

NHS foundation trusts: consolidated accounts 2020/21

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 2019/20 or 2020/21 are as follows:

1 April 2019	Opening number of NHS foundation trusts (includes the authorisation of South Tyneside and Sunderland NHS Foundation Trust as a newly formed entity. This follows the dissolution of South Tyneside NHS Foundation Trust and City Hospitals Sunderland NHS Foundation Trust.	149
31 March 2020	Number of NHS foundation trusts at end of year	149
1 April 2020	Dissolution of Basildon & Thurrock University Hospitals NHS Foundation Trust on acquisition by Southend University Hospital NHS Foundation Trust; entity renamed as Mid and South Essex Hospitals NHS Foundation Trust.	-1
1 April 2020	Dissolution of Taunton & Somerset NHS Foundation Trust on acquisition by Somerset Partnership NHS Foundation Trust; entity renamed as Somerset NHS Foundation Trust.	-1
1 October 2020	Authorisation of University Hospitals Dorset NHS Foundation Trust as a newly formed entity.	1
	This follows the dissolution of The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust and Poole Hospital NHS Foundation Trust.	-2
1 February 2021	Dissolution of Royal Brompton and Harefield NHS Foundation Trust on acquisition by Guy's & St Thomas' NHS Foundation Trust.	-1
31 March 2021	Number of NHS foundation trusts at end of year	145

Statement of Accounting Officer's Responsibilities

Professor Stephen Powis 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. He is not the accounting officer for each individual NHS foundation trust; this is the role of each NHS foundation trust's chief executive, designated as accounting officer by the National Health Service Act 2006.

Amanda Pritchard was the accounting officer for NHS Improvement (Monitor legal entity) for the 2020/21 financial year and up to 31 July 2021 before becoming chief executive of NHS England on 1 August 2021. Professor Stephen Powis, as incoming accounting officer for NHS Improvement, received assurances from Amanda Pritchard as part of authorising these accounts.

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 (FRoM). 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
- confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS foundation trust's performance, business model and strategy and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

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 FRoM, 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.

Professor Stephen Powis
National Medical Director and Interim NHS Improvement Chief Executive Officer
21 January 2022

Consolidated statement of comprehensive income for the year ended 31 March 2021

	Note	2020/21			2019/20		
		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	60,761	-	60,761	54,226	-	54,226
Other operating income	4	10,163	-	10,163	6,833	-	6,833
Total operating income		70,924	-	70,924	61,059	-	61,059
Operating expenses	5, 6	(69,479)	(1,187)	(70,666)	(60,372)	(544)	(60,916)
Operating surplus/(deficit)		1,445	(1,187)	258	687	(544)	143
Finance income		7	-	7	50	-	50
Finance expenses	9	(548)	-	(548)	(642)	-	(642)
PDC dividends payable		(483)	-	(483)	(442)	-	(442)
Net finance costs		(1,024)	-	(1,024)	(1,034)	-	(1,034)
Other gains/(losses)		14	-	14	22	-	22
Share of profits/(losses) of joint ventures/associates		20	-	20	22	-	22
Gains arising from transfers by absorption	27	-	100	100	-	371	371
Losses arising from transfers by absorption	27	(1)	(45)	(46)	-	(59)	(59)
Corporation tax expense		(10)	-	(10)	1	-	1
Surplus/(deficit) for the year		444	(1,132)	(688)	(302)	(232)	(534)
Other comprehensive income/(expenditure)							
Will not be reclassified to income and expenditure:							
Net impairments charged to the revaluation reserve	8	-	(524)	(524)	-	(411)	(411)
Revaluations	8	(1)	533	532	-	614	614
Fair value gains/(losses) on equity instruments designated at fair value through OCI		17	-	17	(15)	-	(15)
Gains arising from transfers by modified absorption	27	-	-	-	-	10	10
Other OCI movements		(23)	(1)	(24)	2	-	2
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		8	-	8	(5)	-	(5)
Other comprehensive income/(expense)		1	8	9	(18)	213	195
Total comprehensive income/(expense) for the period		445	(1,124)	(679)	(320)	(19)	(339)

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 2021

		31 March 2021	31 March 2020
	Note	£m	£m
Non-current assets			
Intangible assets	11	1,166	998
Property, plant and equipment	12	32,054	29,842
Investment property		195	201
Investments in joint ventures and associates		96	91
Other financial assets		183	141
Receivables	15	405	479
Other assets		6	4
Total non-current assets		34,105	31,756
Current assets			
Inventories	13	798	748
Receivables	15	2,977	4,562
Other financial assets		26	39
Other current assets		1	-
Non-current assets held for sale and assets in disposal groups		39	42
Cash and cash equivalents	14	10,323	5,593
Total current assets		14,164	10,984
Current liabilities			
Trade and other payables	16	(9,472)	(6,787)
Borrowings	18	(470)	(7,260)
Other financial liabilities		-	(1)
Provisions	19	(505)	(291)
Other liabilities	17	(1,201)	(708)
Total current liabilities		(11,648)	(15,047)
Total assets less current liabilities		36,621	27,693
Non-current liabilities			
Trade and other payables	16	(26)	(18)
Borrowings	18	(6,799)	(6,988)
Provisions	19	(479)	(383)
Other liabilities	17	(192)	(149)
Total non-current liabilities		(7,496)	(7,538)
Total assets employed		29,125	20,155
Financed by			
Public dividend capital		26,337	16,574
Revaluation reserve		5,905	5,881
Other reserves		129	118
Income and expenditure reserve		(3,538)	(2,685)
NHS charitable fund reserves	24	292	267
Total taxpayers' equity		29,125	20,155

The accompanying notes are an integral part of these accounts. They are presented on pages 10 to 62.

