



Improvement

NHS foundation trusts: consolidated accounts 2019/20

About NHS Improvement

NHS Improvement is responsible for overseeing NHS 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 brings together Monitor, NHS Trust Development Authority (NHS TDA), Patient Safety including the National Reporting and Learning System, the Advancing Change team and the Intensive Support Teams.

NHS England and NHS Improvement

The NHS Long Term Plan says that when organisations work together they provide better care for the public. That is why on 1 April 2019 NHS Improvement and NHS England united as one: our aim is to provide leadership and support to the wider NHS. Nationally, regionally and locally, we champion frontline staff who provide a world-class service and constantly work to improve the care given to the people of England.

Foreword

Consolidated NHS provider accounts

NHS Improvement has also prepared consolidated NHS provider accounts. These are audited by the Comptroller and Auditor General and laid before Parliament. The consolidated provider accounts also include a review of financial performance and consolidated annual governance statement. This publication is available separately on the NHS Improvement website.

Consolidated NHS foundation trust accounts

Paragraph 17 of Schedule 8 to the Health and Social Care Act 2012 ("the 2012 Act") requires Monitor (NHS Improvement) to prepare consolidated NHS foundation trust accounts and send a copy to the Secretary of State for Health and Social Care.

NHS Improvement has prepared these consolidated accounts in line with the direction issued by the Secretary of State in June 2018. These consolidated foundation trust accounts are an extraction of the foundation trust sector information (with applicable consolidation adjustments) from the data set used to prepare the consolidated provider accounts, which are subject to audit. However these consolidated foundation trust accounts have not been audited as a set of accounts in their own right. They are presented here to comply with the legislative requirement placed on Monitor.

Legislative background for NHS foundation trust accounts

Paragraph 25 of Schedule 7 to the National Health Service Act 2006 ("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 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.

Changes in legal status: NHS foundation trusts

These consolidated accounts incorporate the results of all NHS foundation trusts. Entities that had a change in legal status in 2018/19 or 2019/20 are as follows:

1 April 2018	Opening number of NHS foundation trusts (includes the dissolution of Heart of England NHS Foundation Trust on acquisition by University Hospitals Birmingham NHS Foundation Trust)	151
1 July 2018	Dissolution of Burton Hospitals NHS Foundation Trust on acquisition by Derby Teaching Hospitals NHS Foundation Trust; entity renamed as University Hospitals of Derby and Burton NHS Foundation Trust.	-1
31 March 2019	Number of NHS foundation trusts at end of year	150
1 April 2019	Authorisation of South Tyneside and Sunderland NHS Foundation Trust as a newly formed entity.	1
	This follows the dissolution of South Tyneside NHS Foundation Trust and City Hospitals Sunderland NHS Foundation Trust.	-2
31 March 2020	Number of NHS foundation trusts at end of year	149

Statement of Accounting Officer's Responsibilities

Amanda Pritchard is the Chief Executive and the Accounting Officer of NHS Improvement (Monitor legal entity for the purpose of this document) and 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. She 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 sets out the responsibilities of each NHS foundation trust accounting officer to:

- apply suitable accounting policies consistently
- make reasonable judgements and estimates
- make a statement within the accounts on whether applicable accounting standards have been followed, and to disclose and explain any material departures
- ensure the use of public funds complies with the relevant legislation, delegated authorities and guidance
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

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 and Social Care 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.

Amanda Pritchard
Accounting Officer
14 December 2020

Consolidated statement of comprehensive income for the year ended 31 March 2020

	Note	2019/20			2018/19		
		Before revaluations, impairments and transfers £m	Revaluations, impairments and transfers £m	After revaluations, impairments and transfers £m	Before revaluations, impairments and transfers £m	Revaluations, impairments and transfers £m	After revaluations, impairments and transfers £m
Operating income from patient care activities	3	54,226	-	54,226	49,134	-	49,134
Other operating income	4	6,833	-	6,833	6,799	-	6,799
Total operating income		61,059	-	61,059	55,933	-	55,933
Operating expenses	5, 6	(60,372)	(544)	(60,916)	(55,041)	(703)	(55,744)
Operating surplus/(deficit)		687	(544)	143	892	(703)	189
Finance income		50	-	50	45	-	45
Finance expenses	9	(642)	-	(642)	(596)	-	(596)
PDC dividends payable		(442)	-	(442)	(454)	-	(454)
Net finance costs		(1,034)	-	(1,034)	(1,005)	-	(1,005)
Other gains/(losses)		22	-	22	261	-	261
Share of profits/(losses) of joint ventures/associates		22	-	22	10	-	10
Gains arising from transfers by absorption	27	-	371	371	1	73	74
Losses arising from transfers by absorption	27	-	(59)	(59)	-	(5)	(5)
Corporation tax expense		1	-	1	(4)	-	(4)
Surplus/(deficit) for the year		(302)	(232)	(534)	155	(635)	(480)
Other comprehensive income/(expenditure)							
Will not be reclassified to income and expenditure:							
Net impairments charged to the revaluation reserve	8	-	(411)	(411)	-	(512)	(512)
Revaluations	8	-	614	614	-	445	445
Fair value gains/(losses) on equity instruments designated at fair value through OCI		(15)	-	(15)	1	-	1
Gains arising from transfers by modified absorption	27	-	10	10			
Other reserve movements		2	-	2	(8)	-	(8)
May be reclassified to income and expenditure when certain conditions are met:							
Fair value gains/(losses) on financial assets mandated at fair value through OCI		(5)	-	(5)	3	-	3
Other comprehensive income/(expense)		(18)	213	195	(4)	(67)	(71)
Total comprehensive income/(expense) for the period		(320)	(19)	(339)	151	(702)	(551)

Discontinued operations are not material so are not shown separately on the face of the consolidated statement of comprehensive income.

Consolidated statement of financial position as at 31 March 2020

	Note	31 March 2020 £m	31 March 2019 £m
Non-current assets			
Intangible assets	11	998	858
Property, plant and equipment	12	29,842	28,034
Investment property		201	183
Investments in joint ventures and associates		91	75
Other investments / financial assets		141	174
Receivables	14	479	379
Other assets		4	5
Total non-current assets		31,756	29,708
Current assets			
Inventories	13	748	679
Receivables	14	4,562	4,763
Other investments / financial assets		39	45
Non-current assets held for sale and assets in disposal groups		42	25
Cash and cash equivalents	15	5,593	4,762
Total current assets		10,984	10,274
Current liabilities			
Trade and other payables	16	(6,787)	(6,134)
Borrowings	18	(7,260)	(1,959)
Other financial liabilities		(1)	-
Provisions	19	(291)	(279)
Other liabilities	17	(708)	(606)
Total current liabilities		(15,047)	(8,978)
Total assets less current liabilities		27,693	31,004
Non-current liabilities			
Trade and other payables	16	(18)	(15)
Borrowings	18	(6,988)	(10,594)
Provisions	19	(383)	(292)
Other liabilities	17	(149)	(151)
Total non-current liabilities		(7,538)	(11,052)
Total assets employed		20,155	19,952
Financed by			
Public dividend capital		16,574	15,709
Revaluation reserve		5,881	5,688
Other reserves		118	130
Income and expenditure reserve		(2,685)	(1,849)
Charitable fund reserves	24	267	274
Total taxpayers' equity		20,155	19,952

The accompanying notes are an integral part of these accounts. They are presented on pages 10 to 57.

Amanda Pritchard
Accounting Officer
14 December 2020

Consolidated statement of changes in equity for the year ended 31 March 2020

	Note	Public dividend capital £m	Revaluation reserve £m	Other reserves £m	Income and expenditure reserve £m	NHS charitable fund reserves £m	Total £m
Taxpayers' and others' equity at 1 April 2019 - brought forward		15,709	5,688	130	(1,849)	274	19,952
Surplus/(deficit) for the year		-	-	-	(568)	34	(534)
Gain/(loss) arising from transfers by modified absorption	27	-	-	-	10	-	10
Transfers by absorption: transfers between reserves	27	371	64	(2)	(433)	-	-
Adjustments to prior period accounted for in-year *		-	5	-	33	1	39
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits		-	(28)	-	28	-	-
Other transfers between reserves		-	(37)	(2)	39	-	-
Impairments	8	-	(411)	-	-	-	(411)
Revaluations	8	-	614	-	-	-	614
Transfer to retained earnings on disposal of assets		-	(14)	-	14	-	-
Fair value gains/(losses) on financial assets mandated at fair value through Other Comprehensive Income (OCI)		-	-	-	-	(5)	(5)
Fair value gains/(losses) on equity instruments designated at fair value through OCI		-	-	(15)	-	-	(15)
Other recognised gains and losses		-	-	-	(1)	-	(1)
Remeasurements of the defined net benefit pension scheme liability/asset		-	-	7	9	-	16
Public dividend capital received		504	-	-	-	-	504
Public dividend capital repaid		(1)	-	-	-	-	(1)
Public dividend capital written off		(9)	-	-	9	-	-
Other reserve movements**		-	-	-	24	(37)	(13)
Taxpayers' and others' equity at 31 March 2020		16,574	5,881	118	(2,685)	267	20,155

* These adjustments reflect local NHS foundation trusts' adjustments to prior year reserves. The aggregated adjustments are not considered material to the consolidated financial statements and so prior year balances have not been restated.

** Other reserve movements includes a transfer between charitable funds and NHS foundation trust income and expenditure reserves representing a transfer of resources eliminated from income and expenditure on consolidation.

Consolidated statement of changes in equity for the year ended 31 March 2019

	Note	Public dividend capital £m	Revaluation reserve £m	Other reserves £m	Income and expenditure reserve £m	NHS charitable fund reserves £m	Total £m
Taxpayers' and others' equity at 1 April 2018		15,289	5,776	141	(1,403)	406	20,209
Impact of implementing IFRS 15 on 1 April 2018		-	-	-	-	-	-
Impact of implementing IFRS 9 on 1 April 2018		-	-	-	(4)	-	(4)
Surplus/(deficit) for the year		-	-	-	(515)	35	(480)
Transfers by absorption: transfers between reserves	27	43	51	(4)	(89)	-	1
Previous prior period adjustments accounted for in 2018/19		-	9	-	14	(139)	(116)
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits		-	(5)	-	5	-	-
Other transfers between reserves		-	(34)	(4)	38	-	-
Impairments	8	-	(512)	-	-	-	(512)
Revaluations	8	-	445	-	-	-	445
Transfer to retained earnings on disposal of assets		-	(42)	-	42	-	-
Fair value gains/(losses) on financial assets mandated at fair value through Other Comprehensive Income (OCI)		-	-	-	-	3	3
Fair value gains/(losses) on equity instruments designated at fair value through OCI		-	-	1	-	-	1
Remeasurements of the defined net benefit pension scheme		-	-	(4)	(6)	-	(10)
Public dividend capital received		416	-	-	-	-	416
Public dividend capital repaid		(3)	-	-	-	-	(3)
Public dividend capital written off		(36)	-	-	36	-	-
Other reserve movements*		-	-	-	33	(31)	2
Taxpayers' and others' equity at 31 March 2019		15,709	5,688	130	(1,849)	274	19,952

* Other reserve movements includes a transfers between charitable funds and NHS foundation trust income and expenditure reserves representing a transfer of resources eliminated from income and expenditure on consolidation.

