

A blue-tinted background image featuring a stethoscope resting on a calculator and a document with financial data. The calculator has buttons for '+', 'MU', and '÷'. The document contains various numerical values, some with negative signs, such as -356.24, -124.56, -585.2, -245.68, -335.28, -75.35, 255.0, 4515.18, 18.86, 0.21, 6.04, and 3767.3. A pen is also visible on the right side of the document.

# NHS foundation trusts: consolidated accounts 2016/17

HC 234

# NHS foundation trusts: consolidated accounts 2016/17

Presented to Parliament pursuant to Schedule 8, paragraph 17(7) of the Health and Social Care Act 2012.

Ordered by the House of Commons to be printed 18 July 2017.

© **Monitor** copyright **2017**

The text of this document (this excludes, where present, the Royal Arms and all departmental or agency logos) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as **Monitor** copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries related to this publication should be sent to us at:  
[enquiries@improvement.nhs.uk](mailto:enquiries@improvement.nhs.uk)

This publication is available at <https://improvement.nhs.uk/resources/>

Print ISBN 9781474144933

Web ISBN 9781474144940

ID 11051707 07/17

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

**NHS Improvement**

**Wellington House, 133-155 Waterloo Road, London SE1 8UG**

Telephone: 020 3747 0000 Email: [enquiries@improvement.nhs.uk](mailto:enquiries@improvement.nhs.uk)

Website: <https://improvement.nhs.uk/>

Publication code: Corp 04/17

## About NHS Improvement

NHS Improvement is responsible for overseeing foundation trusts, NHS trusts and independent providers. We offer the support these providers need to give patients consistently safe, high quality, compassionate care within local health systems that are financially sustainable. By holding providers to account and, where necessary, intervening, we help the NHS to meet its short-term challenges and secure its future.

NHS Improvement is the operational name for the organisation that from 1 April 2016 brings together Monitor, NHS Trust Development Authority, Patient Safety including the National Reporting and Learning System, the Advancing Change team and the Intensive Support Teams.

Monitor continues to exist as a legal entity. This document is prepared by NHS Improvement in exercise of the statutory functions conferred on Monitor. In this document 'NHS Improvement' refers to Monitor, unless otherwise stated.

## Contents

Foreword .....	2
NHS Improvement provider sector context.....	8
Review of NHS foundation trust financial performance 2016/17 .....	9
Statement of responsibilities and accountability framework .....	20
Annual governance statement.....	21
The certificate of the Comptroller and Auditor General to the Houses of Parliament	42
Consolidated accounts .....	44

## Foreword

NHS Improvement is responsible for authorising, monitoring and regulating NHS foundation trusts, in exercise of the statutory functions conferred on Monitor. Monitor was established under the Health and Social Care (Community Health and Standards) Act 2003. This Act was largely repealed on 1 March 2007 and re-enacted on that date in a consolidating statute, the National Health Service Act 2006 (the 2006 Act). The Health and Social Care Act 2012 (the 2012 Act) amended the 2006 Act and made further provisions in relation to Monitor.

Paragraph 25 of Schedule 7 to the 2006 Act requires each NHS foundation trust to prepare annual accounts for the period beginning with the date on which it is authorised and ending with the following 31 March and for each successive 12-month period, and to submit the accounts to Monitor (NHS Improvement). These annual accounts must be audited by auditors appointed by the NHS foundation trust's council of governors. The trust must lay a copy of the accounts, and any auditor's report on them, before Parliament and send them to Monitor (NHS Improvement). NHS foundation trusts that cease to exist as separate legal entities and/or cease to provide services before the end of the year continue to prepare accounts for their final period as directed by NHS Improvement and have them audited, but do not present them to a council of governors.

Paragraph 17 of Schedule 8 to the 2012 Act requires Monitor (NHS Improvement) to prepare consolidated NHS foundation trust accounts and send a copy to the Secretary of State. Under the 2012 Act the Secretary of State can direct the content and form of the accounts and also direct NHS Improvement to send the consolidated accounts to the Comptroller and Auditor General for audit. The Secretary of State issued a direction to this effect in 2014 which has continued to apply for the 2016/17 consolidated accounts. The Comptroller and Auditor General must report on the accounts and lay copies of the accounts and the report on them before Parliament as directed by the Secretary of State. As far as Monitor's Accounting Officer, Jim Mackey, is aware, there is no relevant audit information of which the auditors of the consolidated accounts are unaware. The accounting officer has taken all the steps he ought to have taken to make himself aware of any relevant audit information and to establish that the entity's auditors are aware of this information.

The accounts presented in this report have been prepared from a consolidation of the audited accounts submitted by the 157 individual NHS foundation trusts that were authorised by NHS Improvement (formerly Monitor) before 1 April 2017 and were in existence during the 2016/17 financial year, together with comparative information for the foundation trust sector for 2015/16. The dates of authorisation of these and periods of inclusion in the consolidated accounts are as follows:

Authorised on or before 1 April 2015 and consolidated for the year ended 31 March 2016 and the year ended 31 March 2017:

1. 2gether NHS Foundation Trust
2. 5 Boroughs Partnership NHS Foundation Trust (North West Boroughs Healthcare NHS Foundation Trust from 1 April 2017)
3. Aintree University Hospitals NHS Foundation Trust
4. Airedale NHS Foundation Trust
5. Alder Hey Children's NHS Foundation Trust
6. Ashford and St Peter's Hospitals NHS Foundation Trust
7. Barnsley Green Hospital NHS Foundation Trust
8. Basildon and Thurrock University Hospitals NHS Foundation Trust
9. Berkshire Healthcare NHS Foundation Trust
10. Birmingham and Solihull Mental Health NHS Foundation Trust
11. Birmingham Women's and Children's Hospital NHS Foundation Trust (Birmingham Children's Hospital NHS Foundation Trust prior to 1 February 2017)
12. Black Country Partnership NHS Foundation Trust
13. Blackpool Teaching Hospitals NHS Foundation Trust
14. Bolton NHS Foundation Trust
15. Bradford Teaching Hospitals NHS Foundation Trust
16. Bridgewater Community Healthcare NHS Foundation Trust
17. Burton Hospitals NHS Foundation Trust
18. Calderdale and Huddersfield NHS Foundation Trust
19. Cambridge University Hospitals NHS Foundation Trust
20. Cambridgeshire and Peterborough NHS Foundation Trust
21. Camden and Islington NHS Foundation Trust
22. Central and North West London NHS Foundation Trust
23. Central Manchester University Hospitals NHS Foundation Trust
24. Chelsea and Westminster Hospital NHS Foundation Trust
25. Cheshire and Wirral Partnership NHS Foundation Trust
26. Chesterfield Royal Hospital NHS Foundation Trust
27. City Hospitals Sunderland NHS Foundation Trust
28. Colchester Hospital University NHS Foundation Trust
29. Cornwall Partnership NHS Foundation Trust
30. Countess of Chester Hospital NHS Foundation Trust
31. County Durham and Darlington NHS Foundation Trust
32. Cumbria Partnership NHS Foundation Trust
33. Derby Teaching Hospitals NHS Foundation Trust
34. Derbyshire Community Health Services NHS Foundation Trust
35. Derbyshire Healthcare NHS Foundation Trust
36. Doncaster and Bassetlaw Teaching Hospitals NHS Foundation Trust (Doncaster and Bassetlaw Hospitals NHS Foundation Trust prior to 27 January 2017)
37. Dorset County Hospital NHS Foundation Trust
38. Dorset Healthcare University NHS Foundation Trust
39. East Kent Hospitals University NHS Foundation Trust

40. East London NHS Foundation Trust
41. Frimley Park Hospital NHS Foundation Trust
42. Gateshead Health NHS Foundation Trust
43. Gloucestershire Hospitals NHS Foundation Trust
44. Great Ormond Street Hospital for Children NHS Foundation Trust
45. Great Western Hospitals NHS Foundation Trust
46. Greater Manchester Mental Health NHS Foundation Trust (Greater Manchester West Mental Health NHS Foundation Trust prior to 1 January 2017)
47. Guy's and St Thomas' NHS Foundation Trust
48. Hampshire Hospitals NHS Foundation Trust
49. Harrogate and District NHS Foundation Trust
50. Heart of England NHS Foundation Trust
51. Hertfordshire Partnership NHS Foundation Trust
52. Homerton University Hospital NHS Foundation Trust
53. Humber NHS Foundation Trust
54. James Paget University Hospitals NHS Foundation Trust
55. Kent Community Health NHS Foundation Trust
56. Kettering General Hospital NHS Foundation Trust
57. King's College Hospital NHS Foundation Trust
58. Kingston Hospital NHS Foundation Trust
59. Lancashire Care NHS Foundation Trust
60. Lancashire Teaching Hospitals NHS Foundation Trust
61. Leeds and York Partnership NHS Foundation Trust
62. Lincolnshire Partnership NHS Foundation Trust
63. Liverpool Heart and Chest Hospital NHS Foundation Trust
64. Liverpool Women's NHS Foundation Trust
65. Luton and Dunstable Hospital NHS Foundation Trust
66. Medway NHS Foundation Trust
67. Mid Cheshire Hospitals NHS Foundation Trust
68. Mid Staffordshire NHS Foundation Trust<sup>1</sup>
69. Milton Keynes Hospital NHS Foundation Trust
70. Moorfields Eye Hospital NHS Foundation Trust
71. Norfolk and Norwich University Hospitals NHS Foundation Trust
72. Norfolk and Suffolk NHS Foundation Trust
73. North East Ambulance Service NHS Foundation Trust
74. North East London NHS Foundation Trust
75. North Essex Partnership University NHS Foundation Trust (demised on 1 April 2017)
76. North Tees and Hartlepool NHS Foundation Trust

---

<sup>1</sup> From 1 November 2014 Mid Staffordshire NHS Foundation Trust's licence was revoked. The foundation trust continues to exist as a legal entity and so is consolidated for the entire years ended 31 March 2016 and 31 March 2017, but the trust ceased to provide services on 1 November 2014 when its services transferred to other NHS bodies.



77. Northamptonshire Healthcare NHS Foundation Trust
78. Northern Lincolnshire and Goole Hospitals NHS Foundation Trust
79. Northumberland, Tyne and Wear NHS Foundation Trust
80. Northumbria Healthcare NHS Foundation Trust
81. Nottinghamshire Healthcare NHS Foundation Trust
82. Oxford Health NHS Foundation Trust
83. Oxleas NHS Foundation Trust
84. Papworth Hospital NHS Foundation Trust
85. Pennine Care NHS Foundation Trust
86. Peterborough and Stamford Hospitals NHS Foundation Trust (North West Anglia NHS Foundation Trust from 1 April 2017)
87. Poole Hospital NHS Foundation Trust
88. Queen Victoria Hospital NHS Foundation Trust
89. Rotherham Doncaster and South Humber NHS Foundation Trust
90. Royal Berkshire NHS Foundation Trust
91. Royal Brompton and Harefield NHS Foundation Trust
92. Royal Devon and Exeter NHS Foundation Trust
93. Royal Free London NHS Foundation Trust
94. Royal Surrey County Hospital NHS Foundation Trust
95. Royal United Hospitals Bath NHS Foundation Trust
96. Salford Royal NHS Foundation Trust
97. Salisbury NHS Foundation Trust
98. Sheffield Children's NHS Foundation Trust
99. Sheffield Health and Social Care NHS Foundation Trust
100. Sheffield Teaching Hospitals NHS Foundation Trust
101. Sherwood Forest Hospitals NHS Foundation Trust
102. Somerset Partnership NHS Foundation Trust
103. South Central Ambulance Service NHS Foundation Trust
104. South East Coast Ambulance Service NHS Foundation Trust
105. South Essex Partnership University NHS Foundation Trust (demised on 1 April 2017)
106. South London and Maudsley NHS Foundation Trust
107. South Staffordshire and Shropshire Healthcare NHS Foundation Trust
108. South Tees Hospitals NHS Foundation Trust
109. South Tyneside NHS Foundation Trust
110. South Warwickshire NHS Foundation Trust
111. South West Yorkshire Partnership NHS Foundation Trust
112. South Western Ambulance Service NHS Foundation Trust
113. Southend University Hospital NHS Foundation Trust
114. Southern Health NHS Foundation Trust
115. St George's University Hospitals NHS Foundation Trust
116. Stockport NHS Foundation Trust
117. Surrey and Borders Partnership NHS Foundation Trust
118. Sussex Partnership NHS Foundation Trust

119. Tameside And Glossop Integrated Care NHS Foundation Trust  
(Tameside Hospital NHS Foundation Trust before 1 September 2016)
120. Taunton and Somerset NHS Foundation Trust
121. Tavistock and Portman NHS Foundation Trust
122. Tees, Esk and Wear Valleys NHS Foundation Trust
123. The Christie NHS Foundation Trust
124. The Clatterbridge Cancer Centre NHS Foundation Trust
125. The Dudley Group NHS Foundation Trust
126. The Hillingdon Hospitals NHS Foundation Trust
127. The Newcastle upon Tyne Hospitals NHS Foundation Trust
128. The Queen Elizabeth Hospital King's Lynn NHS Foundation Trust
129. The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS  
Foundation Trust
130. The Rotherham NHS Foundation Trust
131. The Royal Bournemouth and Christchurch Hospitals NHS Foundation  
Trust
132. The Royal Marsden NHS Foundation Trust
133. The Royal Orthopaedic Hospital NHS Foundation Trust
134. The Walton Centre NHS Foundation Trust
135. Torbay and South Devon NHS Foundation Trust
136. University College London Hospitals NHS Foundation Trust
137. University Hospital of South Manchester NHS Foundation Trust
138. University Hospitals Birmingham NHS Foundation Trust
139. University Hospitals Bristol NHS Foundation Trust
140. University Hospitals of Morecambe Bay NHS Foundation Trust
141. University Hospital Southampton NHS Foundation Trust
142. Warrington and Halton Hospitals NHS Foundation Trust
143. West Midlands Ambulance Service NHS Foundation Trust
144. West Suffolk NHS Foundation Trust
145. Western Sussex Hospitals NHS Foundation Trust
146. Wirral University Teaching Hospital NHS Foundation Trust
147. Wrightington, Wigan and Leigh NHS Foundation Trust
148. Yeovil District Hospital NHS Foundation Trust
149. York Teaching Hospital NHS Foundation Trust

Authorised 1 May 2015 and consolidated for the eleven-month period ended 31 March 2016 and for the year ended 31 March 2017:

150. Bradford District Care NHS Foundation Trust

Authorised 1 October 2015 and consolidated for the six-month period ended 31 March 2016 and for the year ended 31 March 2017:

151. Oxford University Hospitals NHS Foundation Trust

Authorised 1 April 2016 and consolidated for the year ended 31 March 2017:

- 152. Birmingham Community Healthcare NHS Foundation Trust
- 153. Sussex Community NHS Foundation Trust

Authorised 1 May 2016 and consolidated for the eleven-month period ended 31 March 2017:

- 154. Mersey Care NHS Foundation Trust
- 155. Wirral Community NHS Foundation Trust

Authorised prior to 1 April 2015 and consolidated for the year ended 31 March 2016 and the three-month period ended 30 June 2016 before dissolution:

- 156. Calderstones Partnership NHS Foundation Trust

Authorised prior to 1 April 2015 and consolidated for the year ended 31 March 2016 and the ten-month period ended 31 January 2017 before dissolution:

- 157. Birmingham Women's NHS Foundation Trust.

## NHS Improvement provider sector context

As stated in the Foreword, this document is a consolidation of the results of NHS foundation trusts for the year ended 31 March 2017. This is in line with a direction for the preparation of these accounts issued by the Secretary of State.

In June 2017 we published our report, [Performance of the NHS Provider Sector for year ended 31 March 2017](#). This report, on the performance of NHS trusts and NHS foundation trusts, said that:

During 2016/17 the provider sector had to cope with extensive operational pressures including record numbers of ambulance call-outs and patients attending accident and emergency departments, as the sector experienced exceptional levels of demand for Urgent and Emergency Care. This intense pressure on emergency services had a marked adverse impact on elective care as work was displaced or cancelled due to the lack of available beds, which affected patient treatment and resulted in a loss of income for most acute providers. This coupled with increasingly constrained community and social care provision placed further significant operational and financial strain on the system. Delayed transfers of care peaked in quarter 4 and 387,259 bed days were lost, which is 20.6% higher than the same period last year. Collectively, providers failed to meet several key national healthcare standards.

Providers reported a combined deficit of £791 million based on audited results. This was a £1.7 billion improvement on last year's position (including STF) and £82 million better than the sector's forecast at Q3. While the year-end outturn was £211 million worse than the aggregate provider plan of a deficit of £580 million, 180 providers met or exceeded the stretching plans set in 2016/17.

However, it is recognised that while 74% of providers that signed up to a control total have delivered or exceeded their plan in 2016/17, for the majority this success has been dependent on a level of non-recurrent items which do not address the longer term financial sustainability of many providers. NHS Improvement will continue to support providers in the coming year, holding them to account in their efforts to further reduce the sector deficit, whilst maintaining patient safety.

The analysis above relates to both NHS trusts and foundation trusts, reflecting the role of NHS Improvement.

The detail in the rest of this commentary and document relates only to NHS foundation trusts.

## Review of NHS foundation trust financial performance 2016/17

### Summary in numbers

	2016/17	2015/16
Number of foundation trusts in existence during the year	157	153
Surplus/(deficit) before impairments and transfers	£171 million	(£1,088 million)
Surplus/(deficit) before impairments and transfers excluding Sustainability and Transformation Fund (STF) income	(£1,042 million)	(£1,088 million)
Number of foundation trusts recording a deficit before impairments and transfers	52	101
EBITDA margin (see table below)	4.4%	2.3%
Sector cash balance at year end	£3,413 million	£3,462 million
Capital expenditure (purchases of property, plant and equipment and intangible assets, accruals basis)	£1,949 million	£1,892 million

### Commentary

The NHS foundation trust sector has delivered a net surplus before impairments and gains and losses on transfers by absorption for the year ended 31 March 2017 of £171 million (2015/16: £1,088 million net deficit) and held cash of £3.4 billion as at 31 March 2017 (31 March 2016: £3.5 billion). This includes the part year results of two new NHS foundation trusts authorised during 2016/17<sup>2</sup>. The results of Mid Staffordshire NHS Foundation Trust, which ceased to provide healthcare services on 1 November 2014, are also consolidated.

Where NHS charitable funds are locally deemed to be controlled by an NHS foundation trust, the financial results of the charities are consolidated within these accounts. Forty-nine NHS foundation trusts consolidate charitable funds, contributing an aggregate surplus of £36 million and net assets of £401 million.

Despite 2016/17 being a challenging year for the sector, it is the first time the sector has reported a surplus (before impairments and transfers) since 2013/14. The foundation trust sector received £1.2 billion of income from the Sustainability and Transformation Fund (STF), part of the £1.8 billion fund available to NHS providers in 2016/17. The sector deficit before impairments and transfers, excluding STF income, was £1,042 million.

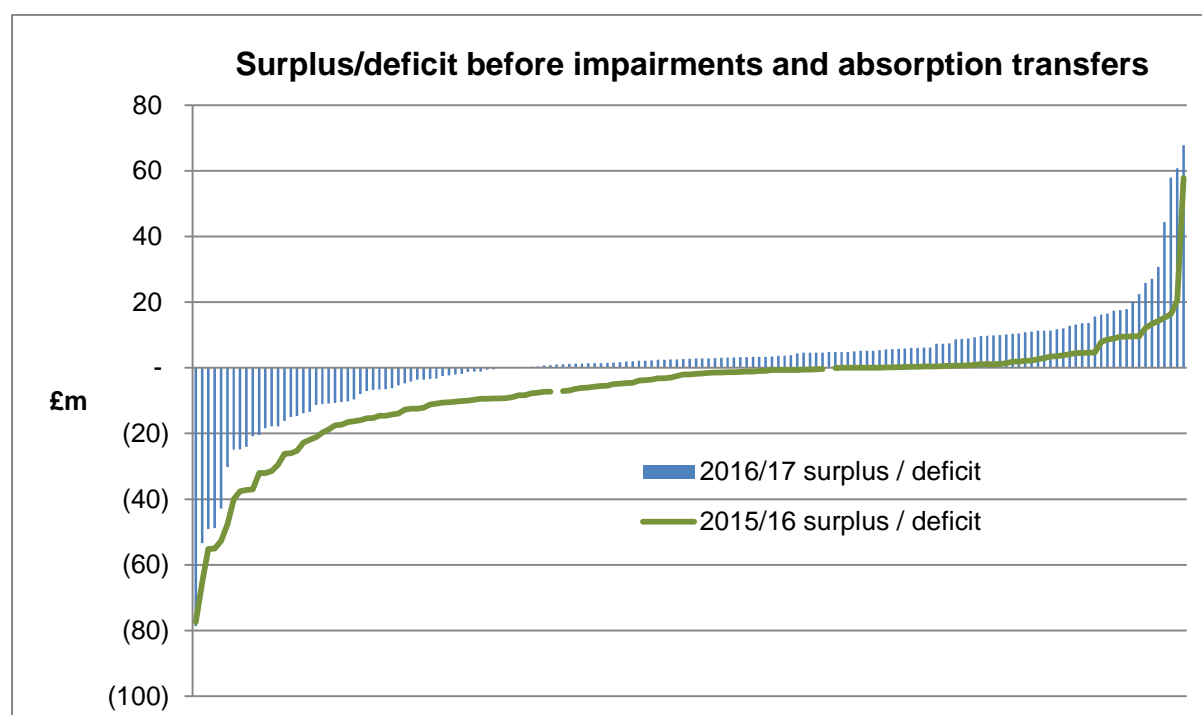
<sup>2</sup> As disclosed in note 38 to the accounts, four foundation trusts were authorised during 2016/17. Two were authorised on 1 April 2016; as such full year results for these two foundation trusts are included in the sector surplus.

The table below shows the profile of NHS foundation trusts that make up the sector at 31 March 2017. Trusts are classified by their principal services but they may also provide other services.

	Acute	Mental health	Ambulance	Specialist	Community	Charitable funds	Total
Number of foundation trusts	85	44	5	17	6	n/a	<b>157</b>
% of sector turnover	70.8%	18.5%	1.9%	6.5%	2.2%	0.1%	<b>100.0%</b>
EBITDA margin*	3.9%	5.7%	4.6%	6.0%	4.2%	n/a	<b>4.4%</b>
Surplus/(deficit) before impairments and transfers (£m)	(161)	165	(2)	114	19	36	<b>171</b>

\* EBITDA margins are as stated in NHS Improvement's report *Performance of the NHS provider sector: year ended 31 March 2017*. This margin is Earnings Before Interest, Tax, Depreciation and Amortisation as a proportion of revenue, and is a proxy for underlying operating efficiency.

NHS foundation trusts are not required to break even every year. An in-year deficit may arise from the investment of previous surpluses or financial conditions in that particular year. The results for the year showed that, excluding the consolidation of charitable funds, 105 (67%) (2015/16: 52 (34%)) NHS foundation trusts delivered a surplus or broke even and 52 trusts reported a deficit before impairments and transfers by absorption, compared to 101 foundation trusts recording a deficit in 2015/16. The gross deficit of all foundation trusts in deficit fell from £1,359 million to £748 million in 2016/17. Of the 52 trusts who reported a surplus in 2015/16, five (10%) reported a deficit in 2016/17, while fifty-eight (57%) of the trusts who reported a deficit in 2015/16 have recorded a surplus in 2016/17.

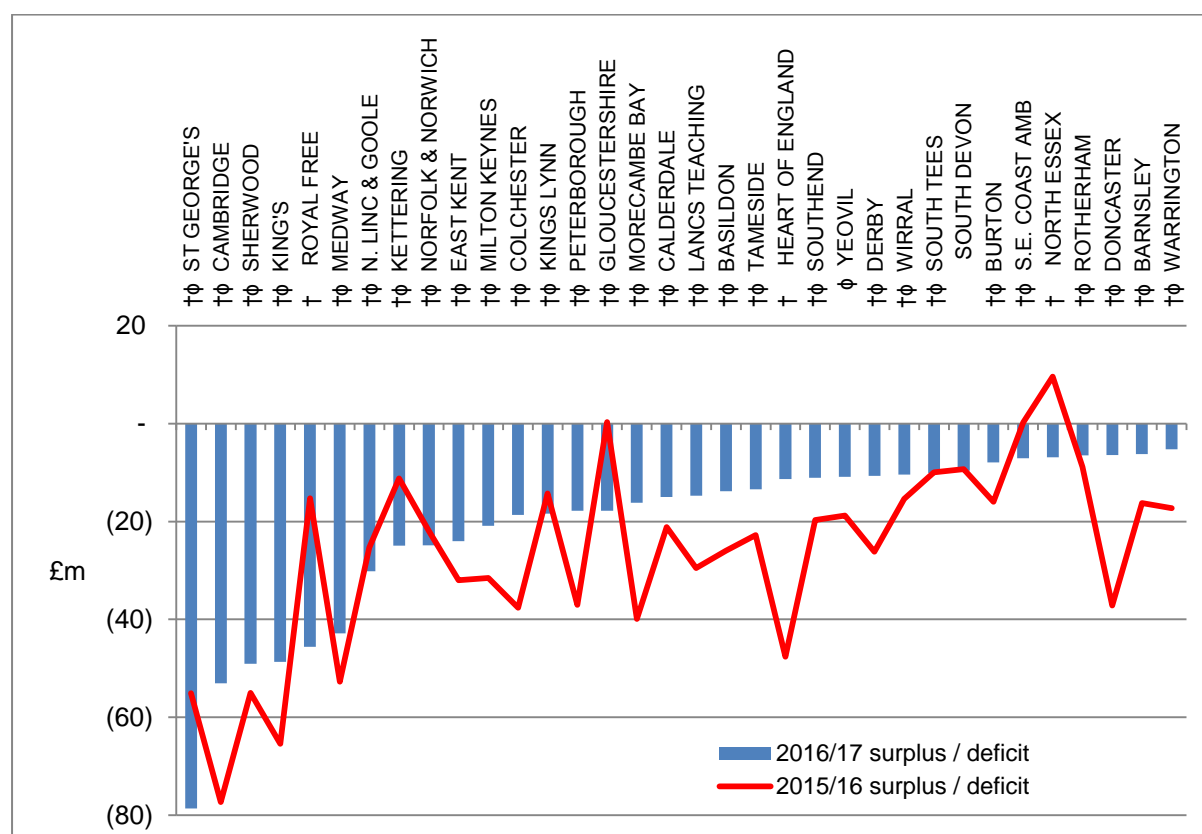


This improvement can also be seen in the EBITDA margin (earnings before interest, tax, depreciation and amortisation excluding impairments) which increased significantly from 2.3% in 2015/16 to 4.4% in 2016/17.

Of the 52 trusts reporting deficits for 2016/17, 35 were subject to regulatory action as at 31 March 2017 in relation to finance or financial governance concerns (31 March 2016: 37). These 35 trusts make up 93% of the reported gross deficit value. The largest individual deficits were at the following trusts:

- St George's University Hospitals NHS Foundation Trust (£78.7million)
- Cambridge University Hospitals NHS Foundation Trust (£53.1 million)
- Sherwood Forest Hospitals NHS Foundation Trust (£49.1 million)
- King's College Hospital NHS Foundation Trust (£48.7 million)
- Royal Free London NHS Foundation Trust (£45.6 million).

The following graph details the trusts reporting a deficit before impairments and transfers in excess of £5 million.



† Subject to regulatory action in relation to finance or financial governance concerns during 2016/17  
 ϕ In receipt of interim support funding from the Department of Health during 2016/17.

The Department of Health (DH) provides cash support to NHS foundation trusts in financial difficulty to support the continued delivery of services on a finite basis. This

interim support is normally intended to be a pre-cursor to longer term planned investment to support the delivery of a sustainable recovery plan.

