

# Annual Accounts

## Statement of comprehensive net expenditure for the year ended 31 March 2018

	Note	Parent		Consolidated Group	
		2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Income from sale of goods and services	2	(574,629)	(650,390)	(503,965)	(565,444)
Other operating income	2	(1,464,115)	(1,534,046)	(1,679,310)	(1,677,010)
<b>Total operating income</b>		<b>(2,038,744)</b>	<b>(2,184,436)</b>	<b>(2,183,275)</b>	<b>(2,242,454)</b>
Staff costs	3	729,648	720,782	1,843,109	1,781,450
Purchase of goods and services	4	109,170,258	106,122,171	108,641,524	104,988,385
Depreciation and impairment charges	4	90,184	75,719	103,315	89,508
Provision expense	4	(3,240)	(205,479)	49,562	(171,937)
Other operating expenditure	4	200,419	112,964	309,271	222,556
<b>Total operating expenditure</b>		<b>110,187,269</b>	<b>106,826,157</b>	<b>110,946,781</b>	<b>106,909,962</b>
<b>Net operating expenditure</b>		<b>108,148,525</b>	<b>104,641,721</b>	<b>108,763,506</b>	<b>104,667,508</b>
Finance expense	11	(1,089)	(8,218)	(1,263)	(8,030)
<b>Net expenditure for the year</b>		<b>108,147,436</b>	<b>104,633,503</b>	<b>108,762,243</b>	<b>104,659,478</b>
Other (gains)/losses		-	-	143	(10)
Net (gain)/loss on Transfer by Absorption <sup>1</sup>		-	4,003	-	-
<b>Total net expenditure for the year</b>		<b>108,147,436</b>	<b>104,637,506</b>	<b>108,762,386</b>	<b>104,659,468</b>
<b>Other comprehensive net expenditure</b>					
<b>Items which will not be reclassified to net operating costs</b>					
Net (gain) on revaluation of Intangibles	7	-	-	-	(540)
Actuarial (gain)/loss in pension schemes		-	-	(850)	1,024
<b>Sub total</b>		-	-	(850)	484
<b>Comprehensive net expenditure for the year</b>		<b>108,147,436</b>	<b>104,637,506</b>	<b>108,761,536</b>	<b>104,659,952</b>

The notes on pages 119 to 158 form part of this statement.

<sup>1</sup> The net gain on absorption is eliminated on consolidation as the transfer of functions was between NHS England, the parent, and a CCG on 1 April 2016.

## Statement of financial position as at 31 March 2018

	Note	Parent		Consolidated Group	
		31 March 2018	31 March 2017	31 March 2018	31 March 2017
		£000	£000	£000	£000
<b>Non-current assets</b>					
Property, plant and equipment	6	350,557	275,434	390,371	319,338
Intangible assets	7	4,857	7,486	11,256	12,714
Trade and other receivables	8	-	-	443	291
Other financial assets	8	-	-	554	540
<b>Total non-current assets</b>		<b>355,414</b>	<b>282,920</b>	<b>402,624</b>	<b>332,883</b>
<b>Current assets</b>					
Inventories		28,102	10,594	36,911	17,348
Trade and other receivables	8	243,143	237,914	1,008,482	962,052
Cash and cash equivalents	9	144,765	263,885	165,745	284,835
<b>Total current assets</b>		<b>416,010</b>	<b>512,393</b>	<b>1,211,138</b>	<b>1,264,235</b>
<b>Total assets</b>		<b>771,424</b>	<b>795,313</b>	<b>1,613,762</b>	<b>1,597,118</b>
<b>Current liabilities</b>					
Trade and other payables	10	(3,850,294)	(3,239,950)	(9,381,168)	(8,142,409)
Provisions	12	(71,857)	(81,869)	(177,931)	(159,750)
<b>Total current liabilities</b>		<b>(3,922,151)</b>	<b>(3,321,819)</b>	<b>(9,559,099)</b>	<b>(8,302,159)</b>
<b>Total assets less current liabilities</b>		<b>(3,150,727)</b>	<b>(2,526,506)</b>	<b>(7,945,337)</b>	<b>(6,705,041)</b>
<b>Non-current liabilities</b>					
Trade and other payables	10	(26)	-	(3,285)	(4,927)
Provisions	12	(11,151)	(11,049)	(26,221)	(26,440)
<b>Total current liabilities</b>		<b>(11,177)</b>	<b>(11,049)</b>	<b>(29,506)</b>	<b>(31,367)</b>
<b>Total assets less current liabilities</b>		<b>(3,161,904)</b>	<b>(2,537,555)</b>	<b>(7,974,843)</b>	<b>(6,736,408)</b>
<b>Financed by taxpayers' equity and other reserves</b>					
General fund		(3,161,904)	(2,537,555)	(7,970,187)	(6,730,907)
Revaluation reserve		-	-	37	42
Other reserves		-	-	(4,693)	(5,543)
<b>Total taxpayers' equity</b>		<b>(3,161,904)</b>	<b>(2,537,555)</b>	<b>(7,974,843)</b>	<b>(6,736,408)</b>

The notes on pages 119 to 158 form part of this statement.

The financial statements on pages 114 to 118 were approved by the Board on 3 July 2018 and signed on its behalf by: Simon Stevens, Accounting Officer.

## Statement of changes In taxpayers equity for the year ended 31 March 2018

Parent	General fund £000	Revaluation reserve £000	Other reserves £000	Taxpayers equity £000
<b>Changes in taxpayers' equity for 2017/18</b>				
Balance at 1 April 2017	(2,537,555)	-	-	(2,537,555)
<b>Changes in taxpayers' equity for 2017/18</b>				
Total Net Expenditure for the financial year	(108,147,436)	-	-	(108,147,436)
Transfers between reserves	-	-	-	-
<b>Comprehensive net expenditure for the year</b>	<b>(108,147,436)</b>	<b>-</b>	<b>-</b>	<b>(108,147,436)</b>
Grant in Aid	107,523,087	-	-	107,523,087
<b>Balance at 31 March 2018</b>	<b>(3,161,904)</b>	<b>-</b>	<b>-</b>	<b>(3,161,904)</b>

Parent	General fund £000	Revaluation reserve £000	Other reserves £000	Taxpayers equity £000
<b>Changes in taxpayers' equity for 2016/17</b>				
Balance at 1 April 2016	(2,184,523)	24	-	(2,184,499)
<b>Changes in taxpayers' equity for 2016/17</b>				
Total Net Expenditure for the financial year	(104,637,506)	-	-	(104,637,506)
Transfers between reserves	24	(24)	-	-
<b>Comprehensive net expenditure for the year</b>	<b>(104,637,482)</b>	<b>(24)</b>	<b>-</b>	<b>(104,637,506)</b>
Grant in Aid	104,284,450	-	-	104,284,450
<b>Balance at 31 March 2017</b>	<b>(2,537,555)</b>	<b>-</b>	<b>-</b>	<b>(2,537,555)</b>