Professor Stephen Powis
National Medical Director and NHS Improvement Interim Chief Executive
21 January 2022

Consolidated statement of changes in equity for the year ended 31 March 2021

	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 2020 - brought forward		16,574	5,881	118	(2,685)	267	20,155
Surplus/(deficit) for the year		-	-	-	(739)	51	(688)
Transfers by absorption: transfers between reserves	27	105	86	-	(192)	1	-
Adjustments to prior period accounted for in-year *		-	(3)	-	(34)	(6)	(43)
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits		-	(12)	-	12	-	-
Other transfers between reserves		-	(45)	-	45	-	-
Impairments	8	-	(524)	-	-	-	(524)
Revaluations	8	-	532	-	-	-	532
Transfer to income and expenditure reserve on disposal of assets		-	(10)	-	10	-	-
Share of comprehensive income from associates and joint arrangements		(1)	-	-	1	-	-
Fair value gains/(losses) on financial assets mandated at fair value through Other Comprehensive Income (OCI)		-	-	1	-	7	8
Fair value gains/(losses) on equity instruments designated at fair value through OCI		-	-	17	-	-	17
Remeasurements of the defined net benefit pension scheme liability/asset		-	-	(7)	(18)	-	(25)
Public dividend capital received		9,750	-	-	-	-	9,750
Public dividend capital repaid		(58)	-	-	-	-	(58)
Public dividend capital written off		(33)	-	-	33	-	-
Other reserve movements**		-	-	-	29	(28)	1
Taxpayers' and others' equity at 31 March 2021		26,337	5,905	129	(3,538)	292	29,125

* 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 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		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
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 income and expenditure reserve 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

* 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 prior to authorisation as an NHS foundation trust. Additional PDC may also be issued to NHS foundation trusts by the Department of Health and Social Care to fund capital investment or support operating cash flows. 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 2021

	Note	2020/21 £m	2019/20 £m
Cash flows from operating activities			
Operating surplus/ (deficit)		258	143
Non-cash income and expense:			
Depreciation and amortisation	5.1	1,776	1,508
Net impairments	8	1,187	544
Donations/grants credited to income		(211)	(101)
Non-cash movements in on-SoFP pension liability		4	7
(Increase) in receivables and other assets		1,739	275
(Increase) in inventories		(38)	(55)
Increase in payables and other liabilities		2,520	465
Increase/(Decrease) in provisions		302	108
Corporation tax (paid)		(8)	(5)
NHS charitable funds net adjustments to operating cash flows		8	(2)
Other movements in operating cash flows		(50)	(1)
Net cash generated from operating activities		7,487	2,886
Cash flows from investing activities			
Interest received		3	44
Purchase of financial assets/investments		(14)	(97)
Sale of financial assets/investments		35	113
Purchase of intangible assets		(357)	(280)
Purchase of property, plant, equipment and investment property		(3,723)	(2,591)
Sales of property, plant, equipment and investment property		74	56
Receipt of cash donations to purchase capital assets		74	95
NHS charitable funds investing cash flows		(1)	4
Net cash generated used in investing activities		(3,909)	(2,656)
Cash flows from financing activities			
Public dividend capital received		9,750	504
Public dividend capital repaid		(11)	(1)
Receipt of loans from the Department of Health and Social Care		14	1,665
Repayment of loans from the Department of Health and Social Care		(7,377)	(356)
Receipt of other loans		85	26
Repayment of other loans		(34)	(19)
Capital element of finance lease rental payments		(44)	(40)
Capital element of PFI, LIFT and other service concession payments		(154)	(137)
Interest paid on finance lease liabilities		(14)	(12)
Interest paid on PFI, LIFT and other service concession obligations		(442)	(417)
Other interest paid		(99)	(202)
Other capital receipts		1	-
PDC dividend (paid)		(550)	(430)
Cash flows used in other financing activities		(3)	-
Net cash generated from financing activities		1,122	581
Increase / (decrease) in cash and cash equivalents		4,700	811
Cash and cash equivalents at 1 April		5,593	4,757
Cash and cash equivalents transferred under absorption accounting	14	30	25
Adjustments to prior period accounted for in year		(2)	-
Cash and cash equivalents at 31 March	14	10,321	5,593

Total cash and cash equivalents is reconciled to the Consolidated Statement of Financial Position in note 14.