Thirty-eight foundation trusts reporting a deficit in 2016/17 received cash support from DH (those with deficit greater than £5 million are identified with  $\phi$  in the above graph). The total support received by these 38 trusts from DH during 2016/17 to maintain the delivery of patient care was £1,556 million with an extra £85 million to support necessary capital investment. The five foundation trusts with the biggest deficits received £580 million of the total DH support.

The financial statements of 34 (2015/16: 29) foundation trusts received audit reports containing an emphasis of matter paragraph in relation to going concern or financial performance, 28 of which were trusts in deficit (2015/16: 26). This includes the audit report of Mid Staffordshire NHS Foundation Trust, which includes an emphasis of matter paragraph for the accounts not being prepared on a going concern basis. These trusts are listed in note 1.24 to these accounts with NHS Improvement's going concern assessment for these consolidated accounts.

All NHS foundation trust financial statements have been prepared on a going concern basis (except Mid Staffordshire) and received unqualified true and fair audit opinions.

## **Regulatory performance**

NHS Improvement's Single Oversight Framework (SOF) is used to identify where NHS providers may benefit from, or require, improvement support across a range of areas. This includes overseeing and supporting providers in improving their financial sustainability and compliance with sector-wide controls such as agency caps.

NHS providers (including foundation trusts) are segmented according to the level of support needed across five themes:

- Quality of care
- Finance and use of resources
- Operational performance
- Strategic change
- Leadership and improvement capability

Until September 2016, NHS Improvement used the Risk Assessment Framework (RAF) to highlight concerns in the fulfilment of two conditions of the provider licence for foundation trusts: financial sustainability and governance.

Given the differences between the two approaches, the results of categorisation of trusts under the SOF is not comparable to those under the former RAF. As such comparatives for 31 March 2016 have not been presented here, but data for that



period continues to be available in the [Consolidated NHS foundation trust accounts 2015/16](#)<sup>3</sup>.

The segmentation for the sector as at 31 March 2017 is shown in the table below. Each foundation trust is segmented into one of the following four categories:

- Segment 1: foundation trusts with maximum autonomy with no potential support needs identified
- Segment 2: foundation trusts that have been offered targeted support, with concerns in relation to one or more themes
- Segment 3: foundation trusts receiving mandated support for significant concerns, with an actual or suspected breach of licence
- Segment 4: foundation trusts in special measures, with an actual or suspected breach of licence with very serious and/or complex issues.

	SOF at 31 March 2017	
	Number of trusts	% of sector
1	26	17%
2	86	56%
3	37	24%
4	5	3%
<b>Total</b>	<b>154**</b>	<b>100%</b>

\*\* Calderstones Partnership NHS Foundation Trust, Birmingham Women's NHS Foundation Trust and Mid Staffordshire NHS Foundation Trust were no longer licensed to provide services at 31 March 2017 and are therefore not assigned segments under SOF. Mid Staffordshire NHS Foundation Trust exists as a shell legal entity to deal with any outstanding criminal legal cases.

The number of foundation trusts in segment 3 or 4 (i.e. those in actual or suspected breach of their licence) at 31 March 2017 is 42, 36 of which are acute providers. For these foundation trusts, NHS Improvement has either sought formal undertakings from them, or NHS Improvement has agreed that the foundation trust(s) has met the criteria to go into special measures. Forty-one of the foundation trusts in segment 3 or 4 at 31 March 2017 were subject to enforcement action.

Further information on governance risk ratings and enforcement action taken by NHS Improvement in 2016/17 is detailed in the consolidated annual governance statement.

## Operating performance

### *Operating income*

In the year to 31 March 2017, 157 NHS foundation trusts generated total operating revenues of £51.1 billion, an increase of £4.5 billion (10%). Approximately 18% (£0.8 billion) of the increase was driven by the authorisation of four new foundation

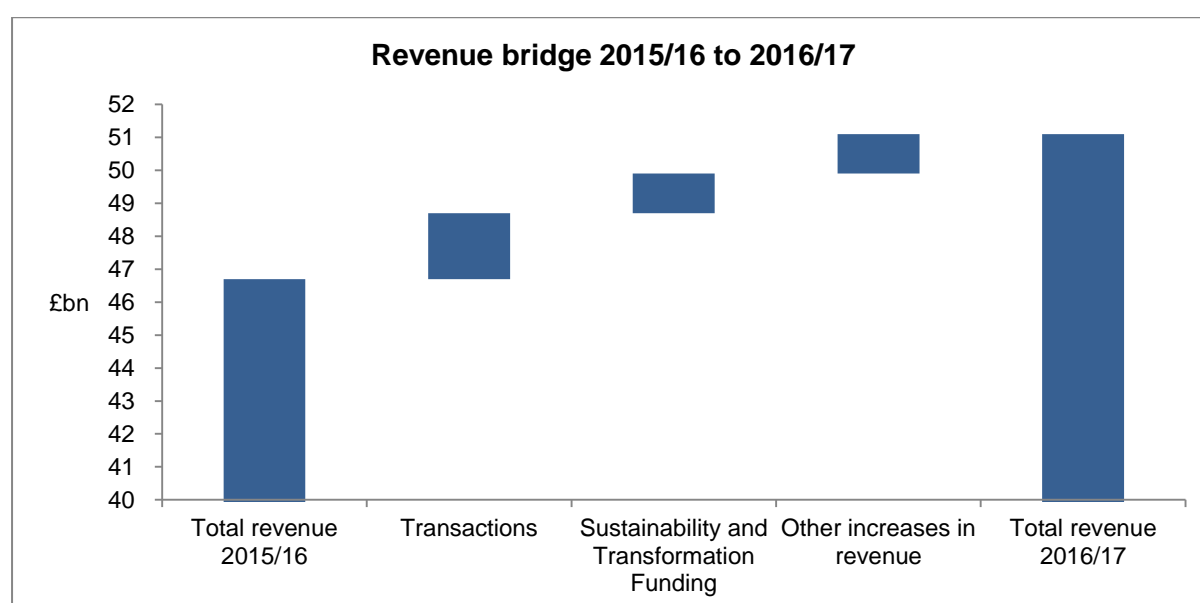
<sup>3</sup> <https://www.gov.uk/government/publications/nhs-foundation-trusts-consolidated-accounts-201516>

trusts during the year. A further £1.1 billion is the full year impact of the two foundation trusts authorised during 2015/16. 89% of foundation trusts experienced growth in revenues during 2016/17 (2015/16: 77%). 82% of foundation trusts experienced growth in revenue excluding the impact of Sustainability and Transformation Fund income (see below). This reflected an increase in activity, recovery of lost elective income and managing the disposal of surplus NHS estate.

### *Sustainability and Transformation Fund*

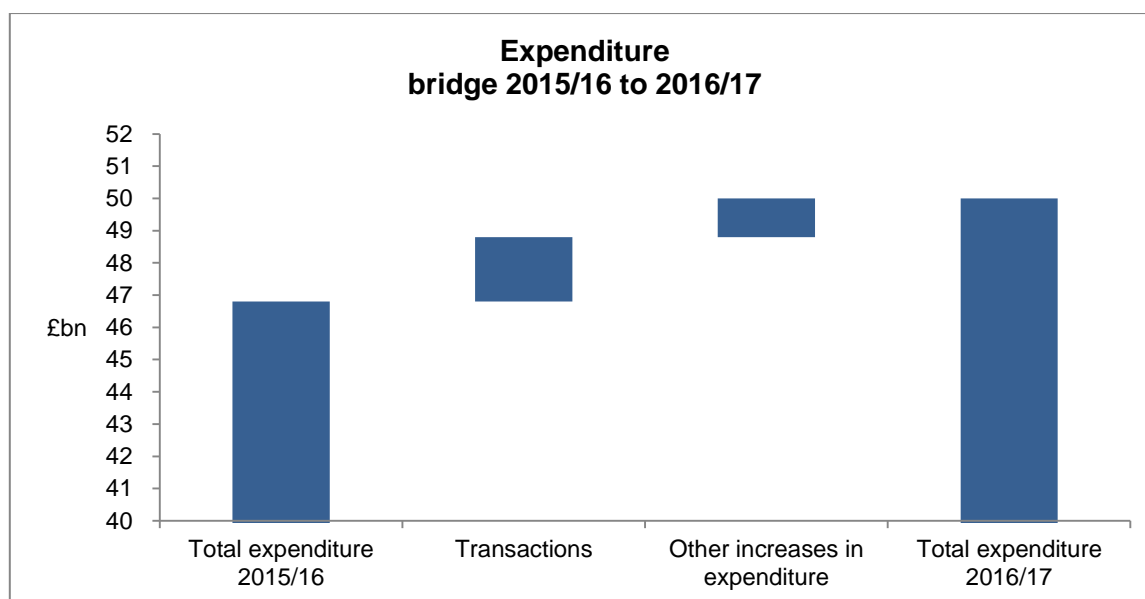
The government's spending review in December 2015 included a £1.8 billion Sustainability and Transformation Fund (STF) to be distributed to providers for 2016/17. Access to STF income depended on NHS providers (including foundation trusts) accepting and achieving a financial control total, 63 of which were set below break-even (after STF). Of the 152 foundation trusts that accepted control totals in 2016/17:

- 143 foundation trusts received a total of £1.2 billion of STF income
- 9 foundation trusts accepted control totals but did not receive any STF income and
- 125 foundation trusts exceeded their full year control total and received their full entitlement of STF income.



### *Operating expenditure*

Operating expenditure increased by 7% from £46.8 billion to £50.0 billion in 2016/17. £0.8 billion (25%) of this increase is the result of the four new foundation trusts authorised in 2016/17, with £1.1 billion being the full year impact of the foundation trusts authorised during 2015/16.



Over 60% (£32.3 billion) of operating expenditure relates to staff costs including spend on agency temporary staff. Spend on agency staff has reduced compared to the previous year in part due to control measures on the use of agency staff introduced by NHS Improvement partway through 2015/16, including a price cap on hourly rates.

Other cost pressures have arisen from rising demand across the foundation trust sector and failure to deliver national targets. The second largest area of cost pressure for NHS foundation trusts was drugs and other clinical supplies which have increased in cost by £586 million to £8.7 billion in 2016/17 due to rising demands and costs.

#### *Surplus before impairments and gains/(losses) from transfers by absorption*

The total surplus before impairments and gains/losses from transfers by absorption was £171 million, which gave the NHS foundation trust sector a surplus margin of 0.3% (2015/16: negative 2.3%). 2016/17 was the first time in three years that the foundation trust sector has reported a positive surplus margin, albeit a small one. Acute trusts and ambulance trusts record net deficits of £161 million and £2 million respectively. Mental health, specialist trusts and community trusts have all continued to record overall sector surpluses with margins of 1.7%, 3.4% and 1.7% respectively (2015/16: 0.5%, 2.3% and 0%).

#### *Impact of impairments*

Impairments to the carrying value of assets are charged to operating surplus except where previous revaluation surpluses remain, and a reduction is recognised in the revaluation reserve to the extent of the remaining surplus. Where the impairments are the result of a permanent loss, such as fire damage, they are always charged to expenditure. In 2016/17 net impairments charged to income and expenditure were £941 million (2015/16: £497 million). A further £683 million of net impairments was

charged to reserves (2015/16: £776 million), reducing previously recognised revaluation surpluses. There were 131 NHS foundation trusts that recorded a net impairment within surplus/deficit in 2016/17 compared to 92 in the previous year.

Of the £941 million of net impairments charged to income and expenditure, £552 million arose from changes in market price, compared to £345 million in 2015/16. These impairments reflect market conditions at the time of valuation.

Further details of impairments are provided in note 8 to the accounts.

#### *Surplus for the year before other comprehensive income*

In 2016/17, NHS foundation trusts recorded a total deficit after impairments and transfers by absorption of £760 million (2015/16: £1,468 million). NHS foundation trusts recognise a gain or loss on transfers by absorption where a function or service has transferred from or to another NHS or local government body in year. The value of any net assets transferring is recognised within surplus for the year as a gain or loss on transfer. In 2016/17 four foundation trusts recognised transfers with bodies outside the foundation trust sector, including Greater Manchester Mental Health NHS Foundation Trust's acquisition of Manchester Mental Health and Social Care NHS Trust. Full details of all transfers can be found in note 36 to the accounts.

#### *Total comprehensive income/expense*

Total comprehensive expense was £1,203 million compared to total comprehensive expense of £1,461 million in 2015/16. This is a result of the sector's recognised deficit and over £683 million of net impairments charged to reserves.

#### *Transfers by absorption*

£97 million of net assets was transferred between foundation trusts during 2016/17, and therefore eliminated in the consolidated accounts. A £0.7 million balance of charitable funds previously consolidated into Birmingham Women's NHS Foundation Trust is no longer included in these consolidated accounts, as Birmingham Children's Hospital NHS Foundation Trust does not consolidate its charity.

A total of £10 million of net assets transferred into foundation trusts from other NHS bodies.

Further details of transfers by absorption are provided in note 36 to the accounts.

### **Net finance costs**

Net finance costs increased by £20 million in the year, from £975 million in 2015/16 to £995 million in 2016/17, despite a fall in Public Dividend Capital (PDC) dividend payable of £29 million. PDC dividend is calculated based on average net relevant assets so this decrease results directly from a decrease in the value of the asset base for the NHS foundation trust sector.

Main finance costs in relation to PFI schemes have increased from £263 million in 2015/16 to £274 million in 2016/17. Interest paid on loans from DH have also increased by £21 million to £96 million, reflecting the increase in loans from DH in 2016/17 and the higher interest rate paid by some trusts in financial distress.

### **Cash balances and borrowings**

At 31 March 2017, NHS foundation trusts held cash and cash equivalents of £3.4 billion (31 March 2016: £3.5 billion), a decrease of £0.1 billion despite the authorisation of four new NHS foundation trusts in year. This continues the trend seen in the last three financial years where the sector recognised a net outflow of cash resources. However approximately £0.6 billion of STF payments in relation to quarter 4 were yet to be paid at year end, and are sitting within trade and other receivables. This cash balance is equivalent to 3.3 weeks' operating costs in a sector with annual revenue of £51.1 billion (2015/16: 3.7 weeks).

Of the total cash balance at the year end, £2.8 billion was held with the Government Banking Service, £0.4 billion with the National Loans Fund and £0.2 billion held elsewhere. Of the total cash figure, £0.1 billion was held by NHS charitable funds and is not available to support the operating costs within NHS foundation trusts.

The number of receivables days has increased from the previous year at 26.0 days (2015/16: 21.5 days), whereas payable days have decreased to 37.7 days in 2015/16 from 38.8 days in 2015/16.

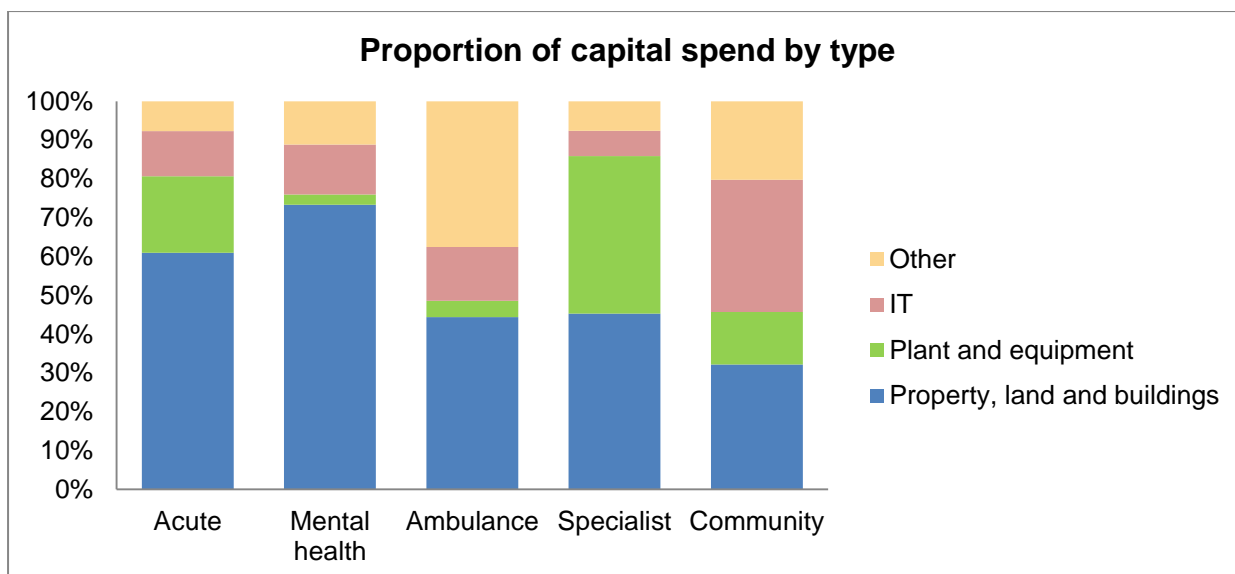
Total long-term and working capital borrowing at 31 March 2017 was £9.5 billion (31 March 2016: £8.3 billion). Of this, £4.6 billion relates to outstanding PFI liabilities (31 March 2016: £4.7 billion), £4.8 billion is loan funding (31 March 2016: £3.5 billion) and £0.2 billion relates to finance leases (31 March 2016: £0.1 billion).

Most of this increase is driven by the net increase in loans from DH of £1.28 billion. £0.3 billion of this is the issue of new capital term loans.

### **Capital expenditure**

Total purchases of property, plant and equipment (PPE) and intangible assets were £1.95 billion (2015/16: 1.89 billion), a small increase partly due to the authorisation of four new foundation trusts. The majority of capital spend was on land and buildings (61%), with a further 20% on plant and equipment, 12% on information technology, and 8% on other capital. Financial pressures continue to affect foundation trusts' ability to achieve capital investment plans.

A number of foundation trusts saw major capital developments in the year, including King's College Hospital NHS Foundation Trust's expenditure on construction of its Critical Care Unit and completion of its Helipad, and University College London Hospitals NHS Foundation Trust's spend on the construction of two new hospital sites.



NHS foundation trusts continue to invest in their estates at levels significantly in excess of depreciation charges in year. On average capital expenditure was 145% of the depreciation charged, consistent with 2015/16.

### Events after the reporting period

As at 31 March 2017 there were 155 NHS foundation trusts, including Mid Staffordshire NHS Foundation Trust. North Essex Partnership University NHS Foundation Trust and South Essex Partnership University NHS Foundation Trust merged on 1 April 2017 to form Essex Partnership University NHS Foundation Trust.

Peterborough and Stamford Hospitals NHS Foundation Trust acquired Hinchingbrooke Health Care NHS Trust on 1 April 2017. As of 1 April 2017 the foundation trust is known as North West Anglia NHS Foundation Trust.

Following the fire at Grenfell Tower in London on 14 June 2017, NHS foundation trusts and NHS Improvement are assessing the impact on the NHS estate. This work is ongoing at the time of finalising these consolidated accounts. The financial implications of this are currently unknown and no adjustments have been made to these accounts.

There have been no foundation trusts authorised since 1 April 2017.

### Wider context

During the year the provider sector was faced with operational pressures including record numbers of ambulance call-outs and patients attending accident and emergency departments, as the provider sector experienced growing demand for urgent and emergency care. This intense pressure on emergency services had an adverse impact on elective care as work was displaced or cancelled due to the lack of available beds, which affected patient treatment and resulted in a loss of income for most acute providers. This coupled with increasingly constrained community and

social care provision placed further significant operational and financial strain on the system.

Despite these operational challenges and the extra financial strain on the system, the foundation trust sector reported a surplus before impairments and transfers of £171 million, which was a £1.26 billion improvement on last year's position. This financial achievement is a result of tremendous efforts made by staff across the NHS in England. 125 foundation trusts met or exceeded their control totals in 2016/17.

The continuing increase in activity shows little signs of abating. Providers will need to continue their excellent work in 2016/17 to continue the trend to bring the NHS provider sector back into financial balance and allow investment for the future. With limited growth in income, further improvements in financial performance are likely to come from slower growth in expenditure and creating additional capacity outside hospitals. Local health bodies will need to work together and ensure the impact of changes or decisions are understood in the local system.

NHS Improvement will continue to work to support providers to deliver improvements. We are working with providers to reduce variation and improve productivity, building on the recommendations made by Lord Carter. We will continue to monitor the efficiency challenge contained in the Five Year Forward View. NHS Improvement is undertaking a second wave of the Financial Improvement Programme (FIP) to improve providers' finances, with the most financially challenged supported through the financial special measures process. We will also continue to focus on expensive agency staff costs and work with providers to reduce this spend.

But the challenge we face is not one that can be met by providers and NHS Improvement alone. NHS Improvement and NHS England are working together, nationally and regionally, on sustainability and transformation plans (STPs). These are multi-year plans produced by every health and care system in England to show how local services will evolve and become sustainable, ultimately delivering the Five Year Forward View's vision of better health, better patient care and improved NHS efficiency.

In many regions capital investment is needed to realise some of the benefits envisaged in these plans. NHS Improvement is working with the Department of Health to identify how available funding can be best deployed. The plans mean it will be increasingly important for providers, commissioners and other organisations to work together towards common goals while focusing on the needs of patients and maintaining safe services. NHS Improvement and NHS England will support providers and systems in their work.

Jim Mackey  
Chief Executive  
4 July 2017

## Statement of responsibilities and accountability framework

Jim Mackey is the Chief Executive and Accounting Officer of NHS Improvement (Monitor legal entity for the purpose of this document). In this capacity he is responsible for ensuring that NHS Improvement prepares consolidated NHS foundation trust accounts to send to the Secretary of State in accordance with paragraph 17 of Schedule 8 to the 2012 Act. He is not the accounting officer for each individual NHS foundation trust; this is the role of each NHS foundation trust's chief executive, designated as accounting officer by the National Health Service Act 2006. NHS Improvement is responsible for determining, with the approval of the Secretary of State, the form of accounts each NHS foundation trust must adopt. This is described within the [NHS foundation trust annual reporting manual](#) (FT ARM), which is based on HM Treasury's *Financial reporting manual* (FReM). The manual specifically requires:

- application of suitable accounting policies on a consistent basis
- judgements and estimates to be made on a reasonable basis
- a statement within the accounts as to whether applicable accounting standards have been followed, and to disclose and explain any material departures
- accounting officers to ensure that the use of public funds complies with the relevant legislation, delegated authorities and guidance
- preparation of the accounts on a going concern basis (except in the unlikely event that it is intended for all of the NHS foundation trust's services to be discontinued and not transferred within the public sector).

In discharging its responsibilities under paragraph 17 of Schedule 8 to the 2012 Act, NHS Improvement has prepared a set of consolidated accounts complying with directions given by the Secretary of State, on a basis consistent with the individual NHS foundation trusts' accounts and consolidated in accordance with IFRS, as amended for NHS foundation trusts by the FReM, the FT ARM and the Department of Health *Group Accounting Manual*.

The directions given by the Secretary of State require NHS Improvement to prepare consolidated accounts so as to:

- give a true and fair view of the state of affairs as at the end of the financial year and the comprehensive income and expenditure, changes in taxpayers' equity and cash flows for the financial year then ended
- disclose any material expenditure or income that has not been applied for the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them.



## Annual governance statement

This annual governance statement (AGS) for the NHS foundation trust sector has been prepared in the context of the accountability framework set out above. It has been prepared as a consolidation of the sector position based on reference to:

- (i) NHS Improvement's regulatory action
- (ii) disclosures in local annual governance statements
- (iii) the audit reports issued by local external auditors.

### Scope of responsibility

NHS Improvement's Board (which is the board of both Monitor and the NHS Trust Development Authority) is not accountable for the internal control and systems of NHS foundation trusts; this is the responsibility of each NHS foundation trust's board. As accounting officer, the chief executive of each NHS foundation trust has responsibility to Parliament for maintaining a sound system of internal control that supports the achievement of that NHS foundation trust's policies, aims and objectives. In addition, the chief executive, as accounting officer, has responsibility for safeguarding public funds and the organisation's assets as set out in the [NHS foundation trust accounting officer memorandum](#).

### Purpose of the system of internal control

NHS Improvement's system of internal control is designed to support the achievement of its policies, aims and objectives and ensure compliance with legal and other obligations on its constituent bodies (Monitor and the NHS Trust Development Authority) and NHS trusts and foundation trusts. As part of this system, NHS Improvement has the following processes to ensure these accounts provide a 'true and fair' view of the foundation trust sector:

- providing guidance to foundation trusts through the [NHS foundation trust annual reporting manual](#) (FT ARM); this has been approved by the Secretary of State
- relying on the external auditors appointed by each foundation trust's own council of governors to ensure the truth and fairness of each set of accounts that have been consolidated into these accounts; these auditors have each undertaken an audit in accordance with the [Code of audit practice](#) (audit code), issued by the Comptroller and Auditor General, supported by the National Audit Office (NAO)
- appointing the Quality Assurance Directorate of the Institute of Chartered Accountants in England and Wales to undertake a review of the quality of the work of these auditors and consider their findings

- attending the NAO's Local Auditors' Advisory Group and associated technical networks, to which senior representatives from each of the audit suppliers appointed as auditors of foundation trusts are invited; the forum members discuss technical audit and accounting issues in the public sector, including those concerning foundation trusts
- consideration by NHS Improvement's management and by its Audit and Risk Assurance Committee of the consolidated accounts and the processes established to derive them.

In addition, legislation provides for the Comptroller and Auditor General to undertake an audit of the consolidated accounts presented in this report.

Each foundation trust's annual report and accounts, which they lay before Parliament, includes an AGS for the year ended 31 March 2017. Each individual AGS explains how the accounting officer has reviewed the effectiveness of internal control during the period and highlights any significant control issues where the risk cannot be effectively controlled.

## **Overview of internal control systems at foundation trusts**

### *Single Oversight Framework (SOF) (from 1 October 2016)*

The standard conditions of the provider licence issued by NHS Improvement and NHS Improvement's Single Oversight Framework (SOF) provide the framework for overseeing NHS trusts and NHS foundation trusts and identifying potential support needs. The SOF has five themes:

- Quality of care
- Finance and use of resources
- Operational performance
- Strategic change
- Leadership and improvement capability (well-led)

Based on information from these themes, providers are segmented from 1 to 4, where '4' reflects providers receiving the most support, and '1' reflects providers with maximum autonomy. A foundation trust will only be in segments 3 or 4 where it has been found to be in breach or suspected breach of its licence.

The Single Oversight Framework applied from Quarter 3 of 2016/17. Before this, Monitor's Risk Assessment Framework (RAF) was in place.

Unlike the approach in Monitor's RAF, segmentation is updated regularly rather than published on a quarterly basis. The table below presents a summary of foundation trusts' segmentation as at 31 December 2016 and 31 March 2017. The latest information is available at <https://improvement.nhs.uk/resources/single-oversight-framework-segmentation/>.

SOF segmentation		
	31 March 2017	31 Dec 2016
4 (most support)	5	8
3	37	34
2	86	89
1 (most autonomy)	26	24
<b>Total</b>	<b>154<sup>4</sup></b>	<b>155</b>

#### *Risk Assessment Framework (until 30 September 2016): Governance*

From 1 October 2013 until 30 September 2016 NHS Improvement (Monitor) oversaw foundation trusts' compliance with the governance and continuity of services requirements of their provider licence through application of the Risk Assessment Framework.

Under the framework, foundation trusts were assigned a green rating if no material governance concerns were evident. Where potential material concerns were identified that NHS Improvement was investigating, the trust was described as 'under review'. Trusts currently subject to formal enforcement action were assigned a red rating.