Consolidated Group	General fund £000	Revaluation reserve £000	Other reserves £000	Taxpayers equity £000
<b>Changes in taxpayers' equity for 2017/18</b>				
<b>Balance at 1 April 2017</b>	<b>(6,730,907)</b>	<b>42</b>	<b>(5,543)</b>	<b>(6,736,408)</b>
<b>Changes in taxpayers' equity for 2017/18</b>				
Total Net Expenditure for the financial year	(108,762,386)	-	-	(108,762,386)
Net gain/(loss) on revaluation of intangible assets	-	-	-	-
<b>Total revaluations against revaluation reserve</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Movements in other reserves	-	-	850	850
Transfers between reserves	5	(5)	-	-
Release of reserves to the Statement of Comprehensive Net Expenditure	14	-	-	14
<b>Comprehensive net expenditure for the year</b>	<b>(108,762,367)</b>	<b>(5)</b>	<b>850</b>	<b>(108,761,522)</b>
Grant in Aid	107,523,087	-	-	107,523,087
<b>Balance at 31 March 2018</b>	<b>(7,970,187)</b>	<b>37</b>	<b>(4,693)</b>	<b>(7,974,843)</b>
<b>Consolidated Group</b>				
	<b>General fund £000</b>	<b>Revaluation reserve £000</b>	<b>Other reserves £000</b>	<b>Taxpayers equity £000</b>
<b>Changes in taxpayers' equity for 2016/17</b>				
<b>Balance at 1 April 2016</b>	<b>(6,356,524)</b>	<b>137</b>	<b>(4,519)</b>	<b>(6,360,906)</b>
<b>Changes in taxpayers' equity for 2016/17</b>				
Total Net Expenditure for the financial year	(104,659,468)	-	-	(104,659,468)
Net gain/(loss) on revaluation of intangible assets	-	540	-	540
<b>Total revaluations against revaluation reserve</b>	<b>-</b>	<b>540</b>	<b>-</b>	<b>540</b>
Movements in other reserves	-	-	(1,024)	(1,024)
Transfers between reserves	635	(635)	-	-
Release of reserves to the Statement of Comprehensive Net Expenditure	-	-	-	-
<b>Comprehensive net expenditure for the year</b>	<b>(104,658,833)</b>	<b>(95)</b>	<b>(1,024)</b>	<b>(104,659,952)</b>
Grant in Aid	104,284,450	-	-	104,284,450
<b>Balance at 31 March 2017</b>	<b>(6,730,907)</b>	<b>42</b>	<b>(5,543)</b>	<b>(6,736,408)</b>

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

The notes on pages 119 to 158 form part of this statement.

## Statement of cash flows for the year ended 31 March 2018

	Note	Parent		Consolidated Group	
		2017/18	2016/17	2017/18	2016/17
		£000	£000	£000	£000
<b>Cash flows from operating activities</b>					
Net expenditure for the financial year		(108,147,436)	(104,633,503)	(108,762,243)	(104,659,478)
Depreciation and amortisation	4	90,184	75,719	103,293	87,948
Impairments and reversals	4	-	-	22	1,560
Other non cash adjustments <sup>2</sup>		-	-	(173)	81
Movement due to transfers by absorption		-	(320)	-	-
Unwinding of discount	11	(1,089)	(8,605)	(1,306)	(8,501)
Change in discount rate	12	(227)	342	(291)	255
(Increase)/decrease in inventories		(17,508)	(10,444)	(19,563)	(12,111)
(Increase)/decrease in trade & other receivables	8	(5,229)	32,097	(46,582)	(109,039)
Increase/(decrease) in trade & other payables	10	550,937	729,359	1,213,633	877,480
Provisions utilised	12	(5,581)	(104,761)	(30,294)	(127,475)
Increase/(decrease) in provisions	12	(3,013)	(205,821)	49,853	(172,192)
<b>Net cash outflow from operating activities</b>		<b>(107,538,962)</b>	<b>(104,125,937)</b>	<b>(107,493,651)</b>	<b>(104,121,472)</b>
<b>Cash flows from investing activities</b>					
Payments for property, plant and equipment		(101,031)	(144,322)	(131,634)	(160,865)
Payments for intangible assets		(2,214)	(1,523)	(4,242)	(2,030)
Proceeds from disposal of assets: property, plant and equipment		-	-	1,265	168
Proceeds from disposal of assets: intangible assets		-	-	-	540
<b>Net cash outflow from investing activities</b>		<b>(103,245)</b>	<b>(145,845)</b>	<b>(134,611)</b>	<b>(162,187)</b>
<b>Net cash outflow before financing activities</b>		<b>(107,642,207)</b>	<b>(104,271,782)</b>	<b>(107,628,262)</b>	<b>(104,283,659)</b>
<b>Cash flows from financing activities</b>					
Grant in aid funding received		107,523,087	104,284,450	107,523,087	104,284,450
Capital element of payments in respect of finance leases		-	(10,523)	(85)	(10,606)
<b>Net cash inflow from financing activities</b>		<b>107,523,087</b>	<b>104,273,927</b>	<b>107,523,002</b>	<b>104,273,844</b>
<b>Net increase/(decrease) in cash &amp; cash equivalents</b>		<b>(119,120)</b>	<b>2,145</b>	<b>(105,260)</b>	<b>(9,815)</b>
Cash & Cash Equivalents at the Beginning of the Financial Period	9	263,885	261,740	268,356	278,171
<b>Cash &amp; cash equivalents at the end of the Financial Year</b>	9	<b>144,765</b>	<b>263,885</b>	<b>163,096</b>	<b>268,356</b>

The notes on pages 119 to 158 form part of this statement.

<sup>2</sup> Other non cash adjustments comprise a non cash charge to reflect a discount on future lease charges of £5k (2016/17 £25k) and a pension credit of £178k (2016/17 charge of £56k).

# Notes to the financial statements

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## 1. Statement of accounting policies

These financial statements have been prepared in a form directed by the Secretary of State under Schedule 1(A), paragraph 15(2) of the Health and Social Care Act 2012 and in accordance with the 2017/18 DHSC Group Accounting Manual (DHSC GAM) issued by the Department of Health & Social Care and comply with HM Treasury's Financial Reporting Manual 2017/18 (FReM). The accounting policies contained in the DHSC GAM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the DHSC GAM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NHS England for the purpose of giving a true and fair view has been selected. The particular policies adopted by NHS England are described below. They have been applied consistently in dealing with items considered material to the accounts.

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

### 1.1 Operating segments

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

### 1.2 Accounting convention

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

### 1.3 Basis of consolidation

These accounts comprise the results of the NHS England statutory entity as well as the consolidated position of NHS England and its 207 related CCGs. Transactions between entities included in the consolidation are eliminated.

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

### 1.4 Comparative information

The comparative information provided in these financial statements is for the year ended 31 March 2017.

## 1.5 Going concern

NHS England's financial statements are produced on a going concern basis. NHS England is supply-financed and draws its funding from the Department of Health & Social Care. Parliament has demonstrated its commitment to fund the Department of Health & Social Care for the foreseeable future via the latest Spending Review and the passing of the Health and Social Care Act 2012. In the same way, the Department of Health & Social Care has demonstrated commitment to the funding of NHS England (with funding flows for the 2018/19 financial year having already commenced). It is therefore considered appropriate to adopt the going concern basis for the preparation of these financial statements.

## 1.6 Transfer of functions

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

## 1.7 Revenue recognition

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

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

## 1.8 Employee benefits

Recognition of short-term benefits - retirement benefit costs:

Past and present employees are covered by the provisions of the NHS Pension Scheme. The scheme is an unfunded, defined benefit scheme that covers NHS employers, general practitioners and other bodies allowed under the direction of the Secretary of State in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying assets and liabilities. Therefore, the scheme is accounted for as if it were a defined contribution scheme; the cost recognised in these accounts represents the contributions payable for the year. Details of the benefits payable under these provisions can be found on the NHS Pensions website at [www.nhsbsa.nhs.uk/pensions](http://www.nhsbsa.nhs.uk/pensions).



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

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

Salaries, wages and employment related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the financial statements to the extent that employees are permitted to carry forward leave into the following year.

### **1.9 Value Added Tax (VAT)**

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

### **1.10 Property, plant and equipment recognition**

Property, plant and equipment is capitalised if:

- it is held for use in delivering services or for administrative purposes;
- it is probable that future economic benefits will flow to, or service potential will be supplied to, the group;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and either;
- the item cost at least £5,000; or
- collectively, a number of items have a total cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they have broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

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

### **Valuation of property, plant and equipment**

All property, plant and equipment is measured initially at cost, representing the cost directly attributable to acquiring or constructing the asset and bringing it to the location and condition necessary for it to be capable of operating in the manner intended by management. All assets are measured subsequently at depreciated historical cost as a proxy for fair value, with no material differences.

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

Balances held in the Revaluation reserve relate to balances inherited as at 1st April 2013. In line with our accounting policy, no further revaluation gains have been recognised.

### **Subsequent expenditure**

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

#### **1.11 Intangible non-current assets**

Intangible non-current assets are non-monetary assets without physical substance that are capable of sale separately from the rest of the group's business or arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the group; where the cost of the asset can be measured reliably; and where the cost is at least £5,000.

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

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

#### **1.12 Research and development**

Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred.