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 (SOCi) policy

The SOCi 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 £70.9 billion, we have used a materiality threshold of £500 million, which is 0.71% of operating revenues.

Note 1.1 Consolidation and other entities

Basis of consolidation

These accounts consolidate the audited accounts of all NHS foundation trusts that have been in existence during 2020/21 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 its results are not incorporated within these accounts. As there is no parent entity within this consolidation, only consolidated group statements are presented.

Business combinations and machinery of government changes

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

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 in other comprehensive income: 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 2020/21 and 2019/20 are provided in note 27.

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 financial results 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

The accounting policies for revenue recognition and the application of IFRS 15 are consistently applied. The contracting arrangements in the NHS changed between 2019/20 and 2020/21 affecting the application of the accounting policy under IFRS 15. This difference in application is explained below.

2020/21

The main source of income for NHS providers is contracts with commissioners for health care services. In 2020/21, the majority of providers' income from NHS commissioners was in the form of block contract arrangements. During the first half of the year providers received block funding from commissioners. For the second half of the year, block contract arrangements were agreed at an Integrated Care System or Sustainability and Transformation Partnership level. The related performance obligation is the delivery of healthcare and related services during the period, with providers' entitlement to consideration not varying based on the levels of activity performed.

Providers received additional income outside of the block and system envelopes to reimburse specific costs incurred and other income top-ups to support the delivery of services. Reimbursement and top-up income are accounted for as variable consideration.

Comparative period (2019/20)

In the comparative period (2019/20), contracts with NHS commissioners included those where a provider's entitlement to income varied according to services delivered. A performance obligation relating to delivery of a spell of health care was generally satisfied over time as healthcare was received and consumed simultaneously by the customer as a provider performed it. The customer in such a contract was the commissioner, but the customer benefited as services were provided to their patient. Even where a contract could be broken down into separate performance obligations, healthcare generally aligned with paragraph 22(b) of the Standard entailing a delivery of a series of goods or services that were substantially the same and had a similar pattern of transfer. At the year end, providers accrued income relating to activity delivered in that year, where a patient care spell was incomplete. This accrual was disclosed as a contract receivable as entitlement to payment for work completed was usually only dependent on the passage of time.

In 2019/20, the Provider Sustainability Fund and Financial Recovery Fund enabled providers to earn income linked to the achievement of financial controls and performance targets. Income earned from the funds is accounted for as variable consideration.

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)

In 2019/20, the PSF and FRF enabled NHS providers to earn income linked to the achievement of financial controls. Access to both funds was unlocked as NHS providers meet their financial control totals. Where a provider underperforms 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 were accounted for by providers as variable consideration as guided by the DHSC GAM.

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 2021 is based on valuation data as 31 March 2020, updated to 31 March 2021 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% of pensionable pay. The 2016 funding valuation was also expected to test the cost of the Scheme relative to the employer cost cap that was set following the 2012 valuation. In January 2019, the Government announced a pause to the cost control element of the 2016 valuations, due to the uncertainty around member benefits caused by the discrimination ruling relating to the McCloud case.

The Government subsequently announced in July 2020 that the pause had been lifted, and so the cost control element of the 2016 valuations could be completed. The Government has set out that the costs of remedy of the discrimination will be included in this process. HMT valuation directions will set out the technical detail of how the costs of remedy will be included in the valuation process. The Government has also confirmed that the Government Actuary is reviewing the cost control mechanism (as was originally announced in 2018). The review will assess whether the cost control mechanism is working in line with original government objectives and reported to Government in April 2021. The findings of this review will not impact the 2016 valuations, with the aim for any changes to the cost cap mechanism to be made in time for the completion of the 2020 actuarial valuations.

Other pension schemes

Local Government Pension Scheme

14 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.

Note 1.24 explains some estimation uncertainties relating to property valuations and explores the impact of these on these consolidated accounts.

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.

In 2020/21 this includes assets donated to providers by the Department of Health and Social Care and NHS England as part of the response to the coronavirus pandemic. As defined in the GAM, providers apply the principle of donated asset accounting to assets that the providers control and are obtaining economic benefits from at the year end.

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	100
Plant & machinery	1	35
Transport equipment	1	15
Information technology	1	20
Furniture & fittings	1	35

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 1.24 provides further information on the sensitivity of these estimated useful lives.

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 definition of an asset 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 Years	Max life 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.

In 2020/21, providers received inventories including personal protective equipment from the Department of Health and Social Care at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, providers have accounted for the receipt of these inventories at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by DHSC.

The DHSC GAM determined that providers act as an agent of DHSC or Public Health England in respect of vaccines and testing kits. Accordingly, such items are not recognised as inventory or an expense in NHS providers' accounts.

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 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 at amortised cost are those where cash flows are solely payments of principal and interest. Financial assets and liabilities subsequently measured at amortised cost include 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

Financial assets that are debt instruments are 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.

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 within surplus / (deficit) for the year.

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 contractual cash flows have been received or the provider has transferred substantially all the risks and rewards of ownership. A financial asset may also be written off when there is deemed no realistic prospect of recovery, at which point any loss in excess of credit loss allowances already recognised will be charged to operating expenditure.