NHS Improvement published risk ratings on a quarterly basis. The quarterly governance risk ratings assigned to foundation trusts were as follows:

Governance ratings					
	2016/17	2015/16			
	Q1	Q4	Q3	Q2	Q1
Green	100	85	77	76	86
Under review	13	26	36	36	28
Red	43	41	39	39	37
<b>Total</b>	<b>156</b>	<b>152</b>	<b>152</b>	<b>151</b>	<b>151</b>

NHS Improvement did not publish governance ratings for foundation trusts for Q2 2016/17 following the implementation of the *Single Oversight Framework*.

<sup>4</sup> Birmingham Women's NHS Foundation Trust ceased to exist on 1 February 2017 so is not included in this total. Mid Staffordshire NHS Foundation Trust is not licensed to provide services and so did not receive any regulatory ratings in 2015/16 or 2016/17.

*Risk Assessment Framework (until 30 September 2016): Financial Sustainability Risk Ratings (FSRRs)*

From August 2015 to September 2016, the risk to financial sustainability and continued provision of essential services was assessed by assigning foundation trusts a financial sustainability risk rating (FSRR), which combined metrics looking at risks to the continuity of services with metrics looking at current operating performance. A rating of 1 to 4 reflected the degree of financial concern, where 4 was the lowest level of risk. FSRRs applied from quarter 2 of 2015/16.

Financial Sustainability Risk Ratings						
	2016/17			2015/16		
	Q2	Q1		Q4	Q3	Q2
4 (lowest risk)	60	52		33	34	39
3	23	19		39	26	27
2	63	79		71	74	83
1 (highest risk)	9	6		19	18	12
Total	155 <sup>5</sup>	156		152	152	151

*Foundation trusts in breach of licence conditions*

As noted above, a foundation trust will only be in segments 3 or 4 under the Single Oversight Framework where it has been found to be in breach or suspected breach of its licence.

On determining that a foundation trust is in breach of its licence conditions (or that there are reasonable grounds for suspecting a breach) following a formal investigation, NHS Improvement considers the appropriateness of using Monitor's statutory enforcement powers under the 2012 Act. NHS Improvement may apply a range of enforcement powers including accepting enforcement undertakings, imposing discretionary requirements and imposing additional licence conditions to secure compliance and ensure breach does not recur. More information on NHS Improvement's formal powers of enforcement and general approach to deciding on regulatory action can be found in the [Enforcement guidance](#) available on NHS Improvement's website.

Where the Care Quality Commission (CQC) has recommended NHS Improvement take regulatory action following the identification of failings in the quality of patient care, NHS Improvement may also place a foundation trust in special measures for quality. Under special measures, trusts are given support to improve levels of patient care, including partnering with a high performing foundation trust and appointing an improvement director.

<sup>5</sup> Calderstones Partnership NHS Foundation Trust ceased to exist on 1 July 2016 so is not included in this and subsequent totals.

The 2012 Act also extends the provisions for trust special administration to foundation trusts. Administration is a regime for ensuring the continuity of essential services in the event of provider financial distress.

Foundation trusts may also be put into financial special measures where specialist teams, led by an improvement director, oversee intensive, accelerated action to bring about financial improvement, including support from peer providers where appropriate.

## **Foundation trusts' significant internal control weaknesses**

### ***Sources of information***

In the information that follows, NHS Improvement has collated a number of sources of information to disclose the position for foundation trusts.

### ***Enforcement action***

NHS Improvement's enforcement action at foundation trusts can be categorised as relating to:

- finance
- governance
- finance and governance.

NHS Improvement taking enforcement action at a foundation trust would normally indicate the existence of control weaknesses or failings in the control environment at the trust. The categorisation into finance and/or governance reflects the enforcement action taken during the year rather than the year-end position for the trust.

### ***Other significant control issues***

Foundation trusts may also declare other matters as significant control issues. NHS Improvement's FT ARM does not direct foundation trusts on which internal control matters should be defined as 'significant'; this is a matter for each foundation trust's board. The table that follows includes all cases where foundation trusts have disclosed one or more significant control weaknesses in their annual governance statement. It should be noted that some trusts locally consider all healthcare target breaches to be significant control issues, but not all do.

### ***External auditor conclusion on use of resources***

In addition to the 'true and fair' audit opinion on the accounts, external auditors of foundation trusts are required to conclude whether the trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors will modify this conclusion where they are unable to satisfy themselves that the foundation trust has made these proper arrangements. Such a

modification does not imply that the 'true and fair' audit opinion on the foundation trust's accounts is qualified.

Such modified/qualified conclusions are listed in the table that follows. In each case we summarise if this qualification relates to the same matters as enforcement action taken by NHS Improvement.

*Financial standing: audit opinion emphasis of matter on going concern*

All foundation trusts received unqualified true and fair audit opinions but auditors at 34 foundation trusts included an 'emphasis of matter' paragraph within the audit report relating to going concern or financial standing. This means that the auditor felt it necessary to draw the reader's attention to a disclosure about going concern or financial standing being made by the trust. Further details are in the accounting policies for the consolidated accounts in Note 1.24.

*Financial standing: cash support from the Department of Health*

38 foundation trusts have required cash financial support from DH in 2016/17 to support the continued provision of services to patients. These are also listed in the table that follows.

***Defining a significant internal control issue for this document***

Our starting point for this consolidated annual governance statement is where a foundation trust has locally assessed and disclosed a significant internal control issue in its own annual governance statement. In addition regardless of whether these have been reported locally, we also deem the following to be evidence of significant internal control weaknesses:

- enforcement action taken by NHS Improvement; and/or
- the external auditor qualifying or otherwise modifying their use of resources conclusion.

In addition in the table that follows we also disclose, for added context:

- audit reports including an emphasis of matter on going concern; and
- foundation trusts in receipt of cash support from DH during the year.

While these two columns provide additional information on foundation trusts' financial standing, we do not consider entries here in isolation to necessarily represent a significant internal control weakness.

### *Summary of results*

The table below provides a summary of the detail that follows:

	<b>2016/17</b>	<b>2015/16</b>
Number of foundation trusts subject to enforcement action during the year:		
Finance	6	6
Governance	7	8
Finance and Governance	30	30
Total number of qualified conclusions relating to arrangements for securing economy, efficiency and effectiveness in the foundation trust's use of resources	49	53
Number of foundation trusts where audit opinion contains 'emphasis of matter' for going concern / financial standing	34	29
Number of foundation trusts in receipt of DH cash revenue support	38	26
Number of foundation trusts where 'true and fair' audit opinion has been modified (qualified)	0	0

*List of foundation trusts with matters to report*

The table below lists NHS foundation trusts where one or more of the columns is a 'yes'. It therefore does not list all NHS foundation trusts.

NHS Foundation Trust name	Enforcement action taken by NHS Improvement		Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>	(3) Significant internal control issue not relating to matters in enforcement action in (1)	(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality				
Aintree University Hospitals NHS Foundation Trust						✓	
Ashford and St Peter's Hospitals NHS Foundation Trust			✓ Target breaches				
Alder Hey Children's NHS Foundation Trust							✓
Barnsley Hospital NHS Foundation Trust	Finance			✓		✓	✓
Basildon & Thurrock University Hospitals NHS Foundation Trust	Finance			✓		✓	✓
Blackpool Teaching Hospitals NHS Foundation Trust						✓	
Bolton NHS Foundation Trust			✓ Target breaches and never event				



	Enforcement action taken by NHS Improvement			Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
NHS Foundation Trust name	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(3) Significant internal control issue not relating to matters in enforcement action in (1)	(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality					
Bridgewater Community Healthcare NHS Foundation Trust				✓ CQC findings		✓		
Burton Hospitals NHS Foundation Trust	Finance and governance (financial governance, board governance)						✓	✓
Calderdale & Huddersfield NHS Foundation Trust	Finance and governance (financial governance, board governance)				✓			✓
Calderstones Partnership NHS Foundation Trust							✓	
Cambridge University Hospitals NHS Foundation Trust	Finance and governance (CQC concerns, healthcare targets, board governance)		✓ (until Jan 2017)		✓		✓	✓

	Enforcement action taken by NHS Improvement			Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
NHS Foundation Trust name	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(3) Significant internal control issue not relating to matters in enforcement action in (1)	(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality					
City Hospitals Sunderland NHS Foundation Trust	Finance and governance (financial governance, board governance)							
Colchester Hospital University NHS Foundation Trust	Finance and governance (CQC concerns, board governance, quality governance)		✓	✓ Cyber-attack after year end	✓		✓	✓
Cumbria Partnership NHS Foundation Trust								✓
Derby Teaching Hospitals NHS Foundation Trust	Finance and governance (healthcare targets, financial governance)				✓		✓	✓
Derbyshire Healthcare NHS Foundation Trust	Governance (board governance)			✓ Internal audit findings	✓			
Doncaster & Bassetlaw Hospitals NHS Foundation Trust	Finance and governance (financial governance, board governance)				✓		✓	✓

NHS Foundation Trust name	Enforcement action taken by NHS Improvement		Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality				
Dorset County Hospital NHS Foundation Trust					✓	✓	
Dorset Healthcare University NHS Foundation Trust					✓		
East Kent Hospitals University NHS Foundation Trust	Finance and governance (healthcare targets, quality governance, financial governance)	✓	✓ (until Mar 2017)		✓		✓
Gloucestershire Hospitals NHS Foundation Trust	Finance and governance (A&E)	✓			✓		✓
Great Ormond Street Hospital for Children NHS Foundation Trust				✓ Electronic patient record system implementation			
Guy's & St Thomas' Hospital NHS Foundation Trust				✓ Target breaches			
Great Western Hospitals NHS Foundation Trust	Finance				✓		✓

	Enforcement action taken by NHS Improvement			Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
NHS Foundation Trust name	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(3) Significant internal control issue not relating to matters in enforcement action in (1)	(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality					
Heart of England NHS Foundation Trust	Finance and governance (healthcare targets, board governance, financial governance)			✓ Information governance	✓			
James Paget University Hospitals NHS Foundation Trust				✓ Internal audit reviews				
Kent Community Health NHS Foundation Trust				✓ Agency spending and delayed transfers of care				
Kettering General Hospital NHS Foundation Trust	Finance and governance (financial governance, board governance)				✓		✓	✓
King's College Hospital NHS Foundation Trust	Finance and governance (financial governance)				✓		✓	✓

NHS Foundation Trust name	Enforcement action taken by NHS Improvement		Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality				
Lancashire Teaching Hospitals NHS Foundation Trust	Finance and governance (financial governance, board governance)				✓		✓
Liverpool Women's NHS Foundation Trust	Finance				✓	✓	✓
Medway NHS Foundation Trust	Finance and governance (CQC concerns, quality governance, financial governance, board governance)		✓ (until Mar 2017)		✓	✓	✓
Mid Cheshire Hospitals NHS Foundation Trust							Yes
Mid Staffordshire NHS Foundation Trust						✓ (Accounts prepared on non-going concern basis)	

	Enforcement action taken by NHS Improvement			Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
NHS Foundation Trust name	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(3) Significant internal control issue not relating to matters in enforcement action in (1)	(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality					
Milton Keynes University Hospital NHS Foundation Trust	Finance and governance (CQC concerns, healthcare target, financial governance)				✓		✓	✓
Norfolk and Norwich University Hospitals NHS Foundation Trust	Finance and governance (healthcare targets, board governance, financial governance)	✓ (until Feb 2017)		✓ Capacity	✓			✓
Norfolk and Suffolk NHS Foundation Trust	Finance and governance (healthcare targets, board governance)		✓ (until Oct 2016)		✓			
North East London NHS Foundation Trust						✓		
North Essex Partnership University NHS Foundation Trust	Governance (CQC concerns, healthcare targets, board governance)						✓	
North Tees and Hartlepool NHS Foundation Trust							✓	

	Enforcement action taken by NHS Improvement			Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
NHS Foundation Trust name	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(3) Significant internal control issue not relating to matters in enforcement action in (1)	(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality					
Northern Lincolnshire and Goole Hospitals NHS Foundation Trust	Finance	✓		✓ Also CQC findings and target breaches	✓ Including enforcement action relating to quality after year end		✓	✓
Nottinghamshire Healthcare NHS Foundation Trust						✓		
Oxford University Hospitals NHS Foundation Trust				✓ Never events and exception reports submitted to NHS Improvement				
Peterborough and Stamford Hospitals NHS Foundation Trust	Finance and governance (healthcare target, financial governance)				✓		✓	✓
Poole Hospital NHS Foundation Trust						✓	✓	
Queen Elizabeth Hospital King's Lynn NHS Foundation Trust	Finance and governance (financial governance, board governance)				✓		✓	✓

	Enforcement action taken by NHS Improvement			Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
NHS Foundation Trust name	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(3) Significant internal control issue not relating to matters in enforcement action in (1)	(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality					
Royal Berkshire NHS Foundation Trust	Finance and governance (financial governance, board governance)				✓			
Royal Free London NHS Foundation Trust						✓	✓	✓
Royal Surrey County Hospital NHS Foundation Trust	Governance (healthcare targets, financial governance, board governance)				✓			✓
Sherwood Forest Hospitals NHS Foundation Trust	Finance and governance (quality governance, board governance). Note these were lifted in April 2017.		✓ (until Nov 2016)		✓		✓	✓
South East Coast Ambulance Service NHS Foundation Trust	Governance (CQC concerns, board governance)		✓		✓			✓



NHS Foundation Trust name	Enforcement action taken by NHS Improvement		Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality				
South Tees Hospitals NHS Foundation Trust	Finance and governance (healthcare target, board governance, financial governance)				✓		✓
South Western Ambulance Service NHS Foundation Trust					✓		
Southend University Hospital NHS Foundation Trust	Finance and governance (healthcare targets, board governance, financial governance)				✓		✓
Southern Health NHS Foundation Trust	Governance (CQC concerns, quality governance, board governance)				✓		

	Enforcement action taken by NHS Improvement			Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
NHS Foundation Trust name	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(3) Significant internal control issue not relating to matters in enforcement action in (1)	(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality					
St George's University Hospitals NHS Foundation Trust	Finance and governance (financial governance, CQC concerns, healthcare target)	✓	✓		✓		✓	✓
Stockport NHS Foundation Trust	Governance				✓		✓	
Surrey and Borders Partnership NHS Foundation Trust						✓		
Tameside and Glossop Integrated Care NHS Foundation Trust	Finance and governance (financial governance)				✓			✓
Taunton & Somerset NHS Foundation Trust	Finance and governance (financial governance)							✓
The Black Country Partnership NHS Foundation Trust				✓ Financial sustainability			✓	
The Hillingdon Hospitals NHS Foundation Trust						✓	✓	

	Enforcement action taken by NHS Improvement			Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
NHS Foundation Trust name	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(3) Significant internal control issue not relating to matters in enforcement action in (1)	(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality					
The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust	Governance (healthcare target, board governance)				✓			
The Rotherham NHS Foundation Trust	Finance				✓		✓	✓
The Royal Orthopaedic Hospital NHS Foundation Trust						✓	✓	
Torbay and South Devon NHS Foundation Trust						✓		
University Hospital of South Manchester NHS Foundation Trust	Finance and governance (healthcare targets, financial governance)						✓	
University Hospitals of Morecambe Bay NHS Foundation Trust	Finance and governance (healthcare targets, board governance, financial governance)				✓		✓	✓

NHS Foundation Trust name	Enforcement action taken by NHS Improvement		Other significant internal control issue disclosed by FT	Audit report: Use of Resources modification		Financial standing	
	(1) Enforcement action taken by NHS Improvement in effect <u>during the year</u>	(2) FT in special measures <u>during the year</u>		(4) UoR modification linked to NHS Improvement enforcement action	(5) UoR modification: Other matter (or enforcement action post year end)	(6) Audit report: emphasis of matter on going concern	(7) FT in receipt of DH cash revenue support during 2016/17
		Finance	Quality				
Warrington and Halton Hospitals NHS Foundation Trust	Finance and governance (financial governance)					✓	✓
West Suffolk NHS Foundation Trust				✓ Performance of pathology service; cost improvement programmes; electronic patient record system and data	✓		
Wirral University Teaching Hospital NHS Foundation Trust	Finance and governance (financial governance, board governance)						✓
Yeovil District Hospital NHS Foundation Trust							✓
<b>Totals</b>	<b>43</b>	<b>5</b>	<b>8</b>	<b>15</b>	<b>36</b>	<b>13</b>	<b>38</b>

## Quality reports

In 2016/17 each foundation trust was required to obtain a limited assurance report from its external auditor on the content of its quality report and two mandated indicators to be included in the quality report. This reported on whether anything had come to the auditor's attention that led them to believe that the quality report's content was not prepared in line with the guidance documents accompanying the *FT ARM* or was inconsistent with the other information sources detailed in the guidance.

In reporting on mandated indicators, the auditors are forming a view on data quality rather than the quality of services more generally at a trust.

The relevant guidance for 2016/17 was:

- [Detailed requirements for quality reports 2016/17](#)
- [Detailed guidance for external assurance on quality reports 2016/17](#)

The assurance over mandated indicators followed a selection of indicators prescribed by NHS Improvement, with different indicators applicable to different types of foundation trust.

All foundation trusts<sup>6</sup> except one received an unmodified limited assurance opinion on the content and consistency of their quality reports. 64 foundation trusts received a modification to their limited assurance report in respect of one or both of the mandated indicators or had an emphasis of matter included in their assurance report, with details below:

- 54 trusts received a modified auditor opinion with regard to the '*percentage of incomplete pathways within 18 weeks for patients on incomplete pathways at the end of the reporting period*' indicator
- 22 trusts received a modified auditor opinion with regard to the '*percentage of patients with a total time in A&E of four hours or less from arrival to admission, transfer or discharge*' indicator
- 12 trusts received a modified auditor opinion with regard to other indicators.

Some foundation trusts received a modification to the limited assurance report for both indicators tested, which is why the total of the three bullet points above is greater than 64.

Jim Mackey  
Chief Executive  
4 July 2017

---

<sup>6</sup> Mid Staffordshire NHS Foundation Trust ceased to provide services as at 1 November 2014 and was therefore not required to produce a quality report for 2016/17.

## **The certificate of the Comptroller and Auditor General to the Houses of Parliament**

I certify that I have audited the consolidated financial statements of NHS foundation trusts for the year ended 31 March 2017 under the Health and Social Care Act 2012. The financial statements comprise the Consolidated Statements of Comprehensive Income, Financial Position, Changes in Equity, Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### **Respective responsibilities of Monitor and auditor**

As explained more fully in the Statement of Responsibilities and Accountability Framework, Monitor is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Health and Social Care Act 2012. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the circumstances of the consolidated accounts and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Foreword, NHS Improvement provider sector context, Review of NHS foundation trust financial performance and the Annual Governance Statement to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the affairs of the NHS foundation trust sector as at 31 March 2017 and of its deficit for the year then ended; and
- the financial statements have been properly prepared in accordance with the Health and Social Care Act 2012 and Secretary of State directions issued thereunder.

## **Opinion on other matters**

In my opinion:

- the information given in the Foreword, the NHS Improvement provider sector context, and the Review of NHS foundation trust financial performance for the financial year for which the financial statements are prepared is consistent with the financial statements.

## **Matters on which I report by exception**

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Annual Governance Statement does not reflect compliance with HM Treasury's guidance.

**Sir Amyas C E Morse**

**Comptroller and Auditor General**

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

12 July 2017

**Statement of Comprehensive Income for the year ended  
31 March 2017**

2016/17				2015/16 Restated			
	Before impairments and transfers	Revaluations, impairments and transfers	After impairments and transfers	Before impairments and transfers	Revaluations, impairments and transfers	After impairments and transfers	
Note	£m	£m	£m	£m	£m	£m	
Operating income from patient care activities	3	45,060	-	45,060	41,936	-	41,936
Other operating income *	4	6,024	-	6,024	4,680	-	4,680
<b>Total operating income from operations</b>		<b>51,084</b>	<b>-</b>	<b>51,084</b>	<b>46,616</b>	<b>-</b>	<b>46,616</b>
Operating expenses *	5, 6	(50,045)	(941)	(50,986)	(46,787)	(497)	(47,284)
<b>Operating surplus/(deficit) from operations</b>		<b>1,039</b>	<b>(941)</b>	<b>98</b>	<b>(171)</b>	<b>(497)</b>	<b>(668)</b>
Finance income	10	18	-	18	22	-	22
Finance expenses	11	(514)	-	(514)	(469)	-	(469)
PDC dividends payable		(499)	-	(499)	(528)	-	(528)
<b>Net finance costs</b>		<b>(995)</b>	<b>-</b>	<b>(995)</b>	<b>(975)</b>	<b>-</b>	<b>(975)</b>
Gains on disposal of non-current assets *	12	60	-	60	52	-	52
Share of profit of associates/joint arrangements		6	-	6	(4)	-	(4)
Gains arising from transfers by absorption	36	-	10	10	-	129	129
Losses arising from transfers by absorption	36	-	-	-	-	(12)	(12)
Movement in the fair value of investment property and other investments		61	-	61	11	-	11
Corporation tax expense		-	-	-	(1)	-	(1)
<b>Surplus/(deficit) for the year</b>		<b>171</b>	<b>(931)</b>	<b>(760)</b>	<b>(1,088)</b>	<b>(380)</b>	<b>(1,468)</b>
<b>Other comprehensive income/(expenditure)</b>							
<b>Will not be reclassified to income and expenditure:</b>							
Net impairments charged to the revaluation reserve	8	-	(683)	(683)	-	(776)	(776)
Revaluations	8	231	-	231	778	-	778
Remeasurements of the net defined benefit pension scheme liability/asset	29	(5)	-	(5)	7	-	7
Other reserve movements		5	-	5	2	-	2
<b>May be reclassified to income and expenditure when certain conditions are met:</b>							
Fair value gains/(losses) on available-for-sale financial investments		9	-	9	(4)	-	(4)
<b>Other comprehensive income/ (expense)</b>		<b>240</b>	<b>(683)</b>	<b>(443)</b>	<b>783</b>	<b>(776)</b>	<b>7</b>
<b>Total comprehensive income/(expense) for the period</b>		<b>411</b>	<b>(1,614)</b>	<b>(1,203)</b>	<b>(305)</b>	<b>(1,156)</b>	<b>(1,461)</b>

Discontinued operations are not material so are not shown separately on the face of the Statement of Comprehensive Income. Note 13 provides further details.

\* The Statement of Comprehensive Income has been restated to move gains/ (losses) on disposal of non-current assets out of operating surplus/ (deficit), and also to move reversals of impairments from other operating income to net off impairments in operating expenses - see Note 39. No other adjustments have been made to prior year numbers.



# Statement of Financial Position as at 31 March 2017

		31 March 2017 £m	31 March 2016 £m
	Note		
<b>Non-current assets</b>			
Intangible assets	14	604	541
Property, plant and equipment	15	26,549	26,979
Investment property	16	182	155
Investments in associates and joint arrangements	16	74	52
Other investments	16	209	183
Trade and other receivables	18	271	273
Other financial assets	19	5	3
Other assets		15	4
<b>Total non-current assets</b>		<b>27,909</b>	<b>28,190</b>
<b>Current assets</b>			
Inventories	17	596	580
Trade and other receivables	18	3,782	2,837
Other financial assets	19	18	11
Non-current assets for sale and assets in disposal groups	20	53	76
Cash and cash equivalents	21	3,413	3,462
<b>Total current assets</b>		<b>7,862</b>	<b>6,966</b>
<b>Current liabilities</b>			
Trade and other payables	22	(5,340)	(5,142)
Other liabilities	23	(549)	(539)
Borrowings	24	(605)	(337)
Other financial liabilities		(1)	(1)
Provisions	26	(270)	(268)
<b>Total current liabilities</b>		<b>(6,765)</b>	<b>(6,287)</b>
<b>Total assets less current liabilities</b>		<b>29,006</b>	<b>28,869</b>
<b>Non-current liabilities</b>			
Trade and other payables	22	(23)	(18)
Other liabilities	23	(158)	(142)
Borrowings	24	(8,907)	(7,925)
Other financial liabilities		(2)	(3)
Provisions	26	(322)	(311)
<b>Total non-current liabilities</b>		<b>(9,412)</b>	<b>(8,399)</b>
<b>Total assets employed</b>		<b>19,594</b>	<b>20,470</b>
<b>Financed by</b>			
Public dividend capital		14,955	14,710
Revaluation reserve		5,312	5,807
Other reserves		142	95
Merger reserve		2	2
Income and expenditure reserve		(1,218)	(511)
Charitable fund reserves	33	401	367
<b>Total taxpayers' equity</b>		<b>19,594</b>	<b>20,470</b>

The notes on pages 50 to 111 form part of these accounts.

Jim Mackey  
Chief Executive  
4 July 2017

## Statement of Changes in Equity for the year ended 31 March 2017

	Note	Public dividend capital £m	Revaluation reserve £m	Other reserves £m	Merger reserve £m	Income and expenditure reserve £m	NHS charitable fund reserves £m	Total £m
<b>Taxpayers' and others' equity at 1 April 2016 - brought forward</b>		<b>14,710</b>	<b>5,807</b>	<b>95</b>	<b>2</b>	<b>(511)</b>	<b>367</b>	<b>20,470</b>
<b>At start of period for new FTs</b>	38	<b>62</b>	<b>86</b>	<b>48</b>	<b>-</b>	<b>92</b>	<b>2</b>	<b>290</b>
Surplus/(deficit) for the year		-	-	-	-	(839)	79	<b>(760)</b>
Transfers by absorption: transfers between reserves	36	9	4	(4)	-	(9)	-	-
Adjustments to prior period accounted for in-year *		-	(2)	-	-	(123)	(13)	<b>(138)</b>
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits		-	(16)	-	-	16	-	-
Other transfers between reserves		-	(76)	(1)	-	76	-	<b>(1)</b>
Impairments	8	-	(683)	-	-	-	-	<b>(683)</b>
Revaluations	8	-	231	-	-	-	-	<b>231</b>
Transfer to retained earnings on disposal of assets		-	(29)	-	-	29	-	-
Fair value gains on available-for-sale financial investments		-	-	-	-	-	9	<b>9</b>
Other recognised gains and losses		-	(1)	1	-	4	-	<b>4</b>
Remeasurements of the defined net benefit pension scheme liability/asset	29.1	-	-	3	-	(8)	-	<b>(5)</b>
Public dividend capital received		181	-	-	-	-	-	<b>181</b>
Public dividend capital repaid		(6)	-	-	-	-	-	<b>(6)</b>
Public dividend capital written off		(1)	-	-	-	1	-	-
Other reserve movements		-	(9)	-	-	54	(43)	<b>2</b>
<b>Taxpayers' and others' equity at 31 March 2017</b>		<b>14,955</b>	<b>5,312</b>	<b>142</b>	<b>2</b>	<b>(1,218)</b>	<b>401</b>	<b>19,594</b>

\* Adjustments here in the consolidated FT financial statements to reserves reflect adjustments made by local NHS foundation trusts to their prior year reserves. They are not material to the consolidated FT financial statements, so the prior year has not been restated in these accounts. The largest element of this is an adjustment of £65.9 million in Central Manchester University Hospitals NHS foundation trust relating to the value of PFI assets.