Internally generated assets are recognised if, and only if, all of the following have been demonstrated:

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

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

### 1.13 Depreciation, amortisation and impairments

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

Otherwise, depreciation or amortisation, as appropriate, is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, on a straight line basis over their estimated remaining useful lives. The estimated useful life of an asset is the period over which economic benefits or service potential is expected to be obtained from the asset. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

Depreciation/amortisation is charged as follows:

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

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset being impaired and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

### 1.14 Leases

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

Property, plant and equipment held under finance leases are initially recognised at the inception of the lease at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned

between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive net expenditure.

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

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

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

### **1.15 Inventories**

Inventories are valued at the lower of cost and net realisable value, and are utilised using the First in First Out method of inventory controls.

### **1.16 Cash and cash equivalents**

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in three months or less from the date of acquisition and are readily convertible to known amounts of cash with insignificant risk of change in value.

In the statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and that form an integral part of cash management. Cash, bank and overdraft balances are recorded at current values.

### **1.17 Provisions**

Provisions are recognised when there exists a present legal or constructive obligation as a result of a past event, it is probable that the group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

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

- A short term rate of minus 2.42 percent (2016/17: minus 2.70 percent) is applied to expected cash flows in a time boundary of between 0 and up to and including five years from the statement of financial position date
- A medium term rate of minus 1.85 percent (2016/17: minus 1.95 percent) is applied to the time boundary of after five and up to and including 10 years
- A long-term rate of minus 1.56 percent (2016/17: minus 0.80 percent) is applied to expected cashflows exceeding 10 years

All percentages are in real terms.

### **1.18 Clinical negligence costs**

The NHS Resolution operates a risk pooling scheme under which NHS England and CCGs pay an annual contribution to the NHS Resolution, which in turn settles all clinical negligence claims. The contribution is charged to expenditure. Although the NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability rests with the group.

### **1.19 Non-clinical risk pooling**

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

### **1.20 Continuing healthcare risk pooling**

In 2014/15 a risk pool scheme was introduced by NHS England for continuing healthcare claims, for claim periods prior to 31 March 2013. Under the scheme CCGs contributed annually to a pooled fund until 31 March 2017, which is used to settle the claims. The contribution of CCGs are charged to operating income in year in the NHS England parent account.

### **1.21 Contingent liabilities and contingent assets**

A contingent liability is:

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

A contingent liability is disclosed unless the possibility of a payment is remote.

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

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

### **1.22 Financial assets**

Financial assets are recognised on the statement of financial position when the group becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are de-recognised when the contractual rights have expired or the asset has been transferred. Financial assets are initially recognised at fair value. Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

At the statement of financial position date, the group assesses whether any financial assets are impaired. Financial assets are impaired, and impairment losses recognised, if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which have an impact on the estimated future cash flows of the asset. For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the statement of net comprehensive expenditure.

### **1.23 Financial liabilities**

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

Financial liabilities are initially recognised at fair value.

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

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

The FReM does not require the following Standards and Interpretations to be applied in 2017/18, these are applicable for accounting periods starting on or after 1st January 2018.

- IFRS 9 Financial Instruments (application from 1 January 2018).
- IFRS 14 Regulatory Deferral Accounts (not applicable to Department of Health & Social Care group bodies).
- IFRS 15 Revenue for Contract with Customers (application from 1 January 2018).
- IFRS 16 Leases (application from 1 January 2019).
- IFRS 17 Insurance contracts (application from 1 January 2021).

## **IFRS 9 - Financial Instruments**

IFRS 9 is due to be implemented from 1 April 2018 and we have performed a preliminary assessment of the impact as follows:

### **Classification**

An assessment of the material financial assets of the parent and the group has shown that the majority of items are simple debt instruments held in order to collect contractual cash flows. Under IAS39 these are classified at amortised costs and no material change is expected under IFRS 9.

An assessment of the material financial liabilities of the parent and the group has shown that the majority of items are trade payables and accruals, that are currently at amortised cost and no material change is expected under IFRS 9.

### **Impairment**

IFRS 9 requires the recognition of impairments on a forward looking expected credit loss model. HMT has interpreted the provisions in the standard for calculating the expected credit loss to mandate the use of the simplified approach. This means that the loss allowance at initial recognition will be the equal to the lifetime expected credit loss. In addition DHSC provides a guarantee of last resort against debts of DHSC group bodies and therefore the NHS England parent and group bodies must not recognise lifetime expected credit losses against other DHSC group bodies, in line with the HMT adaptation.

An assessment of the non NHS financial assets has not indicated that there would be a material movement in the value of the impairment of receivables.

### **Transition**

NHS England parent and CCGs must recognise any differences between the carrying amounts at the end of the 2017/18 financial year compared to the carrying amount at 1 April 2018 in the opening retained earnings under the HMT interpretation specified in the Government Financial Reporting Manual. The review of the carrying values has indicated there will be no material change due to the implementation of IFRS 9.

## **IFRS 15 - Revenue for contract with customers**

IFRS 15 is due to be implemented from 1 April 2018 and we have performed a preliminary assessment of the impact as follows:

### **Income recognition**

In the parent entity the material elements of revenue are Prescription fees & charges, and Dental fees & charges. HMT have expanded the definition of a contract to include legislation or regulations that allow an entity to impose a charge on the customer. These two sources of revenue are therefore subject to IFRS 15. Our expectation is that there will be no change in the timing of the recognition of this income.

CCGs do not have significant external income sources. The majority of their income relates to recognition of revenue from continuing healthcare contracts and our expectation is that revenue can continue to be recognised over time and therefore there is no material impact from the implementation of IFRS 15.

### **Transition**

The impact of implementation has been assessed to be immaterial but any changes will be recognised through reserves as the option to restate under IAS 8 has been withdrawn.

### **IFRS 16 Leases**

The impact of IFRS 16 cannot be reasonably estimated at this time because it will be dependent on the leases that the Group holds at the time of implementation. The new standard will require the Group to assess its accounting processes and internal controls relating to the reporting of leases and this will not be complete until application guidance is issued by HMT.

### **Other accounting standards issued but not yet adopted**

Full assessments of the impact of the remaining standards issued but not yet adopted will be completed by NHS England in due course following any relevant guidance issued in the Government Financial Reporting Manual.



## 2. Operating revenue

	Parent		Consolidated Group	
	2017/18	2016/17	2017/18	2016/17
	Total £000	Total £000	Total £000	Total £000
<b>Income from sale of goods and services</b>				
Education, training and research	165,237	187,119	177,657	202,158
Non-patient care services to other bodies <sup>3</sup>	409,392	463,271	326,041	362,849
Rental revenue from operating leases	-	-	267	437
<b>Total Income from sale of goods and services</b>	<b>574,629</b>	<b>650,390</b>	<b>503,965</b>	<b>565,444</b>
<b>Other operating income</b>				
Recoveries in respect of employee benefits	162	8	6,875	5,084
Prescription fees and charges	567,594	547,961	575,963	554,935
Dental fees and charges	807,333	776,812	807,333	776,812
Charitable and other contributions to revenue expenditure: non-NHS	410	631	2,695	2,889
Continuing Healthcare risk pool contributions <sup>4</sup>	-	100,000	-	-
Non cash apprenticeship training grants revenue	24	-	98	-
Other revenue	88,592	108,634	286,346	337,290
<b>Total other operating income</b>	<b>1,464,115</b>	<b>1,534,046</b>	<b>1,679,310</b>	<b>1,677,010</b>
<b>Total operating income</b>	<b>2,038,744</b>	<b>2,184,436</b>	<b>2,183,275</b>	<b>2,242,454</b>

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

4 Continuing healthcare risk pool contributions comprise contributions from CCGs to a risk pool scheme for which the related continuing healthcare liabilities are settled by NHS England. This is eliminated on consolidation for the group account. There was no contribution during 2017/18.