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 and Social Care. A charge, reflecting the cost of capital utilised by an NHS foundation trust, is payable to the Department of Health and Social Care 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, and in some historic mergers before the use of transfer by absorption. 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.

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 24.

Consolidated statement of cash flows for the year ended 31 March 2020

		2019/20	2018/19
	Note	£m	£m
Cash flows from operating activities			
Operating surplus/ (deficit)		143	189
Non-cash income and expense:			
Depreciation and amortisation	5.1	1,508	1,390
Net impairments	8	544	703
Donations/grants credited to income		(101)	(98)
Non-cash movements in on-SoFP pension liability		7	5
(Increase)/decrease in receivables and other assets		275	(466)
(Increase)/decrease in inventories		(55)	(42)
Increase/(decrease) in payables and other liabilities		465	463
Increase/(decrease) in provisions		108	3
Corporation tax paid		(5)	(3)
NHS charitable funds net adjustments to operating cash flows		(2)	-
Other movements in operating cash flows		(1)	(25)
Net cash generated from operating activities		2,886	2,119
Cash flows from investing activities			
Interest received		44	39
Purchase of financial assets/investments		(97)	(165)
Sale of financial assets/investments		113	144
Purchase of intangible assets		(280)	(277)
Purchase of property, plant, equipment and investment property		(2,591)	(2,206)
Sales of property, plant, equipment and investment property		56	246
Receipt of cash donations to purchase capital assets		95	87
NHS charitable funds investing cash flows		4	(1)
Net cash generated used in investing activities		(2,656)	(2,133)
Cash flows from financing activities			
Public dividend capital received		504	416
Public dividend capital repaid		(1)	(3)
Movement in loans from the Department of Health and Social Care		1,309	1,527
Movement in other loans		7	89
Capital element of finance lease rental payments		(40)	(35)
Capital element of PFI, LIFT and other service concession payments		(137)	(138)
Interest paid on finance lease liabilities		(12)	(10)
Interest paid on PFI, LIFT and other service concession obligations		(417)	(416)
Other interest paid		(202)	(163)
PDC dividend paid		(430)	(462)
Net cash generated from financing activities		581	805
Increase / (decrease) in cash and cash equivalents		811	791
Cash and cash equivalents at 1 April		4,757	3,944
Cash and cash equivalents transferred under absorption accounting	15	25	27
Adjustments to prior period accounted for in year		-	(5)
Cash and cash equivalents at 31 March	15	5,593	4,757

Total cash and cash equivalents is reconciled to the Consolidated Statement of Financial Position in note 15.

Cash flows from discontinued operations are not material so are not shown separately on the face of the Consolidated Statement of Cash Flows.

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 and Social Care Group Accounting Manual (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 GAM in relevant respects.

The accounting policies contained within the GAM are broadly consistent with those specified in HM Treasury's Financial Reporting Manual (FRoM), which itself follows International Financial Reporting Standards (IFRS), to the extent that it is meaningful and appropriate in the public sector context. The GAM's divergences from the FRoM 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.

NHS foundation trusts have confirmed their accounting policies are consistent with the GAM in all material respects. The accounting policies used by NHS foundation trusts are the same as those used by all NHS providers, hence the use of the term 'providers' in the policies that follow.

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 and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Consolidated Statement of Comprehensive Income (SOI) policy

The SOI in these consolidated accounts is presented to separately identify the surplus or deficit before impairments of non-financial assets and transfers as this is how NHS Improvement has reported on the performance of NHS foundation trusts during the year. We consider that the notional gain/loss associated with a transfer by absorption is outside of the operational performance management of an NHS foundation trust. Impairments on property, plant and equipment and other non-financial assets are usually considered outside of a provider's control. Fair value movements are not included within the 'impairments and transfers' column as providers are held to account for the effects of funds being invested in this way.

Materiality of disclosures

In presenting a set of consolidated accounts for NHS foundation trusts, we have only presented notes where their content is material to the consolidated foundation trust financial statements. With total operating revenues of £61.0 billion, we have used a materiality threshold of £500 million, which is 0.82% of operating revenues.

Note 1.1 Consolidation and other entities

Basis of consolidation

These accounts consolidate the accounts of all NHS foundation trusts that have been in existence during 2019/20 using the principles of IFRS as adopted by the FRoM. They present 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 their results are not incorporated within these accounts. As there is no parent entity within this consolidation, only consolidated group statements are presented.

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) this represents a 'machinery of government change' regardless of the mechanism used to effect the combination.

Machinery of government changes in 2019/20 and 2018/19

Where functions are transferred to NHS providers 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. Where a provider receives assets formerly held by primary care trusts from NHS Property Services or Community Health Partnerships under NHS property guidance announced in May 2019, the corresponding gain is instead recognised directly in reserves: this is referred to as 'modified' transfer by absorption.

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 provider accounts. Where the transferring body recognised revaluation reserve balances attributable to the assets, the NHS provider makes a transfer from its income and expenditure reserve to its revaluation reserve. Where DHSC transfers Public Dividend Capital (PDC) from the divesting body to the receiving body as part of an absorption transaction, this is treated as a transfer from the income and expenditure reserve to the PDC reserve by the NHS provider. 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 DHSC.

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 2019/20 and 2018/19 are provided in note 27.

Other business combinations

Where NHS providers 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 provider 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 provider 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 within Other Reserves in the Consolidated 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 provider (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 providers are the corporate trustees to various NHS charitable funds. NHS providers have individually assessed their relationships to the respective charitable funds to determine whether they meet the definition of subsidiaries under IFRS 10. Some NHS providers consolidate their linked NHS charity as a result. Other providers may also have charities meeting the definition of local control that are not locally consolidated on the grounds of materiality. These consolidated accounts only include charities locally consolidated by providers.

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 provider's accounting policies; and
- eliminate intra-group transactions, balances, gains and losses.

Associates

Associate entities are those over which an NHS provider 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 provider's share of the entity's profit or loss or other comprehensive 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 provider 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 provider 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 provider 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 provider includes within its financial statements its share of the assets, liabilities, income and expenses.

Note 1.2 Contract income

Where income is derived from contracts with customers, it is accounted for under IFRS 15. The GAM expands the definition of a contract to include legislation and regulations which enables an entity to receive cash or another financial asset that is not classified as a tax by the Office of National Statistics (ONS)

Revenue in respect of goods/services provided is recognised when (or as) performance obligations are satisfied by transferring promised goods/services to the customer and is measured at the amount of the transaction price allocated to those performance obligations. At the year end, each NHS provider accrues income relating to performance obligations satisfied in that year. Where the provider's entitlement to consideration for those goods or services is unconditional a contract receivable will be recognised. Where entitlement to consideration is conditional on a further factor other than the passage of time, a contract asset will be recognised. Where consideration received or receivable relates to a performance obligation that is to be satisfied in a future period, the income is deferred and recognised as a contract liability.

The main source of income for NHS providers is contracts with commissioners for healthcare services. Most contracts run to 31 March in each year.

Revenue from NHS contracts

A performance obligation relating to delivery of a spell of health care is generally satisfied over time as healthcare is received and consumed simultaneously by the customer as the Trust performs it. The customer in such a contract is the commissioner, but the customer benefits as services are provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligns with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that are substantially the same and have a similar pattern of transfer. At the year end, each NHS provider accrues income relating to activity delivered in that year, where a patient care spell is incomplete. This accrual is disclosed as a contract receivable as entitlement to payment for work completed is usually only dependent on the passage of time.

Where contract challenges from commissioners are expected to be upheld, the provider reflects this in the transaction price and derecognises the relevant portion of income.

NHS providers also receive income from commissioners under Commissioning for Quality and Innovation (CQUIN) schemes. Each provider agrees schemes with its commissioner(s) but they affect how care is provided to patients. That is, the CQUIN payments are not considered distinct performance obligations in their own right; instead they form part of the transaction price for performance obligations under the overall contract with the commissioner.

Revenue from research contracts

Where research contracts fall under IFRS 15, revenue is recognised as and when performance obligations are satisfied. For some contracts, NHS providers assess that the research project constitutes one performance obligation over the course of the multi-year contract. In many cases it is assessed that the provider's interim performance does not create an asset with alternative use for the provider, and the provider has an enforceable right to payment for the performance completed to date. It is therefore considered that the performance obligation is satisfied over time, and the provider recognises revenue each year over the course of the contract. Some research income alternatively falls within the provisions of IAS 20 for government grants.

NHS injury cost recovery scheme

NHS providers receive income under the NHS injury cost recovery scheme, designed to reclaim the cost of treating injured individuals to whom personal injury compensation has subsequently been paid, for instance by an insurer. Providers recognise the income when performance obligations are satisfied. In practical terms this means that treatment has been given, they receive notification from the Department of Work and Pensions' Compensation Recovery Unit, have completed the NHS2 form and have confirmed there are no discrepancies with the treatment. The income is measured at the agreed tariff for the treatments provided to the injured individual, less an allowance for unsuccessful compensation claims and doubtful debts in line with IFRS 9 requirements of measuring expected credit losses over the lifetime of the asset.

Note 1.3 Other forms of income

Grants and donations

Government grants are grants from Government bodies other than income from commissioners for the provision of services. 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 Consolidated Statement of Comprehensive Income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

Apprenticeship service income

The value of the benefit received when accessing funds from the Government's apprenticeship service is recognised as income at the point of receipt of the training service. Where these funds are paid directly to an accredited training provider from the NHS provider's Digital Apprenticeship Service (DAS) account held by the Department for Education, the corresponding notional expense is also recognised at the point of recognition for the benefit.

Provider sustainability fund (PSF) and Financial recovery fund (FRF)

The PSF and FRF enable NHS providers to earn income linked to the achievement of financial controls. Access to both funds is unlocked as NHS providers meet their financial control totals. Where a provider under-performs against the organisation control total, they may still be eligible for funds if the local health system or region has met the overall system or region control total. PSF and FRF are accounted for by providers as variable consideration as guided by the DHSC GAM. More information is provided in the review of financial performance and in note 4.

Note 1.4 Expenditure on employee benefits

Short-term employee benefits

Salaries, wages and employment-related payments, such as social security costs and the apprenticeship levy, 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. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care 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 is taken as equal to the employers' pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as 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 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 is accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2020 is based on valuation data as 31 March 2019, updated to 31 March 2020 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 2016. The results of this valuation set the employer contribution rate payable from April 2019 at 20.6%, and the scheme regulations were amended accordingly. For 2019/20 providers continue to pay over contributions at the former rate (14.3%) with the additional amount being paid by NHS England on providers' behalf. The full cost and related funding are recognised in these accounts.

The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap set following the 2012 valuation. Following a judgment from the Court of Appeal in December 2018 Government announced a pause to that part of the valuation process pending conclusion of the continuing legal process.

Other pension schemes

Local Government Pension Scheme

15 NHS foundation trusts employ staff who are members of the Local Government Pension Scheme ('LGPS') which is a defined benefit pension scheme, administered locally through local pension funds. Where an NHS provider is able to identify its share of the underlying scheme assets and liabilities these are recognised as a defined benefit pension scheme ('on Statement of Financial Position') by the provider and are consolidated here. As provider interests in such pension funds are not material to this consolidation, detailed disclosures on movements in scheme assets and liabilities are not disclosed in these accounts but can be found in the accounts of individual NHS providers.

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 Consolidated Statement of Comprehensive Income.