## Statement of Changes in Equity for the year ended 31 March 2016

		Public dividend capital £m	Revaluation reserve £m	Other reserves £m	Merger reserve £m	Income and expenditure reserve £m	NHS charitable fund reserves £m	Total £m
	Note							
<b>Taxpayers' and others' equity at 1 April 2015</b>		<b>14,352</b>	<b>5,633</b>	<b>79</b>	<b>2</b>	<b>995</b>	<b>365</b>	<b>21,426</b>
<b>At start of period for new FTs</b>	38	<b>243</b>	<b>186</b>	<b>12</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>466</b>
Surplus/(deficit) for the year		-	-	-	-	(1,505)	36	<b>(1,469)</b>
Transfers by absorption: transfers between reserves	36	52	64	-	-	(116)	-	-
Previous prior period adjustments accounted for in 2015/16		-	-	-	-	(21)	(3)	<b>(24)</b>
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits		-	(7)	-	-	8	-	<b>1</b>
Other transfers between reserves		-	(19)	-	-	19	-	-
Impairments	8	-	(776)	-	-	-	-	<b>(776)</b>
Revaluations	8	-	778	-	-	-	-	<b>778</b>
Transfer to retained earnings on disposal of assets		-	(51)	-	-	51	-	-
Fair value gains on available-for-sale financial investments		-	-	-	-	-	(4)	<b>(4)</b>
Other recognised gains and losses		-	(1)	-	-	(1)	-	<b>(2)</b>
Remeasurements of the defined net benefit pension scheme liability/asset	29.1	-	-	3	-	4	-	<b>7</b>
Public dividend capital received		166	-	-	-	-	-	<b>166</b>
Public dividend capital repaid		(101)	-	-	-	-	-	<b>(101)</b>
Other reserve movements		(2)	-	1	-	30	(27)	<b>2</b>
<b>Taxpayers' and others' equity at 31 March 2016</b>		<b>14,710</b>	<b>5,807</b>	<b>95</b>	<b>2</b>	<b>(511)</b>	<b>367</b>	<b>20,470</b>

## **Information on reserves**

### **Public dividend capital**

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of a predecessor NHS trust. Additional PDC may also be issued to NHS foundation trusts by the Department of Health. A charge, reflecting the cost of capital utilised by an NHS foundation trust, is payable to the Department of Health as the PDC dividend.

### **Revaluation reserve**

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are reversed in operating expenses. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

### **Other reserves**

This reserve reflects balances formed on the creation of predecessor NHS bodies. Other reserves also include non-controlling interests. Non-controlling interests represent the equity in a subsidiary of an NHS foundation trust which is not attributable, directly or indirectly, to the NHS foundation trust.

### **Merger reserve**

This reserve reflects balances formed on merger of NHS bodies.

### **Income and expenditure reserve**

The balance of this reserve represents the accumulated surpluses and deficits of NHS foundation trusts.

### **NHS charitable funds reserves**

This balance represents the ring-fenced funds held by the NHS charitable funds consolidated within these financial statements. These reserves are classified as restricted or unrestricted and a breakdown is provided in note 33.

# Statement of Cash Flows

		2016/17	2015/16
			restated *
	Note	£m	£m
<b>Cash flows from operating activities</b>			
<b>Operating surplus/ (deficit)</b>		98	(668)
<b>Non-cash income and expense:</b>			
Depreciation and amortisation	5.1	1,347	1,311
Net impairments	8	941	497
Non-cash donations/grants credited to income		(119)	(116)
Non-cash movements in on-SoFP pension liability		1	-
(Increase) in receivables and other assets		(862)	(83)
(Increase) in inventories		(14)	(23)
Increase in payables and other liabilities		53	225
Increase in provisions		(14)	(31)
NHS charitable funds net adjustments to operating cash flows		1	2
Other movements in operating cash flows		(8)	(25)
<b>Net cash generated from operating activities</b>		<b>1,424</b>	<b>1,089</b>
<b>Cash flows from investing activities</b>			
Interest received		10	15
Purchase and sale of financial assets		(26)	(11)
Purchase of intangible assets		(151)	(164)
Sales of intangible assets		1	-
Purchase of property, plant, equipment and investment property		(1,922)	(1,837)
Sales of property, plant, equipment and investment property		181	195
Receipt of cash donations to purchase capital assets		108	105
Cash from acquisitions and disposals of business units and subsidiaries		-	1
NHS charitable funds investing cash flows		(4)	10
<b>Net cash generated used in investing activities</b>		<b>(1,803)</b>	<b>(1,686)</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		181	166
Public dividend capital repaid		(6)	(101)
Increase in loans from the Department of Health		1,264	1,041
Increase in other loans		13	9
Capital element of finance lease rental payments		(43)	(43)
Capital element of PFI, LIFT and other service concession payments		(114)	(185)
Interest paid on finance lease liabilities		(13)	(11)
Interest paid on PFI, LIFT and other service concession obligations		(393)	(363)
Other interest paid		(97)	(81)
PDC dividend paid		(515)	(544)
NHS charitable funds financing cash flows		-	2
Cash flows used in other financing activities		3	(12)
<b>Net cash generated from/(used in) financing activities</b>		<b>280</b>	<b>(122)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(99)</b>	<b>(719)</b>
<b>Cash and cash equivalents at 1 April</b>		<b>3,461</b>	<b>4,075</b>
<b>Cash and cash equivalents at start of period for new FTs</b>		<b>48</b>	<b>98</b>
Cash and cash equivalents transferred under absorption accounting	21.1	2	7
<b>Cash and cash equivalents at 31 March</b>	21.1	<b>3,412</b>	<b>3,461</b>

Total cash and cash equivalents is reconciled to the Statement of Financial Position in note 21.1

\* Operating surplus/(deficit) has been restated in line with Statement of Comprehensive Income to remove gains/ (losses) on disposal of non-current assets. As a result it no longer needs to be adjusted out in cash flows from operating activities. Net cash generated from operating activities remains the same. Note 39 provides further details.

# Notes to the financial statements

## Note 1 Accounting policies and other information

### Basis of preparation

Paragraph 17 of Schedule 8 to the Health and Social Care Act 2012 requires Monitor to prepare a consolidated set of financial statements for NHS foundation trusts. NHS Improvement, in exercising the duties conferred on Monitor, has produced the consolidated accounts of NHS foundation trusts in accordance with directions issued by the Secretary of State.

NHS Improvement, in exercising the statutory functions conferred on Monitor, is responsible for issuing an accounts direction to NHS foundation trusts under the NHS Act 2006. NHS Improvement has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the Department of Health Group Accounting Manual (DH GAM) which shall be agreed with the Secretary of State. In line with the direction issued by the Secretary of State for these consolidated accounts, the following financial statements have been prepared in accordance with the DH GAM 2016/17 issued by the Department of Health in relevant respects.

The accounting policies contained within the DH GAM are broadly consistent with those specified in HM Treasury's Financial Reporting Manual (FReM), which itself follows International Financial Reporting Standards (IFRS), to the extent that it is meaningful and appropriate in the public sector context. The DH GAM's divergences from the FReM are designed to ensure an appropriate financial reporting framework for the NHS foundation trust sector and have been approved by HM Treasury's Financial Reporting Advisory Board.

Where NHS foundation trusts have discretion over their accounting policies we have confirmed that any inconsistencies are not material to these accounts or adjustments have been made.

### Accounting convention

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

## Note 1.1 Consolidation

### Basis of consolidation

These accounts consolidate the accounts of all NHS foundation trusts that have been in existence during 2016/17 using the principles of IFRS as adopted by the FReM. It presents the consolidated results of the NHS foundation trust sector after the elimination of inter-NHS foundation trust balances and transactions. Monitor, as part of NHS Improvement, is not the parent undertaking for NHS foundation trusts and its results are not incorporated within these accounts. The accounts for Monitor are laid before Parliament separately. As there is no parent entity within this consolidation, only consolidated group statements are presented.

NHS Improvement, in exercising the duties conferred on Monitor, is required under the Health and Social Care Act 2012 to consolidate only the accounts of NHS foundation trusts. Accordingly, transactions since the date of authorisation as an NHS foundation trust are consolidated into these accounts and transactions and balances relating to the predecessor NHS trust are not included as comparative data.

Where an NHS foundation trust combines with, transfers a function to, or receives a function from another entity within the Whole of Government Accounts boundary (including other NHS foundation trusts and NHS trusts) this represents a 'machinery of government change' regardless of the mechanism used to effect the combination.

### Machinery of government changes in 2016/17 and 2015/16

Where functions are transferred to NHS foundation trusts from other NHS or local government bodies (or vice versa), the transaction is accounted for as a transfer by absorption. The assets and liabilities transferred are recognised in the accounts as at the date of transfer and prior year comparatives are not restated. The assets and liabilities are not adjusted to fair value prior to recognition. The net gain/loss corresponding to the net assets/liabilities transferred is recognised within non-operating income/expenditure.

In absorption transfers for property, plant and equipment assets and intangible assets, the cost and accumulated depreciation and amortisation balances from the transferring entity's accounts are preserved on recognition in the NHS foundation trust accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the NHS foundation trust makes a transfer from its income and expenditure reserve to its revaluation reserve. Where the Department of Health transfers Public Dividend Capital from the divesting body to the receiving foundation trust as part of an absorption transaction, this is treated as a transfer from the income and expenditure reserve to the PDC reserve by the foundation trust. This ensures that the absorption gain/loss is calculated in line with the requirements of the FReM and also that the balance of PDC is preserved where this is transferred by the Department of Health.

Where functions are transferred to another NHS or local government body, the assets and liabilities transferred are derecognised from the accounts as at the date of transfer and prior year comparatives are not restated. The net loss / gain corresponding to the net assets / liabilities transferred is recognised within non-operating income/expenditure. Any revaluation reserve balances attributable to assets de-recognised are transferred to the income and expenditure reserve.

More details of transfers in 2016/17 and 2015/16 are provided in note 36.

#### Other business combinations

Where NHS foundation trusts acquire businesses from outside of the Whole of Government Accounts boundary, these are accounted for in accordance with IFRS 3.

#### **Subsidiaries**

Under IFRS 10, an NHS foundation trust controls an investee when it is exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Power over the investee occurs where the foundation trust has existing rights that give it the current ability to direct the relevant activities. The income, expenses, assets, liabilities, equity and reserves of subsidiaries are consolidated, in full, into the appropriate financial statement lines. The capital and reserves attributable to non-controlling interests are included as a separate item in the Statement of Financial Position.

The amounts consolidated are drawn from the published financial statements of the subsidiaries for the year, except where a subsidiary's financial year end is before 1 January or after 1 July. In these cases the actual amounts for each month of the year to 31 March are obtained from the subsidiary and consolidated.

Where a subsidiary's accounting policies are not aligned with those of the NHS foundation trust (including where they report under UK GAAP) amounts are adjusted during local consolidation where the differences are material. Inter-entity balances, transactions and gains/losses are eliminated in full on consolidation. Subsidiaries classified as 'held for sale' are measured at the lower of their carrying value and 'fair value less costs to sell'.

#### *NHS charitable funds*

NHS foundation trusts are the corporate trustees to various NHS charitable funds. Forty-nine NHS foundation trusts have individually assessed their relationships to the respective charitable funds and determined whether they meet the definition of subsidiaries under IFRS 10. Some NHS foundation trusts consolidate their NHS linked charity as a result.

The charitable fund's statutory accounts are prepared to 31 March in accordance with the UK Charities Statement of Recommended Practice (SORP) which is based on UK Generally Accepted Accounting Principles (UK GAAP). On consolidation, necessary adjustments are made to the charity's assets, liabilities and transactions to:

- recognise and measure them in accordance with the NHS foundation trust's accounting policies; and
- eliminate intra-group transactions, balances, gains and losses.

## **Associates**

Associate entities are those over which an NHS foundation trust has the power to exercise a significant influence. Associate entities are recognised in these financial statements using the equity method. The investment is initially recognised at cost. It is increased or decreased subsequently to reflect the NHS foundation trust's share of the entity's profit or loss or other gains and losses (e.g. revaluation gains on the entity's property, plant and equipment) following acquisition. It is also reduced when any distribution e.g. share dividends are received by the NHS foundation trust from the associate.

Associates which are classified as 'held for sale' are measured at the lower of their carrying value and 'fair value less costs to sell'.

## **Joint ventures**

Joint ventures are arrangements in which the NHS foundation trust has joint control with one or more other parties, and where it has the rights to the net assets of the arrangement.

Joint ventures are accounted for using the equity method.

## **Joint operations**

Joint operations are arrangements in which the NHS foundation trust has joint control with one or more other parties and has the rights to the assets, and obligations for the liabilities, relating to the arrangement. The NHS foundation trust includes within its financial statements its share of the assets, liabilities, income and expenses.

## **Statement of Comprehensive Income (SOCl) policy**

The SOCl in these consolidated accounts is presented to separately identify the surplus/deficit before impairments and transfers as this is how NHS Improvement has reported on the performance of foundation trusts during the year.

## **Note 1.2 Income**

Income in respect of services provided is recognised when, and to the extent that, performance occurs and is measured at the fair value of the consideration receivable. The main source of income for the NHS foundation trusts are contracts with commissioners in respect of health care services. Most contracts run to 31 March, reducing the risk of cut-off issues. At the year end, foundation trusts accrue income relating to activity delivered in that year. Where a patient spell is incomplete at the year end, income relating to the partially completed spell is accrued by the foundation trust, and this usually should be agreed with the commissioner.

Where income is received for a specific activity which is to be delivered in a subsequent financial year, that income is deferred.

Income from the sale of non-current assets is recognised only when all material conditions of sale have been met, and is measured as the sums due under the sale contract.

Additional contributions from central bodies (such as the Department of Health) designated as revenue contributions are recognised as revenue when received or receivable, and are separately disclosed.

## **Note 1.3 Revenue government and other grants**

Government grants are grants from Government bodies other than income from commissioners or NHS trusts for the provision of services. Grants from the Department of Health are accounted for as government grants, as are grants from the Big Lottery Fund. Where a grant is used to fund revenue expenditure it is credited to operating income to match that expenditure. Where the grant is used to fund capital expenditure, it is credited to the Statement of Comprehensive Income once conditions attached to the grant have been met.



## **Note 1.4 Expenditure on employee benefits**

### **Short-term employee benefits**

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

### **NHS pension scheme**

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of Secretary of State in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme: the cost to the NHS body participating in the scheme for the accounting period.

Employers' pension contributions are charged to operating expenses as and when they become due.

Additional pension liabilities arising from early retirements are not funded by the scheme except where the retirement is due to ill-health. The full amount of the liability for the additional costs is charged to the operating expenses at the time of committing to the retirement, regardless of the method of payment.

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

#### *a) Accounting valuation*

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary's Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and are accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2017, is based on valuation data as 31 March 2016, updated to 31 March 2017 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

#### *b) Full actuarial (funding) valuation*

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2012. The Scheme Regulations allow for the level of contribution rates to be changed by the Secretary of State for Health, with the consent of HM Treasury, and consideration of the advice of the Scheme Actuary and appropriate employee and employer representatives as deemed appropriate.

The next actuarial valuation is to be carried out as at 31 March 2016. This will set the employer contribution rate payable from April 2019 and will consider the cost of the Scheme relative to the employer cost cap. There are provisions in the Public Service Pension Act 2013 to adjust member benefits or contribution rates if the cost of the Scheme changes by more than 2% of pay. Subject to this 'employer cost cap' assessment, any required revisions to member benefits or contribution rates will be determined by the Secretary of State for Health after consultation with the relevant stakeholders.

## Other pension schemes

### *Local Government Pension Scheme*

Some NHS foundation trust employees are members of the Local Government Pension Scheme ('LGPS') which is a defined benefit pension scheme, administered locally through regional funds. Where an NHS foundation trust is able to identify its share of the underlying scheme liabilities these are accounted for as a defined benefit pension scheme ('on Statement of Financial Position'). The scheme assets and liabilities attributable to these employees can be identified, are recognised in the accounts of NHS foundation trusts and are consolidated here.

The assets are measured at fair value and the liabilities at the present value of future obligations. The increase in the liability arising from pensionable service earned during the year is recognised within operating expenses. The expected gain during the year from scheme assets is recognised within finance income. The net interest cost during the year arising from the unwinding of the discount on the net scheme liabilities is recognised within finance costs.

Remeasurements of the defined benefit plan are recognised as 'other comprehensive income' in the Statement of Comprehensive Income.

Where an NHS foundation trust is unable to identify its share of the underlying scheme liabilities these are accounted for as defined contribution pension schemes ('off Statement of Financial Position') and employer contributions are charged to expenditure as they fall due.

The following schemes are accounted for 'on Statement of Financial Position'. For further details please refer to individual NHS foundation trust financial statements.

<b>Foundation trust</b>	<b>Pension fund</b>	<b>Administering body</b>
Black Country Partnership NHS Foundation Trust	West Midlands Pension Fund	Wolverhampton City Council
Cambridgeshire and Peterborough NHS Foundation Trust	Cambridgeshire County Council Pension Fund	Cambridgeshire County Council
East London NHS Foundation Trust	Bedfordshire Pension Fund	Bedford Borough Council
Greater Manchester Mental Health NHS Foundation Trust	Greater Manchester Pension Fund	Tameside Metropolitan Borough Council
Humber NHS Foundation Trust	East Riding of Yorkshire Council Pension Fund	East Riding of Yorkshire Council
North Essex Partnership NHS Foundation Trust	Essex Pension Fund	Essex County Council
Oxford Health NHS Foundation Trust	Buckinghamshire County Council Pension Fund	Buckinghamshire County Council
Rotherham Doncaster and South Humber NHS Foundation Trust	South Yorkshire Pension Fund	South Yorkshire Pension Authority
Salford Royal NHS Foundation Trust	Greater Manchester Pension Fund	Tameside Metropolitan Borough Council
Sheffield Health and Social Care NHS Foundation Trust	South Yorkshire Pension Fund	South Yorkshire Pensions Authority
South Staffordshire and Shropshire Healthcare NHS Foundation Trust	Staffordshire County Council Pension Fund	Staffordshire County Council

The following schemes are accounted for 'off-Statement of Financial Position'. For further details please refer to individual NHS foundation trust financial statements.

<b>Trust</b>	<b>Pension Fund</b>	<b>Administering body</b>
Camden and Islington NHS Foundation Trust	London Borough of Islington Council Pension Fund	London Borough of Islington Council
Hertfordshire Partnership NHS Foundation Trust	Hertfordshire Local Government Pension Scheme	Hertfordshire County Council
Northumbria Healthcare NHS Foundation Trust	Northumberland County Council Pension Fund	Northumberland County Council
South Tyneside NHS Foundation Trust	South of Tyne and Wear Pension Fund	South Tyneside Council

#### *Other pension schemes*

Some NHS foundation trusts have employees who are members of defined benefit pension schemes other than the NHS Pension Scheme and the Local Government Pension Scheme. Where an NHS foundation trust is able to identify its share of the underlying scheme liabilities these are accounted for as a defined benefit pension scheme ('on Statement of Financial Position'). Otherwise, these are accounted for as defined contribution pension schemes ('off Statement of Financial Position').

There are currently no defined benefit pension arrangements accounted for 'on Statement of Financial Position' by NHS foundation trusts apart from LGPS schemes.

#### *Defined contribution pension schemes*

Some NHS foundation trusts have employees who are members of defined contribution pension schemes. In accounting for these schemes the trust recognises expenditure for its employer contributions as they fall due. The National Employment Savings Trust (NEST) is a common example of such a scheme.

### **Note 1.5 Expenditure on other goods and services**

Expenditure on goods and services is recognised when, and to the extent that they have been received, and is measured at the fair value of those goods and services. Expenditure is recognised in operating expenses except where it results in the creation of a non-current asset such as property, plant and equipment.

### **Note 1.6 Discontinued operations**

Discontinued operations occur where activities either cease without transfer to another entity, or transfer to an entity outside of the boundary of Whole of Government Accounts, such as private or voluntary sectors. Such activities are accounted for in accordance with IFRS 5. Activities that are transferred to other bodies within the boundary of Whole of Government Accounts are 'machinery of government changes' and treated as continuing operations.

## Note 1.7 Property, plant and equipment

### Recognition

Property, plant and equipment is capitalised where:

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

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

### Measurement

#### Valuation

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

IAS 16 permits property, plant and equipment to be valued either at cost less accumulated depreciation or at a revalued amount, being fair value at the date of revaluation less subsequent depreciation and impairment. The DH GAM, in accordance with the FReM, does not allow NHS foundation trusts to apply the historical cost model after initial recognition, except for assets which have a short useful economic life or low value or both.

All land and buildings are re-valued at regular intervals, at least once every 5 years is recommended, to ensure the valuations are kept up to date. Valuations are carried out by professional valuers in accordance with the Royal Institution of Chartered Surveyors (RICS) Appraisal and Valuation Manual insofar as these terms are consistent with the agreed requirements of the DH GAM. Interim revaluations are also carried out as necessary to ensure that the carrying amount of each asset does not differ materially from its proper valuation at the Statement of Financial Position date.

#### Application of Property Plant and Equipment accounting policy

NHS Improvement requires NHS foundation trusts to apply modern equivalent asset basis (MEA) for valuation of specialised assets. The MEA method assumes that the existing asset would be replaced with a modern asset of equivalent capacity and function. This asset need not be restricted to the current location and thus, where it would meet the contractual location requirements of the service being provided, an alternative site may instead be used as the basis of valuation.

It is for individual NHS foundation trusts to determine whether the alternative site approach is appropriate when undertaking an MEA based valuation. To indicate the extent to which the alternative site approach has been applied across the sector, a table has been included below:

Net book value	Land	Buildings excluding dwellings	Dwellings	NHS charitable fund property	Total
	£m	£m	£m	£m	
Modern Equivalent Asset (no alternative site)	1,085	8,171	3	6	9,265
Modern Equivalent Asset (alternative site)	1,351	10,455	40	-	11,846
Other Professional Valuations	424	1,044	193	2	1,663
Fair value (surplus PPE land and buildings)	44	47	-	-	91
<b>Total</b>	<b>2,904</b>	<b>19,717</b>	<b>236</b>	<b>8</b>	<b>22,865</b>

### *Subsequent expenditure*

Subsequent expenditure relating to an item of property, plant and equipment is recognised as an increase in the carrying amount of the asset when it is probable that additional future economic benefits or service potential deriving from the cost incurred to replace a component of such item will flow to the trust and the cost of the item can be determined reliably. Where a component of an asset is replaced, the cost of the replacement is capitalised if it meets the criteria for recognition above. The carrying amount of the part replaced is de-recognised. Other expenditure that does not generate additional future economic benefits or service potential, such as repairs and maintenance, is charged to the Statement of Comprehensive Income in the period in which it is incurred.

### *Depreciation*

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

Property, plant and equipment which has been reclassified as 'held for sale' ceases to be depreciated upon the reclassification. Assets in the course of construction and residual interests in off-Statement of Financial Position Private Finance Initiative (PFI) contract assets are not depreciated until the asset is brought into use or reverts to the trust, respectively.

### *Revaluation gains and losses*

Revaluation gains are recognised in the revaluation reserve, except where, and to the extent that, they directly relate to a revaluation decrease that has previously been recognised in operating expenses, in which case they are reversed in operating expenditure.

Revaluation losses are charged to the revaluation reserve to the extent that there is an available balance for the asset concerned, and thereafter are charged to operating expenses.

Gains and losses recognised in the revaluation reserve are reported in the Statement of Comprehensive Income as an item of 'other comprehensive income'.

### *Impairments*

In accordance with the DH GAM, impairments that arise from a clear consumption of economic benefits or of service potential in the asset are charged to operating expenses. A compensating transfer is made from the revaluation reserve to the income and expenditure reserve of an amount equal to the lower of (i) the impairment charged to operating expenses; and (ii) the balance in the revaluation reserve attributable to that asset before the impairment.

An impairment that arises from a clear consumption of economic benefit or of service potential is reversed when, and to the extent that, the circumstances that gave rise to the loss is reversed. Reversals are recognised in operating expenditure to the extent that the asset is restored to the carrying amount it would have had if the impairment had never been recognised. Any remaining reversal is recognised in the revaluation reserve. Where, at the time of the original impairment, a transfer was made from the revaluation reserve to the income and expenditure reserve, an amount is transferred back to the revaluation reserve when the impairment reversal is recognised.

Other impairments are treated as revaluation losses. Reversals of 'other impairments' are treated as revaluation gains.

### **De-recognition**

Assets intended for disposal are reclassified as 'held for sale' once the criteria in IFRS 5 are met.

Following reclassification, the assets are measured at the lower of their existing carrying amount and their 'fair value less costs to sell'. Depreciation ceases to be charged and the assets are not revalued, except where the 'fair value less costs to sell' falls below the carrying amount. Assets are de-recognised when all material sale contract conditions have been met.

Property, plant and equipment which is to be scrapped or demolished does not qualify for recognition as 'held for sale' and instead is retained as an operational asset and the asset's economic life is adjusted. The asset is de-recognised when scrapping or demolition occurs.

## Donated, government grant and other grant funded assets

Donated and grant funded property, plant and equipment assets are capitalised at their current valuation on receipt. The donation/grant is credited to income at the same time, unless the donor has imposed a condition that the future economic benefits embodied in the grant are to be consumed in a manner specified by the donor, in which case, the donation/grant is deferred within liabilities and is carried forward to future financial years to the extent that the condition has not yet been met.

The donated and grant funded assets are subsequently accounted for in the same manner as other items of property, plant and equipment.

## Private finance initiative (PFI) transactions

PFI transactions which meet the IFRIC 12 definition of a service concession, as interpreted in HM Treasury's *FReM*, are accounted for as 'on-Statement of Financial Position' by NHS foundation trusts. In accordance with IAS 17, the underlying assets are initially recognised as property, plant and equipment, together with an equivalent finance lease liability. Subsequently, the assets are accounted for as property, plant and equipment and/or intangible assets as appropriate.

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme.

The service charge is recognised in operating expenses and the finance cost is charged to finance costs in the Statement of Comprehensive Income. Maintenance spend is charged to operating expenses or capitalised as property, plant and equipment depending upon the nature of the expenditure.

Local Improvement Finance Trust (LIFT) schemes also meet the IFRIC 12 definition of a service concession and so are accounted for in the same way.

## Useful economic lives of property, plant and equipment

Useful economic lives assigned to categories of property, plant and equipment vary between NHS foundation trusts according to specific local circumstances. The range of useful economic lives across the sector is:

	<b>Min life</b>	<b>Max life</b>
	<b>Years</b>	<b>Years</b>
Land *	-	104
Buildings, excluding dwellings	1	193
Dwellings	1	105
Plant & machinery	1	66
Transport equipment	1	15
Information technology	1	18
Furniture & fittings	1	32

\* Land is not depreciated for virtually all foundation trusts. The useful economic lives disclosed above reflect that of foundation trusts who do depreciate land.

Finance-leased assets (including land) are depreciated over the shorter of the useful economic life or the lease term, unless the NHS foundation trust expects to acquire the asset at the end of the lease term in which case the assets are depreciated in the same manner as owned assets above.

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The figures disclosed here are the minimum and maximum used across the foundation trust sector for each category of asset.

## Note 1.8 Intangible assets

### Recognition

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

#### *Internally generated intangible assets*

Internally generated goodwill, brands, mastheads, publishing titles, customer lists and similar items are not capitalised as intangible assets.

Expenditure on research is not capitalised. Expenditure on development is capitalised when it meets the requirements set out in IAS 38.

#### *Software*

Software which is integral to the operation of hardware, eg an operating system, is capitalised as part of the relevant item of property, plant and equipment. Software which is not integral to the operation of hardware, eg application software, is capitalised as an intangible asset.

### Measurement

Intangible assets are recognised initially at cost, comprising all directly attributable costs needed to create, produce and prepare the asset to the point that it is capable of operating in the manner intended by management.

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. An intangible asset which is surplus with no plan to bring it back into use is valued at fair value under IFRS 13, if it does not meet the requirements of IAS 40 or IFRS 5.

#### *Amortisation*

Intangible assets are amortised over their expected useful economic lives in a manner consistent with the consumption of economic or service delivery benefits.

Useful economic lives assigned to categories of intangible asset vary between NHS foundation trusts according to specific local circumstances. The range of useful economic lives across the sector is:

	<b>Min life Years</b>	<b>Max life Years</b>
<b>Intangible assets - internally generated</b>		
Information technology	1	20
Development expenditure	1	12
Other	1	12
<b>Intangible assets - purchased</b>		
Software	1	20
Licences & trademarks	1	15
Patents	1	7
Other	1	7

Useful economic lives reflect the total life of an asset and not the remaining life of an asset. The figures disclosed here are the minimum and maximums used across the foundation trust sector for each category of asset.