### 3. Employee benefits and staff numbers

#### 3.1 Employee benefits

	Parent		Consolidated Group	
	2017/18	2016/17	2017/18	2016/17
	Total £000	Total £000	Total £000	Total £000
<b>Employee benefits</b>				
Salaries and wages	600,262	601,132	1,519,988	1,490,620
Social security costs	56,297	52,230	141,742	130,152
Employer contributions to NHS Pension scheme	65,203	60,810	164,829	151,676
Other pension costs	-	-	18	-
Apprenticeship Levy	2,686	-	4,153	-
Termination benefits	5,200	6,806	12,379	9,444
<b>Gross employee benefits expenditure</b>	<b>729,648</b>	<b>720,978</b>	<b>1,843,109</b>	<b>1,781,892</b>
Less: Employee costs capitalised	-	(196)	-	(442)
<b>Net employee benefits excluding capitalised costs</b>	<b>729,648</b>	<b>720,782</b>	<b>1,843,109</b>	<b>1,781,450</b>
Less recoveries in respect of employee benefits	(162)	(8)	(6,875)	(5,083)
<b>Net employee benefits</b>	<b>729,486</b>	<b>720,774</b>	<b>1,836,234</b>	<b>1,776,367</b>

Staff numbers can be found in the Accountability report on page 88.

The Apprenticeship levy scheme was introduced from 6 April 2017. This is a tax payable on pay bills above £3 million. For 2017/18 NHS England, CSUs and 125 CCGs are required to contribute to the levy.

## 3.2 Pension costs

As described in Note 1.8 past and present employees are covered by the provisions of the NHS Pensions Scheme. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities.

Therefore, the scheme is accounted for as if it were a defined contribution scheme: the cost to the NHS Body of participating in the scheme is taken as equal to the contributions payable to the scheme for the accounting period.

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

### 3.2.1 Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of the scheme liability as at 31 March 2018, is based on valuation data as 31 March 2017, updated to 31 March 2018 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

### Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2016.

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

### 3.2.2 Scheme provisions

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

- The Scheme is a “final salary” scheme. Annual pensions are normally based on 1/80th for the 1995 section and of the best of the last three years pensionable pay for each year of service, and 1/60th for the 2008 section of reckonable pay per year of membership. Members who are practitioners as defined by the Scheme Regulations have their annual pensions based upon total pensionable earnings over the relevant pensionable service.
- With effect from 1 April 2008 members can choose to give up some of their annual pension for an additional tax free lump sum, up to a maximum amount permitted under HMRC rules. This new provision is known as “pension commutation”.
- Annual increases are applied to pension payments at rates defined by the Pensions (Increase) Act 1971, and are based on changes in retail prices in the twelve months ending 30 September in the previous calendar year. From 2011/12 the Consumer Price Index (CPI) has been used and replaced the Retail Prices Index (RPI).
- Early payment of a pension, with enhancement, is available to members of the scheme who are permanently incapable of fulfilling their duties effectively through illness or infirmity. A death gratuity of twice final year’s pensionable pay for death in service, and five times their annual pension for death after retirement is payable.
- For early retirements other than those due to ill health the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to the employer.
- Members can purchase additional service in the NHS Scheme and contribute to money purchase AVC’s run by the Scheme’s approved providers or by other Free Standing Additional Voluntary Contributions (FSAVC) providers.

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

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

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

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) and the Civil Servant and Other Pension Scheme (CSOPS). These schemes are unfunded, defined benefit schemes covering civil servants. The schemes are not designed in a way that would enable employers to identify their share of the underlying scheme assets and liabilities. Therefore, the schemes are accounted for as though they were defined contribution schemes: the cost to NHS England of participating in a scheme is taken as equal to the contributions payable to the scheme for the accounting period.

For defined contribution schemes, such as Civil Service partnership pensions, NHS England recognises the contributions payable for the year.

NHS England recognises the full cost of benefits paid under the Civil Service Compensation Scheme, including the early payment of pensions.

## 4. Operating expenses

	Parent		Consolidated Group	
	2017/18	2016/17	2017/18	2016/17
	Total £000	Total £000	Total £000	Total £000
<b>Other costs</b>				
Services from CCGs	19,475	21,970	-	-
Services from Foundation Trusts	11,859,158	11,170,819	44,044,652	42,196,636
Services from other NHS Trusts	5,651,306	5,132,890	24,684,323	23,785,519
Sustainability and Transformation Fund <sup>5</sup>	1,800,000	1,800,000	1,800,000	1,800,000
Services from Other WGA bodies <sup>6</sup>	6,718	9,231	55,477	44,872
Purchase of healthcare from non-NHS bodies	1,226,871	1,201,276	13,095,600	12,637,063
Purchase of social care	-	678	599,274	388,461
General dental services and personal dental services	2,944,521	2,909,509	2,944,521	2,909,509
Prescribing costs	46,541	14,794	8,560,895	8,534,616
Pharmaceutical services	1,895,531	1,982,372	1,906,991	1,992,230
General ophthalmic services	547,518	545,981	556,015	554,399
Primary care services <sup>7</sup>	1,654,779	3,771,509	8,274,354	7,971,342
Supplies and services – clinical	57,150	33,418	131,245	110,059
Supplies and services – general	356,249	503,973	820,880	959,624
Chair and lay membership body and governing body members	130	141	53,201	52,454
Consultancy services	26,611	18,353	85,476	101,264
Establishment	172,747	161,978	368,988	316,281
Transport	10,974	9,891	44,826	33,318
Premises	96,225	71,493	392,345	371,719
Audit fees	300	315	10,402	13,599
Other non-statutory audit expenditure <sup>8</sup>	-	-	1,927	1,865
Other professional fees excl. services provided by external audit	26,799	27,670	65,212	64,543
Legal fees	19,030	22,882	47,187	61,221
Grants to other public bodies	63,629	76,007	85,347	106,760
Clinical negligence	-	-	189	338
Research and development (excluding staff costs)	238	549	11,856	12,937
Education and training	120,308	112,153	150,834	140,245
Funding to group bodies <sup>9</sup>	80,631,423	76,599,016	-	-
Other expenditure	42,124	35,884	42,356	41,726
<b>Total operating expenses - cash</b>	<b>109,276,355</b>	<b>106,234,752</b>	<b>108,834,373</b>	<b>105,202,600</b>
<b>Operating expenditure - non cash</b>				
Impairments and reversals of receivables	-	2	19,774	6,514
Impairments of loan	-	278	-	278
Inventories consumed and written down	94,298	103	96,548	1,549
Depreciation	85,341	70,903	97,308	82,091
Amortisation	4,843	4,816	5,985	5,857
Impairments of property, plant and equipment	-	-	22	1,154
Impairments of intangible assets	-	-	-	406
Change in discount rate	(227)	342	(291)	255
Provisions	(3,013)	(205,821)	49,853	(172,192)
Non cash apprenticeship training grants	24	-	100	-
<b>Total operating expenses - non cash</b>	<b>181,266</b>	<b>(129,377)</b>	<b>269,299</b>	<b>(74,088)</b>
<b>Total operating expenses</b>	<b>109,457,621</b>	<b>106,105,375</b>	<b>109,103,672</b>	<b>105,128,512</b>

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

The comparatives for purchase of healthcare and other professional fees have been reclassified to reflect the two new categories of operating expenditure - purchase of social care and legal fees.

- 5 In 2016/17 and 2017/18 NHS England has allocated expenditure through the Sustainability and Transformation Fund for provider sustainability support, in line with 2016/17 and 2017/18 NHS England mandate.
- 6 Services from other WGA bodies comprises expenditure with DHSC, DHSC Arm's Length Bodies and NHS Blood and Transplant.
- 7 The reductions in primary care expenditure in 2017/18 in the NHS England parent account are due to the switch in budget from NHS England to those CCGs who have taken delegated commissioning responsibilities. This also results in an increase in Group Funding to those CCGs who have assumed delegated commissioning responsibilities.
- 8 In both financial years NHS England purchased no Non Audit services from NAO. Details of CCG non audit expenditure can be found in the underlying individual CCG accounts.
- 9 Funding to group bodies is shown above and represents cash funding drawn down by the CCGs. These balances are eliminated on consolidation.

## 5. Operating leases

### 5.1 As lessee

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

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

Accordingly the payments made in 2017/18 and 2016/17 are disclosed as minimum lease payments in the buildings category in note 5.1.1. However in the absence of formal contracts it is not possible to confirm minimum lease payments for future years and hence no disclosure is made for these buildings in note 5.1.2. It is expected that the payments recognised in 2017/18 would continue to be minimum lease payments in 2018/19.