Where an NHS provider 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. Seven NHS providers recognise LGPS schemes in this way.

Other pension schemes

Some NHS providers 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 provider is able to identify its share of the underlying scheme liabilities these are recognised as a defined benefit pension scheme ('on Statement of Financial Position'). Otherwise, these are recognised 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 providers apart from LGPS schemes.

Defined contribution pension schemes

Some NHS providers 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.

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 Consolidated Statement of Comprehensive Income in the period in which it is incurred.

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.

Assets are measured subsequently at valuation. Assets which are held for their service potential and are in use (ie operational assets used to deliver either front line services or back office functions) are measured at their current value in existing use. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Current values in existing use are determined as follows:

- Land and non-specialised buildings – market value in existing use
- Specialised buildings – depreciated replacement cost on a modern equivalent asset basis.

For specialised assets, current value in existing use is interpreted as the present value of the asset's remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. In line with the GAM, specialised assets are therefore valued as their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. This valuation method therefore applies to the majority of NHS providers' property asset base. 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 providers to determine whether the alternative site approach is appropriate when undertaking an MEA based valuation.

Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying values are not materially different from those that would be determined at the end of the reporting period.

Valuation guidance issued by RICS states that valuations are performed net of VAT where the VAT is recoverable by the entity. This commonly applies to schemes procured under a Private Finance Initiative (PFI), where the construction is completed by a special purpose vehicle and the costs have recoverable VAT for the trust.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees and, where capitalised in accordance with IAS 23, borrowing costs. Assets are revalued and depreciation commences when the assets are brought into use.

IT equipment, transport equipment, furniture and fittings, and plant and machinery that are held for operational use are valued at depreciated historic cost where these assets have short useful lives or low values or both, as this is not considered to be materially different from current value in existing use.

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 Consolidated Statement of Comprehensive Income as an item of 'other comprehensive income'.

Impairments

In accordance with the 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. The sale must be highly probable and the asset available for immediate sale in its present condition.

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) and Local Improvement Finance Trust (LIFT) transactions

PFI and LIFT 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 providers. In accordance with the *FReM*, the underlying assets are initially recognised as property, plant and equipment, together with an equivalent 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 element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

The service charge is recognised in operating expenses and the finance cost is charged to finance costs in the Consolidated 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.

Useful lives of property, plant and equipment

Useful lives assigned to categories of property, plant and equipment vary between NHS providers according to specific local circumstances. The ranges of useful lives across the sector are:

	Min life	Max life
	Years	Years
Buildings, excluding dwellings	1	169
Dwellings	1	112
Plant & machinery	1	35
Transport equipment	1	15
Information technology	1	20
Furniture & fittings	1	25

Land is not depreciated by NHS providers and so is not included in the above table.

Finance-leased assets are depreciated over the shorter of the useful life or the lease term, unless the NHS provider 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 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 provider 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. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definitions of investment properties or assets held for sale.

Intangible assets 'held for sale' are measured at the lower of their carrying amount or "fair value less costs to sell".

Amortisation

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

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

	Min life	Max life
	Years	Years
Intangible assets - internally generated		
Information technology	1	20
Development expenditure	1	12
Websites	1	8
Intangible assets - purchased		
Software	1	20
Licences & trademarks	1	10
Patents	5	5
Other	1	15

Useful 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 provider 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 Leases

Finance leases

Where substantially all risks and rewards of ownership of a leased asset are borne by an NHS provider, 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 commencement of the lease term and de-recognised when the liability is discharged, cancelled or expires. After initial recognition the asset is accounted for an item of property plant and equipment. 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 Consolidated 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 initially in other liabilities on the statement of financial position and subsequently 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 1.11 Inventories

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

Note 1.12 Financial assets and financial liabilities

Recognition

Financial assets and financial liabilities arise where providers are party to the contractual provisions of a financial instrument, and as a result have a legal right to receive or a legal obligation to pay cash or another financial instrument. The GAM expands the definition of a contract to include legislation and regulations which give rise to arrangements that in all other respects would be a financial instrument and do not give rise to transactions classified as a tax by ONS.

This includes the purchase or sale of non-financial items (such as goods or services), which are entered into in accordance with the provider's normal purchase, sale or usage requirements and are recognised when, and to the extent which, performance occurs, ie, when receipt or delivery of the goods or services is made.

Classification and measurement

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is not measured at fair value through income and expenditure. Fair value is taken as the transaction price, or otherwise determined by reference to quoted market prices or valuation techniques.

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.

Financial assets are subsequently measured at amortised cost, fair value through income and expenditure or fair value through other comprehensive income.

Financial liabilities are subsequently measured at amortised cost or fair value through income and expenditure.

Financial assets and financial liabilities at amortised cost

Financial assets and financial liabilities at amortised cost are those held with the objective of collecting contractual cash flows and where cash flows are solely payments of principal and interest. This includes cash equivalents, contract and other receivables, trade and other payables, rights and obligations under lease arrangements and loans receivable and payable.

After initial recognition, these financial assets and financial liabilities are measured at amortised cost using the effective interest method less any impairment (for financial assets). The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability.

Interest revenue or expense is calculated by applying the effective interest rate to the gross carrying amount of a financial asset or amortised cost of a financial liability and recognised in the Consolidated Statement of Comprehensive Income and a financing income or expense. In the case of loans held from the Department of Health and Social Care, the effective interest rate is the nominal rate of interest charged on the loan.

Financial assets measured at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income where business model objectives are met by both collecting contractual cash flows and selling financial assets and where the cash flows are solely payments of principal and interest. Movements in the fair value of financial assets in this category are recognised as gains or losses in other comprehensive income except for impairment losses. On derecognition, cumulative gains and losses previously recognised in other comprehensive income are reclassified from equity to income and expenditure, except where the provider elected to measure an equity instrument in this category on initial recognition.

In some cases providers have irrevocably elected to measure some equity instruments at fair value through other comprehensive income. This is not material to these consolidated accounts.

Financial assets and financial liabilities at fair value through income and expenditure

Financial assets measured at fair value through income and expenditure are those that are not otherwise measured at amortised cost or at fair value through other comprehensive income. This category also includes financial assets and liabilities acquired principally for the purpose of selling in the short term (held for trading) and derivatives. Derivatives which are embedded in other contracts, but which are separable from the host contract are measured within this category. Movements in the fair value of financial assets and liabilities in this category are recognised as gains or losses in the Consolidated Statement of Comprehensive income.

In some cases providers have irrevocably elected to measure some financial assets at fair value through income and expenditure. This is not material to these consolidated accounts.

Impairment of financial assets

For all financial assets measured at amortised cost including lease receivables, contract receivables and contract assets or assets measured at fair value through other comprehensive income, providers recognise an allowance for expected credit losses.

Providers adopt the simplified approach to impairment for contract and other receivables, contract assets and lease receivables, measuring expected losses as at an amount equal to lifetime expected losses. For other financial assets, the loss allowance is initially measured at an amount equal to 12-month expected credit losses (stage 1) and subsequently at an amount equal to lifetime expected credit losses if the credit risk assessed for the financial asset significantly increases (stage 2).

For financial assets that have become credit impaired since initial recognition (stage 3), expected credit losses at the reporting date are measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

Expected losses are charged to operating expenditure within the Consolidated Statement of Comprehensive Income and reduce the net carrying value of the financial asset in the Consolidated Statement of Financial Position.

De-recognition

Financial assets are de-recognised when the contractual rights to receive cash flows from the assets have expired or the provider has transferred substantially all the risks and rewards of ownership.

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

Note 1.13 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 and usually mature within 3 months or less from the date of acquisition..

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

Note 1.14 Third party assets

Assets belonging to third parties in which a NHS provider has no beneficial interest (such as money held on behalf of patients) are not recognised in the accounts since an NHS provider has no beneficial interest in them. They are disclosed in a separate note to the accounts in accordance with the requirements of the FReM.

Note 1.15 Provisions

An NHS provider 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 Consolidated 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 31 March 2020.

		Nominal rate	Prior year rate
Short-term	Up to 5 years	0.51%	0.76%
Medium-term	After 5 years up to 10 years	0.55%	1.14%
Long-term	Exceeding 10 years	1.99%	1.99%

HM Treasury provides discount rates for general provision on a nominal rate basis. Expected future cash flows are therefore adjusted for the impact of inflation before discounting using nominal rates. The following inflation rates are set by HM Treasury, effective 31 March 2020.

	Inflation rate	Prior year rate
Year 1	1.90%	2.00%
Year 2	2.00%	2.00%
Into perpetuity	2.00%	2.10%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.50% in real terms (positive 0.29% at 31 March 2019).

Clinical negligence costs

NHS Resolution (previously known as NHS Litigation Authority) operates a risk pooling scheme under which an NHS provider pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with an NHS provider. The total value of clinical negligence provisions carried by NHS Resolution on behalf of NHS providers is disclosed at note 19.3.

Non-clinical risk pooling

NHS providers can participate in the Property Expenses Scheme and the Liabilities to Third Parties Scheme. Both are risk pooling schemes under which an NHS provider pays an annual contribution to NHS Resolution 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 1.16 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 20 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 20, 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 1.17 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. The Secretary of State can issue new PDC to, and require repayments of PDC from NHS providers. HM Treasury has determined that PDC is not a financial instrument within the meaning of IAS 32. PDC is recorded at the value received.

A charge, reflecting the cost of capital utilised by the trust, is payable as public dividend capital dividend. The charge is calculated at the rate set by HM Treasury (currently 3.5%) on the average relevant net assets of the 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) net book value of donated and grant funded assets and assets purchased in response to COVID 19, (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 Provider sustainability fund (PSF) or Financial recovery fund (FRF) incentive schemes.

In accordance with the requirements laid down by the Department of Health and Social Care (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 of the audit of the annual accounts.

Note 1.18 Value added tax

Most of the activities of NHS providers 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 provider consolidates the activities of a subsidiary, these activities may be within the scope of VAT rules.

Note 1.19 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 providers potentially subject to corporation tax. NHS providers 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.

Note 1.20 Climate change Levy

Expenditure on the climate change levy is recognised in the Consolidated Statement of Comprehensive Income as incurred, based on the prevailing chargeable rates for energy consumption.

Note 1.21 Foreign exchange

The functional and presentation currency of NHS providers 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 provider 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 1.22 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 provider 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 (FRoM) 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 trusts' financial statements have been prepared on the assumption that the Department of Health and Social Care 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.

The GAM and FT Annual Reporting Manual direct NHS foundation trusts to disclose in their annual report and accounts if there are any uncertainties around going concern, including if the adoption of the going concern basis is solely based on the interpretation in the FRoM to focus on the continued provision of services.

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £6.8 billion for NHS foundation trusts are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present any increased going concern uncertainty for NHS providers.

The auditors of 33 NHS foundation trusts have included a 'material uncertainty' paragraph within the audit report to draw attention to the going concern disclosure in those financial statements (2018/19: 41). These are entered by auditors where providers are dependent on future funding (ie from the Department of Health and Social Care) and the future provision of this funding has not been approved in advance. These 33 NHS foundation trusts comprise 26% of total operating income and have an aggregate deficit of £625 million before impairments, absorption transfers and consolidation of charitable funds. 44 NHS foundation trusts received interim cash revenue support funding from the Department of Health and Social Care during 2019/20 totalling £1.12 billion.