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 2021.

		Nominal rate	Prior year rate
Short-term	Up to 5 years	Minus 0.02%	0.51%
Medium-term	After 5 years up to 10 years	0.18%	0.55%
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 2021.

	Inflation rate	Prior year rate
Year 1	1.20%	1.90%
Year 2	1.60%	2.00%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 0.95% in real terms (minus 0.50% at 31 March 2020).

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 NHS trust or predecessor NHS trust (in the case for NHS foundation trusts). 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, with certain additions and deductions as defined in the PDC dividend policy issued by the Department of Health and Social Care. This policy is available at <https://www.gov.uk/government/publications/guidance-on-financing-available-to-nhs-trusts-and-foundation-trusts>.

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 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 Going concern

HM Treasury's Financial Reporting Manual (FReM) defines that a public sector body that is not classified as a trading entity will be a going concern where there is the anticipated continuation of the provision of services in the future. The same definition is applied by NHS providers in preparing their financial statements. All NHS provider financial statements have been prepared on a going concern basis in 2020/21. NHS Improvement has prepared these consolidated financial statements on a going concern basis which reflects the basis on which the underlying accounts have been prepared.

In previous years, NHS providers have disclosed in their annual report and accounts where adoption of the going concern principle is dependent on future funding that was not guaranteed. This corresponded with local auditors reporting a material uncertainty on going concern in the audit reports of 33 provider accounts in 2019/20.

The Public Audit Forum issues guidance to auditors on how auditing standards should be applied in the public sector. Its publication 'Practice Note 10' was revised in late 2020. This updated guidance to auditors, approved by the Financial Reporting Council, explains that where the applicable financial reporting framework provides that the anticipated continued provision of services is a sufficient basis for going concern, then this should determine the extent of the auditor's procedures on going concern. This is the case in the NHS, with the DHSC Group Accounting Manual (GAM) and NHS foundation trust annual reporting manual (FT ARM) both based on the HM Treasury Financial Reporting Manual (FReM) where this definition applies. Corresponding updates were made to those manuals for 2020/21.

This meant that in 2020/21 NHS providers' assessment of going concern was solely based on the anticipated future provision of services in the public sector. Only one NHS provider audit report included a material uncertainty on going concern in 2020/21. These consolidated NHS provider accounts have therefore been prepared on a going concern basis with the sector having no material uncertainty to disclose. This is consistent with the current and future funding confirmed for the NHS by Parliament and the Government.

Note 1.24 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 foundation trusts:

- 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 1.23.
- 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 12.1, 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 12.1, buildings and plant & equipment depreciation comprise 49% 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 37 years and 10 years respectively. In average terms, making all asset lives one year shorter would increase the annual depreciation charge by approximately £21 million for buildings and £50 million for plant & machinery. This is not material. Based on a materiality of £1 billion, ten 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 continued to apply their professional judgement but declared the additional uncertainty attached to the 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 in both the current and prior year concluded that valuations recognised in local provider financial statements were materially accurate. In 2019/20, 144 foundation trusts told us that a report obtained from their valuer contained a material uncertainty disclosure while in 2020/21 this number fell to 16 foundation trusts. Consequently, no audit reports made reference to additional valuation uncertainty in 2020/21 (2019/20: 143).

Property assets in these consolidated accounts are valued at £25 billion. These accounts are prepared based on the judgements made locally by each NHS foundation trust. Given the reduction in uncertainty declared in valuation reports in 2020/21 and the absence of references made to such uncertainty in local audit reports, it is reasonable to conclude that additional uncertainty does not exist over the valuation of property assets in these consolidated accounts beyond that arising from local valuation assumptions in any year as explained above.

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

Note 1.25 Early adoption of standards, amendments and interpretations

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

Note 1.26 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 2021/22:</i>		
Amendments to financial instruments standards: IFRS 7, IFRS 9 and IAS 39	Phase 2 amendments under interest rate benchmark reforms.	Annual periods beginning on or after 1 January 2021.
<i>Standards, amendments or interpretations issued and effective for later periods:</i>		
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 2022. Not yet endorsed for use in the UK*.
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 UK*.
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 UK*.
IFRS 16 Leases	Original issue and subsequent amendments	For DHSC group bodies - applicable from 1 April 2022. Not yet adopted by the FReM.
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 UK*.
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 UK*.
IFRS 17 Insurance contracts	Original issue and subsequent amendments	Annual periods beginning on or after 1 January 2023. Not yet adopted for use in the UK*.

Standard	Description of amendment	Effective date
IAS 1 Presentation of financial statements (amendments)	Amendments regarding the classification of liabilities	Annual periods beginning on or after 1 January 2023. Not yet endorsed for use in the UK*.
IAS 1 Presentation of financial statements (amendments) and IFRS Practice Statement 2	Amendments relating to disclosing material accounting policies instead of significant accounting policies	Annual periods beginning on or after 1 January 2023. Not yet endorsed for use in the UK*.
IAS 8 Accounting policies, changes in accounting estimates and errors (amendment)	Amendments relating to the definition of accounting estimates	Annual periods beginning on or after 1 January 2023. Not yet endorsed for use in the UK*.