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

#### 5.1.1 Payments recognised as an expense

Parent	2017/18			2016/17		
	Buildings £000	Other £000	Total £000	Buildings £000	Other £000	Total £000
<b>Payments recognised as an expense</b>						
Minimum lease payments	78,042	2,087	<b>80,129</b>	50,358	1,182	<b>51,540</b>
Contingent rents	-	-	-	-	-	-
<b>Total</b>	<b>78,042</b>	<b>2,087</b>	<b>80,129</b>	<b>50,358</b>	<b>1,182</b>	<b>51,540</b>
Consolidated Group	2017/18			2016/17		
	Buildings £000	Other £000	Total £000	Buildings £000	Other £000	Total £000
<b>Payments recognised as an expense</b>						
Minimum lease payments	322,075	3,969	<b>326,044</b>	288,065	3,305	<b>291,370</b>
Contingent rents	-	27	<b>27</b>	-	36	<b>36</b>
<b>Total</b>	<b>322,075</b>	<b>3,996</b>	<b>326,071</b>	<b>288,065</b>	<b>3,341</b>	<b>291,406</b>



## 5.1.2 Future minimum lease payments

Parent	2017/18			2016/17		
	Buildings £000	Other £000	Total £000	Buildings £000	Other £000	Total £000
<b>Payable:</b>						
No later than one year	31,303	1,214	<b>32,517</b>	17,189	1,086	<b>18,275</b>
Between one and five years	59,956	274	<b>60,230</b>	32,078	2,206	<b>34,284</b>
After five years	4,257	-	<b>4,257</b>	327	-	<b>327</b>
<b>Total</b>	<b>95,516</b>	<b>1,488</b>	<b>97,004</b>	<b>49,594</b>	<b>3,292</b>	<b>52,886</b>

  

Consolidated Group	2017/18			2016/17		
	Buildings £000	Other £000	Total £000	Buildings £000	Other £000	Total £000
<b>Payable:</b>						
No later than one year	66,190	2,154	<b>68,344</b>	35,707	2,144	<b>37,851</b>
Between one and five years	116,578	943	<b>117,521</b>	83,277	3,085	<b>86,362</b>
After five years	27,771	2	<b>27,773</b>	29,297	15	<b>29,312</b>
<b>Total</b>	<b>210,539</b>	<b>3,099</b>	<b>213,638</b>	<b>148,281</b>	<b>5,244</b>	<b>153,525</b>

## 6. Property, plant and equipment

<b>Parent 2017/18</b>	<b>Buildings excluding dwellings £000</b>	<b>Assets under construction and payments on account £000</b>	<b>Plant &amp; machinery £000</b>	<b>Transport equipment £000</b>	<b>Information technology £000</b>	<b>Furniture &amp; fittings £000</b>	<b>Total £000</b>
<b>Cost or valuation at 1 April 2017</b>	<b>2,292</b>	<b>676</b>	<b>1,940</b>	<b>32</b>	<b>414,408</b>	<b>6,902</b>	<b>426,250</b>
Addition of assets under construction and payments on account	-	-	-	-	-	-	-
Additions purchased	-	-	501	179	159,077	707	<b>160,464</b>
Reclassifications	-	(676)	(162)	-	937	(99)	-
Disposals	(1,888)	-	(1,217)	-	(22,556)	-	<b>(25,661)</b>
Impairments charged	-	-	-	-	-	-	-
Transfer (to)/from other public sector body	-	-	-	-	-	-	-
<b>Cost or valuation at 31 March 2018</b>	<b>404</b>	<b>-</b>	<b>1,062</b>	<b>211</b>	<b>551,866</b>	<b>7,510</b>	<b>561,053</b>
<b>Depreciation 1 April 2017</b>	<b>1,889</b>	<b>-</b>	<b>1,394</b>	<b>18</b>	<b>145,459</b>	<b>2,056</b>	<b>150,816</b>
Reclassifications	-	-	-	-	-	-	-
Disposals	(1,888)	-	(1,217)	-	(22,556)	-	<b>(25,661)</b>
Charged during the year	37	-	112	5	84,060	1,127	<b>85,341</b>
Transfer (to)/from other public sector body	-	-	-	-	-	-	-
<b>At 31 March 2018</b>	<b>38</b>	<b>-</b>	<b>289</b>	<b>23</b>	<b>206,963</b>	<b>3,183</b>	<b>210,496</b>
<b>Net Book Value at 31 March 2018</b>	<b>366</b>	<b>-</b>	<b>773</b>	<b>188</b>	<b>344,903</b>	<b>4,327</b>	<b>350,557</b>
<b>Asset financing:</b>							
Owned	366	-	773	188	344,903	4,327	<b>350,557</b>
<b>Total at 31 March 2018</b>	<b>366</b>	<b>-</b>	<b>773</b>	<b>188</b>	<b>344,903</b>	<b>4,327</b>	<b>350,557</b>

**Parent  
2016/17**

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

## 6. Property, plant and equipment

<b>Consolidated Group 2017/18</b>	<b>Buildings excluding dwellings £000</b>	<b>Assets under construction and payments on account £000</b>	<b>Plant &amp; machinery £000</b>	<b>Transport equipment £000</b>	<b>Information technology £000</b>	<b>Furniture &amp; fittings £000</b>	<b>Total £000</b>
<b>Cost or valuation at 1 April 2017</b>	<b>4,046</b>	<b>2,579</b>	<b>17,849</b>	<b>148</b>	<b>470,190</b>	<b>16,275</b>	<b>511,087</b>
Addition of assets under construction and payments on account	-	148	-	-	-	-	<b>148</b>
Additions purchased	353	-	517	179	167,642	1,217	<b>169,908</b>
Reclassifications	57	(1,117)	183	-	(236)	(171)	<b>(1,284)</b>
Disposals	(1,889)	(1,298)	(1,326)	-	(24,433)	(165)	<b>(29,111)</b>
Impairments charged	-	-	-	-	(22)	-	<b>(22)</b>
<b>Cost or valuation at 31 March 2018</b>	<b>2,567</b>	<b>312</b>	<b>17,223</b>	<b>327</b>	<b>613,141</b>	<b>17,156</b>	<b>650,726</b>
<b>Depreciation 1 April 2017</b>	<b>2,084</b>	-	<b>8,309</b>	<b>134</b>	<b>175,046</b>	<b>6,176</b>	<b>191,749</b>
Reclassifications	1	-	-	-	(951)	-	<b>(950)</b>
Disposals	(1,889)	-	(1,302)	-	(24,412)	(149)	<b>(27,752)</b>
Impairments charged	-	-	-	-	-	-	-
Charged during the year	198	-	1,944	5	92,742	2,419	<b>97,308</b>
<b>At 31 March 2018</b>	<b>394</b>	-	<b>8,951</b>	<b>139</b>	<b>242,425</b>	<b>8,446</b>	<b>260,355</b>
<b>Net Book Value at 31 March 2018</b>	<b>2,173</b>	<b>312</b>	<b>8,272</b>	<b>188</b>	<b>370,716</b>	<b>8,710</b>	<b>390,371</b>
<b>Asset financing:</b>							
Owned	1,783	312	7,421	188	370,716	8,710	<b>389,130</b>
Held on finance lease	390	-	851	-	-	-	<b>1,241</b>
<b>Total at 31 March 2018</b>	<b>2,173</b>	<b>312</b>	<b>8,272</b>	<b>188</b>	<b>370,716</b>	<b>8,710</b>	<b>390,371</b>