A further 4 NHS foundation trust audit reports included an 'emphasis of matter' relating to the demise of the organisation and/or the transfer of its services to another entity (2018/19: 3).

Note 1.25 Critical accounting judgements and key sources of estimation uncertainty

These consolidated NHS foundation trust accounts reflect the following accounting judgements made either by NHS Improvement or individual NHS providers:

- Intra-group transactions and balances between NHS 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 net amounts are not material. We are satisfied that the gross mismatches which net together to this immaterial position do not constitute a material error.
- These consolidated accounts are prepared on a going concern basis as detailed within accounting policy 1.24.
- Individual NHS providers apply judgement in their application of the nationally prescribed accounting policies set out in the DHSC GAM.

and the following key sources of estimation uncertainty:

- Accounting policy note 1.7 sets out how property plant and equipment is measured. In applying the RICS guidance to valuing an asset, the valuation used by the NHS provider will depend on the local assumptions used, including the floor area for assets. 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. Further, RICS guidance says that valuations should be stated net of VAT where VAT would be recoverable on the cost of replacing the service potential. Whether this is applicable in each local valuation is a matter of local judgement, with guidance on the parameters for this judgement provided in the DHSC GAM. The accounting policy of DRC:MEA is applied consistently for specialised assets across NHS providers, but local valuation assumptions may have material effects on each local valuation.
- Useful lives of PPE - as shown in note 13.1, property plant and equipment (PPE) is material to these consolidated accounts. In note 1.7 we disclose, for each category of PPE, the lowest minimum and the highest maximum in the ranges of useful lives used by providers. Useful lives are the period over which assets are depreciated. We do not collect information from providers on average useful lives, but in taking the median average lowest and median average highest, and the mean average of those, an approximate average can be computed to assess the impact of the accounting estimates.

As shown in note 13.1, buildings and plant & equipment depreciation comprise 51% and 28% of total PPE depreciation charged in-year respectively. Utilising the methodology outlined above, a very approximate average useful life in these categories is 38 years and 10 years respectively. In average terms, making all asset lives one year shorter would approximately increase the annual depreciation charge by £18m for buildings and £42m for plant & machinery. This is not material. Based on a materiality of £500 million, nine times this 'one year effect' would be required to lead to a material error based on these approximate averages.

The depreciation charge in these accounts comprises the depreciation charges in each provider's accounts, which in themselves relate to many assets. It is therefore not possible to thoroughly interrogate this accounting estimate upon consolidation, but given the impact locally each provider's accounting estimates in this area are subject to review by each local external auditor.

- Property valuation uncertainties - The Royal Institute of Chartered Surveyors (RICS), the body setting standards for property valuations, issued guidance to valuers in March 2020 highlighting that the uncertain impact of COVID-19 on markets might cause a valuer to conclude that there is a material uncertainty which the valuer would then declare in their report. Valuers have continued to apply their professional judgement but this declares the additional uncertainty attached to current valuations.

Disclosure of uncertainty in valuation estimates is already a feature of these consolidated accounts as covered above. We have issued guidance to providers to encourage appropriate local disclosure rather than spending taxpayer money obtaining further valuation estimates as the material uncertainty is likely to remain for the foreseeable future.

Auditors of all NHS foundation trusts have concluded that valuations recognised in local provider financial statements are materially accurate. 144 NHS foundation trusts have told us that a report obtained from their valuer in 2019/20 contained a material uncertainty disclosure. The external auditor at 143 NHS foundation trusts referenced the additional uncertainty in their audit report, either within the description of a key audit matter or within an emphasis of matter paragraph.

Property assets in these consolidated accounts are valued at £24 billion. These accounts are based on the judgements made locally by each NHS foundation trust. Given the scale of local trusts reporting such uncertainties, it is reasonable to conclude that a material uncertainty exists over the valuation of property assets in these consolidated accounts.

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

NHS providers made preparations through 2019/20 for the potential impact of the UK's exit from the European Union and the end of the 11 month transition period, including following recommendations in the Department of Health and Social Care's EU Exit Operational Guidance. The NHS's overall approach includes planning and contingency measures being taken centrally, as well as actions that are the responsibility of individual providers. Each provider has identified an EU Exit Senior Responsible Officer, who participated in regional planning work by the NHS. Individual providers are responsible for managing relevant risks as part of their existing governance and risk management

Note 1.26 Early adoption of standards, amendments and interpretations

The consolidated NHS Provider 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
<i>Standards, amendments or interpretations issued and effective from 2020/21:</i>		
IFRS 3 Business combinations (amendment)	Amendments to clarify the definition of a business	Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020
Amendments to financial instruments standards: IFRS 7, IFRS 9 and IAS 39	Amendments regarding pre-replacement issues in the context of the Interbank offered rates (IBOR) reform.	Annual periods beginning on or after 1 January 2020
IAS 1 and IAS 8 (amendments)	These amendments clarify the definition of material and its application.	Annual periods beginning on or after 1 January 2020.
IAS 41 Agriculture (amendments)	Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (taxation in fair value measurements)	Annual periods beginning on or after 1 January 2020
<i>Standards, amendments or interpretations issued and effective for later periods:</i>		
IFRS 3 Business combinations (amendment)	Amendments updating a reference to the Conceptual Framework	Annual periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU*.
IFRS 9 Financial instruments (amendments)	Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	Annual periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU*.

Standard	Description of amendment	Effective date
IFRS 16 Leases	Original issue	Applies from 2022/23 for DHSC group bodies and the NHS.
IFRS 17 Insurance contracts	Original issue	Annual periods beginning on or after 1 January 2021. The IASB has tentatively approved amendments to IFRS 17 deferring the effective date to periods beginning on or after 1 January 2023. Not yet adopted for use in the EU*.
IAS 1 Disclosure of Accounting Policies (amendments)	Amendments regarding the classification of liabilities	Annual periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU*.
IAS 16 Property, Plant and Equipment (amendments)	Amendments prohibiting entities from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use	Annual periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU*.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments)	Amendments regarding the costs to include when assessing whether a contract is onerous	Annual periods beginning on or after 1 January 2022. Not yet endorsed for use in the EU*.

*The UK left the European Union (EU) on 31 January 2020 and is in a period of transition until 31 December 2020. During the transition period, UK bodies continue to follow the EU process of endorsement and adoption of IFRS, as the UK remains subject to EU legislation.

Estimated impact of future standards

IFRS 16 Leases

IFRS 16 *Leases* will replace IAS 17 *Leases*, IFRIC 4 *Determining whether an arrangement contains a lease* and other interpretations and will be applicable to DHSC group bodies for periods beginning 1 April 2022. The standard provides a single accounting model for lessees, recognising a right of use asset and obligation in the statement of financial position for most leases: some leases are exempt through application of practical expedients explained below. For those recognised in the statement of financial position the standard also requires the remeasurement of lease liabilities in specific circumstances after the commencement of the lease term. For lessors, the distinction between operating and finance leases will remain and the accounting will be largely unchanged.

IFRS 16 changes the definition of a lease compared to IAS 17 and IFRIC 4. NHS providers will apply this definition to new leases only and will grandfather assessments made under the old standards of whether existing contracts as at 1 April 2022 contain a lease.

On transition to IFRS 16 on 1 April 2022, NHS providers will apply the standard retrospectively with the cumulative effect of initially applying the standard recognised in the income and expenditure reserve at that date. For existing operating leases with a remaining lease term of more than 12 months and an underlying asset value of at least £5,000, a lease liability will be recognised equal to the value of remaining lease payments discounted on transition at a trust's incremental borrowing rate. A trust's incremental borrowing rate will be a rate determined by HM Treasury. Currently this rate is 1.27% but this may change between now and adoption of the standard. The related right of use asset will be measured equal to the lease liability adjusted for any prepaid or accrued lease payments. For existing peppercorn leases not classified as finance leases, a right of use asset will be measured at current value in existing use or fair value. The difference between the asset value and the calculated lease liability will be recognised in the income and expenditure reserve on transition. No adjustments will be made on 1 April 2022 for existing finance leases.

For leases commencing in 2022/23, NHS providers will not recognise right of use assets or lease liabilities for short term leases (less than or equal to 12 months) or for leases of low value assets (less than £5,000). Right of use assets will be subsequently measured on a basis consistent with owned assets and depreciated over the length of the lease term.

NHS providers have been working towards implementation of IFRS 16 throughout 2019/20 but on 19 March 2020, HM Treasury deferred the implementation date for IFRS 16 in the UK public sector by a year to 1 April 2021 following the outbreak of COVID-19 in the UK and in recognition of the increased pressures this placed on all public services. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity from April 2021 and beyond, a quantification of the expected impact of applying the standard in 2021/22 was deemed impracticable by the majority of NHS providers in preparing their 2019/20 financial statements. However this standard is expected to have a material impact on asset, liabilities and depreciation in these consolidated accounts. Implementation was subsequently further deferred for NHS and DHSC group bodies to 1 April 2022 in November 2020.

For lessees, Note 10.2 in these accounts shows annual lease payments for operating leases of £535 million and future commitments under these contracts of £2.7 billion, giving an estimate of the scale of right of use assets and lease liabilities to be recognised on the statement of financial position. The corresponding impact on the statement of comprehensive income will be the replacement of lease charges with depreciation and finance costs. Due to the profiling of finance charges on lease liabilities, this will increase total expenditure in 2022/23. The impact of this is expected to be immaterial.

For lessors, as the distinction between operating and finance leases will be retained, a material change is not anticipated. There are significantly fewer arrangements where NHS providers are the lessor, and operating lease commitments arising from such arrangements are currently not material to these accounts.

Other standards

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

Note 2 Operating segments

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.

Information on financial performance for NHS providers is reported to the NHS Improvement board; this is considered the nearest equivalent of the chief operating decision maker for the purposes of segmental reporting in the consolidated provider accounts. This can be seen in note 2 of the consolidated provider accounts.

No separate information has been presented to the NHS Improvement board during the year specifically relating to NHS foundation trusts. As such there is no segmental information to disclose in these consolidated foundation trust accounts.

Note 3 Operating income from patient care activities

All income from patient care activities relates to contract income recognised in line with accounting policy 1.2

Note 3.1 Income from patient care activities (by nature)

	2019/20 £m	2018/19 £m
Acute services		
Elective income	6,321	6,122
Non elective income	10,155	9,000
Outpatient income	5,730	5,338
A & E income	1,717	1,438
Other NHS clinical income (including high cost drugs income)	13,580	12,663
Mental health services		
Cost and volume contract income	441	444
Block contract income	6,679	6,109
Clinical partnerships providing mandatory services	202	189
Clinical income for the secondary commissioning of mandatory services	51	52
Other clinical income from mandatory services	209	223
Ambulance services		
A & E income	955	871
Patient transport service income	116	106
Other income	66	59
Community services		
Community services income from CCGs and NHS England	4,415	4,133
Community services income from other sources	946	951
All services		
Private patient income	553	534
AfC pay award central funding*	-	512
Additional pension contribution central funding**	1,518	-
Other clinical income	572	390
Total income from activities	54,226	49,134

* Additional costs of the Agenda for Change pay reform in 2018/19 received central funding. From 2019/20 this funding is incorporated into tariff for individual services.