## **Note 1.9 Investment properties**

Investment properties are measured at fair value. Changes in fair value are recognised as gains or losses in income/expenditure.

Only those assets which are held solely to generate a commercial return are considered to be investment properties. Where an asset is held, in part, for support service delivery objectives, then it is considered to be an item of property, plant and equipment. Properties occupied by employees, whether or not they pay rent at market rates, are not classified as investment properties.

## **Note 1.10 Inventories**

Inventories are valued at the lower of cost and net realisable value. NHS foundation trusts measure the cost of inventories using either a first in first out (FIFO) method or the weighted average cost method.

## **Note 1.11 Financial instruments and financial liabilities**

### **Recognition**

Financial assets and financial liabilities which arise from contracts for the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the NHS foundation trust's normal purchase, sale or usage requirements are recognised when, and to the extent which, performance occurs i.e. when receipt or delivery of the goods or services is made.

Financial assets or financial liabilities in respect of assets acquired or disposed of through finance leases are recognised and measured in accordance with the accounting policy for leases described below.

NHS foundation trusts are permitted to recognise and de-recognise, as applicable, regular way purchases or sales using either the trade or settlement date.

All other financial assets and financial liabilities are recognised when an NHS foundation trust becomes a party to the contractual provisions of the instrument.

### **De-recognition**

All financial assets are de-recognised when the rights to receive cash flows from the assets have expired or an NHS foundation trust has transferred substantially all of the risks and rewards of ownership.

Financial liabilities are de-recognised when the obligation is discharged, cancelled or expires.

### **Classification and measurement**

Financial assets are categorised as 'Fair Value through Income and Expenditure', 'Loans and receivables' or 'Available-for-sale financial assets'.

Financial liabilities are classified as 'Fair value through Income and Expenditure' or as 'Other financial liabilities'.



## **Financial assets and financial liabilities at 'fair value through income and expenditure'**

Financial assets and financial liabilities at 'fair value through income and expenditure' are financial assets or financial liabilities held for trading. A financial asset or financial liability is classified in this category if acquired principally for the purpose of selling in the short-term. Derivatives are also categorised as held for trading unless they are designated as hedges. Derivatives which are embedded in other contracts but which are not 'closely-related' to those contracts are separated-out from those contracts and measured in this category.

Assets and liabilities in this category are classified as current assets and current liabilities. These financial assets and financial liabilities are recognised initially at fair value, with transaction costs expensed in the income and expenditure account. Subsequent movements in the fair value are recognised as gains or losses in income or expenditure.

### **Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. They are included in current assets.

NHS foundation trust 'loans and receivables' comprise investments, NHS trade and other receivables, non-NHS trade and other receivables, and accrued income.

Loans and receivables are recognised initially at fair value, net of transactions costs, and are measured subsequently at amortised cost, using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash receipts through the expected life of the financial asset or, when appropriate, a shorter period, to the net carrying amount of the financial asset.

### **Available-for-sale financial assets**

Available-for-sale financial assets are non-derivative financial assets which are either designated in this category or not classified in any of the other categories. They are included in long-term assets unless an NHS foundation trust intends to dispose of them within 12 months of the Statement of Financial Position date.

Available-for-sale financial assets are recognised initially at fair value, including transaction costs, and measured subsequently at fair value, with gains or losses recognised in reserves and reported in the Statement of Comprehensive Income as an item under 'other comprehensive income'. When items classified as 'available-for-sale' are sold or impaired, the accumulated fair value adjustments recognised are transferred from reserves and recognised under 'Finance Costs' in the Statement of Comprehensive Income.

### **Financial liabilities**

All financial liabilities are recognised initially at fair value, net of transaction costs incurred, and measured subsequently at amortised cost using the effective interest method. The effective interest rate is the rate that discounts exactly estimated future cash payments through the expected life of the financial liability or, when appropriate, a shorter period, to the net carrying amount of the financial liability.

They are included in current liabilities except for amounts payable more than 12 months after the Statement of Financial Position date, which are classified as long-term liabilities.

Interest on financial liabilities carried at amortised cost is calculated using the effective interest method and charged to finance costs. Interest on financial liabilities taken out to finance property, plant and equipment or intangible assets is not capitalised as part of the cost of those assets.

### **Determination of fair value**

For financial assets and financial liabilities carried at fair value, the carrying amounts are determined from quoted market prices, independent appraisals or discounted cash flow analysis.

## Impairment of financial assets

At the reporting date, NHS foundation trusts assess whether any financial assets, other than those held at 'fair value through income and expenditure' are impaired. Financial assets are impaired and impairment losses are recognised if, and only if, there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which has an impact on the estimated future cash flows of the asset.

For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the Statement of Comprehensive Income and the carrying amount of the asset is reduced.

## Note 1.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

## Note 1.13 Leases

### Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by an NHS foundation trust, the asset is recorded as property, plant and equipment and a corresponding liability is recorded. The value at which both are recognised is the lower of the fair value of the asset or the present value of the minimum lease payments, discounted using the interest rate implicit in the lease. The implicit interest rate is that which produces a constant periodic rate of interest on the outstanding liability.

The asset and liability are recognised at the inception of the lease and de-recognised when the liability is discharged, cancelled or expires. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to finance costs in the Statement of Comprehensive Income.

### Operating leases

Other leases are regarded as operating leases and the rentals are charged to operating expenses on a straight-line basis over the term of the lease. The aggregate benefit of operating lease incentives is recognised as a reduction of rental expense over the lease term.

### Leases of land and buildings

Where a lease is for land and buildings, the land component is separated from the building component and the classification for each is assessed separately.

## Note 1.14 Provisions

An NHS foundation trust recognises a provision where it has a present legal or constructive obligation of uncertain timing or amount; for which it is probable that there will be a future outflow of cash or other resources; and a reliable estimate can be made of the amount. The amount recognised in the Statement of Financial Position is the best estimate of the resources required to settle the obligation.

Where the effect of the time value of money is significant, the estimated risk-adjusted cash flows are discounted using the HM Treasury's discount rates effective for 2016/17.

		Real rate
Short-term	Up to 5 years	-2.70%
Medium-term	After 5 years up to 10 years	-1.95%
Long-term	Exceeding 10 years	-0.80%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of 0.24% in real terms.

### *Clinical negligence costs*

The NHS Litigation Authority (NHSLA) operates a risk pooling scheme under which an NHS foundation trust pays an annual contribution to the NHSLA, which, in return, settles all clinical negligence claims. Although the NHSLA is administratively responsible for all clinical negligence cases, the legal liability remains with an NHS foundation trust. The total value of clinical negligence provisions carried by the NHSLA on behalf of NHS foundation trusts is disclosed at note 26.3.

### *Non-clinical risk pooling*

NHS foundation trusts can participate in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which an NHS foundation trust pays an annual contribution to the NHS Litigation Authority and, in return, receives assistance with the costs of claims arising. The annual membership contributions, and any 'excesses' payable in respect of particular claims are charged to operating expenses when the liability arises.

## **Note 1.15 Contingencies**

Contingent assets (that is, assets arising from past events whose existence will only be confirmed by one or more future events not wholly within the entity's control) are not recognised as assets, but are disclosed in note 27 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 27, unless the probability of a transfer of economic benefits is remote. Contingent liabilities are defined as:

- possible obligations arising from past events whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the entity's control; or
- present obligations arising from past events but for which it is not probable that a transfer of economic benefits will arise or for which the amount of the obligation cannot be measured with sufficient reliability.

## **Note 1.16 Public dividend capital**

Public dividend capital (PDC) is a type of public sector equity finance based on the excess of assets over liabilities at the time of establishment of the predecessor NHS trust. Additional PDC may also be issued to NHS foundation trusts by the Department of Health. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32.

A charge, reflecting the cost of capital utilised by an NHS foundation trust, is payable as PDC dividend. The charge is calculated at the rate set by the Secretary of State with the consent of HM Treasury (currently 3.5%) on the average relevant net assets of an NHS foundation trust during the financial year. Relevant net assets are calculated as the value of all assets less the value of all liabilities, except for (i) donated assets (including lottery funded assets), (ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility, (iii) any PDC dividend balance receivable or payable, and (iv) any receivable associated with sustainability and transformation fund (STF) incentive and bonus payments at the year end. In accordance with the requirements laid down by the Department of Health (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the 'pre-audit' version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the NHS foundation trusts' annual financial statements, except for correction of any error in the calculation of the dividend itself.

In line with rules set by the Department of Health, the PDC dividend calculation is based upon each trust's group accounts (i.e. including any subsidiaries) but excluding any consolidated charitable funds.

## **Note 1.17 Value added tax**

Most of the activities of NHS foundation trusts are outside the scope of VAT and, in general, output tax does not apply and input tax on purchases is not recoverable. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of fixed assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. Where an NHS foundation trust consolidates the activities of a subsidiary, these activities may be within the scope of VAT rules.

## **Note 1.18 Corporation tax**

The Finance Act 2004 amended S519A Income and Corporation Taxes Act 1998 to provide power to HM Treasury to make certain non-core activities of NHS foundation trusts potentially subject to corporation tax. NHS foundation trusts may also incur corporation tax liabilities through subsidiaries which are consolidated into their financial statements.

Corporation tax expense recognised in these financial statements represents the sum of the tax currently payable and deferred tax.

Current tax is the expected tax payable on the taxable surpluses generated during the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustments to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each Statement of Financial Position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

## **Note 1.19 Foreign exchange**

The functional and presentation currency of NHS foundation trusts is sterling. A transaction which is denominated in a foreign currency is translated into the functional currency at the spot exchange rate on the date of the transaction.

Where an NHS foundation trust has assets or liabilities denominated in a foreign currency at the reporting date:

- monetary items (other than financial instruments measured at 'fair value through income and expenditure') are translated at the spot exchange rate on 31 March;
- non-monetary assets and liabilities measured at historical cost are translated using the spot exchange rate at the date of the transaction; and
- non-monetary assets and liabilities measured at fair value are translated using the spot exchange rate at the date the fair value was determined.

Exchange gains or losses on monetary items (arising on settlement of the transaction or on re-translation at the reporting date) are recognised as income or expense in the period in which they arise. Exchange gains or losses on non-monetary assets and liabilities are recognised in the same manner as other gains and losses on these items.

## **Note 1.20 Carbon Reduction Commitment (CRC) Energy Efficiency Scheme**

The CRC scheme is a mandatory cap and trade scheme for non-transport CO<sub>2</sub> emissions. Some NHS foundation trusts have emissions above this cap and participate in the scheme. Where NHS foundation trusts are registered with the CRC scheme, they are required to surrender to the Government an allowance for every tonne of CO<sub>2</sub> they emit during the financial year. Therefore, registered NHS foundation trusts should recognise a liability and related expense in respect of this obligation as CO<sub>2</sub> emissions are made.

The carrying amount of the liability at 31 March will, therefore, reflect the CO<sub>2</sub> emissions that have been made during that financial year, less the allowances (if any) surrendered voluntarily during the financial year in respect of that financial year.

The liability will be measured at the amount expected to be incurred in settling the obligation. This will be the cost of the number of allowances/tonnes required to settle the obligation.

### **Note 1.21 Third party assets**

Assets belonging to third parties (such as money held on behalf of patients) are not recognised in the accounts since an NHS foundation trust has no beneficial interest in them.

However, they are disclosed in a separate note to the accounts in accordance with the requirements of the FReM (see note 21.2 to the accounts).

### **Note 1.22 Losses and special payments**

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

Losses and special payments notes within individual NHS foundation trust financial statements are compiled directly from each trust's losses and compensations register which reports on an accruals basis without provisions for future losses.

### **Note 1.23 Gifts**

Gifts are items that are voluntarily donated, with no preconditions and without the expectation of any return. Gifts include all transactions economically equivalent to free and unremunerated transfers, such as the loan of an asset for its expected useful life, and the sale or lease of assets at below market value.

### **Note 1.24 Going concern**

HM Treasury's Financial Reporting Manual (FReM) defines that a public sector body that is not classified as a trading entity will be a going concern where there is the anticipated continuation of the provision of services in the future. The same definition is applied by NHS foundation trusts in preparing their financial statements. NHS Improvement has therefore prepared these consolidated financial statements on a going concern basis which reflects the basis on which the underlying NHS foundation trust financial statements have been prepared on the assumption that the Department of Health will provide the necessary cash funding to enable the continuation of services if local NHS funds are insufficient through their regime for funding of NHS providers.

NHS Improvement directs NHS foundation trusts to disclose in their annual report and financial statements where the going concern basis is adopted based on the interpretation in the FReM to focus on the continued provision of services by amending their statement on going concern.

The auditors of 34 NHS foundation trusts have included an emphasis of matter within the trust's audit report to draw attention to the going concern disclosure in those financial statements (2015/16: 29). These are entered by auditors where there are uncertainties over the trust's financial position, usually where they are dependent on future funding from the Department of Health. These 34 NHS foundation trusts comprise 22% of total operating income. 65 trusts received support funding from the Department of Health during 2016/17 totalling £1.9 billion. Details of the overall sector position are set out in the management commentary.

The NHS foundation trusts whose auditors included emphasis of matter paragraphs in relation to going concern are:

- Aintree University Hospitals NHS Foundation Trust
- Barnsley Hospital NHS Foundation Trust
- Basildon & Thurrock University Hospitals NHS Foundation Trust
- Blackpool Teaching Hospitals NHS Foundation Trust
- Burton Hospitals NHS Foundation Trust
- Calderstones Partnership NHS Foundation Trust
- Cambridge University Hospitals NHS Foundation Trust
- Colchester Hospital University NHS Foundation Trust
- Derby Teaching Hospitals NHS Foundation Trust

- Doncaster & Bassetlaw Hospitals NHS Foundation Trust
- Dorset County Hospital NHS Foundation Trust
- Kettering General Hospital NHS Foundation Trust
- King's College Hospital NHS Foundation Trust
- Liverpool Women's NHS Foundation Trust
- Medway NHS Foundation Trust
- Mid Staffordshire NHS Foundation Trust
- Milton Keynes University Hospital NHS Foundation Trust
- North Essex Partnership University NHS Foundation Trust
- North Tees and Hartlepool NHS Foundation Trust
- Northern Lincolnshire and Goole Hospitals NHS Foundation Trust
- Peterborough and Stamford Hospitals NHS Foundation Trust
- Poole Hospital NHS Foundation Trust
- Queen Elizabeth Hospital King's Lynn NHS Foundation Trust
- Royal Free London NHS Foundation Trust
- Sherwood Forest Hospitals NHS Foundation Trust
- St George's University Hospitals NHS Foundation Trust
- Stockport NHS Foundation Trust
- The Black Country Partnership NHS Foundation Trust
- The Hillingdon Hospitals NHS Foundation Trust
- The Rotherham NHS Foundation Trust
- The Royal Orthopaedic Hospital NHS Foundation Trust
- University Hospital of South Manchester NHS Foundation Trust
- University Hospitals of Morecambe Bay NHS Foundation Trust
- Warrington and Halton Hospitals NHS Foundation Trust

All NHS foundation trust financial statements, with the exception of Mid Staffordshire NHS Foundation Trust, have been prepared on a going concern basis and all received unqualified true and fair audit opinions on the accounts. NHS Improvement has prepared these consolidated accounts on a going concern basis which reflects the basis on which the underlying accounts have been prepared.

#### **Note 1.25 Critical accounting judgements and key sources of estimation uncertainty**

In preparing the consolidation of NHS foundation trust accounts, NHS Improvement applies the following accounting judgement:

- intra-group transactions and balances between foundation trusts are eliminated upon consolidation. Where differences are identified in the amounts recorded, adjustments are made to these amounts to ensure all intra-group balances eliminate. Any difference between these amounts and the amounts recognised as expenditure and payables are not further adjusted as these amounts are not material;

and the following estimations:

- these consolidated accounts are prepared on a going concern basis as detailed within the section above.
- accounting policy note 1.7 sets out how property plant and equipment is valued and measured. In applying the RICS guidance to valuing an asset, the valuation used by the NHS foundation trust will depend on the local assumptions used. For a specialised asset valued on a depreciated replacement cost (DRC) basis as a modern equivalent (MEA), this includes the assumption of whether 'alternative site' or 'no alternative' site is used for the valuation. The accounting policy of DRC:MEA is applied consistently in the foundation trust consolidated accounts, but local valuation assumptions may have material effects on each local valuation.

Critical accounting estimates and judgements made in the preparation of individual NHS foundation trust accounts are disclosed locally by each NHS foundation trust.

#### **Note 1.26 Early adoption of standards, amendments and interpretations**

The consolidated NHS Foundation Trust financial statements have not adopted any IFRSs, amendments or interpretations early.

**Note 1.27 Standards, amendments and interpretations in issue but not yet effective or adopted**

International Accounting Standard 8, accounting policies, changes in accounting estimates and errors, requires disclosure in respect of new IFRSs, amendments and interpretations that are, or will be, applicable after the accounting period. There are a number of IFRSs, amendments and interpretations issued by the International Accounting Standards Board that are effective for financial statements after this accounting period.

Standard	Description of amendment	Effective date
IFRS 1 First-time Adoption of International Financial Reporting Standards (amendment)	Amendments to remove short-term exemptions	Annual periods beginning on or after 1 January 2018
IFRS 2 Share-based Payment (amendment)	Amendments to clarify the classification and measurement of share-based payment transactions	Annual periods beginning on or after 1 January 2018
IFRS 4 Insurance Contracts (amendment)	Amendments regarding the interaction of IFRS 4 and IFRS 9	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
IFRS 9 Financial Instruments	Finalised version, incorporating requirements for classification and measurement, impairment, general hedge accounting and derecognition.	Effective for annual periods beginning on or after 1 January 2018. Not yet adopted by the FReM
IFRS 12 Disclosure of Interests in Other Entities (amendment)	Amendments resulting from Annual Improvements 2014–2016 Cycle (clarifying scope)	Annual periods beginning on or after 1 January 2017
IFRS 15 Revenue from Contracts with Customers	Original issue	Applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2018. Not yet adopted by the FReM
IFRS 16 Leases	Original issue	Annual periods beginning on or after 1 January 2019. Not yet adopted by the FReM
IFRS 17 Insurance Contracts	Original issue	Annual periods beginning on or after 1 January 2021
IAS 7 Statement of Cash Flows (amendment)	Amendments as result of the Disclosure initiative	Annual periods beginning on or after 1 January 2017
IAS 12 Income Taxes (amendment)	Amendments regarding the recognition of deferred tax assets for unrealised losses	Annual periods beginning on or after 1 January 2017
IAS 28 Investments in Associates and Joint Ventures (amendment)	Amendments to clarify certain fair value measurements	Annual periods beginning on or after 1 January 2018
IAS 39 Financial Instruments: Recognition and Measurement (amendment)	Amendments to permit an entity to elect to continue to apply the hedge accounting requirements in IAS 39 for a fair value hedge of the interest rate exposure of a portion of a portfolio of financial assets or financial liabilities when IFRS 9 is applied, and to extend the fair value option to certain contracts that meet the 'own use' scope exception	Applies when IFRS 9 is applied

<b>Standard</b>	<b>Description of amendment</b>	<b>Effective date</b>
IAS 40 Investment Property (amendment)	Amendments to clarify transfers of property to, or from, investment property	Annual periods beginning on or after 1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	Clarifies the accounting for receipts or payments in advance denominated in foreign currencies	Application required for accounting periods beginning on or after 1 January 2018

The adoption of IFRS 9 Financial Instruments, IFRS 15 Revenue from contracts and customers and IFRS 16 Leases may have a future material impact on the consolidated NHS foundation trust financial statements. However these standards have not yet been adopted for the public sector by HM Treasury and may be subject to interpretation and/or adaptation. As such, it is not currently possible to estimate the potential impact.

The remaining new or amended standards and interpretations are not anticipated to have a future material impact.



## Note 2 Operating segments

The NHS foundation trust sector is formed of five types of NHS foundation trust, providing different services: acute, ambulance, community, mental health and specialist. This classification is based on the majority of the trust's income at the time of authorisation as a foundation trust. Alternatively NHS foundation trusts can be allocated into four regions: North, Midlands & East, South and London.

These are two alternative segmental analyses. NHS Improvement does not allocate resources between these segments; however this is the basis on which the performance of the foundation trust sector was reported to NHS Improvement's Board. Monitor (as part of NHS Improvement) is not the parent of NHS foundation trusts and as such does not have a function that meets the definition of the chief operating decision maker in IFRS 8.

Net assets are not split between segments in our internal reporting and so are not split by segment here.

The figures reported below include inter-NHS foundation trust income and expenditure and these are removed in reconciling to the Statement of Comprehensive Income overleaf. The figures below exclude amounts relating to NHS charitable funds which are excluded for our regulatory analysis. The impact of consolidating charitable funds is added in to the reconciliation to the Statement of Comprehensive Income overleaf.

### Analysis by type of trust

2016/17 excluding charities	Community £m	Ambulance £m	Specialist £m	Mental Health £m	Acute £m	Total £m
Income	1,151	985	3,382	9,605	36,854	51,977
Expenditure before depreciation and impairments	(1,102)	(940)	(3,122)	(9,072)	(35,366)	(49,602)
Depreciation and amortisation	(21)	(40)	(118)	(199)	(969)	(1,347)
Net finance costs	(9)	(8)	(59)	(184)	(742)	(1,002)
Other	-	1	31	15	62	109
<b>Surplus/(deficit) before I&amp;T</b>	<b>19</b>	<b>(2)</b>	<b>114</b>	<b>165</b>	<b>(161)</b>	<b>135</b>
Impairments (net of reversals)	(8)	(31)	(61)	(200)	(641)	(941)
Transfers by absorption	-	-	(1)	9	1	9
<b>Surplus / (deficit) for the year <sup>1</sup></b>	<b>11</b>	<b>(33)</b>	<b>52</b>	<b>(26)</b>	<b>(801)</b>	<b>(797)</b>
<i>Number of trusts at end of the year <sup>2</sup></i>	6	5	17	44	85	157

2015/16 excluding charities, restated	Community £m	Ambulance £m	Specialist £m	Mental Health £m	Acute £m	Total £m
Income	559	959	3,216	9,044	33,659	47,437
Expenditure before depreciation and impairments	(545)	(912)	(2,984)	(8,657)	(33,199)	(46,297)
Depreciation and amortisation	(8)	(42)	(113)	(194)	(954)	(1,311)
Net finance costs	(3)	(8)	(50)	(182)	(739)	(982)
Other	(3)	1	4	32	22	56
<b>Surplus/(deficit) before I&amp;T</b>	<b>-</b>	<b>(2)</b>	<b>73</b>	<b>43</b>	<b>(1,211)</b>	<b>(1,097)</b>
Impairments (net of reversals)	-	(1)	(53)	(86)	(357)	(497)
Transfers by absorption	-	-	-	-	117	117
<b>Surplus / (deficit) for the year <sup>1</sup></b>	<b>-</b>	<b>(3)</b>	<b>20</b>	<b>(43)</b>	<b>(1,451)</b>	<b>(1,477)</b>
<i>Number of trusts at start of the year</i>	3	5	17	42	84	151
<i>Number of trusts and end of the year</i>	3	5	17	43	85	153

The 2015/16 figures presented here have been restated to move gains on disposal of non-current assets (£72m, previously in income) and losses on disposal of non-current assets (£20m, previously in expenditure) to 'other', in line with the revised approach taken in the rest of these accounts, as explained in Note 39.

Further information on the acute sector is presented overleaf.

<sup>1</sup> These totals are after impairments and transfers but exclude consolidated charitable funds.

<sup>2</sup> There were 155 foundation trusts in existence at the end of 2016/17 but these numbers are presented to include the two foundation trusts that ceased to exist during 2016/17 but are consolidated for the year.

## Acute sector

The acute sector can also be further sub-divided as follows:

### 2016/17: acute sector (excluding charities)

	Large Teaching £m	Large Other £m	Medium £m	Small £m	Total acutes £m
Income	15,529	4,444	12,847	4,034	36,854
Expenditure before depreciation and impairments	(14,795)	(4,252)	(12,363)	(3,956)	(35,366)
Depreciation and amortisation	(411)	(110)	(339)	(109)	(969)
Net finance costs	(366)	(85)	(238)	(53)	(742)
Other	40	5	4	13	62
<b>Surplus/(deficit) before I&amp;T</b>	<b>(3)</b>	<b>2</b>	<b>(89)</b>	<b>(71)</b>	<b>(161)</b>
Impairments (net of reversals)	(316)	(122)	(158)	(45)	(641)
Gains from transfers by absorption	1	-	-	-	1
<b>(Deficit) for the year <sup>1</sup></b>	<b>(318)</b>	<b>(120)</b>	<b>(247)</b>	<b>(116)</b>	<b>(801)</b>
<i>Number of trusts at end of the year <sup>2</sup></i>	<i>20</i>	<i>7</i>	<i>38</i>	<i>20</i>	<i>85</i>

### 2015/16: acute sector (excluding charities, restated)

	Large Teaching £m	Large Other £m	Medium £m	Small £m	Total acutes £m
Income	14,933	3,191	11,883	3,652	33,659
Expenditure before depreciation and impairments	(14,489)	(3,144)	(11,888)	(3,678)	(33,199)
Depreciation and amortisation	(427)	(79)	(338)	(110)	(954)
Net finance costs	(387)	(63)	(236)	(53)	(739)
Other	19	2	-	1	22
<b>Surplus/(deficit) before I&amp;T</b>	<b>(351)</b>	<b>(93)</b>	<b>(579)</b>	<b>(188)</b>	<b>(1,211)</b>
Impairments (net of reversals)	(242)	(34)	(53)	(28)	(357)
Gains from transfers by absorption	76	-	41	-	117
<b>(Deficit) for the year <sup>1</sup></b>	<b>(517)</b>	<b>(127)</b>	<b>(591)</b>	<b>(216)</b>	<b>(1,451)</b>
<i>Number of trusts at start of the year</i>	<i>20</i>	<i>6</i>	<i>38</i>	<i>20</i>	<i>84</i>
<i>Number of trusts and end of the year</i>	<i>20</i>	<i>7</i>	<i>38</i>	<i>20</i>	<i>85</i>

The 2015/16 figures presented here have been restated to move gains on disposal of non-current assets (£72m, previously in income) and losses on disposal of non-current assets (£20m, previously in expenditure) to 'other', in line with the revised approach taken in the rest of these accounts, as explained in Note 39.