**Consolidated Group  
2016/17**

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

## 7. Intangible non-current assets

<b>Parent 2017/18</b>	<b>Computer software: purchased £000</b>	<b>Licences and trademarks £000</b>	<b>Development expenditure (internally generated) £000</b>	<b>Total £000</b>
<b>Cost or valuation at 1 April 2017</b>	<b>20,672</b>	<b>8</b>	<b>349</b>	<b>21,029</b>
Additions purchased	590	-	1,624	<b>2,214</b>
Reclassifications	-	-	-	-
Disposals	(5,796)	-	-	<b>(5,796)</b>
Transfer (to)/from other public sector body	-	-	-	-
<b>At 31 March 2018</b>	<b>15,466</b>	<b>8</b>	<b>1,973</b>	<b>17,447</b>
<b>Amortisation 1 April 2017</b>	<b>13,186</b>	<b>8</b>	<b>349</b>	<b>13,543</b>
Reclassifications	-	-	-	-
Disposals	(5,796)	-	-	<b>(5,796)</b>
Charged during the year	4,818	-	25	<b>4,843</b>
Transfer (to) from other public sector body	-	-	-	-
<b>At 31 March 2018</b>	<b>12,208</b>	<b>8</b>	<b>374</b>	<b>12,590</b>
<b>Net Book Value at 31 March 2018</b>	<b>3,258</b>	<b>-</b>	<b>1,599</b>	<b>4,857</b>
<b>Asset financing:</b>				
Owned	3,258	-	1,599	<b>4,857</b>
<b>Total at 31 March 2018</b>	<b>3,258</b>	<b>-</b>	<b>1,599</b>	<b>4,857</b>
<b>Parent 2016/17</b>				
<b>Cost or valuation at 1 April 2016</b>	<b>20,526</b>	<b>8</b>	<b>1,893</b>	<b>22,427</b>
Additions purchased	1,523	-	-	<b>1,523</b>
Reclassifications	(100)	-	(1,544)	<b>(1,644)</b>
Disposals	(520)	-	-	<b>(520)</b>
Transfer (to)/from other public sector body	(757)	-	-	<b>(757)</b>
<b>At 31 March 2017</b>	<b>20,672</b>	<b>8</b>	<b>349</b>	<b>21,029</b>
<b>Amortisation 1 April 2016</b>	<b>9,208</b>	<b>8</b>	<b>349</b>	<b>9,565</b>
Reclassifications	(1)	-	-	<b>(1)</b>
Disposals	(520)	-	-	<b>(520)</b>
Charged during the year	4,816	-	-	<b>4,816</b>
Transfer (to)/from other public sector body	(317)	-	-	<b>(317)</b>
<b>At 31 March 2017</b>	<b>13,186</b>	<b>8</b>	<b>349</b>	<b>13,543</b>
<b>Net Book Value at 31 March 2017</b>	<b>7,486</b>	<b>-</b>	<b>-</b>	<b>7,486</b>
<b>Asset financing:</b>				
Owned	7,486	-	-	<b>7,486</b>
<b>Total at 31 March 2017</b>	<b>7,486</b>	<b>-</b>	<b>-</b>	<b>7,486</b>

## Consolidated Group 2017/18

	Computer software: purchased £000	Licences and trademarks £000	Development expenditure (internally generated) £000	Total £000
<b>Cost or valuation at 1 April 2017</b>	<b>27,143</b>	<b>8</b>	<b>2,573</b>	<b>29,724</b>
Additions purchased	2,617	-	1,625	<b>4,242</b>
Reclassifications	1,273	-	11	<b>1,284</b>
Disposals	(5,854)	-	(600)	<b>(6,454)</b>
Upward revaluation gains	-	-	-	-
Impairments charged	-	-	-	-
<b>At 31 March 2018</b>	<b>25,179</b>	<b>8</b>	<b>3,609</b>	<b>28,796</b>
<b>Amortisation 1 April 2017</b>	<b>15,597</b>	<b>8</b>	<b>1,405</b>	<b>17,010</b>
Reclassifications	950	-	-	<b>950</b>
Disposals	(5,805)	-	(600)	<b>(6,405)</b>
Charged during the year	5,905	-	80	<b>5,985</b>
<b>At 31 March 2018</b>	<b>16,647</b>	<b>8</b>	<b>885</b>	<b>17,540</b>
<b>Net Book Value at 31 March 2018</b>	<b>8,532</b>	<b>-</b>	<b>2,724</b>	<b>11,256</b>
<b>Asset financing:</b>				
Owned	8,532	-	2,724	<b>11,256</b>
<b>Total at 31 March 2018</b>	<b>8,532</b>	<b>-</b>	<b>2,724</b>	<b>11,256</b>

## Consolidated Group 2016/17

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

## 8. Trade and other receivables

	Parent				Consolidated Group			
	Current 2017/18 £000	Non- current 2017/18 £000	Current 2016/17 £000	Non- current 2016/17 £000	Current 2017/18 £000	Non- current 2017/18 £000	Current 2016/17 £000	Non- current 2016/17 £000
NHS receivables: revenue	49,853	-	46,492	-	123,989	-	127,601	-
NHS prepayments	10,359	-	6,273	-	219,877	-	213,712	-
NHS accrued income	29,417	-	6,885	-	125,090	-	78,193	-
Non-NHS and other WGA receivables: revenue	62,481	-	75,105	-	225,799	-	247,794	-
Non-NHS and other WGA prepayments	62,283	-	76,340	-	163,777	440	171,803	161
Non-NHS and other WGA accrued income	15,803	-	17,859	-	131,674	-	96,709	130
Provision for the impairment of receivables	(1,279)	-	(997)	-	(29,438)	-	(15,049)	-
VAT	8,564	-	8,990	-	23,350	-	24,670	-
Other receivables and accruals	5,662	-	967	-	24,364	3	16,619	-
<b>Total</b>	<b>243,143</b>	<b>-</b>	<b>237,914</b>	<b>-</b>	<b>1,008,482</b>	<b>443</b>	<b>962,052</b>	<b>291</b>
Other financial assets	-	-	-	-	-	554	-	540
<b>Total current and non-current</b>	<b>243,143</b>		<b>237,914</b>		<b>1,009,479</b>		<b>962,883</b>	



## 9. Cash and cash equivalents

	Parent		Consolidated Group	
	2017/18 £000	2016/17 £000	2017/18 £000	2016/17 £000
Balance at 1 April 2017	263,885	261,740	268,356	278,171
Net change in year	(119,120)	2,145	(105,260)	(9,815)
<b>Balance at 31 March 2018</b>	<b>144,765</b>	<b>263,885</b>	<b>163,096</b>	<b>268,356</b>
Made up of:				
Cash with the Government Banking Service	58,465	193,173	78,845	213,635
Cash with commercial banks	-	-	26	-
Hosted cash/cash in hand	86,300	70,712	86,874	71,200
<b>Cash and cash equivalents as in statement of financial position</b>	<b>144,765</b>	<b>263,885</b>	<b>165,745</b>	<b>284,835</b>
Bank overdraft: Government Banking Service	-	-	(2,649)	(16,479)
<b>Total bank overdrafts</b>	<b>-</b>	<b>-</b>	<b>(2,649)</b>	<b>(16,479)</b>
<b>Balance at 31 March 2018</b>	<b>144,765</b>	<b>263,885</b>	<b>163,096</b>	<b>268,356</b>

For details of bank overdraft see note 10.

Included within hosted cash/cash in hand above is £86.3 million (2016/17 £70.7 million) held on behalf of NHS England by the NHS Business Services Authority.

## 10. Trade and other payables

	Parent				Consolidated Group			
	Current 2017/18 £000	Non- current 2017/18 £000	Current 2016/17 £000	Non- current 2016/17 £000	Current 2017/18 £000	Non- current 2017/18 £000	Current 2016/17 £000	Non- current 2016/17 £000
NHS payables: revenue	645,415	-	492,491	-	1,394,629	-	1,143,087	-
NHS payables: capital	24,013	-	3,323	-	114	-	1,088	-
NHS accruals	1,633,777	-	1,149,796	-	2,200,725	-	1,700,133	-
NHS deferred income	649	-	1,654	-	199	-	687	-
Non-NHS and other WGA payables: revenue	144,477	-	162,420	-	975,487	-	988,834	-
Non-NHS and other WGA payables: capital	39,356	-	613	-	41,763	-	2,401	-
Non-NHS and other WGA accruals	1,033,456	-	1,115,898	-	3,945,570	-	3,620,281	-
Non-NHS and other WGA deferred income	2,926	-	5,042	-	19,713	73	19,073	360
Social security costs	7,407	-	7,504	-	20,305	-	19,662	-
VAT	-	-	-	-	316	-	519	-
Tax	19,980	-	6,738	-	31,642	-	17,185	-
Payments received on account	7	-	65	-	88	-	170	-
Other payables and accruals	298,831	26	294,406	-	747,847	2,188	612,689	3,464
<b>Total</b>	<b>3,850,294</b>	<b>26</b>	<b>3,239,950</b>	<b>-</b>	<b>9,378,398</b>	<b>2,261</b>	<b>8,125,809</b>	<b>3,824</b>
<b>Other financial liabilities</b>								
Bank overdraft - Government Banking Service	-	-	-	-	2,649	-	16,479	-
Finance lease liabilities	-	-	-	-	121	917	121	1,002
Other financial liabilities - other	-	-	-	-	-	107	-	101
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,770</b>	<b>1,024</b>	<b>16,600</b>	<b>1,103</b>
<b>Total trade &amp; other payables (current)</b>	<b>3,850,294</b>		<b>3,239,950</b>		<b>9,381,168</b>		<b>8,142,409</b>	
<b>Total trade &amp; other payables (non-current)</b>		<b>26</b>		<b>-</b>		<b>3,285</b>		<b>4,927</b>
<b>Total trade &amp; other payables (current and non-current)</b>		<b>3,850,320</b>		<b>3,239,950</b>		<b>9,384,453</b>		<b>8,147,336</b>