** The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2019/20, NHS providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2019/20 £m	2018/19 £m
CCGs and NHS England	51,310	45,730
Local authorities	1,559	1,588
Department of Health and Social Care	9	521
NHS trusts	129	116
NHS other	115	122
Non-NHS: private patients	545	524
Non-NHS: overseas patients (chargeable to patient)	50	47
Injury cost recovery scheme	124	122
Non NHS: other	385	364
Total income from activities	54,226	49,134

In this note, NHS refers to the NHS in England.

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

	2019/20	2018/19
	£m	£m
Income recognised this year	50	47
Cash payments received in-year	25	23
Amounts added to provision for impairment of receivables	17	18
Amounts written off in-year	16	15

Note 4 Other operating income

	2019/20			2018/19		
	Contract	Non-	Total	Contract	Non-	Total
	income	contract		income	contract	
	£m	income	£m	£m	income	£m
Research and development	692	79	771	638	105	743
Education and training	1,844	39	1,883	1,792	13	1,805
Receipt of capital grants and donations		101	101		98	98
Charitable and other contributions to expenditure		65	65		78	78
Non-patient care services to other bodies	710		710	655		655
Provider Sustainability Fund (PSF)*	633		633	1,726		1,726
Financial Recovery Fund (FRF)*	664		664			-
Marginal Rate Emergency Tariff funding (MRET)*	286		286			-
Support from the Department of Health and Social Care for mergers		11	11		44	44
Rental revenue from operating leases		64	64		61	61
Income in respect of staff costs where accounted on gross basis	202		202	186		186
Incoming resources excluding investment income, relating to NHS charitable funds		65	65		66	66
PFI support income	29		29	28		28
Car parking	170		170	164		164
Pharmacy sales	126		126	124		124
Clinical excellence awards	68		68	70		70
Catering	84		84	78		78
Other	870	31	901	835	38	873
Total other operating income	6,378	455	6,833	6,296	503	6,799

* 144 NHS foundation trusts received income from the Provider Sustainability Fund (PSF) in 2019/20 (2018/19: 137). 74 NHS foundation trusts received income from the Financial Recovery Fund (FRF) in 2019/20. 76 NHS foundation trusts received Marginal Rate Emergency Tariff funding (MRET) in 2019/20.

Note 5.1 Operating expenses

	2019/20	2018/19
	£m	£m
Purchase of healthcare from NHS and DHSC bodies	249	231
Purchase of healthcare from non-NHS and non-DHSC bodies	1,080	969
Purchase of social care	181	170
Employee expenses - staff (including executive directors)	39,385	35,248
Non-executive directors	23	22
Supplies and services - clinical	4,421	4,260
Supplies and services - general	894	881
Drug costs	5,215	4,851
Inventories written down	7	6
Consultancy costs	135	151
Establishment	656	607
Premises	2,343	2,165
Transport (including patient travel)	446	422
Depreciation on property, plant and equipment	1,350	1,253
Amortisation on intangible assets	158	137
Net Impairments	544	703
Movement in credit loss allowance: contract receivables/assets	73	59
Movement in credit loss allowance: all other receivables & investments	(10)	19
Increase in other provisions	30	23
Change in provisions discount rate(s)	16	(4)
Fees payable to the external auditor *		
audit services- statutory audit	12	11
other auditor remuneration (external auditor only)	1	2
Internal audit costs, including local counter fraud services	15	17
Clinical negligence	1,181	1,179
Legal fees	66	58
Insurance	38	36
Research and development	440	435
Education and training	351	301
Rentals under operating leases	535	514
Early retirements	2	2
Redundancy	29	25
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT) **	587	549
Charges to operating expenditure for off-SoFP PFI / LIFT schemes	1	-
Car parking & security	28	26
Hospitality	5	5
Losses, ex gratia & special payments	12	12
Grossing up consortium arrangements	14	15
Other services, eg external payroll	61	62
Other	317	291
NHS charitable funds: Other resources expended	25	31
Total	60,916	55,744

* These are the audit fees disclosed by NHS foundation trusts for the audit of their local accounts only. These consolidated accounts are not audited.

** This line does not contain all the charges relating to PFI and similar schemes in these accounts. An analysis of payments made to PFI operators can be found in note 22.3.

Note 5.2 Other auditors' remuneration

	2019/20	2018/19
	£m	£m
Other remuneration paid to the external auditor is made up as follows:		
1. Audit of accounts of any associate of the provider	0.2	0.2
2. Audit-related assurance services *	0.6	1.0
3. Taxation compliance services	-	-
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	0.3	0.5
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	0.2	0.4
Total	1.3	2.1

* Audit related assurance services includes fees paid by providers for external assurance on quality accounts and quality reports.

Note 6.1 Employee benefits

	Permanent	Other	2019/20	2018/19
	£m	£m	Total	Total
	£m	£m	£m	£m
Salaries and wages	28,742	1,082	29,824	27,686
Social security costs	2,841	56	2,897	2,681
Apprenticeship levy	148	2	150	133
Employers' contributions to NHS pensions*	4,916	73	4,989	3,247
Pension cost - other	17	3	20	13
Other employment benefits	-	3	3	2
Termination benefits	13	-	13	12
Temporary staff (including agency)	-	2,118	2,118	2,033
NHS charitable funds staff	4	-	4	4
Total gross staff costs	36,681	3,337	40,018	35,811
Recoveries in respect of seconded staff	(81)	(2)	(83)	(72)
Total staff costs	36,600	3,335	39,935	35,739
Included within:				
Costs capitalised as part of assets	138	16	154	141

*The rate of employer contributions to the NHS pension scheme increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019.

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 & development, education & training and internal audit services.

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)

	Permanent Number	Other Number	2019/20 Total Number	2018/19 Total Number
Medical and dental	71,722	13,010	84,732	80,024
Ambulance staff	12,742	114	12,856	13,563
Administration and estates	165,978	9,402	175,380	167,317
Healthcare assistants and other support staff	141,752	17,135	158,887	148,073
Nursing, midwifery and health visiting staff	230,854	25,103	255,957	246,720
Nursing, midwifery and health visiting learners	4,817	600	5,417	5,164
Scientific, therapeutic and technical staff	95,810	4,814	100,624	95,227
Healthcare science staff	15,006	479	15,485	15,747
Social care staff	1,422	166	1,588	1,896
Other	1,556	552	2,108	2,537
Total average numbers	741,659	71,375	813,034	776,268
Of which:				
Number of employees (WTE) engaged on capital projects	2,269	238	2,507	2,288

Note 6.3 Reporting of compensation schemes - exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS terms and conditions of service. 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 providers.

Note 6.4 provides further analysis of the 'other departures' disclosed below.

2019/20	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
Exit package cost band (including any special payment element)			
<£10,000	157	1,342	1,499
£10,000 - £25,000	123	200	323
£25,001 - 50,000	149	95	244
£50,001 - £100,000	109	39	148
£100,001 - £150,000	37	7	44
£150,001 - £200,000	16	2	18
>£200,000	4	1	5
Total number of exit packages by type	595	1,686	2,281
Total resource cost (£m)	24	14	38

2018/19	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
<£10,000	154	1,251	1,405
£10,000 - £25,000	181	216	397
£25,001 - 50,000	145	101	246
£50,001 - £100,000	89	45	134
£100,001 - £150,000	27	6	33
£150,001 - £200,000	10	4	14
>£200,000	5	4	9
Total number of exit packages by type	611	1,627	2,238
Total resource cost (£m)	21	17	38

Note 6.4 Exit packages: other (non-compulsory) departure payments

	2019/20		2018/19	
	Payments agreed Number	Total value of agreements £m	Payments agreed Number	Total value of agreements £m
Voluntary redundancies including early retirement contractual costs	96	2	94	2
Mutually agreed resignations (MARS) contractual costs	158	4	266	6
Early retirements in the efficiency of the service contractual costs	30	1	10	-
Contractual payments in lieu of notice	1,361	6	1,266	5
Exit payments following employment tribunals or court orders	45	1	38	2
Non-contractual payments requiring HM Treasury approval*	9	-	20	1
Total	1,699	14	1,694	16

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

In 2019/20, 2 non-contractual payments requiring HM Treasury approval were in excess of the individuals' salary (2018/19: none).

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 of payments in note 6.4 does not match the total number of departures in note 6.3 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 6.5 Staff sickness absence

Staff sickness information is collated nationally through the Electronic Staff Record (ESR) system. Information on NHS providers' staff sickness is published by NHS Digital and is available at:

<https://digital.nhs.uk/data-and-information/publications/statistical/nhs-sickness-absence-rates>

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 providers 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 2019/20, the employer contribution rate was 20.6% (2018/19: 14.3%). It is not possible for the NHS foundation trust sector to identify its share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme in these accounts. Employer pension 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 who 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 non-current 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.

			2019/20	2018/19
			Net	Net
	Impairments	Reversals	impairments	impairments
	£m	£m	£m	£m
Net impairments charged to operating surplus / deficit resulting from:				
Loss or damage from normal operations	6	-	6	1
Over specification of assets	-	-	-	(1)
Abandonment of assets in course of construction	4	-	4	4
Unforeseen obsolescence	36	-	36	62
Changes in market price	711	(269)	442	431
Other causes	69	(13)	56	206
Total net impairments charged to operating surplus / deficit	826	(282)	544	703
Impairments charged to the revaluation reserve	480	(69)	411	512
Total net impairments	1,306	(351)	955	1,215

Net impairments taken to operating surplus / deficit relate to property, plant and equipment (£516 million), intangible assets (£24 million), investments in joint ventures and associates (£3 million) and assets held for sale (£1 million). Impairments charged to the revaluation reserve relate solely to property, plant and equipment.

In addition there are revaluation surpluses taken to the revaluation reserve of £614 million (2018/19: £445 million), as can be seen in the Statement of Changes in Equity.

Note 9 Finance expenditure

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

	2019/20	2018/19
	£m	£m
Interest incurred on:		
Loans from the Department of Health and Social Care	196	158
Other loans	8	8
Finance leases	12	10
Interest on late payment of commercial debt	-	-
Main finance costs on PFI and LIFT schemes obligations	255	262
Contingent finance costs on PFI and LIFT scheme obligations	163	153
Other finance costs	7	3
Total finance expenditure - financial liabilities	641	594
Finance expense - unwinding of discount on provisions	1	2
Total finance expenditure	642	596

Note 10 Operating leases

Note 10.1 Operating lease income

This note discloses income generated and expected future receipts from operating lease agreements where NHS foundation trusts are the lessor.