*The UK left the European Union (EU) on 31 January 2020 and the period of transition ended on 31 December 2020. For 2020/21 financial statements, NHS bodies have continued to apply EU adopted international financial reporting standards as adapted and interpreted by the HM Treasury FReM. From 1 January 2021, all international financial reporting standards already endorsed in the EU were brought into UK law as UK-adopted international accounting standards. From this date new or amended standards or interpretations issued by the IASB are subject to endorsement by the UK Endorsement Board before adoption in the UK.

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 is 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 0.91% 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 had 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 following the outbreak of COVID-19 in the UK and in recognition of the continued pressures this placed on all public services throughout 2020/21 a further deferral to 1 April 2022 was announced in November 2020. Due to the need to reassess lease calculations, together with uncertainty on expected leasing activity from April 2022 and beyond, a quantification of the expected impact of applying the standard in 2022/23 has been deemed impracticable by the majority of NHS providers in preparing their 2020/21 financial statements. However this standard is expected to have a material impact on assets and liabilities in the NHS provider consolidated accounts as can be seen from current operating lease disclosures.

For lessees, Note 10.2 in these accounts shows annual lease payments for operating leases of £585 million and future commitments under these contracts of £2.8 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)

	2020/21	2019/20
	£m	restated* £m
Acute services		
Block contract / system envelope income	38,685	32,213
Other NHS clinical income (including high cost drugs income)	4,126	5,354
Mental health services		
Block contract / system envelope income	7,999	7,125
Clinical partnerships providing mandatory services	192	217
Clinical income for the secondary commissioning of mandatory services	71	57
Other clinical income from mandatory services	131	184
Ambulance services		
A & E income	1,092	955
Patient transport service income	120	116
Other income	115	66
Community services		
Block contract / system envelope income	4,505	4,344
Community services income from other sources	967	948
All services		
Private patient income	319	553
Additional pension contribution central funding**	1,679	1,518
Other clinical income	760	576
Total income from patient care activities	60,761	54,226

*As part of the coronavirus pandemic response, transaction flows were simplified in the NHS and foundation trusts and their commissioners moved onto block contract payments at the start of 2020/21. In the second half of the year, a revised financial framework built on these arrangements but with a greater focus on system partnership and foundation trusts derived most of their income from these system envelopes. Comparatives in this note are presented to be comparable with the current year activity. This does not reflect the contracting and payment mechanisms in place during the prior year.

** The employer contribution rate for NHS pensions increased from 14.3% to 20.6% (excluding administration charge) from 1 April 2019. For 2020/21, NHS foundation trusts continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on foundation trusts' 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:	2020/21	2019/20
	£m	£m
CCGs and NHS England	58,389	51,310
Department of Health and Social Care	1	9
NHS trusts	132	129
NHS other	108	115
Local authorities	1,355	1,559
Non-NHS: private patients	314	545
Non-NHS: overseas patients (chargeable to patient)	35	50
Injury cost recovery scheme	75	124
Non NHS: other	352	385
Total income from activities	60,761	54,226

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)

	2020/21	2019/20
	£m	£m
Income recognised this year	35	50
Cash payments received in-year	12	25
Amounts added to provision for impairment of receivables	18	17
Amounts written off in-year	21	16

Note 4 Other operating income

	2020/21			2019/20		
	Contract	Non-	Total	Contract	Non-	Total
	income	contract		income	contract	
	£m	income	£m	£m	income	£m
Research and development	635	70	705	692	79	771
Education and training	1,993	53	2,046	1,844	39	1,883
Receipt of capital grants and donations*	-	211	211	-	101	101
Charitable and other contributions to expenditure**	-	871	871	-	65	65
Non-patient care services to other bodies	596	-	596	710	-	710
Provider Sustainability Fund (PSF) ***	5	-	5	633	-	633
Financial Recovery Fund (FRF) ***	(5)	-	(5)	664	-	664
Marginal Rate Emergency Tariff funding (MRET)	-	-	-	286	-	286
Reimbursement and top up funding	4,512	-	4,512	-	-	-
Support from the Department of Health and Social Care for mergers	-	-	-	-	11	11
Rental revenue from operating leases	-	52	52	-	64	64
Income in respect of staff costs where accounted on gross basis	158	-	158	202	-	202
Incoming resources excluding investment income, relating to NHS charitable funds	-	67	67	-	65	65
PFI support income	21	-	21	29	-	29
Car parking	33	-	33	170	-	170
Pharmacy sales	117	-	117	126	-	126
Clinical excellence awards	43	-	43	68	-	68
Catering	44	-	44	84	-	84
Other	707	(20)	687	870	31	901
Total other operating income	8,859	1,304	10,163	6,378	455	6,833

* The receipt of capital grants and donations includes £126 million of non-cash income associated with the receipt of equipment procured nationally by the Department of Health and Social Care and NHS England and donated to foundation trusts in response to the coronavirus pandemic.