## 11. Finance costs

	Parent		Consolidated Group	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
<b>Interest</b>				
Interest on obligations under finance leases	-	379	39	422
Interest on late payment of commercial debt	-	8	3	33
Other interest expense	-	-	1	16
<b>Total interest</b>	<b>-</b>	<b>387</b>	<b>43</b>	<b>471</b>
Other finance costs	-	-	-	-
Provisions: unwinding of discount	(1,089)	(8,605)	(1,306)	(8,501)
<b>Total finance costs</b>	<b>(1,089)</b>	<b>(8,218)</b>	<b>(1,263)</b>	<b>(8,030)</b>

## 12. Provisions

Parent	Current	Non-current	Current	Non-current
	2017/18	2017/18	2016/17	2016/17
	£000	£000	£000	£000
Restructuring	486	-	522	-
Redundancy	201	-	1,147	-
Legal claims	1,769	564	930	-
Continuing care	33,634	-	54,261	822
Other	35,767	10,587	25,009	10,227
<b>Total</b>	<b>71,857</b>	<b>11,151</b>	<b>81,869</b>	<b>11,049</b>
<b>Total current and non-current</b>	<b>83,008</b>		<b>92,918</b>	

	Restructuring	Redundancy	Legal	Continuing	Other	Total
	£000	£000	claims	care	£000	£000
	£000	£000	£000	£000	£000	£000
<b>Balance at 1 April 2017</b>	<b>522</b>	<b>1,147</b>	<b>930</b>	<b>55,083</b>	<b>35,236</b>	<b>92,918</b>
Arising during the year	460	34	1,860	18,301	30,908	51,563
Utilised during the year	(475)	(95)	-	(1,991)	(3,020)	(5,581)
Reversed unused	-	(881)	(456)	(36,873)	(16,366)	(54,576)
Unwinding of discount	(21)	(5)	3	(783)	(283)	(1,089)
Change in discount rate	-	-	(3)	(102)	(122)	(227)
<b>Balance at 31 March 2018</b>	<b>486</b>	<b>200</b>	<b>2,334</b>	<b>33,635</b>	<b>46,353</b>	<b>83,008</b>

### Expected timing of cash flows:

Within one year	486	200	1,770	33,635	35,766	71,857
Between one and five years	-	-	564	-	6,333	6,897
After five years	-	-	-	-	4,254	4,254
<b>Balance at 31 March 2018</b>	<b>486</b>	<b>200</b>	<b>2,334</b>	<b>33,635</b>	<b>46,353</b>	<b>83,008</b>

## Consolidated Group

	Current 2017/18 £000	Non-current 2017/18 £000	Current 2016/17 £000	Non-current 2016/17 £000
Restructuring	1,389	-	825	-
Redundancy	2,826	-	2,481	-
Legal claims	2,274	564	1,392	2
Continuing care	80,296	6,224	87,817	8,213
Other	91,146	19,433	67,235	18,225
<b>Total</b>	<b>177,931</b>	<b>26,221</b>	<b>159,750</b>	<b>26,440</b>
<b>Total current and non-current</b>	<b>204,152</b>		<b>186,190</b>	

	Restructuring £000	Redundancy £000	Legal claims £000	Continuing care £000	Other £000	Total £000
<b>Balance at 1 April 2017</b>	<b>825</b>	<b>2,481</b>	<b>1,394</b>	<b>96,030</b>	<b>85,460</b>	<b>186,190</b>
Arising during the year	1,217	2,665	2,124	60,380	67,825	134,211
Utilised during the year	(604)	(1,400)	(38)	(12,789)	(15,463)	(30,294)
Reversed unused	(28)	(915)	(642)	(56,000)	(26,773)	(84,358)
Unwinding of discount	(21)	(5)	3	(955)	(328)	(1,306)
Change in discount rate	-	-	(3)	(146)	(142)	(291)
<b>Balance at 31 March 2018</b>	<b>1,389</b>	<b>2,826</b>	<b>2,838</b>	<b>86,520</b>	<b>110,579</b>	<b>204,152</b>

### Expected timing of cash flows:

Within one year	1,389	2,826	2,274	80,296	91,146	177,931
Between one and five years	-	-	564	6,224	13,764	20,552
After five years	-	-	-	-	5,669	5,669
<b>Balance at 31 March 2018</b>	<b>1,389</b>	<b>2,826</b>	<b>2,838</b>	<b>86,520</b>	<b>110,579</b>	<b>204,152</b>

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

NHS England, in its role as commissioner for current breast screening services, is leading the implementation of the service response to the national breast screening incident. Included within other provisions in the parent account in 2017/18 is £30 million to support the elements of the response, details of which can be found in the annual report on page 24. This provision does not relate to legal liability (if any), on which PHE are leading.

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

The NHS Resolution financial statements disclose a provision of £68,476,936 as at 31 March 2018 in respect of clinical negligence liabilities and employment liability scheme of NHS England (31 March 2017: £71,795,033).

### 13. Contingencies

	Parent		Consolidated Group	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
<b>Contingent liabilities</b>				
Employment tribunal	163	863	163	863
NHSLA employee liability claim	3	12	20	31
Continuing healthcare	-	-	13,603	13,695
Local authority - package recharges	-	-	171	532
Legal claims	14,991	5,526	14,991	5,526
NHS Resolution legal claims	-	-	2	3
Pension claims	7,070	250	7,070	250
Other employee related litigation	-	103	-	103
Responsible commissioner dispute	-	-	-	615
Her Majesty's Revenue and Customs	-	-	1,113	832
West Wakefield Health & Wellbeing Ltd potential VAT liability	-	-	685	685
Other - service issues	1,500	15,000	1,500	15,000
Risk share	-	-	-	392
Contract disputes with NHS bodies	-	-	1,958	3,712
Other	34	-	1,090	1,259
<b>Net value of contingent liabilities</b>	<b>23,761</b>	<b>21,754</b>	<b>42,366</b>	<b>43,498</b>
	Parent		Consolidated Group	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
<b>Contingent assets</b>				
Legal cases	1,138	3,913	1,138	3,913
Potential recoveries re disrupted services	103	10,000	103	10,000
Potential rate rebates	-	-	407	-
<b>Net value of contingent assets</b>	<b>1,241</b>	<b>13,913</b>	<b>1,648</b>	<b>13,913</b>

Seven Sussex CCGs are jointly taking steps to enforce the terms of a parent company guarantee submitted as part of the non-emergency patient services contract which was terminated with effect from 31 March 2017. The position remains that due to the inherent uncertainties regarding the claim, it is not possible to give an accurate quantification of the precise financial consequences of the legal steps initiated but it is considered that these will not have a material impact on the future reported position of the CCGs.

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

## 14. Commitments

### 14.1 Capital commitments

	Parent		Consolidated Group	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
Property, plant and equipment	38,061	2,675	38,833	2,855
Intangible assets	-	-	-	-
<b>Total</b>	<b>38,061</b>	<b>2,675</b>	<b>38,833</b>	<b>2,855</b>

The capital commitments are higher than the comparative figures at 31 March 2017. This in part is due to the timing of capital spend and represents capital that will result in additions in the next financial year.