	2019/20 £m	2018/19 £m
Operating lease revenue		
Minimum lease receipts	62	56
Contingent rent	1	2
Other	1	3
Total	64	61
	31 March 2020 £m	31 March 2019 £m
Future minimum lease receipts due:		
- not later than one year;	48	47
- later than one year and not later than five years;	129	108
- later than five years.	353	356
Total	530	511

Note 10.2 Operating lease expense

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

	2019/20 £m	2018/19 £m
Operating lease expense		
Minimum lease payments	539	517
Contingent rents	1	1
Less sublease receipts received	(5)	(4)
Total	535	514
	31 March 2020 £m	31 March 2019 £m
Future minimum lease payments due:		
On leases of land expiring		
- not later than one year;	4	5
- later than one year and not later than five years;	8	5
- later than five years.	18	21
On leases of buildings expiring		
- not later than one year;	351	312
- later than one year and not later than five years;	893	705
- later than five years.	994	782
On other leases expiring		
- not later than one year;	129	127
- later than one year and not later than five years;	240	214
- later than five years.	50	52
Total	2,687	2,223
Future minimum sublease receipts to be received	(5)	(4)

Note 11.1 Intangible assets - 2019/20

	Software licences	Licences & trademarks	Information technology	Development expenditure	Intangible assets under construction	Other	Total
	£m	£m	£m	£m	£m	£m	£m
Valuation/gross cost at 1 April 2019 - brought forward	983	24	293	134	172	3	1,609
Transfers by absorption	6	-	28	-	3	-	37
Adjustments to prior period accounted for in-year	(2)	-	2	-	-	-	-
Additions	129	3	24	7	122	1	286
Impairments	-	-	(2)	(5)	(1)	-	(8)
Reclassifications	86	1	43	8	(119)	-	19
Revaluations	(12)	-	-	-	-	-	(12)
Disposals / derecognition	(13)	(2)	(14)	(2)	-	-	(31)
Valuation/gross cost at 31 March 2020	1,177	26	374	142	177	4	1,900
Amortisation at 1 April 2019 - brought forward	544	10	151	46	-	-	751
Transfers by absorption	3	-	8	-	-	-	11
Adjustments to prior period accounted for in-year	(1)	-	1	-	-	-	-
Provided during the year	106	3	29	19	-	1	158
Impairments	17	-	(1)	-	-	-	16
Reclassifications	2	-	(3)	-	-	-	(1)
Revaluations	(12)	-	-	-	-	-	(12)
Disposals / derecognition	(10)	(2)	(7)	(2)	-	-	(21)
Amortisation at 31 March 2020	649	11	178	63	-	1	902
Net book value at 31 March 2020	528	15	196	79	177	3	998
Net book value at 1 April 2019	439	14	142	88	172	3	858

The total net impairment of £24 million shown in this note was charged to operating expenses.

Note 11.2 Intangible assets - 2018/19

	Software licences	Licences & trademarks	Information technology	Development expenditure	Intangible assets under construction	Other	Total
	£m	£m	£m	£m	£m	£m	£m
Valuation/gross cost at 1 April 2018	846	21	244	103	129	2	1,345
Transfers by absorption	10	-	-	3	-	-	13
Previous prior period adjustments accounted for in 2018/19	-	-	-	-	7	-	7
Additions	92	2	25	20	132	1	272
Impairments	-	-	-	-	(18)	-	(18)
Reclassifications	56	1	29	2	(68)	-	20
Revaluations	-	-	(5)	10	(10)	-	(5)
Disposals / derecognition	(21)	-	-	(4)	-	-	(25)
Valuation/gross cost at 31 March 2019	983	24	293	134	172	3	1,609
Amortisation at 1 April 2018	463	7	130	36	-	-	636
Transfers by absorption	5	-	-	1	-	-	6
Provided during the year	95	3	26	13	-	-	137
Impairments	-	-	-	-	-	-	-
Reclassifications	1	-	-	-	-	-	1
Revaluations	-	-	(5)	-	-	-	(5)
Disposals / derecognition	(20)	-	-	(4)	-	-	(24)
Amortisation at 31 March 2019	544	10	151	46	-	-	751
Net book value at 31 March 2019	439	14	142	88	172	3	858
Net book value at 1 April 2018	383	14	114	67	129	2	709

Note 12.1 Property, plant and equipment - 2019/20

	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
Valuation/gross cost at 1 April 2019 - brought forward	2,790	21,894	253	1,599	5,623	246	2,238	383	7	35,033
Transfers by absorption	42	340	1	248	155	-	49	11	-	846
Adjustments to prior period recorded in-year	-	(58)	(4)	-	(7)	-	(4)	-	-	(73)
Additions	12	603	-	1,458	454	24	282	18	(3)	2,848
Impairments	(215)	(931)	(7)	(3)	(9)	-	(21)	-	-	(1,186)
Reversals of impairments	20	207	2	-	-	-	-	-	-	229
Reclassifications	3	792	7	(1,138)	132	13	101	22	1	(67)
Revaluations	14	(35)	-	-	-	-	(2)	-	-	(23)
Transfers to/ from assets held for sale	(26)	(21)	(2)	-	-	(3)	-	-	-	(52)
Disposals / derecognition	(9)	(7)	-	(3)	(215)	(18)	(75)	(13)	(1)	(341)
Valuation/gross cost at 31 March 2020	2,631	22,784	250	2,161	6,133	262	2,568	421	4	37,214
Accumulated depreciation at 1 April 2019 - brought forward	11	1,279	19	8	3,776	152	1,481	273	-	6,999
Transfers by absorption	-	10	-	-	118	-	34	9	-	171
Adjustments to prior period recorded in-year	(2)	(98)	(4)	-	(3)	-	(4)	-	-	(111)
Provided during the year	-	683	8	-	377	25	232	25	-	1,350
Impairments	17	73	-	-	-	-	1	-	-	91
Reversals of impairments	(2)	(118)	(1)	-	-	-	-	-	-	(121)
Reclassifications	-	(40)	(1)	-	-	-	(1)	(1)	-	(43)
Revaluations	(16)	(612)	(7)	-	-	-	(2)	-	-	(637)
Transfers to/ from assets held for sale	-	(10)	(1)	-	-	(3)	-	-	-	(14)
Disposals / derecognition	-	(2)	-	-	(208)	(18)	(72)	(13)	-	(313)
Accumulated depreciation at 31 March 2020	8	1,165	13	8	4,060	156	1,669	293	-	7,372
Net book value at 31 March 2020	2,623	21,619	237	2,153	2,073	106	899	128	4	29,842
Net book value at 1 April 2019	2,779	20,615	234	1,591	1,847	94	757	110	7	28,034

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

Of the total net impairments of £927 million shown in this note, £516 million was charged to operating expenses and £411 million to the revaluation reserve.

Note 12.2 Property, plant and equipment - 2018/19

	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
Valuation/gross cost at 1 April 2018	2,818	21,822	244	1,472	5,322	245	2,044	375	14	34,356
Transfers by absorption	20	190	-	2	46	-	7	3	-	268
Previous prior period adjustments accounted for in 2018/19	(20)	(159)	(5)	(7)	(3)	-	(5)	(3)	(7)	(209)
Additions	24	533	21	1,130	350	20	217	15	-	2,310
Impairments	(127)	(1,152)	(10)	(9)	(4)	-	(2)	-	-	(1,304)
Reversals of impairments	24	184	1	1	-	-	-	-	-	210
Reclassifications	3	715	7	(989)	126	8	75	5	-	(50)
Revaluations	80	(186)	(4)	-	(17)	-	(5)	(1)	-	(133)
Transfers to/ from assets held for sale	(7)	(6)	-	-	-	-	-	-	-	(13)
Disposals / derecognition	(25)	(47)	(1)	(1)	(197)	(27)	(93)	(11)	-	(402)
Valuation/gross cost at 31 March 2019	2,790	21,894	253	1,599	5,623	246	2,238	383	7	35,033
Accumulated depreciation at 1 April 2018	30	1,309	22	9	3,598	157	1,364	261	2	6,752
Transfers by absorption	-	3	-	-	27	-	4	2	-	36
Previous prior period adjustments accounted for in 2018/19	(20)	(168)	(3)	-	(3)	-	(3)	(3)	(2)	(202)
Provided during the year	-	622	7	-	363	21	214	26	-	1,253
Impairments	9	151	6	1	-	-	-	-	-	167
Reversals of impairments	(2)	(61)	-	(1)	-	-	-	-	-	(64)
Reclassifications	-	(30)	-	-	-	-	-	(1)	-	(31)
Revaluations	(6)	(535)	(12)	-	(18)	-	(6)	(1)	-	(578)
Transfers to/ from assets held for sale	-	-	-	-	-	-	-	-	-	-
Disposals / derecognition	-	(12)	(1)	(1)	(191)	(26)	(92)	(11)	-	(334)
Accumulated depreciation at 31 March 2019	11	1,279	19	8	3,776	152	1,481	273	-	6,999
Net book value at 31 March 2019	2,779	20,615	234	1,591	1,847	94	757	110	7	28,034
Net book value at 1 April 2018	2,788	20,513	222	1,463	1,724	88	680	114	12	27,604

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

Note 12.3 Property, plant and equipment financing - 2019/20

	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
Net book value at 31 March 2020										
Owned - purchased	2,489	15,965	202	1,999	1,701	104	872	108	4	23,444
Finance leased	28	138	9	12	118	1	16	6	-	328
On-SoFP PFI contracts and other service concession arrangements	30	4,481	12	1	44	-	1	-	-	4,569
Off-SoFP PFI residual interests	-	-	2	-	-	-	-	-	-	2
Owned - government granted	-	36	-	2	2	-	-	-	-	40
Owned - donated	76	999	12	139	208	1	10	14	-	1,459
NBV total at 31 March 2020	2,623	21,619	237	2,153	2,073	106	899	128	4	29,842

Note 12.4 Property, plant and equipment financing - 2018/19

	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
Net book value at 31 March 2019										
Owned - purchased	2,616	15,282	196	1,393	1,486	92	735	96	7	21,903
Finance leased	38	146	15	13	110	1	13	1	-	337
On-SoFP PFI contracts and other service concession arrangements	29	4,164	9	127	53	-	1	-	-	4,383
Off-SoFP PFI residual interests	-	-	2	-	-	-	-	-	-	2
Owned - government granted	-	38	-	4	2	-	-	-	-	44
Owned - donated	96	985	12	54	196	1	8	13	-	1,365
NBV total at 31 March 2019	2,779	20,615	234	1,591	1,847	94	757	110	7	28,034

Note 13 Inventories

	31 March 2020	31 March 2019
	£m	£m
Drugs	281	230
Consumables	418	396
Energy	8	8
Other	41	45
Total inventories	748	679

Inventories recognised in expenses for the year were £6,654 million (2018/19 £5,988 million). Write-downs of inventories recognised as expenses for the year were £7 million (2018/19: £7 million).

The UK Government's response to COVID-19 included a lockdown period coinciding with the 31 March 2020 year end. For inventory balances, NHS foundation trusts were able to employ a variety of procedures to assure themselves of the material accuracy of inventory balances at the year end. Where inventory is material to a provider, international standards on auditing prescribe that the auditor must attend one or more inventory counts. This was not possible given the Government's restrictions on movement, and audits being performed remotely. This limitation of the auditor's scope led to a corresponding qualified audit opinion at 17 NHS foundation trusts. The total inventory balance at these trusts is £169 million. This is not material to these consolidated accounts.

Note 14 Receivables

	31 March 2020	31 March 2019
	£m	£m
Current		
Contract receivables*	3,956	4,158
Contract assets	21	92
Capital receivables	66	52
Allowance for impaired contract receivables / assets	(384)	(356)
Allowance for other impaired receivables	(14)	(28)
Deposits and advances	5	5
Prepayments	583	513
PDC dividend receivable	33	36
VAT receivable	171	188
Other receivables	117	97
NHS charitable funds receivables	8	6
Total current receivables	4,562	4,763
Non-current		
Contract receivables	163	140
Contract assets	4	3
Capital receivables	14	29
Allowance for impaired contract receivables / assets	(16)	(14)
Allowance for other impaired receivables	(1)	(1)
Deposits and advances	5	5
Prepayments	212	183
Other receivables	97	33
NHS charitable funds receivables	1	1
Total non-current receivables	479	379
Of which receivable from NHS and DHSC group bodies		
Current	2,685	3,065
Non-current	65	2

* Current contract receivables include £571 million of accrued income from the Provider Sustainability and Financial Recovery Funds (2018/19: £1,233 million).