** Charitable and other contributions to expenditure includes £819 million of non-cash income associated with the benefit from the receipt of personal protective equipment procured nationally by the Department of Health and Social Care and supplied to foundation trusts free of charge.

*** The provider sustainability and financial recovery funds have not been in operation during 2020/21. These funds are explained in note 1.2.

Note 5.1 Operating expenses

	2020/21	2019/20
	£m	£m
Purchase of healthcare from NHS and DHSC bodies	232	249
Purchase of healthcare from non-NHS and non-DHSC bodies	1,260	1,080
Purchase of social care	189	181
Employee expenses - staff (including executive directors)	44,711	39,385
Non-executive directors	24	23
Supplies and services - clinical	5,195	4,421
Supplies and services - general	1,183	894
Drug costs	5,634	5,215
Inventories written down	44	7
Consultancy costs	170	135
Establishment	744	656
Premises	3,088	2,343
Transport (including patient travel)	433	446
Depreciation on property, plant and equipment	1,573	1,350
Amortisation on intangible assets	203	158
Net Impairments	1,187	544
Movement in credit loss allowance: contract receivables/assets	104	73
Movement in credit loss allowance: all other receivables & financial assets	7	(10)
Increase in other provisions	155	30
Change in provisions discount rate(s)	10	16
Fees payable to the external auditor *		
audit services- statutory audit	15	12
other auditor remuneration (external auditor only)	1	1
Internal audit costs, including local counter fraud services	14	15
Clinical negligence	1,397	1,181
Legal fees	74	66
Insurance	50	38
Research and development	462	440
Education and training	429	351
Rentals under operating leases	585	535
Early retirements	3	2
Redundancy	19	29
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT) **	636	587
Charges to operating expenditure for off-SoFP PFI / LIFT schemes	1	1
Car parking & security	43	28
Hospitality	5	5
Losses, ex gratia & special payments	19	12
Grossing up consortium arrangements	13	14
Other services, eg external payroll	71	61
Other	650	317
NHS charitable funds: Other resources expended	33	25
Total	70,666	60,916

* 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

	2020/21	2019/20
	£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 *	0.1	0.6
3. Taxation compliance services	0.2	-
4. All taxation advisory services not falling within item 3 above	0.0	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	0.5	0.3
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	0.0	0.2
Total	1.0	1.3

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

Note 6.1 Employee benefits

	Permanent	Other	2020/21 Total	2019/20 Total
	£m	£m	£m	£m
Salaries and wages	32,755	1,244	33,999	29,824
Social security costs	3,209	64	3,273	2,897
Apprenticeship levy	159	2	161	150
Employers' contributions to NHS pensions	5,448	76	5,524	4,989
Pension cost - other	16	2	18	20
Other employment benefits	7	-	7	3
Termination benefits	9	-	9	13
Temporary staff (including agency)	-	2,372	2,372	2,118
NHS charitable funds staff	4	-	4	4
Total gross staff costs	41,607	3,760	45,367	40,018
Recoveries in respect of seconded staff	(93)	(2)	(95)	(83)
Total staff costs	41,514	3,758	45,272	39,935
Included within:				
Costs capitalised as part of assets	116	16	132	154

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 FRoM.

Note 6.2 Average number of employees (WTE basis)

	Permanent	Other	2020/21 Total	2019/20 Total
	Number	Number	Number	Number
Medical and dental	76,670	14,554	91,224	84,732
Ambulance staff	13,892	225	14,117	12,856
Administration and estates	176,308	11,433	187,741	175,380
Healthcare assistants and other support staff	156,705	19,038	175,743	158,887
Nursing, midwifery and health visiting staff	243,856	26,378	270,234	255,957
Nursing, midwifery and health visiting learners	6,811	652	7,463	5,417
Scientific, therapeutic and technical staff	99,252	4,651	103,903	100,624
Healthcare science staff	17,407	474	17,881	15,485
Social care staff	2,245	188	2,433	1,588
Other	1,321	590	1,911	2,108
Total average numbers	794,467	78,183	872,650	813,034
Of which:				
Number of employees (WTE) engaged on capital projects	2,082	233	2,315	2,507

Note 6.3 Staff sickness absence

Staff sickness information is collated nationally through the Electronic Staff Record (ESR) system. Information on NHS foundation trusts 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 6.4 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 foundation trusts.

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

2020/21	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	66	1,166	1,232
£10,000 - £25,000	69	145	214
£25,001 - 50,000	75	58	133
£50,001 - £100,000	43	47	90
£100,001 - £150,000	15	10	25
£150,001 - £200,000	11	2	13
>£200,000	2	-	2
Total number of exit packages by type	281	1,428	1,709
Total resource cost (£m)	11	12	23

2019/20	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
<£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

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

	2020/21		2019/20	
	Payments agreed Number	Total value of agreements £m	Payments agreed Number	Total value of agreements £m
Voluntary redundancies including early retirement contractual costs	66	2.0	96	2.1
Mutually agreed resignations (MARS) contractual costs	80	2.6	158	4.4
Early retirements in the efficiency of the service contractual costs	1	-	30	0.5
Contractual payments in lieu of notice	1,267	6.7	1,361	5.9
Exit payments following employment tribunals or court orders	24	0.5	45	0.7
Non-contractual payments requiring HM Treasury approval*	7	0.2	9	0.3
Total	1,445	12.0	1,699	13.9

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

In 2020/21 there were no non-contractual payments requiring HM Treasury approval made that were in excess of the individual's salary (2019/20: two).