## Analysis by region

	Midlands &				Total
2016/17 excluding charities	North £m	East £m	South £m	London £m	£m
Income	18,162	11,222	12,313	10,280	51,977
Expenditure before depreciation and impairments	(17,247)	(10,859)	(11,689)	(9,807)	(49,602)
Depreciation and amortisation	(424)	(276)	(353)	(294)	(1,347)
Net finance costs	(329)	(238)	(214)	(221)	(1,002)
Other	15	(5)	9	90	109
<b>Surplus/(deficit) before I&amp;T</b>	<b>177</b>	<b>(156)</b>	<b>66</b>	<b>48</b>	<b>135</b>
Impairments (net of reversals)	(435)	(190)	(164)	(152)	(941)
Gains/(losses) from transfers by absorption	9	-	-	-	9
<b>Surplus / (deficit) for the year <sup>1</sup></b>	<b>(249)</b>	<b>(346)</b>	<b>(98)</b>	<b>(104)</b>	<b>(797)</b>
<i>Number of trusts at end of the year</i>	<i>59</i>	<i>41</i>	<i>37</i>	<i>20</i>	<i>157</i>

**2015/16 excluding charities,  
restated**

	<b>Midlands &amp;</b>				
	<b>North £m</b>	<b>East £m</b>	<b>South £m</b>	<b>London £m</b>	<b>Total £m</b>
Income	16,768	10,218	10,766	9,685	<b>47,437</b>
Expenditure before depreciation and impairments	(16,371)	(10,129)	(10,440)	(9,357)	<b>(46,297)</b>
Depreciation and amortisation	(419)	(282)	(335)	(275)	<b>(1,311)</b>
Net finance costs	(319)	(241)	(198)	(224)	<b>(982)</b>
Other	8	(2)	25	25	<b>56</b>
<b>(Deficit) before I&amp;T</b>	<b>(333)</b>	<b>(436)</b>	<b>(182)</b>	<b>(146)</b>	<b>(1,097)</b>
Impairments (net of reversals)	(160)	(20)	(103)	(214)	<b>(497)</b>
Gains/(losses) from transfers by absorption	5	(37)	32	117	<b>117</b>
<b>(Deficit) for the year <sup>1</sup></b>	<b>(488)</b>	<b>(493)</b>	<b>(253)</b>	<b>(243)</b>	<b>(1,477)</b>
<i>Number of trusts at start of the year</i>	<i>56</i>	<i>40</i>	<i>35</i>	<i>20</i>	<i>151</i>
<i>Number of trusts at end of the year</i>	<i>57</i>	<i>40</i>	<i>36</i>	<i>20</i>	<i>153</i>

The 2015/16 figures presented here have been restated to move gains on disposal of non-current assets (£72m, previously in income) and losses on disposal of non-current assets (£20m, previously in expenditure) to 'other', in line with the revised approach taken in the rest of these accounts, as explained in Note 39.

**Reconciliation to Statement of Comprehensive Income**

	<b>Figure per above £m</b>	<b>Less: Inter- FT adjustment £m</b>	<b>Add: charitable funds consolidation<sup>3</sup> £m</b>	<b>Total before impairments and transfers £m</b>	<b>Impairments and transfers £m</b>	<b>Total per SOCI £m</b>
<b>2016/17</b>						
Operating income	51,977	(939)	46	<b>51,084</b>	-	<b>51,084</b>
Operating expenditure excluding depreciation	(49,602)	939	(35)	<b>(48,698)</b>	(941)	<b>(49,639)</b>
Depreciation and amortisation	(1,347)	-	-	<b>(1,347)</b>	-	<b>(1,347)</b>
Operating expenditure total	(50,949)	939	(35)	<b>(50,045)</b>	(941)	<b>(50,986)</b>
<b>Operating surplus / (deficit)</b>	<b>1,028</b>	-	<b>11</b>	<b>1,039</b>	<b>(941)</b>	<b>98</b>
Net finance costs	(1,002)	-	7	<b>(995)</b>	-	<b>(995)</b>
Other items	109	-	18	<b>127</b>	10	<b>137</b>
<b>Surplus / (deficit) for the year</b>	<b>135</b>	-	<b>36</b>	<b>171</b>	<b>(931)</b>	<b>(760)</b>

**2015/16**

Operating income	47,437	(853)	32	<b>46,616</b>	-	<b>46,616</b>
Operating expenditure excluding depreciation	(46,297)	853	(32)	<b>(45,476)</b>	(497)	<b>(45,973)</b>
Depreciation and amortisation	(1,311)	-	-	<b>(1,311)</b>	-	<b>(1,311)</b>
Operating expenditure total	(47,608)	853	(32)	<b>(46,787)</b>	(497)	<b>(47,284)</b>
<b>Operating (deficit)</b>	<b>(171)</b>	-	-	<b>(171)</b>	<b>(497)</b>	<b>(668)</b>
Net finance costs	(982)	-	7	<b>(975)</b>	-	<b>(975)</b>
Other items	56	-	2	<b>58</b>	117	<b>175</b>
<b>Surplus / (deficit) for the year</b>	<b>(1,097)</b>	-	<b>9</b>	<b>(1,088)</b>	<b>(380)</b>	<b>(1,468)</b>

<sup>3</sup> These numbers reflect the impact of consolidating NHS charitable funds including local intra-group eliminations. These numbers do not represent total income and expenditure in NHS charitable funds.

### Note 3 Operating income from patient care activities

#### Note 3.1 Income from patient care activities (by nature)

	2016/17	2015/16
	£m	£m
<b>Acute services</b>		
Elective income	5,915	5,754
Non elective income	7,619	7,100
Outpatient income	5,558	5,173
A & E income	1,184	1,084
Other NHS clinical income	11,804	10,880
<b>Mental health services</b>		
Cost and volume contract income	447	412
Block contract income	5,672	5,320
Clinical partnerships providing mandatory services	207	200
Clinical income for the secondary commissioning of mandatory services	37	20
Other clinical income from mandatory services	160	159
<b>Ambulance services</b>		
A & E income	790	763
Patient transport service income	76	78
Other income	64	70
<b>Community services</b>		
Community services income from CCGs and NHS England	3,850	3,364
Community services income from other commissioners	874	622
<b>All services</b>		
Additional income for delivery of healthcare services*	-	129
Private patient income	476	448
Other clinical income	327	360
<b>Total income from activities</b>	<b>45,060</b>	<b>41,936</b>

\* The Department of Health made additional payments to some NHS foundation trusts in 2015/16 in respect of activity delivered in the year. This enabled trusts to repay part of their Public Dividend Capital or other Department of Health financing.

#### Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2016/17	2015/16
	£m	£m
CCGs and NHS England	42,272	39,416
Local authorities	1,586	1,240
Department of Health	19	8
NHS trusts	92	87
NHS other	152	133
Non-NHS: private patients	462	435
Non-NHS: overseas patients (chargeable to patient)	43	39
NHS injury scheme (was RTA)	116	113
Non NHS: other	318	336
Additional income for delivery of healthcare services	-	129
<b>Total income from activities</b>	<b>45,060</b>	<b>41,936</b>

In this note, NHS refers to NHS in England.

NHS foundation trusts are required to disclose the level of income from activities arising from Commissioner Requested Services (CRS) and non-Commissioner Requested Services. Additionally, where land and buildings used in the provision of CRS are disposed of during the year, narrative disclosure is required detailing how the trust will continue to meet its obligations to provide CRS. These disclosures can be found in the annual accounts of individual NHS foundation trusts.

### Note 3.3 Overseas visitors (relating to patients charged directly by the NHS foundation trust)

	2016/17	2015/16
	£m	£m
Income recognised this year	43	39
Cash payments received in-year	16	16
Amounts added to provision for impairment of receivables	18	14
Amounts written off in-year	11	11

### Note 4 Other operating income

	2016/17	2015/16 restated**
	£m	£m
Research and development	673	631
Education and training	1,724	1,677
Receipt of capital grants and donations	123	134
Charitable and other contributions to expenditure	67	53
Non-patient care services to other bodies	565	615
Support from the Department of Health for mergers	70	70
Sustainability and Transformation Fund income *	1,213	-
Rental revenue from operating leases	52	47
Income in respect of staff costs where accounted on gross basis	163	138
Incoming resources excluding investment income, relating to NHS charitable funds	90	65
Car Parking	148	136
Pharmacy sales	91	111
Clinical excellence awards	76	66
Catering	75	75
Other income **	894	862
<b>Total other operating income</b>	<b>6,024</b>	<b>4,680</b>

\* 143 NHS foundation trusts received income from the Sustainability and Transformation fund in 2016/17. This is part of the £1.8 billion fund available to NHS providers in 2016/17.

\*\* Other operating income has been restated to remove gains/ (losses) on disposal of non-current assets (now reported separately in note 12), and also to move reversals of impairments, which is now reported within net impairments in operating expenses (note 5.1). No other adjustments have been made to prior year numbers. Note 39 provides further details.

## Note 5.1 Operating expenses

	2016/17	2015/16 restated *
	£m	£m
Services from NHS trusts	163	189
Services from CCGs and NHS England	24	23
Services from other NHS bodies	59	61
Purchase of healthcare from non NHS bodies	754	644
Purchase of social care	139	54
Employee expenses - staff (including executive directors)	32,059	30,048
Non-executive directors	22	21
Supplies and services - clinical	4,200	3,936
Supplies and services - general	887	813
Establishment	558	529
Research and development	290	242
Transport	336	323
Premises	2,168	2,048
Increase in provision for impairment of receivables	77	85
Increase/(decrease) in other provisions	9	11
Change in provisions discount rate(s)	27	-
Inventories written down	6	6
Drug costs	4,490	4,168
Rentals under operating leases	453	404
Depreciation on property, plant and equipment	1,238	1,222
Amortisation on intangible assets	109	89
Net Impairments *	941	497
Fees payable to the external auditor **		
audit services- statutory audit	11	11
other auditor remuneration (external auditor only)	7	5
Clinical negligence	934	781
Legal fees	48	56
Consultancy costs	162	221
Internal audit costs, including local counter fraud services	18	17
Training, courses and conferences	163	161
Patient travel	30	30
Car parking & security	25	21
Redundancy	51	57
Early retirements	2	4
Hospitality	4	4
Publishing	3	3
Insurance	38	37
Other services, eg external payroll	110	97
Grossing up consortium arrangements	13	12
Losses, ex gratia & special payments	11	11
Other	315	310
NHS charitable funds: Other resources expended	32	33
<b>Total</b>	<b>50,986</b>	<b>47,284</b>

\* Operating expenses has been restated to remove losses on disposal of non-current assets (now reported separately in note 12), and also to include reversals of impairments, which are now reported within net impairments.

£336 million of inventories consumed in 2015/16 has been reclassified within operating expenditure.

Note 39 provides further details of the restatements to this note.

\*\* These are the audit fees disclosed by NHS foundation trusts and do not include the audit fee payable to the National Audit Office in respect of these consolidated accounts. This fee is accounted for within Monitor's own accounts which are presented separately to Parliament. This fee is £68k (2015/16: £68k).

## Note 5.2 Other auditor's remuneration

	2016/17 £m	2015/16 £m
Other remuneration paid to the external auditor is made up as follows:		
1. Audit of accounts of any associate of the trust	-	-
2. Audit-related assurance services *	1	1
3. Taxation compliance services	-	1
4. All taxation advisory services not falling within item 3 above	1	1
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	1	1
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	4	2
<b>Total</b>	<b>7</b>	<b>6</b>

\* Audit related assurance services includes fees paid by foundation trusts for external assurance on quality reports.

## Note 5.3 Limitation on auditor's liability

Liability caps are standard under most public sector frameworks. 120 (2015/16:102) NHS foundation trusts disclosed a clause in their engagement letter with their auditors which states that the liability of the auditor (whether in contract, negligence or otherwise) shall in no circumstances exceed a fixed amount. The amount of that limit in 2016/17 ranges between £0.5 million to £2 million (2015/16: £0.5 million to £5 million).

## Note 6.1 Employee benefits

	Permanent £m	Other £m	2016/17 Total £m	2015/16 Total £m
Salaries and wages	24,111	852	24,963	23,581
Social security costs	2,350	33	2,383	1,783
Employer's contributions to NHS pensions	2,905	35	2,940	2,771
Pension cost - other	4	-	4	3
Other employment benefits	1	-	1	5
Termination benefits	20	2	22	43
Temporary staff (including agency)	-	2,048	2,048	2,135
NHS charitable funds staff	5	-	5	5
<b>Total gross staff costs</b>	<b>29,396</b>	<b>2,970</b>	<b>32,366</b>	<b>30,326</b>
Recoveries in respect of seconded staff	(59)	(2)	(61)	(58)
<b>Total staff costs</b>	<b>29,337</b>	<b>2,968</b>	<b>32,305</b>	<b>30,268</b>
<b>Included within:</b>				
Costs capitalised as part of assets	58	22	80	78

Staff costs here and in note 5.1 differ as note 6.1 also includes redundancy and early retirements costs and the costs of staff involved in research and development.

Individual NHS foundation trusts' accounts and annual reports contain disclosure of senior manager remuneration, the Hutton fair pay ratio and off-payroll engagements as required by the HM Treasury FReM.

## Note 6.2 Average number of employees (WTE basis)

			2016/17	2015/16 restated
	Permanent Number	Other Number	Total Number	Total Number
Medical and dental	62,349	8,220	70,569	68,399
Ambulance staff	12,088	50	12,138	11,692
Administration and estates	146,570	4,525	151,095	147,392
Healthcare assistants and other support staff	111,634	4,718	116,352	101,263
Nursing, midwifery and health visiting staff	225,370	7,203	232,573	230,085
Nursing, midwifery and health visiting learners	3,575	269	3,844	2,784
Scientific, therapeutic and technical staff	90,010	2,367	92,377	89,207
Healthcare science staff	11,616	194	11,810	10,021
Social care staff	1,112	290	1,402	1,233
Agency and contract staff	-	18,384	18,384	21,660
Bank staff	2,667	21,236	23,903	19,217
Other	2,231	104	2,335	2,571
<b>Total average numbers</b>	<b>669,222</b>	<b>67,560</b>	<b>736,782</b>	<b>705,524</b>
<b>Of which:</b>				
Number of employees (WTE) engaged on capital projects	1,106	303	1,409	1,802

## Note 6.3 Retirements due to ill-health

During 2016/17 there were 666 retirements on the grounds of ill-health (2015/16: 677). The estimated additional pension liability (calculated on an average basis and borne by the NHS Pensions Scheme) is £72 million (2015/16: £35 million).

## Note 6.4 Reporting of compensation schemes - exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Ill-health retirement costs are met by the pension scheme and are not included in the table.

Further disclosure of exit packages paid to senior managers can be found in the remuneration reports of individual NHS foundation trusts.

Note 6.5 provides further analysis of the 'other departures' disclosed below.

2016/17	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
<b>Exit package cost band (including any special payment element)</b>			
<£10,000	205	1,363	1,568
£10,001 - £25,000	263	331	594
£25,001 - 50,000	222	202	424
£50,001 - £100,000	141	78	219
£100,001 - £150,000	51	13	64
£150,001 - £200,000	24	1	25
>£200,000	1	-	1
<b>Total number of exit packages by type</b>	<b>907</b>	<b>1,988</b>	<b>2,895</b>
Total resource cost (£m)	34	23	57



2015/16	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
<£10,000	244	1,144	1,388
£10,001 - £25,000	284	318	602
£25,001 - 50,000	281	220	501
£50,001 - £100,000	172	145	317
£100,001 - £150,000	52	33	85
£150,001 - £200,000	18	3	21
>£200,000	-	2	2
<b>Total number of exit packages by type</b>	<b>1,051</b>	<b>1,865</b>	<b>2,916</b>
Total resource cost (£m)	38	33	71

**Note 6.5 Exit packages: other (non-compulsory) departure payments**

	2016/17		2015/16	
	Payments agreed Number	Total value of agreements £m	Payments agreed Number	Total value of agreements £m
Voluntary redundancies including early retirement contractual costs	188	6	248	12
Mutually agreed resignations (MARS) contractual costs	475	10	562	13
Early retirements in the efficiency of the service contractual costs	16	-	2	-
Contractual payments in lieu of notice	1,260	6	1,020	5
Exit payments following employment tribunals or court orders	39	1	20	2
Non-contractual payments requiring HM Treasury approval*	20	-	27	1
<b>Total</b>	<b>1,998</b>	<b>23</b>	<b>1,879</b>	<b>33</b>

\* Includes any non-contractual severance payment made following the judicial mediation, and amounts relating to non-contractual payments in lieu of notice.

In 2016/17 no non-contractual payments requiring HM Treasury approval were made that were in excess of the individuals' salaries (2015/16: three payments totalling £273,000).

As a single exit package can be made up of several components, each of which will be counted separately in this note, the total number in note 6.5 does not match the total numbers in note 6.4 which is the number of individuals.

Exit packages disclosed in this note differ from the redundancy figure included within note 5.1. The redundancy figure in note 5.1 relates to additional costs which are not exit packages payable directly to the employee.

## Note 6.6 Staff sickness absence

The HM Treasury FReM requires public sector bodies to disclose published staff sickness absence data. This disclosure is based on statistics published by NHS Digital (previously known as Health and Social Care Information Centre) for the calendar year from 1 January to 31 December drawn from the Electronic Staff Record (ESR) national data warehouse. Where foundation trusts consolidated within these accounts were authorised during the current or comparative year, full calendar year data has been used. Where foundation trusts do not use ESR, the NHS Digital statistics have been supplemented with information from the annual reports of those trusts.

	2016 Number	2015 Number
Total days lost	6,379,570	6,042,372
Total staff years	673,530	642,671
<b>Average working days lost (per WTE)</b>	<b>9.5</b>	<b>9.4</b>

## Note 7 Pension costs

All NHS foundation trusts participate in the NHS Pension Scheme. This is a statutory, defined benefit scheme, the regulations of which are laid down in the NHS Pension Scheme Regulations 1995 (SI 1995 No. 300). NHS foundation trusts pay contributions at rates specified from time to time by the Secretary of State, as advised by the Government Actuary and with the consent of HM Treasury.

For 2016/17, the contribution rate was 14.3% (2015/16: 14.3%). It is not possible for the NHS foundation trust sector to identify its share of the underlying scheme liabilities. Therefore, the scheme is accounted for as a defined contribution scheme in these accounts.

Employer pension cost contributions are charged to operating expenses as and when they become due.

As set out in accounting policy 1.4, some NHS foundation trusts also have employees whom are members of other pension schemes. Membership of these individual schemes is not material to the consolidated NHS Foundation Trust accounts.

## Note 8 Impairment of assets

Impairments are either charged to operating expenditure or the revaluation reserve. More detail is provided in accounting policy 1.7 and 1.8. Impairments reduce the value of assets. The note below provides detail about the reasons for impairments.

	Impairments £m	Reversals £m	2016/17 Net impairments £m	2015/16 Net impairments £m
<b>Net impairments charged to operating surplus / deficit resulting from:</b>				
Loss or damage from normal operations	24	(1)	23	17
Over specification of assets	25	-	25	8
Abandonment of assets in course of construction	3	-	3	5
Unforeseen obsolescence	16	(2)	14	12
Changes in market price	745	(193)	552	345
Other	329	(5)	324	110
<b>Total net impairments charged to operating surplus / deficit</b>	<b>1,142</b>	<b>(201)</b>	<b>941</b>	<b>497</b>
Impairments charged to the revaluation reserve	771	(88)	683	776
<b>Total net impairments</b>	<b>1,913</b>	<b>(289)</b>	<b>1,624</b>	<b>1,273</b>

In addition there is a revaluation surplus taken to the revaluation reserve of £231 million (2015/16: £778 million), as can be seen in the Statement of Changes in Equity.

## Note 9 Operating leases

### Note 9.1 Operating lease income

This note discloses income generated in operating lease agreements where NHS foundation trusts are the lessor.

	2016/17 £m	2015/16 £m
<b>Operating lease revenue</b>		
Minimum lease receipts	41	40
Contingent rent	5	4
Other	6	3
<b>Total</b>	<b>52</b>	<b>47</b>
	<b>31 March 2017 £m</b>	<b>31 March 2016 £m</b>
<b>Future minimum lease receipts due:</b>		
- not later than one year;	41	34
- later than one year and not later than five years;	106	81
- later than five years.	342	247
<b>Total</b>	<b>489</b>	<b>362</b>

### Note 9.2 Operating lease expense

This note discloses costs and commitments incurred in operating lease arrangements where NHS foundation trusts are lessees.

	2016/17 £m	2015/16 £m
<b>Operating lease expense</b>		
Minimum lease payments	455	406
Contingent rents	-	-
Less sublease payments received	(2)	(2)
<b>Total</b>	<b>453</b>	<b>404</b>
	<b>31 March 2017 £m</b>	<b>31 March 2016 £m</b>
<b>Future minimum lease payments due:</b>		
On leases of land expiring		
- not later than one year;	4	4
- later than one year and not later than five years;	7	8
- later than five years.	21	22
On leases of buildings expiring		
- not later than one year;	247	211
- later than one year and not later than five years;	475	415
- later than five years.	536	487
On other leases expiring		
- not later than one year;	116	116
- later than one year and not later than five years;	187	193
- later than five years.	32	27
<b>Total</b>	<b>1,625</b>	<b>1,483</b>
Future minimum sublease payments to be received	(3)	(1)

## Note 10 Finance income

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

	2016/17	2015/16
	£m	£m
Interest on bank accounts	9	13
Interest on loans and receivables	1	2
NHS charitable funds investment income	8	7
<b>Total</b>	<b>18</b>	<b>22</b>

## Note 11.1 Finance expenditure

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

	2016/17	2015/16
	£m	£m
Interest incurred on:		
Loans from the Department of Health	96	75
Commercial loans	7	6
Finance leases	14	11
Other	2	1
Main finance costs on PFI and LIFT schemes obligations	274	263
Contingent finance costs on PFI and LIFT scheme obligations	120	109
Other finance costs	1	1
<b>Total finance expenditure - financial liabilities</b>	<b>514</b>	<b>466</b>
Finance expense - unwinding of discount on provisions	-	3
<b>Total finance expenditure</b>	<b>514</b>	<b>469</b>

## Note 11.2 The late payment of commercial debts (interest) Act 1998

In 2016/17 23 NHS foundation trusts incurred expenditure arising from claims made under this legislation. The total amount included within other interest payable arising from claims made under this legislation in 2016/17 was £148k (2015/16: £412k). Total compensation paid to cover debt recovery costs under this legislation in 2016/17 was £29k (2015/16: £32k).

**Note 12 Gains/losses on disposal/derecognition of non-current assets**

	2016/17	2015/16
	£m	£m
Profit on disposal of non-current assets	78	72
Loss on disposal of non-current assets	(19)	(20)
Profits/losses on disposal of non-current assets by NHS charitable funds	1	-
<b>Net profit/(loss) on disposal of non-current assets</b>	<b>60</b>	<b>52</b>

**Note 13 Discontinued operations**

	2016/17	2015/16
	£m	£m
Operating income of discontinued operations	25	1
Operating expenses of discontinued operations	(23)	(3)
<b>Total</b>	<b>2</b>	<b>(2)</b>

Six NHS foundation trusts have reported discontinued operations in 2016/17 (2015/16: three). These discontinued operations are not material to the consolidated NHS Foundation Trust accounts. These amounts have therefore not been shown separately on the face of the Statement of Comprehensive Income. Similarly, cash flows from discontinued operations have not been shown separately on the face of the Statement of Cash Flows.

**Note 14.1 Intangible assets - 2016/17**

	Software licences	Licences & trademarks	Internally generated information technology	Development expenditure	Other	Intangible assets under construction	Total
	£m	£m	£m	£m	£m	£m	£m
<b>Valuation/gross cost at 1 April 2016 - brought forward</b>	<b>650</b>	<b>11</b>	<b>175</b>	<b>47</b>	<b>1</b>	<b>107</b>	<b>991</b>
<b>Valuation/gross cost at start of period for new FTs</b>	<b>4</b>	<b>-</b>	<b>7</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>
Transfers by absorption	1	-	-	-	-	-	1
Adjustments to prior period accounted for in-year	(1)	-	-	-	-	1	-
Additions	57	3	11	7	-	72	150
Impairments	-	-	-	-	(1)	(10)	(11)
Reversals of impairments	-	-	-	-	-	-	-
Reclassifications	53	1	21	19	-	(64)	30
Revaluations	-	-	(2)	-	-	-	(2)
Disposals / derecognition	(11)	(2)	(10)	(2)	-	-	(25)
<b>Valuation/gross cost at 31 March 2017</b>	<b>753</b>	<b>13</b>	<b>202</b>	<b>71</b>	<b>-</b>	<b>106</b>	<b>1,145</b>
<b>Amortisation at 1 April 2016 - brought forward</b>	<b>335</b>	<b>5</b>	<b>95</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>450</b>
<b>Amortisation at start of period for new FTs</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>
Transfers by absorption	-	-	-	-	-	-	-
Adjustments to prior period accounted for in-year	(1)	-	-	-	-	-	(1)
Provided during the year	75	1	24	9	-	-	109
Impairments	-	-	2	-	-	-	2
Reversals of impairments	-	-	-	-	-	-	-
Reclassifications	5	-	(2)	-	-	-	3
Revaluations	-	-	(3)	-	-	-	(3)
Disposals / derecognition	(10)	(1)	(9)	(1)	-	-	(21)
<b>Amortisation at 31 March 2017</b>	<b>406</b>	<b>5</b>	<b>107</b>	<b>23</b>	<b>-</b>	<b>-</b>	<b>541</b>
<b>Net book value at 31 March 2017</b>	<b>347</b>	<b>8</b>	<b>95</b>	<b>48</b>	<b>-</b>	<b>106</b>	<b>604</b>
<b>Net book value at 1 April 2016</b>	<b>315</b>	<b>6</b>	<b>80</b>	<b>32</b>	<b>1</b>	<b>107</b>	<b>541</b>

## Note 14.2 Intangible assets - 2015/16

	Software licences	Licences & trademarks	Internally generated information technology	Development expenditure	Other	Intangible assets under construction	Total
	£m	£m	£m	£m	£m	£m	£m
<b>Valuation/gross cost at 1 April 2015</b>	<b>550</b>	<b>7</b>	<b>120</b>	<b>29</b>	<b>3</b>	<b>94</b>	<b>803</b>
<b>Valuation/gross cost at start of period for new FTs</b>	<b>6</b>	<b>-</b>	<b>18</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>24</b>
Transfers by absorption	1	-	1	-	-	-	2
Previous prior period adjustments accounted for in 2015/16	-	-	-	-	-	2	2
Additions	66	2	11	8	-	72	159
Impairments	(7)	-	-	-	(1)	(5)	(13)
Reversals of impairments	-	-	-	-	-	-	-
Reclassifications	50	2	26	14	(1)	(55)	36
Revaluations	-	-	-	-	-	-	-
Disposals / derecognition	(16)	-	(1)	(4)	-	(1)	(22)
<b>Valuation/gross cost at 31 March 2016</b>	<b>650</b>	<b>11</b>	<b>175</b>	<b>47</b>	<b>1</b>	<b>107</b>	<b>991</b>
<b>Amortisation at 1 April 2015</b>	<b>289</b>	<b>4</b>	<b>65</b>	<b>10</b>	<b>-</b>	<b>-</b>	<b>368</b>
<b>Amortisation at start of period for new FTs</b>	<b>3</b>	<b>-</b>	<b>12</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>15</b>
Transfers by absorption	-	-	1	-	-	-	1
Previous prior period adjustments accounted for in 2015/16	-	-	-	-	-	-	-
Provided during the year	65	1	18	5	-	-	89
Impairments	(1)	-	1	-	-	-	-
Reversals of impairments	-	-	-	-	-	-	-
Reclassifications	(5)	-	-	3	-	-	(2)
Revaluations	-	-	-	-	-	-	-
Disposals / derecognition	(16)	-	(2)	(3)	-	-	(21)
<b>Amortisation at 31 March 2016</b>	<b>335</b>	<b>5</b>	<b>95</b>	<b>15</b>	<b>-</b>	<b>-</b>	<b>450</b>
<b>Net book value at 31 March 2016</b>	<b>315</b>	<b>6</b>	<b>80</b>	<b>32</b>	<b>1</b>	<b>107</b>	<b>541</b>
<b>Net book value at 1 April 2015</b>	<b>261</b>	<b>3</b>	<b>55</b>	<b>19</b>	<b>3</b>	<b>94</b>	<b>435</b>

**Note 15.1 Property, plant and equipment - 2016/17**

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under construction £m	Plant & machinery £m	Transport equipment £m	Information technology £m	Furniture & fittings £m	NHS charitable fund assets £m	Total £m
<b>Valuation/gross cost at 1 April 2016 - brought forward</b>	<b>3,125</b>	<b>21,718</b>	<b>260</b>	<b>1,078</b>	<b>5,104</b>	<b>243</b>	<b>1,784</b>	<b>353</b>	<b>9</b>	<b>33,674</b>
<b>Valuation/gross cost at start of period for new FTs</b>	<b>51</b>	<b>275</b>	<b>-</b>	<b>5</b>	<b>23</b>	<b>2</b>	<b>27</b>	<b>7</b>	<b>-</b>	<b>390</b>
Transfers by absorption	3	17	-	-	2	-	5	-	-	27
Adjustments to prior period recorded in-year	(1)	(84)	-	-	(2)	-	(6)	(2)	-	(95)
Additions	1	514	2	1,012	279	10	142	14	1	1,975
Impairments	(236)	(1,445)	(11)	(16)	(4)	(3)	(6)	-	-	(1,721)
Reversals of impairments	15	126	4	2	-	-	-	-	-	147
Reclassifications	3	610	-	(943)	78	9	89	40	-	(114)
Revaluations	13	(503)	3	-	(22)	-	-	-	-	(509)
Transfers to/ from assets held for sale	(15)	(11)	(1)	-	-	(2)	-	-	-	(29)
Disposals / derecognition	(11)	(48)	(2)	(2)	(211)	(13)	(95)	(15)	-	(397)
<b>Valuation/gross cost at 31 March 2017</b>	<b>2,948</b>	<b>21,169</b>	<b>255</b>	<b>1,136</b>	<b>5,247</b>	<b>246</b>	<b>1,940</b>	<b>397</b>	<b>10</b>	<b>33,348</b>
<b>Accumulated depreciation at 1 April 2016 - brought forward</b>	<b>50</b>	<b>1,631</b>	<b>20</b>	<b>1</b>	<b>3,436</b>	<b>147</b>	<b>1,171</b>	<b>237</b>	<b>2</b>	<b>6,695</b>
<b>FTs</b>	<b>-</b>	<b>2</b>	<b>-</b>	<b>-</b>	<b>9</b>	<b>2</b>	<b>14</b>	<b>3</b>	<b>-</b>	<b>30</b>
Transfers by absorption	-	1	-	-	1	-	3	-	-	5
Adjustments to prior period recorded in-year	(1)	(32)	-	1	(1)	-	(5)	(2)	-	(40)
Provided during the year	-	629	7	-	365	25	186	26	-	1,238
Impairments	25	136	2	12	(2)	(3)	1	-	-	171
Reversals of impairments	(5)	(136)	(1)	-	-	-	-	-	-	(142)
Reclassifications	-	(79)	-	(4)	(23)	-	(2)	20	-	(88)
Revaluations	(25)	(681)	(9)	-	(24)	-	-	-	-	(739)
Transfers to/ from assets held for sale	-	(1)	-	-	-	-	-	-	-	(1)
Disposals / derecognition	-	(18)	-	-	(201)	(13)	(85)	(13)	-	(330)
<b>Accumulated depreciation at 31 March 2017</b>	<b>44</b>	<b>1,452</b>	<b>19</b>	<b>10</b>	<b>3,560</b>	<b>158</b>	<b>1,283</b>	<b>271</b>	<b>2</b>	<b>6,799</b>
<b>Net book value at 31 March 2017</b>	<b>2,904</b>	<b>19,717</b>	<b>236</b>	<b>1,126</b>	<b>1,687</b>	<b>88</b>	<b>657</b>	<b>126</b>	<b>8</b>	<b>26,549</b>
<b>Net book value at 1 April 2016</b>	<b>3,075</b>	<b>20,087</b>	<b>240</b>	<b>1,077</b>	<b>1,668</b>	<b>96</b>	<b>613</b>	<b>116</b>	<b>7</b>	<b>26,979</b>

Details of donations received during the year including any restrictions or conditions imposed by the donor are disclosed in the accounts of individual foundation trusts.