The terms 'contract receivables' and 'contract assets' are defined in accounting policy note 1.2.

Note 15 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.

	2019/20	2018/19
	£m	£m
At 1 April	4,762	3,948
Adjustments to prior period accounted for in-year	-	(5)
Transfers by absorption	25	27
Net change in year	806	792
At 31 March	5,593	4,762
Broken down into:		
Cash at commercial banks and in hand (excluding charitable funds)	114	113
Cash with the Government Banking Service (excluding charitable funds)	5,190	4,216
Deposits with the National Loans Fund (excluding charitable funds)	130	299
Other current investments (excluding charitable funds)	10	2
NHS charitable funds cash and cash equivalents	149	132
Total cash and cash equivalents as in SoFP	5,593	4,762
Bank overdrafts	-	(5)
Total cash and cash equivalents as in SoCF	5,593	4,757

Note 16 Trade and other payables

	31 March 2020	31 March 2019
	£m	£m
Current		
Trade payables	1,751	1,772
Capital payables	668	462
Accruals	2,867	2,497
Receipts in advance	57	63
Social security costs	476	412
Other taxes payable	341	345
PDC dividend payable	12	3
Other payables	615	580
Total current trade and other payables	6,787	6,134
Non-current		
Trade payables	7	2
Capital payables	3	3
Accruals	4	3
Receipts in advance	2	-
Other payables	2	7
Total non-current trade and other payables	18	15
Of which payable to NHS and DHSC group bodies		
Current	616	596
Non-current	-	1

Note 17 Other liabilities

	31 March 2020 £m	31 March 2019 £m
Current		
Deferred income: contract liability	670	546
Deferred grants	12	33
Deferred PFI income/credits	3	4
Lease incentives	7	7
Deferred income: other	16	16
Total other current liabilities	708	606
Non-current		
Deferred income: contract liability	74	58
Deferred grants	3	6
Deferred PFI income/credits	21	24
Lease incentives	7	8
Deferred income: other	-	3
Net pension scheme liability	44	52
Total other non-current liabilities	149	151

Note 18 Borrowings

	31 March 2020 £m	31 March 2019 £m
Current		
Bank overdrafts	-	5
Loans from the Department of Health and Social Care*	7,024	1,762
Other loans	45	20
Obligations under finance leases	42	35
Obligations under PFI, LIFT or other service concession contracts	149	137
Total current borrowings	7,260	1,959
Non-current		
Loans from the Department of Health and Social Care*	2,355	5,895
Other loans	256	261
Obligations under finance leases	202	173
Obligations under PFI, LIFT or other service concession contracts	4,175	4,265
Total non-current borrowings	6,988	10,594

*On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of public dividend capital (PDC) to allow the repayment. Outstanding interim loans totalling £6.8 billion have been classified as current borrowings within these accounts, of which £3.5 billion would otherwise have been non-current but are now repayable within 12 months.

Note 18.1 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC £m	Other loans £m	Finance leases £m	PFI and LIFT schemes £m	Total £m
Carrying value at 1 April 2019	7,657	281	208	4,402	12,548
Cash movements:					
Financing cash flows - payments and receipts of principal	1,309	7	(40)	(137)	1,139
Financing cash flows - payments of interest	(192)	(10)	(12)	(255)	(469)
Non-cash movements:					
Transfers by absorption	409	12	17	51	489
Additions	-	-	60	12	72
Application of effective interest rate	196	11	12	254	473
Other changes	-	-	(1)	(3)	(4)
Carrying value at 31 March 2020	9,379	301	244	4,324	14,248

Note 18.2 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC £m	Other loans £m	Finance leases £m	PFI and LIFT schemes £m	Total £m
Carrying value at 1 April 2018	5,983	192	163	4,536	10,874
Impact of implementing IFRS 9 on 1 April 2018	23	4	-	-	27
Cash movements:					
Financing cash flows - payments and receipts of principal	1,527	89	(35)	(138)	1,443
Financing cash flows - payments of interest	(149)	(13)	(10)	(264)	(436)
Non-cash movements:					
Transfers by absorption	114	-	6	55	175
Additions	-	-	74	12	86
Application of effective interest rate	159	9	9	262	439
Early terminations	-	-	-	(59)	(59)
Other changes	-	-	1	(2)	(1)
Carrying value at 31 March 2019	7,657	281	208	4,402	12,548

Note 19.1 Provisions for liabilities and charges

	31 March 2020		31 March 2019	
	Current	Non-current	Current	Non-current
	£m	£m	£m	£m
Pensions	25	251	22	241
Other legal claims	36	4	41	4
Restructurings	6	5	8	2
Equal Pay	4	-	3	-
Redundancy	24	1	35	-
Other	196	122	170	45
Total	291	383	279	292

Note 19.2 Provisions for liabilities and charges analysis

	Pensions £m	Other legal claims £m		Restructuring £m	Equal Pay £m	Redundancy £m	Other £m	Total £m
At 1 April 2019	263	45	10	3	35	215	571	
Transfers by absorption	3	1	-	-	-	2	6	
Adjustments to prior period accounted for in-year	-	(13)	-	-	-	-	(13)	
Change in the discount rate	16	-	-	-	-	-	16	
Arising during the year	23	26	9	1	17	187	263	
Utilised during the year	(24)	(8)	(3)	-	(7)	(34)	(76)	
Reversed unused	(6)	(11)	(5)	-	(20)	(52)	(94)	
Unwinding of discount	1	-	-	-	-	-	1	
At 31 March 2020	276	40	11	4	25	318	674	
Expected timing of cash flows:								
- not later than one year;	25	36	6	4	24	196	291	
- later than one year and not later than five years;	92	2	5	-	-	71	170	
- later than five years.	159	2	-	-	1	51	213	
Total	276	40	11	4	25	318	674	

- Pension provisions relate to staff who have retired early from the NHS Pensions Scheme and are calculated in accordance with DHSC guidance.
- Other legal claims include personal legal claims that have been lodged against NHS foundation trusts with NHS Resolution but not yet agreed and therefore not included in provisions held by NHS Resolution.
- Equal pay 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 19.3 Clinical negligence liabilities

NHS Resolution manages clinical and some non-clinical claims on behalf of NHS foundation trusts. For this to occur, providers pay an annual premium to NHS Resolution, who then assumes responsibility for settling claims on providers' behalf. This is called the Clinical Negligence Scheme for Trusts (CNST) which covers clinical negligence claims for incidents occurring on or after 1 April 1995. The Existing Liabilities Scheme (ELS) is centrally funded by DHSC and covers clinical negligence claims against NHS organisations for incidents occurring before 1 April 1995.

Under these schemes, most liabilities for clinical negligence are not included in providers' 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 NHS Resolution.

As at 31 March 2020, NHS Resolution held provisions for clinical negligence liabilities totalling £19,249 million for CNST (2018/19: £18,423 million) and £520 million for ELS (2018/19: £650 million) on behalf of NHS foundation trusts.

Note 20 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 2020 £m	31 March 2019 £m
Value of contingent liabilities		
NHS Resolution legal claims	(5)	(13)
Employment tribunal and other employee related litigation	(2)	-
Other	(34)	(20)
Gross value of contingent liabilities	(41)	(33)
Amounts recoverable against liabilities	1	9
Net value of contingent liabilities	(40)	(24)
Net value of contingent assets	16	16

Note 21.1 Contractual capital commitments

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

	31 March 2020 £m	31 March 2019 £m
Property, plant and equipment	897	721
Intangible assets	61	76
Total	958	797

Note 22 On-SoFP PFI, LIFT or other service concession lease arrangements

Note 22.1 On-SoFP PFI, LIFT and other service concession obligations

NHS providers recognise the following obligations in respect of assets included in the on-Statement of Financial Position PFI and LIFT schemes:

	31 March 2020 £m	31 March 2019 £m
Gross PFI, LIFT or other service concession liabilities	8,735	9,072
Of which liabilities are due		
- not later than one year;	465	452
- later than one year and not later than five years;	1,855	1,815
- later than five years.	6,415	6,805
Finance charges allocated to future periods	(4,411)	(4,670)
Net PFI, LIFT or other service concession arrangement obligation	4,324	4,402
- not later than one year;	149	137
- later than one year and not later than five years;	700	647
- later than five years.	3,475	3,618

Note 22.2 Total service concession arrangement commitments

NHS providers are committed to making the following total payments in respect of on-Statement of Financial Position PFI, LIFT and other service concession arrangements:

	31 March 2020 £m	31 March 2019 £m
Total future payments due in:		
- not later than one year;	1,247	1,172
- later than one year and not later than five years;	5,194	4,911
- later than five years.	20,784	21,767
Total	27,225	27,850
	Number	Number
Total number of PFI, LIFT and other service concession schemes accounted for on-SoFP at 31 March	106	99
Of which schemes with total future commitment in excess of £500 million	16	15

Note 22.3 Analysis of amounts paid to service concession operators

This note shows the total amount paid to the service concession operator in the year, on an accruals basis. The constituent parts of the unitary payment are taken to the Consolidated Statement of Comprehensive Income or Consolidated Statement of Financial Position as appropriate.

	2019/20 £m	2018/19 £m
Unitary payment paid to service concession operator	1,205	1,148
Consisting of:		
- Interest charge	255	262
- Repayment of balance sheet obligation	136	138
- Service element	554	512
- Capital lifecycle maintenance	53	45
- Revenue lifecycle maintenance	8	9
- Contingent rent	163	153
- Addition to lifecycle prepayment	36	29

Note 23 Financial instruments

Note 23.1 Financial assets - 2019/20

Carrying values of financial assets as at 31 March 2020	Financial assets at amortised cost £m	Financial assets at fair value through I&E £m	Financial assets at fair value through OCI* £m	Total £m
Receivables excluding non-financial assets	3,972	-	-	3,972
Investments / financial assets	65	2	8	75
Cash and cash equivalents at bank and in hand**	5,444	-	-	5,444
NHS charitable funds financial assets	182	70	34	286
Total at 31 March 2020	9,663	72	42	9,777

* Financial assets at fair value through other comprehensive income include £33 million (2018/19: £51 million) of investments in equity instruments designated as held at fair value through other comprehensive income on initial recognition.

** Cash and cash equivalents excludes cash held by NHS charitable funds, which is shown within the final row above.

Note 23.2 Financial assets - 2018/19

Carrying values of financial assets as at 31 March 2019	Financial assets at amortised cost £m	Financial assets at fair value through I&E £m	Financial assets at fair value through OCI* £m	Total £m
Receivables excluding non-financial assets	4,132	-	-	4,132
Investments / financial assets	73	8	23	104
Cash and cash equivalents at bank and in hand**	4,630	-	-	4,630
NHS charitable funds financial assets	198	45	38	281
Total at 31 March 2019	9,033	53	61	9,147

For matters denoted by asterisks, see note 23.2 above.