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

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

Note 7 Pension costs

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

For 2020/21, the employer contribution rate was 20.6% (2019/20: 20.6%). 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.

	2020/21	2019/20
	Impairments	Reversals
	Net	Net
	impairments	impairments
	£m	£m
Net impairments charged to operating surplus / deficit resulting from:		
Loss or damage from normal operations	14	-
Over specification of assets	11	(1)
Abandonment of assets in course of construction	28	-
Unforeseen obsolescence	13	(3)
Changes in market price	1,227	(116)
Other causes	22	(8)
Total net impairments charged to operating surplus / deficit	1,315	(128)
Impairments charged to the revaluation reserve	602	(78)
Total net impairments	1,917	(206)
	1,187	544
	524	411
	1,711	955

Net impairments taken to operating surplus / deficit relate to property, plant and equipment (£1,125 million), intangible assets (£61 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 £532 million (2019/20: £614 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.

	2020/21	2019/20
	£m	£m
Interest incurred on:		
Loans from the Department of Health and Social Care	59	196
Other loans	9	8
Finance leases	15	12
Main finance costs on PFI and LIFT schemes obligations	262	255
Contingent finance costs on PFI and LIFT scheme obligations	180	163
Other finance costs	23	7
Total finance expenditure - financial liabilities	548	641
Finance expense - unwinding of discount on provisions	-	1
Total finance expenditure	548	642

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.

	2020/21 £m	2019/20 £m
Operating lease revenue		
Minimum lease receipts	50	62
Contingent rent	1	1
Other	1	1
Total	52	64
	31 March 2021 £m	31 March 2020 £m
Future minimum lease receipts due:		
- not later than one year;	46	48
- later than one year and not later than five years;	122	129
- later than five years.	356	353
Total	524	530

Note 10.2 Operating lease expense

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

	2020/21 £m	2019/20 £m
Operating lease expense		
Minimum lease payments	589	539
Contingent rents	1	1
Less sublease receipts received	(5)	(5)
Total	585	535
	31 March 2021 £m	31 March 2020 £m
Future minimum lease payments due:		
On leases of land expiring		
- not later than one year;	5	4
- later than one year and not later than five years;	10	8
- later than five years.	22	18
On leases of buildings expiring		
- not later than one year;	355	351
- later than one year and not later than five years;	894	893
- later than five years.	1,111	994
On other leases expiring		
- not later than one year;	128	129
- later than one year and not later than five years;	213	240
- later than five years.	61	50
Total	2,799	2,687
Future minimum sublease receipts to be received	(9)	(5)

Note 11.1 Intangible assets - 2020/21

	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 2020 - brought forward	1,177	26	374	142	177	4	1,900
Transfers by absorption	16	-	8	-	2	-	26
Adjustments to prior period accounted for in-year	-	-	-	-	-	-	-
Additions	164	2	30	11	163	2	372
Impairments	(25)	-	-	-	(30)	(1)	(56)
Reclassifications	122	-	27	12	(107)	-	54
Revaluations	-	-	(1)	-	-	-	(1)
Disposals / derecognition	(59)	-	(9)	(11)	(3)	-	(82)
Valuation/gross cost at 31 March 2021	1,395	28	429	154	202	5	2,213
Amortisation at 1 April 2020 - brought forward	649	11	178	63	-	1	902
Transfers by absorption	7	-	4	-	-	-	11
Adjustments to prior period accounted for in-year	-	-	-	-	-	-	-
Provided during the year	141	4	38	19	-	1	203
Impairments	7	-	1	-	-	-	8
Reclassifications	2	-	(5)	1	-	-	(2)
Revaluations	-	-	(1)	-	-	-	(1)
Disposals / derecognition	(55)	-	(8)	(11)	-	-	(74)
Amortisation at 31 March 2021	751	15	207	72	-	2	1,047
Net book value at 31 March 2021	644	13	222	82	202	3	1,166
Net book value at 1 April 2020	528	15	196	79	177	3	998

Of the total net impairments of £64 million shown in this note, £61 million was charged to operating expenses and £3 million to the revaluation reserve.