**Note 15.2 Property, plant and equipment - 2015/16**

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under construction £m	Plant & machinery £m	Transport equipment £m	Information technology £m	Furniture & fittings £m	NHS charitable fund assets £m	Total £m
<b>Valuation/gross cost at 1 April 2015</b>	<b>3,603</b>	<b>20,226</b>	<b>253</b>	<b>931</b>	<b>4,739</b>	<b>233</b>	<b>1,644</b>	<b>354</b>	<b>9</b>	<b>31,992</b>
<b>Valuation/gross cost at start of period for new FTs</b>	<b>67</b>	<b>594</b>	<b>-</b>	<b>4</b>	<b>179</b>	<b>1</b>	<b>29</b>	<b>4</b>	<b>-</b>	<b>878</b>
Transfers by absorption	42	119	-	1	20	-	13	2	-	197
Previous prior period adjustments accounted for in 2015/16	-	(58)	-	(7)	-	-	(1)	-	-	(66)
Additions	2	636	2	1,006	286	14	130	16	-	2,092
Impairments	(505)	(883)	(4)	(17)	(2)	-	(3)	-	-	(1,414)
Reversals of impairments	6	168	1	2	-	-	-	-	-	177
Reclassifications	(4)	523	1	(839)	92	21	69	3	-	(134)
Revaluations	(52)	448	9	-	1	-	-	-	-	406
Transfers to/ from assets held for sale	(24)	(23)	-	-	(1)	(1)	-	-	-	(49)
Disposals / derecognition	(10)	(32)	(2)	(3)	(210)	(25)	(97)	(26)	-	(405)
<b>Valuation/gross cost at 31 March 2016</b>	<b>3,125</b>	<b>21,718</b>	<b>260</b>	<b>1,078</b>	<b>5,104</b>	<b>243</b>	<b>1,784</b>	<b>353</b>	<b>9</b>	<b>33,674</b>
<b>Accumulated depreciation at 1 April 2015</b>	<b>41</b>	<b>1,510</b>	<b>19</b>	<b>1</b>	<b>3,150</b>	<b>146</b>	<b>1,069</b>	<b>233</b>	<b>2</b>	<b>6,171</b>
<b>new FTs</b>	<b>-</b>	<b>1</b>	<b>-</b>	<b>-</b>	<b>125</b>	<b>1</b>	<b>18</b>	<b>3</b>	<b>-</b>	<b>148</b>
Transfers by absorption	-	1	-	-	11	-	9	2	-	23
Previous prior period adjustments accounted for in 2015/16	-	(63)	-	-	-	-	(1)	-	-	(64)
Provided during the year	-	631	8	-	356	26	176	25	-	1,222
Impairments	25	167	(1)	-	-	-	2	-	-	193
Reversals of impairments	(2)	(167)	(2)	-	-	-	-	-	-	(171)
Reclassifications	-	(79)	(1)	-	(1)	-	(9)	-	-	(90)
Revaluations	(14)	(355)	(3)	-	-	-	-	-	-	(372)
Transfers to/ from assets held for sale	-	(1)	-	-	(1)	(1)	-	-	-	(3)
Disposals / derecognition	-	(14)	-	-	(204)	(25)	(93)	(26)	-	(362)
<b>Accumulated depreciation at 31 March 2016</b>	<b>50</b>	<b>1,631</b>	<b>20</b>	<b>1</b>	<b>3,436</b>	<b>147</b>	<b>1,171</b>	<b>237</b>	<b>2</b>	<b>6,695</b>
<b>Net book value at 31 March 2016</b>	<b>3,075</b>	<b>20,087</b>	<b>240</b>	<b>1,077</b>	<b>1,668</b>	<b>96</b>	<b>613</b>	<b>116</b>	<b>7</b>	<b>26,979</b>
<b>Net book value at 1 April 2015</b>	<b>3,562</b>	<b>18,716</b>	<b>234</b>	<b>930</b>	<b>1,589</b>	<b>87</b>	<b>575</b>	<b>121</b>	<b>7</b>	<b>25,821</b>

### Note 15.3 Property, plant and equipment financing - 2016/17

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under construction £m	Plant & machinery £m	Transport equipment £m	Information technology £m	Furniture & fittings £m	NHS charitable fund assets £m	Total £m
<b>Net book value at 31 March 2017</b>										
Owned	2,735	14,529	177	1,023	1,361	86	640	113	8	<b>20,672</b>
Finance leased	49	110	19	-	91	1	10	1	-	<b>281</b>
On-SoFP PFI contracts and other service concession arrangements	24	4,137	27	5	30	-	-	1	-	<b>4,224</b>
PFI residual interests	-	-	2	-	-	-	-	-	-	<b>2</b>
Government granted	-	42	-	1	2	-	-	-	-	<b>45</b>
Donated	96	899	11	97	203	1	7	11	-	<b>1,325</b>
<b>NBV total at 31 March 2017</b>	<b>2,904</b>	<b>19,717</b>	<b>236</b>	<b>1,126</b>	<b>1,687</b>	<b>88</b>	<b>657</b>	<b>126</b>	<b>8</b>	<b>26,549</b>

### Note 15.4 Property, plant and equipment financing - 2015/16

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under construction £m	Plant & machinery £m	Transport equipment £m	Information technology £m	Furniture & fittings £m	NHS charitable fund assets £m	Total £m
<b>Net book value at 31 March 2016</b>										
Owned	2,917	14,498	187	971	1,394	95	603	103	7	<b>20,775</b>
Finance leased	52	100	14	3	66	-	6	1	-	<b>242</b>
On-SoFP PFI contracts and other service concession arrangements	22	4,546	28	13	20	-	-	1	-	<b>4,630</b>
PFI residual interests	-	-	1	-	-	-	-	-	-	<b>1</b>
Government granted	-	46	-	1	3	-	-	-	-	<b>50</b>
Donated	84	897	10	89	185	1	4	11	-	<b>1,281</b>
<b>NBV total at 31 March 2016</b>	<b>3,075</b>	<b>20,087</b>	<b>240</b>	<b>1,077</b>	<b>1,668</b>	<b>96</b>	<b>613</b>	<b>116</b>	<b>7</b>	<b>26,979</b>

**Note 16.1 Investment property**

	2016/17	2015/16
	£m	£m
<b>Carrying value at 1 April</b>	<b>155</b>	<b>134</b>
<b>At start of period for new FTs</b>	-	-
Acquisitions in year	8	1
Movement in fair value	44	15
Reclassifications to/from PPE	(1)	6
Disposals	(24)	(1)
<b>Carrying value at 31 March</b>	<b>182</b>	<b>155</b>
Held by:		
NHS foundation trusts excluding charitable funds	114	87
NHS charitable funds	68	68

**Note 16.2 Investment property expenses**

	2016/17	2015/16
	£m	£m
Direct operating expense arising from investment property which generated rental income in the period	2	1
Direct operating expense arising from investment property which did not generate rental income in the period	1	2
<b>Total</b>	<b>3</b>	<b>3</b>

**Note 16.3 Investments in associates and joint ventures**

	2016/17	2015/16
	£m	£m
<b>Carrying value at 1 April</b>	<b>52</b>	<b>29</b>
<b>At start of period for new FTs</b>	-	-
Adjustments to prior period accounted for in-year	(1)	-
Acquisitions in year	14	22
Share of profit/(loss)	12	6
Movement in fair value	-	1
Impairments	(2)	-
Disbursements / dividends received	(1)	-
Disposals	-	(6)
<b>Carrying value at 31 March</b>	<b>74</b>	<b>52</b>

Interests in subsidiaries, joint arrangements and associates are not material to these consolidated accounts. Where material to individual NHS foundation trusts relevant disclosures around the nature of investments and exposures to risk as required by IFRS 12 will be made in individual local accounts, including unconsolidated structured entities.

## Note 16.4 Other investments

	2016/17	2015/16
	£m	£m
<b>Carrying value at 1 April</b>	<b>183</b>	<b>195</b>
<b>At start of period for new FTs</b>	<b>2</b>	<b>-</b>
Adjustments to prior period accounted for in-year	(11)	(1)
Acquisitions in year	46	28
Movement in fair value	25	(8)
Impairments	(5)	-
Disposals	(31)	(31)
<b>Carrying value at 31 March 2016</b>	<b>209</b>	<b>183</b>
Held by:		
NHS foundation trusts excluding charitable funds	2	2
NHS charitable funds	207	181

## Note 17 Inventories

	31 March 2017	31 March 2016
	£m	£m
Drugs	190	195
Work in progress	1	1
Consumables	366	347
Energy	7	7
Inventories carried at fair value less costs to sell	6	5
Other	26	25
<b>Total inventories</b>	<b>596</b>	<b>580</b>

Inventories recognised in expenses for the year were £5,614m (2015/16: £5,289m). Write-down of inventories recognised as expenses for the year were £6m (2015/16: £6m).

## Note 18.1 Trade receivables and other receivables

	31 March 2017 £m	31 March 2016 £m
<b>Current</b>		
Trade receivables due from NHS bodies and NHS charities	1,493	1,229
Other receivables due from related parties	131	134
Capital receivables	46	33
Provision for impaired receivables	(321)	(334)
Deposits and advances	6	2
Prepayments (non-PFI)	405	373
PFI prepayments: capital contributions	49	9
PFI prepayments: lifecycle replacements	40	43
Accrued income	999	484
Finance lease receivables	1	-
PDC dividend receivable	37	25
VAT receivable	136	121
Other receivables	753	712
NHS charitable funds trade and other receivables	7	6
<b>Total current trade and other receivables</b>	<b>3,782</b>	<b>2,837</b>
Total current receivables includes £620 million of Sustainability and Transformation Fund debtors.		
<b>Non-current</b>		
Other receivables due from related parties	21	22
Capital receivables	4	10
Provision for impaired receivables	(13)	(13)
Prepayments (non-PFI)	16	14
PFI prepayments: capital contributions	2	8
PFI prepayments: lifecycle replacements	131	119
Accrued income	20	24
Finance lease receivables	1	1
Other receivables	88	88
NHS charitable funds trade and other receivables	1	-
<b>Total non-current trade and other receivables</b>	<b>271</b>	<b>273</b>

## Note 18.2 Intra-government receivable balances

	Current 2016/17	Non-current 2016/17	Current 2015/16	Non-current 2015/16
	£m	£m	£m	£m
<b>Amounts receivable from:</b>				
Department of Health and other NHS bodies	2,255	6	1,508	-
Other central government bodies	185	7	157	3
Local authorities	123	6	136	4
Public corporations and trading funds	1	-	1	-
<b>Subtotal: intra- government receivables</b>	<b>2,564</b>	<b>19</b>	<b>1,802</b>	<b>7</b>
Receivable from bodies external to government	1,219	252	1,035	266
<b>Total receivable at 31 March</b>	<b>3,783</b>	<b>271</b>	<b>2,837</b>	<b>273</b>

## Note 18.3 Provision for impairment of receivables

	2016/17 £m	2015/16 £m
<b>At 1 April as previously stated</b>	<b>347</b>	<b>339</b>
<b>At start of period for new FTs</b>	<b>1</b>	<b>8</b>
Adjustments to prior period accounted for in-year	4	1
Increase in provision	132	161
Amounts utilised	(95)	(86)
Unused amounts reversed	(56)	(76)
<b>At 31 March</b>	<b>333</b>	<b>347</b>

## Note 18.4 Analysis of financial assets past due or impaired

	31 March 2017		31 March 2016	
	Trade and other receivables	Investments & Other financial assets	Trade and other receivables	Investments & Other financial assets
	£m	£m	£m	£m
<b>Analysis of impaired financial assets</b>				
0 - 30 days	46	-	52	-
30-60 Days	13	-	14	-
60-90 days	13	-	18	-
90- 180 days	36	-	66	-
Over 180 days	241	1	222	1
<b>Total</b>	<b>349</b>	<b>1</b>	<b>372</b>	<b>1</b>
<b>Ageing of non-impaired financial assets past their due date</b>				
0 - 30 days	824	1	591	1
30-60 Days	192	-	199	-
60-90 days	99	-	125	1
90- 180 days	154	-	197	-
Over 180 days	257	73	224	85
<b>Total</b>	<b>1,526</b>	<b>74</b>	<b>1,336</b>	<b>87</b>

The previous analysis of ageing of receivables has been replaced with an analysis of financial assets past due or impaired to improve compliance with IFRS 7. This therefore now incorporates other financial assets including investments and excludes any receivables that are not financial assets. Prior numbers have therefore been reanalysed accordingly.

**Note 19 Other financial assets**

	<b>31 March 2017 £m</b>	<b>31 March 2016 £m</b>
<b>Current</b>		
Loan and receivables	2	4
Deposits with the National Loans Fund	15	5
Other financial assets held by NHS charitable funds	1	2
<b>Total</b>	<b>18</b>	<b>11</b>
<b>Non-current</b>		
Held to maturity investments	-	1
Loan and receivables	5	2
<b>Total</b>	<b>5</b>	<b>3</b>

**Note 20 Non-current assets for sale and assets in disposal groups**

	<b>2016/17 Total £m</b>	<b>2015/16 Total £m</b>
<b>NBV of non-current assets for sale and assets in disposal groups at 1 April</b>	<b>76</b>	<b>105</b>
<b>At start of period for new FTs</b>	-	7
Adjustments to prior period accounted for in-year	-	(3)
Plus assets classified as available for sale in the year	41	47
Less assets sold in year	(50)	(78)
Less impairment of assets held for sale	(1)	(1)
Less assets no longer classified as held for sale, for reasons other than disposal by sale	(13)	(1)
<b>NBV of non-current assets for sale and assets in disposal groups at 31 March</b>	<b>53</b>	<b>76</b>

All non-current assets for sale at 31 March 2017 and 31 March 2016 are property, plant and equipment.

There were no liabilities associated with non-current assets held for sale as at 31 March 2017 (31 March 2016: nil).

### Note 21.1 Cash and cash equivalents movements

Cash and cash equivalents comprise cash at bank, in hand and cash equivalents. Cash equivalents are readily convertible investments of known value which are subject to an insignificant risk of change in value.

	2016/17	2015/16
	£m	£m
<b>At 1 April</b>	<b>3,462</b>	<b>4,085</b>
<b>At start of period for new FTs</b>	<b>48</b>	<b>98</b>
Transfers by absorption	2	7
Adjustments to prior period accounted for in-year	(1)	(1)
Net change in year	(98)	(727)
<b>At 31 March</b>	<b>3,413</b>	<b>3,462</b>
<b>Broken down into:</b>		
Cash at commercial banks and in hand	140	127
Cash with the Government Banking Service	2,751	2,646
Deposits with the National Loans Fund	384	568
Other current investments	2	3
NHS charitable funds cash and cash equivalents	136	118
<b>Total cash and cash equivalents as in SoFP</b>	<b>3,413</b>	<b>3,462</b>
Bank overdrafts (GBS and commercial banks)	(1)	(1)
Drawdown in committed facility	-	-
<b>Total cash and cash equivalents as in SoCF</b>	<b>3,412</b>	<b>3,461</b>

### Note 21.2 Third party assets

The balance of third party assets, including patients' money held within the NHS foundation trusts' bank accounts at 31 March 2017 was £28 million (31 March 2016: £28 million). This has been excluded from the Statement of Financial Position as it is not an asset of the NHS foundation trusts but is held in trust on behalf of patients.



## Note 22.1 Trade and other payables

	31 March 2017 £m	31 March 2016 £m
<b>Current</b>		
Receipts in advance	70	77
NHS trade payables	350	336
Amounts due to other related parties	205	234
Other trade payables	1,126	1,123
Capital payables	364	315
Social security costs	341	285
VAT payable	5	11
Other taxes payable	306	289
Other payables	553	490
Accruals	2,009	1,968
PDC dividend payable	4	7
NHS charitable funds trade and other payables	7	7
<b>Total current trade and other payables</b>	<b>5,340</b>	<b>5,142</b>
<b>Non-current</b>		
Receipts in advance	2	2
NHS trade payables	1	1
Amounts due to other related parties	1	2
Other trade payables	10	2
Capital payables	3	2
VAT payable	-	2
Other payables	5	6
Accruals	1	1
<b>Total non-current trade and other payables</b>	<b>23</b>	<b>18</b>

## Note 22.2 Intra-government payable balances

	31 March 2017		31 March 2016	
	Current	Non-current	Current	Non-current
	£m	£m	£m	£m
<b>Amounts payable to:</b>				
Department of Health and other NHS bodies	453	1	431	1
Other central government bodies	988	1	902	2
Local authorities	44	-	46	-
Public corporations and trading funds	39	-	38	-
<b>Subtotal: intra-government payables</b>	<b>1,524</b>	<b>2</b>	<b>1,417</b>	<b>3</b>
Payable to bodies external to government	3,816	21	3,725	15
<b>Total payables at 31 March</b>	<b>5,340</b>	<b>23</b>	<b>5,142</b>	<b>18</b>

## Note 22.3 Early retirements in NHS payables

Payables in note 22.1 include £1 million to buy out the liability for early retirements over a period of 5 years (31 March 2016: £1 million). These payables relate to 138 cases (31 March 2016: 167). As at 31 March 2017 payables also included £35 million of outstanding pension contributions (31 March 2016: £48 million).

## Note 23 Other liabilities

	31 March 2017 £m	31 March 2016 £m
<b>Current</b>		
Deferred grants income	36	23
Other deferred income	510	514
Deferred PFI credits	1	1
Lease incentives	1	1
NHS charitable funds other liabilities	1	-
<b>Total other current liabilities</b>	<b>549</b>	<b>539</b>
<b>Non-current</b>		
Deferred grants income	1	3
Other deferred income	101	99
Deferred PFI credits	19	20
Lease incentives	9	10
Net pension scheme liability	28	10
<b>Total other non-current liabilities</b>	<b>158</b>	<b>142</b>

## Note 24 Borrowings

	31 March 2017 £m	31 March 2016 £m
<b>Current</b>		
Bank overdrafts	1	1
Loans from the Department of Health	432	180
Other loans	17	11
Obligations under finance leases	27	24
Obligations under PFI, LIFT or other service concession contracts (finance lease element)	128	121
<b>Total current borrowings</b>	<b>605</b>	<b>337</b>
<b>Non-current</b>		
Loans from the Department of Health	4,158	3,131
Other loans	156	148
Obligations under finance leases	129	121
Obligations under PFI, LIFT or other service concession contracts (finance lease element)	4,464	4,525
<b>Total non-current borrowings</b>	<b>8,907</b>	<b>7,925</b>

## Note 25 Finance lease obligations

	31 March 2017 £m	31 March 2016 £m
Obligations under finance leases where NHS foundation trusts are the lessees:		
<b>Gross lease liabilities</b>	<b>237</b>	<b>225</b>
Of which liabilities are due:		
- not later than one year;	37	34
- later than one year and not later than five years;	104	96
- later than five years.	96	95
Finance charges allocated to future periods	(81)	(80)
<b>Net lease liabilities</b>	<b>156</b>	<b>145</b>
Of which payable:		
- not later than one year;	27	24
- later than one year and not later than five years;	76	68
- later than five years.	53	53
<b>Total of future minimum sublease payments to be received at the reporting date</b>	<b>-</b>	<b>1</b>

## Note 26.1 Provisions for liabilities and charges

	31 March 2017		31 March 2016	
	Current	Non-current	Current	Non-current
	£m	£m	£m	£m
Pensions	17	177	16	167
Other legal claims	38	21	40	20
Restructurings	13	2	16	3
Continuing care	1	5	2	6
Equal Pay (including Agenda for Change)	5	2	10	5
Redundancy	40	1	39	2
Other	156	114	145	108
<b>Total</b>	<b>270</b>	<b>322</b>	<b>268</b>	<b>311</b>

## Note 26.2 Provisions for liabilities and charges analysis

	Pensions	Other legal claims	Re-structuring	Continuing care	Equal Pay (including Agenda for Change)	Redundancy	Other	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>At 1 April 2016</b>	<b>180</b>	<b>60</b>	<b>19</b>	<b>7</b>	<b>15</b>	<b>42</b>	<b>256</b>	<b>579</b>
<b>At start of period for new FTs</b>	<b>6</b>	<b>1</b>	-	-	-	<b>2</b>	<b>19</b>	<b>28</b>
Adjustments to prior period accounted for in-year	3	-	-	-	-	-	(2)	1
Change in the discount rate	15	2	-	-	-	-	10	27
Arising during the year	10	26	9	-	1	38	106	190
Utilised during the year	(17)	(11)	(7)	(1)	(1)	(24)	(53)	(114)
Reversed unused	(5)	(19)	(6)	-	(8)	(17)	(64)	(119)
Unwinding of discount	2	-	-	-	-	-	(2)	-
<b>At 31 March 2017</b>	<b>194</b>	<b>59</b>	<b>15</b>	<b>6</b>	<b>7</b>	<b>41</b>	<b>270</b>	<b>592</b>
<b>Expected timing of cash flows:</b>								
- not later than one year;	17	38	13	1	5	40	156	270
- later than one year and not later than five years;	66	7	2	5	2	1	40	123
- later than five years.	111	14	-	-	-	-	74	199
<b>Total</b>	<b>194</b>	<b>59</b>	<b>15</b>	<b>6</b>	<b>7</b>	<b>41</b>	<b>270</b>	<b>592</b>

This note has been restated to report Equal Pay and Agenda for Change together. They were previously separately disclosed.

- Pension provisions relate to staff whom have retired early from the NHS Pensions Scheme and are calculated in accordance with Department of Health guidance.
- Other legal claims include personal legal claims that have been lodged against NHS foundation trusts with the NHS Litigation Authority (NHSLA) but not yet agreed and therefore not included in provisions held by the NHSLA.
- Continuing care provisions relate to contractual issues between commissioners and NHS foundation trusts for the provision of continuing healthcare to patients outside of hospital.
- Equal pay (including Agenda for Change) provisions include provisions for unresolved claims relating to employment contracts.
- Redundancy and restructuring provisions are included by trusts who are undergoing change in their organisational structures.
- Included within other provisions are charges arising from the provision of services, the cost of PFI terminations, dilapidations associated with leases and other contract challenges.

### **Note 26.3 Clinical negligence liabilities**

The NHS Litigation Authority manages clinical and some non-clinical claims on behalf of the majority of NHS foundation trusts. For this to occur, foundation trusts pay an annual premium to the NHS Litigation Authority, who then settles claims on foundation trusts' behalf. As such, most liabilities for clinical negligence are not included in foundation trust statements of financial position. Instead they separately disclose the amounts relating to clinical negligence cases for their trust which are included in the provisions of the NHS Litigation Authority.

The consolidated total of this amount for NHS foundation trusts at 31 March 2017 is £13,786m (31 March 2016: £11,712m).

## Note 27 Contingent assets and liabilities

Contingent assets and liabilities are potential assets and liabilities arising from past events, whose existence will only be confirmed by the occurrence of future events that are not entirely within the entity's control.

	31 March 2017 £m	31 March 2016 £m
<b>Value of contingent liabilities</b>		
NHS Litigation Authority legal claims	(7)	(6)
Employment tribunal and other employee related litigation	(3)	-
Redundancy	-	(2)
Other	(33)	(39)
<b>Gross value of contingent liabilities</b>	<b>(43)</b>	<b>(47)</b>
Amounts recoverable against liabilities	2	1
<b>Net value of contingent liabilities</b>	<b>(41)</b>	<b>(46)</b>
<b>Net value of contingent assets</b>	<b>17</b>	<b>23</b>

## Note 28 Contractual capital commitments

At 31 March, contractual capital commitments not otherwise included in these financial statements were:

	31 March 2017 £m	31 March 2016 £m
Property, plant and equipment	842	936
Intangible assets	60	47
<b>Total</b>	<b>902</b>	<b>983</b>

## Note 29.1 Changes in the defined benefit obligation and fair value of plan assets during the year

The NHS pension scheme is a defined benefit scheme, but assets and liabilities are not split between the individual NHS bodies. As such each NHS foundation trust accounts for the scheme in the same manner as a defined contribution scheme and does not recognise the assets and liabilities in their accounts and the amounts are not recognised in these consolidated accounts.