Note 23.3 Financial liabilities

	31 March 2020 £m	31 March 2019 £m
Carrying values of financial liabilities		
Loans from the Department of Health and Social Care	9,379	7,657
Obligations under PFI, LIFT and other service concession contracts	4,324	4,402
Obligations under finance leases	244	208
Other borrowings	301	286
Trade and other payables excluding non-financial liabilities	5,691	5,122
Other financial liabilities	1	-
Provisions under contract	230	197
NHS charitable funds financial liabilities	4	5
Total financial liabilities	20,174	17,877

All financial liabilities are held at amortised cost.

Note 23.4 Maturity of financial liabilities

	31 March 2020 £m	31 March 2019 £m
Financial liabilities fall due in:		
In one year or less	13,026	7,150
In more than one year but not more than two years	588	1,931
In more than two years but not more than five years	1,242	2,947
In more than five years	5,318	5,849
Total financial liabilities	20,174	17,877

Note 23.5 Fair values of financial instruments

At a consolidated level, the fair values of financial instruments disclosed by individual NHS foundation trusts, do not differ materially from the book values disclosed above.

Note 23.6 Financial risk management

The risks arising from financial instruments and the NHS foundation trusts' 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 provider.

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 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 categorising each trust according to the NHS Oversight Framework. It may provide mandated support to providers where required.

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

On 2 April 2020, the Department of Health and Social Care (DHSC) announced reforms to the cash regime (see note 29 for more details). As a consequence, £6.8 billion of DHSC interim loans are classified as current in these accounts and are repayable in 2020/21. As this repayment will be facilitated through the issue of public dividend capital, this does not represent an increased liquidity risk for NHS providers.

As disclosed within the accounting policies at Note 1.24, the auditors of 33 NHS foundation trusts have included a material uncertainty paragraph within their audit opinions to draw attention to the going concern disclosure included within those accounts (2018/19: 41). In the NHS sector, the focus is on the continuity of services and NHS Improvement's oversight 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 visitors without reciprocal arrangements, however this income contributes only 1.1% of total income from patient care activities generated in the year to 31 March 2020 (2018/19: 1.16%). Other sources of income from non-public sector bodies amount to a small proportion of total provider 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, £5.3 billion is held with the Government Banking Service and National Loans Fund. Individual providers have confirmed that they do not consider these deposits to be exposed to significant credit risk. The maximum exposures as at 31 March 2020 are in receivables, as disclosed in the 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 DHSC. The term of DHSC loans can range up to 25 years but individual DHSC loan products may be shorter, with the potential for replacement DHSC loans to be at a different interest rate. However given the total interest paid to DHSC by NHS foundation trusts (see note 9) this is not a material risk to the consolidated NHS foundation trust accounts.

Note 24 Analysis of NHS charitable funds reserves

	31 March 2020 £m	31 March 2019 £m
Restricted funds:		
Endowment funds	10	12
Other restricted income funds	86	84
Unrestricted funds:		
Unrestricted income funds	168	173
Revaluation reserve	2	4
Other reserves	1	1
Total	267	274

NHS charitable funds are consolidated by 42 NHS foundation trusts where the trust determines they have control (2018/19: 42) as outlined in accounting policy 1.1. Other providers may also have charities meeting the definition of local control that are not locally consolidated on the grounds of materiality.

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.

Note 25.1 Losses and special payments

	2019/20		2018/19	
	Number of cases	Total value of cases £m	Number of cases	Total value of cases £m
Losses				
Cash losses	2,689	2.3	2,941	3.0
Fruitless payments	536	1.1	512	1.1
Bad debts and claims abandoned	23,775	26.2	21,455	26.6
Stores losses and damage to property	4,691	8.9	4,614	8.4
Total losses	31,691	38.5	29,522	39.1
Special payments				
Extra-contractual payments	7	-	3	0.8
Extra-statutory and extra-regulatory payments	18	0.4	4	-
Compensation payments under court order or legally binding arbitration award	231	1.5	266	2.7
Special severance payments	9	0.3	20	0.7
Ex-gratia payments	4,556	8.9	4,760	8.8
Total special payments	4,821	11.1	5,053	13.0
Total losses and special payments	36,512	49.6	34,575	52.1
Compensation payments received to recover losses		0.4		2.0

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 25.2 Losses and special payments in excess of £300,000

HM Treasury requires additional disclosure of losses or special payments individually in excess of £0.3 million.

In 2019/20 2 individual foundation trusts reported losses or special payments in excess of £0.3 million:

- Royal Surrey County Hospital NHS Foundation Trust recorded pharmacy losses of £0.630 million
- Essex Partnership University NHS Foundation Trust recorded losses of £0.726 million relating to contract exit fee

In 2018/19, 10 individual losses and special payments were reported in excess of £0.3 million totaling £4.9 million:

- Royal Surrey County Hospital NHS Foundation Trust;
- Medway NHS Foundation Trust;
- Countess of Chester Hospital NHS Foundation Trust;
- Wirral University Teaching Hospital NHS Foundation Trust;
- Kings College London NHS Foundation Trust;
- Mersey Care NHS Foundation Trust;
- University Hospitals of Derby and Burton NHS Foundation Trust;
- Royal United Hospitals Bath NHS Foundation Trust;
- The Dudley Group NHS Foundation Trust; and
- Guy's & St Thomas' NHS Foundation Trust

Note 25.3 Gifts

NHS foundation trusts granted 13 gifts with total value of £8,000 (2018/19: 8 gifts, £18,000). HM Treasury requires additional disclosure of gifts individually in excess of £300,000. No individual gift was in excess of £300,000.

Note 26 Related parties

DHSC is regarded as a related party of NHS foundation trusts. Per paragraph 25 of IAS 24, government-related entities are not required to disclose balances and transactions with entities that have the same government control. The information below was collected from NHS foundation trusts, who were advised to exclude from the data collection balances and transactions with entities within the whole of government accounts boundary.

Information on related party balances and transactions with charitable funds and group entities below only relates to where the entity has not been consolidated within the local accounts, and thus not consolidated within these consolidated NHS foundation trust accounts.

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

	Receivables		Payables	
	31 March 2020 £m	31 March 2019 £m	31 March 2020 £m	31 March 2019 £m
Value of balances with board members and key staff (excluding salaries)	-	-	-	-
Value of balances with other related parties:				
Non-consolidated NHS charitable funds	22	8	1	1
Subsidiaries / Associates / Joint ventures	21	17	9	5
Other	48	31	41	21
Value of allowances for expected credit losses held against related party balances	(2)	(2)	-	-
Total	89	54	51	27
Value of balances with related parties written off in year	-	-	-	-

	Income		Expenditure	
	2019/20 £m	2018/19 £m	2019/20 £m	2018/19 £m
Value of transactions with board members and key staff (excluding salaries)	-	-	-	-
Value of transactions with other related parties:				
NHS charitable funds	92	101	10	6
Subsidiaries / Associates / Joint Ventures	29	22	155	157
Other	101	88	141	98
Total	222	211	306	261

Note 27 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 absorption accounting: 2019/20

Eight absorption transactions occurred wholly within the NHS foundation trust sector during 2019/20 and the accounting entries have been eliminated within these consolidated accounts. More details of the assets and liabilities involved in these transactions is given in note 30 of the consolidated NHS provider accounts. The following absorption transactions occurred between NHS foundation trusts and other government bodies during 2019/20 and so reflect absorption movements in or out of the consolidated NHS foundation trust accounts:

Receiving body	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
Gloucestershire Health and Care NHS Foundation Trust	Gloucestershire Care Services NHS Trust	1 October 2019	63	29	(12)	(1)	79	79
North Cumbria Integrated Care NHS Foundation Trust	North Cumbria University Hospitals NHS Trust	1 October 2019	216	58	(284)	(49)	(59)	-
Liverpool University Hospitals NHS Foundation Trust	Royal Liverpool and Broadgreen University Hospitals NHS Trust	1 October 2019	427	105	(92)	(148)	292	292
Other transfers			10	-	-	-	10	-
Totals			716	192	(388)	(198)	322	371

Transfers from NHS Property Services related to assets formerly held by Primary Care Trusts were received by West Suffolk NHS Foundation Trust and Dorset Healthcare University NHS Foundation Trust on 30 September 2019. See accounting policy 1.1 for details of the 'modified' treatment that applies to gains recognised on these transfers.

The sum of the absorption gains and losses rows in the other notes to the accounts do not equal the balances presented in this note, as not all notes contain details of the movements in the year.

Transactions accounted for under absorption accounting: 2018/19

Two absorption transactions occurred within the NHS foundation trust sector during 2018/19 and the accounting entries were eliminated within these consolidated accounts. The following absorption transactions occurred between NHS foundation trusts and other government bodies during 2018/19 and so reflect absorption movements in or out of the consolidated NHS foundation trust accounts:

Receiving NHS provider	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
Mersey Care NHS Foundation Trust	Liverpool Community Health NHS Trust	1 April 2018	10	18	(9)	(1)	18	-
Midlands Partnership NHS Foundation Trust	Staffordshire and Stoke on Trent Partnership NHS Trust	1 June 2018	86	30	(29)	(74)	13	1
East Suffolk and North Essex NHS Foundation Trust	Ipswich Hospital NHS Trust	1 July 2018	142	35	(53)	(83)	41	41
Other transfers			1	-	-	(4)	(3)	-
Totals			239	83	(91)	(162)	69	42

Note 28 Prior period adjustments

Sector-wide changes in accounting policy

In 2019/20, there have been no changes in accounting policy requiring sector-wide restatement of comparatives.

Other prior period adjustments applied by NHS foundation trusts

Local prior period adjustments in individual NHS foundation trusts are not material to the consolidated accounts, and so their effects are instead disclosed in the current year.

Note 29 Events after the reporting date

As at 31 March 2020 there were 149 NHS foundation trusts. On 1 April 2020, all services previously provided by the following providers transferred to successor bodies and the divesting providers were dissolved.

Divesting provider(s)	Receiving provider
Weston Area Health NHS Trust	University Hospitals Bristol NHS Foundation Trust. The continuing provider is now known as University Hospitals Bristol and Weston NHS Foundation Trust.
Bedford Hospital NHS Trust	Luton and Dunstable University Hospital NHS Foundation Trust. The continuing provider is now known as Bedfordshire Hospitals NHS Foundation Trust
Taunton and Somerset NHS Foundation Trust	Somerset Partnership NHS Foundation Trust. The continuing provider is now known as Somerset NHS Foundation Trust.
Basildon and Thurrock University Hospitals NHS Foundation Trust	Southend University Hospital NHS Foundation Trust. The continuing provider is now known as Mid and South Essex Hospitals NHS Foundation Trust.
Mid Essex Hospital Services NHS Trust	

In addition, on 1 April 2020, most services previously provided by Dudley and Walsall Mental Health Partnership NHS Trust were transferred to Black Country Partnership NHS Foundation Trust. The receiving provider is now known as Black Country Healthcare NHS Foundation Trust. Dudley and Walsall Mental Health Partnership NHS Trust continues to operate in a more limited capacity as Dudley Integrated Health and Care NHS Trust. The Trust became the host for the first integrated care provider (ICP) contract in October 2020.

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £6.8 billion as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

On 1 October 2020 the following two providers merged to form a new foundation trust and both predecessor organisations were dissolved. At the time of authorising these financial statements, there are 146 NHS foundation trusts.

Divesting providers	New provider
The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust	University Hospitals Dorset NHS Foundation Trust
Poole Hospital NHS Foundation Trust	

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