 1, 2 and 3 greenhouse gas emissions under TCFD requirements as these are computed nationally by NHS England.

The phased approach incorporates the disclosure requirements of the governance, risk management and metrics and targets pillars for 2024/25. These disclosures [are provided below with appropriate cross referencing to relevant information elsewhere in the annual report and accounts and in other external publications / have not been provided because....]"

A reporting body should disclose information which allows a user of its annual reports to understand how risks and opportunities relating to climate change are identified, considered, and managed within its structure. This may have significant linkage to the content of other parts of the annual report as well as some linkage to detail set out in NHS bodies' green plans.

The level of detail and or cross referencing to elsewhere in the accounts may depend on the extent to which climate policies and their risks and opportunities are addressed by the same processes, controls and procedures detailed elsewhere in the annual report as well as the extent to which specific climate policies and strategies have been established. It is important that disclosures are proportionate to other risks disclosed in the annual report, with the level of detail commensurate with the significance of climate-related risks to the organisation. Materiality assessments should also be comparable with other assessments in



the annual report.

Governance pillar

The high level TCFD recommendation for this qualitative pillar is for the entity to disclose the organisation's governance around climate related issues.

The specific disclosures under this pillar require the entity to:

- describe the board's oversight of climate-related issues
- describe management's role in assessing and managing climate-related issues.

Describe the board's oversight of climate-related issues

In making this disclosure entities should consider:

- processes and frequency by which the board is informed about climate-related issues
- the extent to which the board considers climate-related issues when reviewing organisational plans and monitoring performance of the entity
- how the board monitors progress against goals and targets for addressing climate-related issues.

Describe management's role in assessing and managing climate-related issues

In making this disclosure entities should consider:


- what climate-related responsibilities have been assigned to management structures (committees, management roles, specific programmes or reviews undertaken) below board level, a description of how these responsibilities are discharged by management structures and the extent to which they report to the board on climate-related issues.
- processes by which the relevant management structures are informed about climate-related issues and how those structures monitor climate-related issues.

Risk Management pillar

The high level TCFD recommendation for this qualitative pillar is for the entity to describe how it identifies, assesses and manages climate-related risks.

The specific disclosures under this pillar require the entity to:

- describe the organisation's processes for identifying and assessing climate-related risks
- describe the organisation's processes for managing climate-related risks
- describe how processes for identifying, assessing and managing climate-



related risks are integrated into the organisation's overall risk management approach.

As noted in the introduction to this annex, organisations should cross-reference to other parts of the annual report as appropriate.

Describe the organisation's processes for identifying and assessing climate-related risks

In making this disclosure entities should consider:

- describing the climate-related risks identified by the organisation. Reference to table A1.1 in Annex A of the HM Treasury application guidance may help describe types and categories of climate-related risks identified
- the relative significance of climate-related risks compared to other risks the organisation has identified and is managing, given the potential size and scope of climate related risks
- describing the framework in which these climate-related risks have been identified and assessed.

Describe the organisation's processes for managing climate-related risks

In making this disclosure entities should consider:

- describing how the entity makes decisions to mitigate, transfer, accept or control risks
- what assumptions have been made for assessing and prioritising risks including judgements around materiality
- the extent to which external risk frameworks are employed in relation to climate-related risks.

Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management

In making this disclosure entities should consider:

- the extent to which processes for assessing climate-related risks are integrated into the entity's overall risk management process, noting there is no need to duplicate information contained within the governance statement
- whether climate-related issues are a principal risk for the entity, but even if not a principal risk it may benefit from cross referencing to the governance statement.



Metrics and target pillar

The high level TCFD recommendation for this qualitative and quantitative pillar is for the entity to disclose the material metrics and targets used to assess and manage relevant climate-related issues.

The specific disclosures under this pillar require the entity to:

- disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process
- describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

As noted in the introduction to this annex, organisations should cross-reference to other parts of the annual report or external documents such as the organisation's Green Plan as appropriate. NHS foundation trusts are reminded that NHS bodies are not required to disclose scope 1, scope 2 and scope 3 emissions as part of the metrics and targets pillar as estimates for the NHS in England are derived centrally by NHS England.

Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process

In making this disclosure entities should consider:

- the key metrics used to measure and manage climate-related risks and opportunities of the entity.
- historical trends of the metrics disclosed for trend analysis and rationale for selecting a particular baseline when providing a baseline year for means of comparison
- a description of the methodologies employed to calculate or estimate a metric when the approach to measurement or scope of the metric is not obvious
- where an entity employs internal carbon pricing, this should be disclosed along with information on how values are derived and used to appraise and evaluate projects.

Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

- the key climate-related targets of the entity. In doing so entities should consider disclosing:
 - whether the target is absolute or intensity based and the methodology employed in calculating the target and scope of the



target for the entity when this is not obvious

- the timeframe for achieving the target, including any interim targets set relating to medium to long term targets disclosed
 - any baseline period from which progress is measured, as well as the progress on against the target to date
 - any KPIs employed to assess progress against a target
 - any updates to targets such as restatements or updates to baselines, explaining the rationale behind such restatements and revisions
- differences between targets set and any public announcements or reports that establish other climate-related commitments, pledges or goals for the entity detailed what has been actively pursued in organisational plans during the reporting period.



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This document can be made available in alternative formats on request.