### 14.2 Other financial commitments

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

	Parent		Consolidated Group	
	2017/18	2016/17	2017/18	2016/17
	£000	£000	£000	£000
In not more than one year	133,292	125,920	229,469	224,440
In more than one year but not more than five years	406,477	421,921	616,635	657,291
In more than five years	40,252	80,304	69,614	146,228
<b>Total</b>	<b>580,021</b>	<b>628,145</b>	<b>915,718</b>	<b>1,027,959</b>

In the parent account the most significant contracts relate to:

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

In the group account the most significant contracts relate to:

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



## **15. Financial instruments**

### **15.1 Financial risk management**

Financial reporting standard IFRS 7 requires disclosure of the role that financial instruments have had during the period in creating or changing the risks a body faces in undertaking its activities.

Because NHS England is financed through parliamentary funding, it is not exposed to the degree of financial risk faced by business entities. Also, financial instruments play a much more limited role in creating or changing risk than would be typical of listed companies, to which the financial reporting standards mainly apply. NHS England has limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day-to-day operational activities rather than being held to change the risks facing the CCG in undertaking its activities.

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

#### **15.1.1 Currency risk**

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

#### **15.1.2 Interest rate risk**

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

#### **15.1.3 Credit risk**

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

#### **15.1.4 Liquidity risk**

NHS England is required to operate within revenue and capital resource limits, which are financed from resources voted annually by Parliament. NHS England draws down cash to cover expenditure, as the need arises. NHS England is not, therefore, exposed to significant liquidity risks.

#### **15.1.5 Financial instruments**

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

## 16. Operating segments

### Consolidated Group 2017/18

	CCGs £000	Direct commissioning £000	NHS England £000	Other £000	Intra-group eliminations £000	NHS England group total £000
Income	(986,284)	(1,563,636)	(27,875)	(504,964)	899,484	(2,183,275)
Gross expenditure	82,232,658	25,821,470	3,307,317	483,700	(899,484)	110,945,661
<b>Total net expenditure</b>	<b>81,246,374</b>	<b>24,257,834</b>	<b>3,279,442</b>	<b>(21,264)</b>	<b>-</b>	<b>108,762,386</b>

#### Revenue resource expenditure

Revenue departmental expenditure limit						108,689,363
Annually managed expenditure						18,107
Technical expenditure						54,916
<b>Total net expenditure</b>						<b>108,762,386</b>

#### Reconciliation back to SoCNE

Total net expenditure for the year						108,762,386
Net (gain)/loss on revaluation of intangibles						-
Actuarial (gain)/loss in pension schemes						(850)
<b>Comprehensive net expenditure for the year</b>						<b>108,761,536</b>

### Consolidated Group 2016/17

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

#### Revenue resource expenditure

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

#### Reconciliation back to SoCNE

Total net expenditure for the year						104,659,468
Net (gain)/loss on revaluation of intangibles						(540)
Actuarial (gain)/loss in pension schemes						1,024
<b>Comprehensive net expenditure for the year</b>						<b>104,659,952</b>

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

The activities of each segment are defined as follows:-

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

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

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

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

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

## 17. Related party transactions

Related party transactions associated with the Parent are disclosed within this note. As disclosed in note 1.3 NHS England acts as the parent to 207 CCGs whose accounts are consolidated within these Financial Statements. These bodies are regarded as related parties with which the Parent has had various material transactions during the year; those transactions are disclosed in those entities' financial statements.

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

For example:

- NHS Foundation Trusts;
- NHS Trusts;
- NHS Litigation Authority;
- NHS Business Services Authority;
- NHS Property Services;
- NHS Health Education England;
- NHS Shared Business Services (DH Equity Investment).

In addition, NHS England has had a number of significant transactions with other government departments and their agencies including HMRC, Ministry of Justice and Her Majesty's Prison and Probation Service. No related party transactions were noted with key management personnel other than the compensation paid to them which can be found in the remuneration report on pages 95 to 104.

Following a review of disclosure requirements under IAS 24, transactions with organisations with which NHS England Board members also hold key management roles are not separately disclosed.

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

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

In March 2018, NHS England announced jointly with Monitor and NHS Trust Development Authority (NHS Improvement) to plan to work in a more integrated way to deliver better outcomes for patients, whilst improving performance and efficiency. The organisations are working together on an effective model of joint working but the underlying legal entities of NHS England, Monitor and NHS TDA will remain in place. This has no impact on NHS England's accounts and no adjustments have been made as a result.

From 1 April 2018 a further 14 CCGs commenced delegated commissioning arrangements, taking the total number operating under this initiative to 178. These arrangements were first introduced in 2014/15 as part of the NHS Five Year Forward View, under which CCGs assume full responsibility for contractual GP performance management and the design and implementation of local incentive schemes. This will result in a switch in expenditure from NHS England to those CCGs and a corresponding increase in funding to those CCGs.

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

## 19. Financial performance targets

The Mandate: A mandate from Government to NHS England: April 2017 to March 2018 published by the Secretary of State under section 13A of the NHS Act 2006, and the associated Financial Directions as issued by DHSC, set out NHS England's total revenue resource limit and total capital resource limit for 2017/18 and certain additional expenditure controls to which NHS England must adhere. These stem from budgetary controls that HM Treasury applies to DHSC. These limits were revised in March 2018 and NHS England's performance against those limits is set out in the table below:

	2017/18					2016/17	
	Revenue departmental expenditure limit			Annually-managed expenditure	Technical	Total	Total
	Non-ringfenced £000	Ringfenced £000	Total RDEL £000	£000	£000	£000	£000
Mandate limit	109,535,997	166,000	109,701,997	100,000	200,000	110,001,997	106,528,000
Actual expenditure	108,566,273	123,090	108,689,363	18,107	54,916	108,762,386	104,659,468
<b>Surplus</b>	<b>969,724</b>	<b>42,910</b>	<b>1,012,634</b>	<b>81,893</b>	<b>145,084</b>	<b>1,239,611</b>	<b>1,868,532</b>
	<b>2017/18 Capital resource limit £000</b>			<b>2016/17 Capital resource limit £000</b>			
Limit	247,000			260,000			
Actual expenditure	227,806			226,875			
Surplus	19,194			33,125			

NHS England is required to spend no more than £1,805,000,000 of its Revenue Departmental Expenditure Limit mandate on matters relating to administration in the full year. The actual amount spent on RDEL administration matters to 31 March 2018 was £1,582,503,511 as set out below:

<b>Administration limit:</b>	<b>2017/18</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Net administration costs before interest	1,592,980	1,609,025
Less:		
Administration expenditure covered by AME/Technical funding	(10,476)	(13,562)
Administration costs relating to RDEL	1,582,504	1,595,463
RDEL Administration expenditure limit	1,805,000	1,832,000
<b>Underspend</b>	<b>222,496</b>	<b>236,537</b>

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

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

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

## 20. Entities within the Consolidated Group

NHS England acts as the Parent of the group comprising 207 CCGs (2016/17: 209 CCGs) whose accounts are consolidated within these Financial Statements.

From the 1 April 2018 this became 195 CCGs with the merger of 18 CCGs creating 6 new CCGs as per the below:

Merging CCGs	New CCGs
NHS Bristol CCG NHS North Somerset CCG NHS South Gloucestershire CCG	NHS Bristol, North Somerset and South Gloucestershire CCG
NHS Aylesbury Vale CCG NHS Chiltern CCG	NHS Buckinghamshire CCG
NHS Windsor Ascot & Maidenhead CCG NHS Bracknell & Ascot CCG NHS Slough CCG	NHS East Berkshire CCG
NHS South Reading CCG NHS North & West Reading CCG NHS Newbury & District CCG NHS Wokingham CCG	NHS Berkshire West CCG
NHS Solihull CCG NHS Birmingham Cross City CCG NHS Birmingham South and Central CCG	NHS Birmingham and Solihull CCG
NHS Leeds North CCG NHS Leeds South & East CCG NHS Leeds West CCG	NHS Leeds CCG

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

The parent entity of NHS England is the Department of Health & Social Care.

The largest group of entities for which group accounts are drawn up and of which NHS England is a member is the Department of Health & Social Care Group.

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