As set out in accounting policy 1.4, some foundation trusts are also members of local defined benefit schemes. A consolidation of these amounts is disclosed in the note below.

	2016/17 £m	2015/16 £m
<b>Present value of the defined benefit obligation at 1 April</b>	<b>(83)</b>	<b>(80)</b>
<b>Present value of the defined benefit obligation at start of period for new FTs</b>	-	-
Transfers by normal absorption	(64)	-
Current service cost	(4)	(2)
Interest cost	(4)	(2)
Contribution by plan participants	(1)	(1)
Remeasurement of the net defined benefit (liability) / asset:		
- Actuarial (gains)/losses	(19)	3
Benefits paid	2	1
Business combinations	-	(2)
Curtailments and settlements	2	-
<b>Present value of the defined benefit obligation at 31 March</b>	<b>(171)</b>	<b>(83)</b>
<b>Plan assets at fair value at 1 April</b>	<b>74</b>	<b>64</b>
<b>Plan assets at fair value at start of period for new FTs</b>	-	-
Transfers by normal absorption	51	-
Interest income	3	2
Remeasurement of the net defined benefit (liability) / asset		
- Return on plan assets	10	5
- Actuarial gains/(losses)	4	(1)
Contributions by the employer	3	3
Contributions by the plan participants	1	-
Benefits paid	(2)	(1)
Business combinations	-	2
Settlements	(2)	-
<b>Plan assets at fair value at 31 March</b>	<b>142</b>	<b>74</b>
<b>Plan deficit at 31 March</b>	<b>(29)</b>	<b>(9)</b>

## Note 29.2 Amounts recognised in the SoCI

	2016/17 £m	2015/16 £m
Current service cost	(4)	(2)
Interest expense	(1)	-
<b>Total net charge recognised in SOCI</b>	<b>(5)</b>	<b>(2)</b>

## Note 30 On-SoFP PFI, LIFT or other service concession arrangements

### Note 30.1 Imputed finance lease obligations

NHS foundation trusts have the following obligations in respect of the finance lease element of on-Statement of Financial Position PFI and LIFT schemes:

	31 March 2017 £m	31 March 2016 £m
<b>Gross PFI, LIFT or other service concession liabilities</b>	<b>9,558</b>	<b>9,819</b>
<b>Of which liabilities are due</b>		
- not later than one year;	447	440
- later than one year and not later than five years;	1,738	1,701
- later than five years.	7,373	7,678
Finance charges allocated to future periods	(4,966)	(5,173)
<b>Net PFI, LIFT or other service concession arrangement obligation</b>	<b>4,592</b>	<b>4,646</b>
- not later than one year;	128	121
- later than one year and not later than five years;	562	522
- later than five years.	3,902	4,003

### Note 30.2 Total service concession arrangement commitments

NHS foundation trusts have obligations to make the following payments in respect of on-Statement of Financial Position PFI, LIFT and other service concession arrangements:

	31 March 2017 £m	31 March 2016 £m
Total future payments due in:		
- not later than one year;	1,069	1,036
- later than one year and not later than five years;	4,395	4,297
- later than five years.	21,861	22,867
<b>Total</b>	<b>27,325</b>	<b>28,200</b>



### Note 30.3 Analysis of amounts payable to service concession operators

	2016/17	2015/16
	£m	restated £m
<b>Unitary payment payable to service concession operator</b>	<b>1,071</b>	<b>1,032</b>
<b>Consisting of:</b>		
- Interest charge	274	263
- Repayment of finance lease liability	125	120
- Service element	484	456
- Capital lifecycle maintenance	45	34
- Revenue lifecycle maintenance	6	31
- Contingent rent	120	113
- Addition to lifecycle prepayment	17	15

Prior year additions to lifecycle prepayment have been reclassified from other categories to maintain comparability. Note 39 provides further details.

### Note 31 Off-SoFP PFI, LIFT and other service concession arrangements

NHS foundation trusts incurred the following charges in respect of off-Statement of Financial Position PFI schemes:

	31 March 2017	31 March 2016
	£m	£m
Charge in respect of the off SoFP PFI, LIFT or other service concession arrangement for the period	1	7
Commitments in respect of off-SoFP PFI, LIFT or other service concession arrangements payable in:		
- not later than one year;	1	1
- later than one year and not later than five years;	4	5
- later than five years.	6	8
<b>Total</b>	<b>11</b>	<b>14</b>

## Note 32 Financial instruments

### Note 32.1 Financial assets

	Loans and receivables £m	Assets held at fair value through the I&E £m	Held to maturity £m	Available-for- sale £m	Total £m
<b>Assets as per SoFP as at 31 March 2017</b>					
Trade and other receivables excluding non financial assets	3,340	-	-	-	<b>3,340</b>
Other investments	29	-	5	-	<b>34</b>
Other financial assets	32	-	-	-	<b>32</b>
Cash and cash equivalents at bank and in hand	3,277	-	-	-	<b>3,277</b>
NHS charitable funds financial assets	199	110	1	15	<b>325</b>
<b>Total at 31 March 2017</b>	<b>6,877</b>	<b>110</b>	<b>6</b>	<b>15</b>	<b>7,008</b>

	Loans and receivables £m	Assets held at fair value through the I&E £m	Held to maturity £m	Available-for- sale £m	Total £m
<b>Assets as per SoFP as at 31 March 2016</b>					
Trade and other receivables excluding non financial assets	2,625	-	-	-	<b>2,625</b>
Other investments	12	-	1	-	<b>13</b>
Other financial assets	11	-	-	2	<b>13</b>
Cash and cash equivalents at bank and in hand	3,344	-	-	-	<b>3,344</b>
NHS charitable funds financial assets	145	95	-	24	<b>264</b>
<b>Total at 31 March 2016</b>	<b>6,137</b>	<b>95</b>	<b>1</b>	<b>26</b>	<b>6,259</b>

### Note 32.2 Financial liabilities

	31 March 2017 £m	31 March 2016 £m
<b>Financial liabilities</b>		
Borrowings excluding finance lease and PFI liabilities	4,764	3,461
Obligations under finance leases	161	148
Obligations under PFI, LIFT and other service concession contracts	4,592	4,646
Trade and other payables excluding non financial liabilities	4,889	4,652
Other financial liabilities	34	97
Provisions under contract	262	306
NHS charitable funds financial liabilities	7	5
<b>Total financial liabilities</b>	<b>14,709</b>	<b>13,315</b>

There were no financial liabilities held at fair value through income and expenditure at 31 March 2017 (31 March 2016: nil).

### **Note 32.3 Financial risk management**

The risks arising from financial instruments and the NHS foundation trust sector's policies and processes in response to these risks are described below. Individual NHS foundation trusts may have their own bespoke policies and processes in place to deal with the risks they face as an entity.

#### Liquidity risk

The level of income generated by NHS foundation trusts is dependent on the contractual arrangements they have with their commissioners, whose resources are voted on annually by Parliament. In the majority of cases, these contractual arrangements are either based on a tariff for services performed or on a contract based on assumptions for the amount of work to be carried out by the NHS foundation trust.

Under section 63 of the National Health Service Act 2006, NHS foundation trusts are required to carry out their functions effectively, efficiently and economically and under their licence conditions, they are required to have systems and processes in place to ensure they comply with that duty and to ensure they are able to continue as a going concern as defined by generally accepted accounting practice. NHS Improvement (in exercise of Monitor's functions) supervises the risk of individual NHS foundation trusts breaching these and other licence conditions relating to finance by reviewing a range of financial information and calculating a financial sustainability risk rating for each trust. If it considers an NHS foundation trust to be at risk of breaching its licence conditions, it may open an investigation and subsequently take enforcement action including intervening in the management of the trust using its powers under the Health and Social Care Act 2012.

Details of the Single Oversight Framework used by NHS Improvement since October 2016 to monitor these risks and risk ratings for individual NHS foundation trusts can be accessed on the NHS Improvement website (<https://improvement.nhs.uk/>).

As disclosed within the accounting policies at Note 1.24, the auditors of 34 NHS foundation trusts have included an emphasis of matter paragraph within their audit opinions to draw attention to the going concern disclosure included within those accounts (2015/16: 29). This includes the auditors of Mid Staffordshire NHS Foundation Trust, whose accounts were not prepared on a going concern basis. In the NHS sector, the focus is on the continuity of services and NHS Improvement's regulatory regime is established to ensure that provision of commissioner requested services is maintained. As such, it is deemed that there is not a risk that the wider sector would fail to meet its liabilities as they fall due.

#### Credit risk

The vast majority of the NHS foundation trust sector's income is generated from public sector bodies and as such is exposed to low credit risk as these bodies are financed through taxation.

NHS foundation trusts are permitted to generate income derived from private patients and overseas patients without reciprocal arrangements, however this income contributes only 1.12% of total income from activities generated in the year to 31 March 2017 (2015/16: 1.13%). Other sources of income from non-public sector bodies amount to a small proportion of total foundation trust income. Accordingly, the effective credit risk posed by income derived from private and overseas patients or non-public sector entities to the sector is low. Within cash and cash equivalents, £3.1 billion is held with the Government Banking Service and National Loans Fund. Individual foundation trusts have confirmed that they do not consider these deposits to be exposed to significant credit risk. The maximum exposures as at 31 March 2017 are in receivables, as disclosed in the trade and other receivables note.

#### Currency risk

The NHS foundation trust sector operates principally within England and as such has only negligible amounts of transactions, assets and liabilities which are not in Sterling. Therefore the NHS foundation trust sector has low exposure to currency risk.

#### Interest rate risk

NHS foundation trusts have the power to enter into loans and working capital facilities with commercial lenders. NHS foundation trusts are also able to borrow from the Department of Health. The term of DH loans can range up to 25 years but individual DH loan products may be shorter, with the potential for replacement DH loans to be at a different interest rate. However given the total interest paid to DH by NHS foundation trusts (see note 11) this is not a material risk to the consolidated foundation trust accounts.

Under the Single Oversight Framework (SOF), NHS foundation trusts are rated on their autonomy and potential support needs. More information about the SOF can be found in the management commentary.

**Note 32.4 Fair values of financial assets at 31 March 2017**

	<b>Book value</b>	<b>Fair value</b>
	<b>£m</b>	<b>£m</b>
Non-current trade and other receivables excluding non financial assets	268	268
Other investments	16	16
Other	62	62
NHS charitable funds non-current financial assets	27	28
<b>Total</b>	<b>373</b>	<b>374</b>

**Note 32.5 Fair values of financial liabilities at 31 March 2017**

	<b>Book value</b>	<b>Fair value</b>
	<b>£m</b>	<b>£m</b>
Non-current trade and other payables excluding non financial liabilities	126	126
Provisions under contract	107	107
Loans	3,145	3,145
Other	1,350	1,313
<b>Total</b>	<b>4,728</b>	<b>4,691</b>

**Note 33 Analysis of NHS charitable funds reserves**

	<b>31 March</b>	<b>31 March</b>
	<b>2017</b>	<b>2016</b>
	<b>£m</b>	<b>£m</b>
<b>Restricted funds:</b>		
Endowment funds	147	136
Other restricted income funds	73	72
<b>Unrestricted funds:</b>		
Unrestricted income funds	176	155
Revaluation reserve	4	2
Other reserves	1	2
<b>Total</b>	<b>401</b>	<b>367</b>

NHS charitable funds are consolidated by 49 NHS foundation trusts where the trust determines they have control (2015/16: 54) as outlined in accounting policy 1.1.

Restricted funds are funds that are to be used in accordance with specific restrictions imposed by the donor, for example where the donor has specified that their donation should be spent on a specified ward, patients, nurses or project fund. Endowment funds are funds which the trustees are required to invest or to keep and use for the charity's purposes.

Unrestricted income funds comprise those funds that the trustees are free to use for any purpose in furtherance of the charitable objects. Unrestricted funds include general funds, where the donor has not specified or restricted the use the charity may make of their donation. General funds additionally generate income from Gift Aid, investment income, interest and donations given specifically to cover running costs.

The sum of the absorption gains and losses rows in the other notes to the accounts do not equal the gain presented in this note, as not all notes (for example payables and receivables) contain details of the movements in the year.

## Note 34 Losses and special payments

	2016/17		2015/16 restated	
	Total number of cases Number	Total value of cases £m	Total number of cases Number	Total value of cases £m
<b>Losses</b>				
Cash losses	2,433	1	2,128	2
Fruitless payments	286	-	371	-
Bad debts and claims abandoned	23,948	22	23,202	30
Stores losses and damage to property	5,310	7	5,563	8
<b>Total losses</b>	<b>31,977</b>	<b>30</b>	<b>31,264</b>	<b>40</b>
<b>Special payments</b>				
Extra-contractual payments	3	-	5	-
Extra-statutory and extra-regulatory payments	5	-	9	-
Compensation payments	367	2	258	1
Special severance payments	10	-	27	1
Ex-gratia payments	5,355	8	5,120	8
<b>Total special payments</b>	<b>5,740</b>	<b>10</b>	<b>5,419</b>	<b>10</b>
<b>Total losses and special payments</b>	<b>37,717</b>	<b>40</b>	<b>36,683</b>	<b>50</b>
Compensation payments received		1		1

HM Treasury requires additional disclosure of losses or special payments individually in excess of £0.3 million. In 2016/17 three individual losses were reported in excess of £0.3 million:

- Bradford District Care NHS Foundation Trust recorded a £0.6 million loss in respect of flooding at the New Mill site;
- Royal Surrey County Hospital NHS Foundation Trust reported losses of £0.7 million regarding pharmacy drug write offs in the year;
- Cheshire and Wirral Partnership NHS Foundation Trust recorded £0.7 million losses relating to a provision of bad debt for NHS Property Services.

In 2015/16 five individual losses were reported in excess of £0.3 million:

- Wrightington, Wigan and Leigh NHS Foundation Trust
- Basildon and Thurrock University Hospitals NHS Foundation Trust
- Bradford District Care NHS Foundation Trust
- Royal Surrey County Hospital NHS Foundation Trust
- Guy's and St Thomas' Hospital NHS Foundation Trust.

Prior year cash losses and store losses have been restated to reflect a large adjustment for one foundation trust. Note 39 provides further details.

There were no special payments reported in excess of £0.3 million in 2016/17 or 2015/16.

The total losses disclosed here are higher than the amounts included in the line 'Losses, ex gratia & special payments' in note 5.1 as NHS foundation trusts may include some losses in other lines within that note.

## Note 35 Gifts

NHS foundation trusts granted 65 gifts with total value of £27,721. HM Treasury requires additional disclosure of gifts individually in excess of £0.3 million. No individual gift was in excess of £0.3 million.

## Note 36 Transfers by absorption

Most business combinations within the public sector are accounted for using absorption accounting principles. Under this approach, balances are written out by the divesting organisation and recorded by the receiving organisation at their book values at the point in transfer. A gain or loss corresponding to the value of net assets is recognised within income and expenditure. More details are provided in accounting policy 1.1.

### Transactions accounted for under normal absorption accounting: 2016/17

The following absorption transfers occurred within the NHS foundation trust sector during 2016/17 and so the accounting entries have been eliminated within these consolidated accounts:

Receiving NHS foundation trust	Divesting body	Date of transfer	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets	PDC transfer
			£m	£m	£m	£m	£m	£m
Birmingham Women's and Children's NHS Foundation Trust	Birmingham Women's NHS Foundation Trust	1 Feb 2017	45	13	(15)	-	43	43
Mersey Care NHS Foundation Trust	Calderstones Partnership NHS Foundation Trust	1 July 2016	54	6	(5)	(1)	54	19

Birmingham Women's NHS Foundation Trust previously consolidated its NHS charity within its accounts. The charitable funds were transferred to the Birmingham Children's Hospital Charity which is not consolidated by Birmingham Women's and Children's NHS Foundation Trust so funds of £0.7 million are no longer included in these consolidated accounts.

In relation to these intra-group transfers, opposite entries have been recorded in the accounts of the divesting NHS foundation trust and so the impact of these transactions on the consolidated foundation trust accounts is nil apart from the change in charity consolidation outlined above.

The following absorption transactions occurred between NHS foundation trusts and other NHS bodies during 2016/17 and so reflect absorption movements in or out of the consolidated NHS foundation trust accounts:

NHS foundation trust	Nature of transaction	Date of transfer	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets	PDC transfer
			£m	£m	£m	£m	£m	£m
Greater Manchester Mental Health NHS Foundation Trust	Transfer from Manchester Mental Health and Social Care NHS Trust	1 Jan 2017	30	6	(13)	(14)	9	9
Others (see below)			8	-	-	(7)	1	-
<b>Totals</b>			<b>38</b>	<b>6</b>	<b>(13)</b>	<b>(21)</b>	<b>10</b>	<b>9</b>

The other transfers are smaller transactions in the accounts of Dorset Healthcare University NHS Foundation Trust, Royal Devon and Exeter NHS Foundation Trust and Salford Royal NHS Foundation Trust.

The sum of the absorption gains and losses rows in the other notes to the accounts do not equal the gain presented in this note, as not all notes (for example payables and receivables) contain details of the movements in the year.

Transactions accounted for under normal absorption accounting: 2015/16

The following absorption transfer occurred within the NHS foundation trust sector during 2015/16 and so the accounting entries have been eliminated within these consolidated accounts:

Receiving NHS foundation trust	Divesting body	Date of transfer	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets	PDC transfer
			£m	£m	£m	£m	£m	£m
South Essex Partnership NHS Foundation Trust	East London NHS Foundation Trust	1 April 2015	37	-	-	-	37	-

Opposite entries have been recorded in the accounts of the divesting NHS foundation trust and so the impact of this transaction on the consolidated foundation trust accounts is nil. Two other transfers between foundation trusts were recorded in 2015/16 but all entries round to below £1 million.

The following absorption transfers occurred between NHS foundation trusts and other NHS bodies during 2015/16 and so reflect absorption movements in or out of the consolidated NHS foundation trust accounts:

NHS foundation trust	Nature of transaction	Date of transfer	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets	PDC transfer
			£m	£m	£m	£m	£m	£m
Chelsea and Westminster NHS Foundation Trust	Transfer from West Middlesex University Hospital NHS Trust	1 September 2015	115	20	(24)	(36)	75	53
Torbay and South Devon NHS Foundation Trust	Transfer from Torbay and Southern Devon Health and Care NHS Trust	1 October 2015	59	12	(11)	(21)	39	-
<b>Totals</b>			<b>174</b>	<b>32</b>	<b>(35)</b>	<b>(57)</b>	<b>114</b>	<b>53</b>

In addition there were 5 transfers in the foundation trust sector to/from NHS Property Services with a net gain on absorption of £1 million.

The sum of the absorption gains and losses rows in the other notes to the accounts do not equal the gain presented in this note, as not all notes (for example payables and receivables) contain details of the movements in the year.

Other transfers by absorption individually round to less than £1 million.

## Note 37 Related parties

NHS foundation trusts are public benefit corporations established under the National Health Service Act 2006 (relevant provisions of which replaced the provisions of the Health and Social Care (Community Health and Standards) Act 2003 relating to NHS foundation trusts). The Department of Health is regarded as a related party.

During the period, NHS foundation trusts had a significant number of material transactions with the Department of Health and with other entities for which the Department of Health is regarded as the parent department, i.e. NHS England, NHS trusts, clinical commissioning groups, NHS agencies and special health authorities. In addition NHS foundation trusts had a significant number of material transactions with other Government bodies including central and local government bodies. NHS foundation trusts also had transactions with a number of charitable funds which are not consolidated into these accounts and certain members of the trustees are also members of the NHS foundation trust boards.

Details of NHS foundation trusts' material related party transactions are shown in the accounts of the individual NHS foundation trusts.

The note below details related party transactions that are not within the Department of Health group:

	Receivables		Payables	
	31 March 2017	31 March 2016	31 March 2017	31 March 2016
	£m	£m	£m	£m
Value of balances (not salary) with board members and key	1	3	-	-
Value of balances (other than salary) with related parties in relation to doubtful debts	-	(3)	-	-
Value of balances (other than salary) with related parties in respect of doubtful debts written off in year	-	1	-	-
Value of balances with other related parties:				
NHS charitable funds	62	12	2	-
Subsidiaries / Associates / Joint ventures	42	13	37	11
Other *	221	311	435	439
<b>Total</b>	<b>326</b>	<b>337</b>	<b>474</b>	<b>450</b>

	Income		Expenditure	
	2016/17	2015/16	2016/17	2015/16
	£m	£m	£m	£m
Value of transactions with board members	2	15	3	13
Value of transactions with key staff members	-	-	-	-
Value of transactions with other related parties				
NHS charitable funds	128	66	1	3
Subsidiaries / Associates / Joint Ventures	77	104	217	141
Other *	933	951	2,196	2,275
<b>Total</b>	<b>1,140</b>	<b>1,136</b>	<b>2,417</b>	<b>2,432</b>

\* Other includes related party balances / transactions previously recorded against NHS Shared Business Services.



### Note 38 Newly authorised foundation trusts

In line with the FT ARM and DH GAM, balances of newly authorised foundation trusts have been included within these consolidated accounts from the date of authorisation only; as such no prior period comparatives have been included for these foundation trusts. Similarly, transactions for these trusts are only included within these consolidated accounts from the date of authorisation.

#### Newly authorised foundation trusts in 2016/17

As detailed in the Foreword, four foundation trusts were authorised during 2016/17. These new foundation trusts brought £290 million of net assets into the sector during the year. The table below shows the dates of authorisation of the four new foundation trusts, and their opening balances as at their dates of authorisation as a foundation trust.

Foundation trust	Date of authorisation	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets
		£m	£m	£m	£m	£m
Birmingham Community Healthcare NHS Foundation Trust	1 April 2016	120	35	(38)	(32)	85
Sussex Community NHS Foundation Trust	1 April 2016	49	27	(25)	(8)	43
Mersey Care NHS Foundation Trust	1 May 2016	180	25	(17)	(51)	137
Wirral Community NHS Foundation Trust	1 May 2016	23	10	(8)	-	25
<b>Totals</b>		<b>372</b>	<b>97</b>	<b>(88)</b>	<b>(91)</b>	<b>290</b>

#### Newly authorised foundation trusts in 2015/16

Two foundation trusts authorised during 2015/16 brought £466 million of net assets into the sector during the year. The table below shows the dates of authorisation of the two foundation trusts, and their opening balances as at their dates of authorisation as a foundation trust.

Foundation trust	Date of authorisation	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets
		£m	£m	£m	£m	£m
Bradford District Care NHS Foundation Trust	1 May 2015	54	23	(16)	(4)	57
Oxford University Hospitals NHS Foundation Trust	1 October 2015	690	152	(155)	(278)	409
<b>Totals</b>		<b>744</b>	<b>175</b>	<b>(171)</b>	<b>(282)</b>	<b>466</b>

## Note 39 Prior period adjustments

### Sector-wide changes in accounting policy

In 2016/17, there have been no changes in accounting policy requiring sector-wide restatement of comparatives.

### Other prior period adjustments applied by NHS foundation trusts

Other prior period adjustments in the 2016/17 consolidated NHS foundation trust accounts arise from NHS foundation trusts in their individual 2016/17 accounts correcting, restating or reclassifying 2015/16 or opening figures.

None of the prior period adjustments made by individual NHS foundation trusts are material to the consolidated accounts. As a result, no prior period adjustments have been made in the Consolidated NHS Foundation Trust Accounts. Any instances where an individual NHS foundation trust has made a prior period adjustment or restated prior period numbers, these have been recorded as in-year movements in these consolidated accounts. These are clearly shown in each movement note supporting the Statement of Financial Position. These adjustments are individually and collectively immaterial to the consolidated accounts.

### Presentational reclassifications and restatement of disclosures

*Statement of Comprehensive Income:* This has been restated to move gains/ (losses) on disposal of non-current assets below operating surplus/ (deficit), and also to move reversals of impairments from other operating income to present net impairments within operating expenses. This change is part of our work to align financial reporting for NHS trusts and NHS foundation trusts and this restatement ensures comparability with the current year. The prior year net gain/(loss) on disposal of non-current assets of £52 million has therefore now been moved from operating surplus/ (deficit). Reversals of impairments of £266 million in prior year are now netted off impairments in operating expenditure in line with the accounting policies. There is no impact on surplus/ (deficit) reported for 2015/16 and no other adjustments have been made to prior year numbers.

*Statement of Cash Flows:* This has been restated to move gains/ (losses) on disposal of non-current assets out of operating surplus/ (deficit), reflecting the change to the Statement of Comprehensive Income. As above, the prior year £52 million net gain on disposal of non-current assets has been moved from operating surplus/ (deficit). No other adjustments have been made to prior year numbers.

*Other operating income (note 4):* This has been restated to remove gains on disposal of non-current assets (now reported separately in note 12), and also to move reversals of impairments to be reported as net impairments in operating expenses (note 5.1). The prior year gain on disposal of non-current assets of £72 million has therefore now been removed from other operating income. Reversals of impairments of £266 million in prior year are now disclosed within net impairments in operating expenditure in line with the accounting policies. No other adjustments have been made to prior year numbers.

*Operating expenses (note 5.1):* Operating expenses has been restated to remove losses on disposal of non-current assets (now reported separately in note 12), and also to move reversals of impairments to be reported within net impairments. The prior year loss on disposal of non-current assets of £20 million has therefore now been removed from operating expenditure. Reversals of impairments of £266 million in the prior year are now disclosed within net impairments in operating expenditure to give prior year net impairments of £497 million.

£336 million of inventories consumed in 2015/16 has been reclassified within operating expenditure. This change has been made to improve local consistency in reporting inventory expenditure for foundation trusts. No other adjustments have been made to the prior year numbers.

*Provisions for liabilities and charges (note 26):* This note has been restated to report Equal Pay and Agenda for Change together. They were previously separately disclosed. This change is part of our work to align financial reporting for NHS trusts and NHS foundation trusts.

*Analysis of amounts payable to service concession operators (note 30.3):* £15 million of prior year additions to lifecycle prepayment have been reclassified from other categories to maintain comparability with the current year disclosure. This includes £3 million that was previously classified as "other".

*Losses and special payments (note 34):* Prior year cash losses and stores losses have been restated to correct an overstatement of and misclassification of cases by one foundation trust in 2015/16. As a result the prior year number of cash losses has decreased by 10,840, whilst prior year store losses have increased by 240.

#### **Note 40 Events after the reporting date**

North Essex Partnership University NHS Foundation Trust and South Essex Partnership University NHS Foundation Trust merged on 1 April 2017 to form Essex Partnership University NHS Foundation Trust. The two previous foundation trusts were dissolved and a new entity authorised as a foundation trust by NHS Improvement.

Peterborough and Stamford Hospitals NHS Foundation Trust acquired Hinchingsbrooke NHS Trust on 1 April 2017. The enlarged foundation trust is known as North West Anglia NHS Foundation Trust with effect from 1 April 2017.

Following the fire at Grenfell Tower in London on 14 June 2017, NHS foundation trusts and NHS Improvement are assessing the impact on the NHS estate. This work is ongoing at the time of finalising these consolidated accounts. The financial implications of this are currently unknown and no adjustments have been made to these accounts.

In accordance with the requirements of IAS 10 events after the reporting period are considered up to the date on which the accounts are authorised for issue. This is interpreted as the date of the Certificate and Report of the Comptroller and Auditor General.

Contact us:

## **NHS Improvement**

Wellington House  
133-155 Waterloo Road  
London  
SE1 8UG

**0300 123 2257**

**[enquiries@improvement.nhs.uk](mailto:enquiries@improvement.nhs.uk)**  
**[improvement.nhs.uk](http://improvement.nhs.uk)**

**Follow us on Twitter [@NHSImprovement](https://twitter.com/NHSImprovement)**



This publication can be made available in a number of other formats on request.