Note 11.2 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	983	24	293	134	172	3	1,609
Transfers by absorption	6	-	28	-	3	-	37
Previous prior period adjustments accounted for in 2019/20	(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	544	10	151	46	-	-	751
Transfers by absorption	3	-	8	-	-	-	11
Previous prior period adjustments accounted for in 2019/20	(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

Note 12.1 Property, plant and equipment - 2020/21

	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 2020 - brought forward	2,631	22,784	250	2,161	6,133	262	2,568	421	4	37,214
Transfers by absorption	50	402	13	12	88	-	41	5	-	611
Prior period adjustments recorded in-year	(2)	(42)	-	-	(34)	(1)	(21)	-	-	(100)
Additions	15	841	1	2,377	838	22	389	19	-	4,502
Impairments	(37)	(1,626)	(9)	(135)	(6)	-	(14)	(1)	-	(1,828)
Reversals of impairments	33	89	2	-	-	-	-	-	-	124
Reclassifications	5	973	1	(1,376)	170	4	138	5	-	(80)
Revaluations	105	(231)	5	(1)	-	-	-	-	-	(122)
Transfers to/ from assets held for sale	(4)	(7)	(1)	(2)	-	1	-	-	-	(13)
Disposals / derecognition	(1)	(22)	-	(4)	(284)	(18)	(179)	(17)	(1)	(526)
Valuation/gross cost at 31 March 2021	2,795	23,161	262	3,032	6,905	270	2,922	432	3	39,782
Accumulated depreciation at 1 April 2020 - brought forward	8	1,165	13	8	4,060	156	1,669	293	-	7,372
Transfers by absorption	-	12	-	-	56	-	30	4	-	102
Prior period adjustments recorded in-year	-	(22)	(1)	-	(36)	-	(20)	-	-	(79)
Provided during the year	-	767	8	-	447	33	291	27	-	1,573
Impairments	-	29	2	1	(3)	-	(5)	-	-	24
Reversals of impairments	(2)	(77)	(1)	-	-	-	(2)	-	-	(82)
Reclassifications	-	(26)	-	-	7	-	(3)	(1)	-	(23)
Revaluations	1	(644)	(10)	-	(1)	-	-	-	-	(654)
Transfers to/ from assets held for sale	-	-	-	-	-	1	-	-	-	1
Disposals / derecognition	(1)	(21)	1	-	(277)	(18)	(173)	(17)	-	(506)
Accumulated depreciation at 31 March 2021	6	1,183	12	9	4,253	172	1,787	306	-	7,728
Net book value at 31 March 2021	2,789	21,978	250	3,023	2,652	98	1,135	126	3	32,054
Net book value at 1 April 2020	2,623	21,619	237	2,153	2,073	106	899	128	4	29,842

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 £1,646 million shown in this note, £1,125 million was charged to operating expenses and £521 million to the revaluation reserve.

Note 1.24 explains some estimation uncertainties relating to property valuations and explores the impact of these on these consolidated accounts.

Note 12.2 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	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
Previous prior period adjustments accounted for in 2019/20	-	(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	11	1,279	19	8	3,776	152	1,481	273	-	6,999
Transfers by absorption	-	10	-	-	118	-	34	9	-	171
Previous prior period adjustments accounted for in 2019/20	(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 £1,505 million shown in this note, £893 million was charged to operating expenses and £612 million to the revaluation reserve.

Note 12.3 Property, plant and equipment financing - 2020/21

	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 2021										
Owned - purchased	2,639	16,228	207	2,852	2,155	97	1,099	109	3	25,389
Owned - donated/granted	86	1,010	11	150	320	1	11	12	-	1,601
Finance leased	28	138	12	19	116	-	24	5	-	342
On-SoFP PFI contracts and other service concession arrangements	36	4,602	18	2	61	-	1	-	-	4,720
Off SoFP PFI residual interests	-	-	2	-	-	-	-	-	-	2
NBV total at 31 March 2021	2,789	21,978	250	3,023	2,652	98	1,135	126	3	32,054

Note 12.4 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
Owned - donated/granted	76	1,035	12	141	210	1	10	14	-	1,499
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
NBV total at 31 March 2020	2,623	21,619	237	2,153	2,073	106	899	128	4	29,842

Note 13 Inventories

	31 March 2021 £m	31 March 2020 £m
Drugs	269	281
Work in progress		
Consumables	482	418
Energy	7	8
Other	40	41
Total inventories	798	748
Of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £7,471 million (2019/20: £6,654 million). Write-downs of inventories recognised as expenses for the year were £44 million (2019/20: £7 million). These include utilisation of £713 million and write down of £30 million of personal protective equipment procured nationally by the Department of Health and Social Care and supplied free of charge to NHS foundation trusts in response to the coronavirus pandemic.

In response to COVID-19 different restrictions have been in place in England across the 31 March 2020 and 31 March 2021 year ends. For inventory balances, where performance of a year end inventory count was not possible, 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 trust, international standards on auditing prescribe that the auditor must attend one or more inventory counts. Where this was not feasible for the auditor and alternative procedures could not be performed, the auditor included a qualification in the audit report as a result of the limitation of scope. In 2020/21 the audit reports of 4 foundation trusts referenced a limitation of scope in relation to inventory balances as at 31 March 2021 (inventory balances totalling £64 million). In addition the audit reports of 17 included reference to limitation of scope as at 31 March 2020 (£169 million). These amounts are not material to these consolidated NHS foundation trust accounts.

Note 14 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.

	2020/21 £m	2019/20 £m
At 1 April	5,593	4,762
Adjustments to prior period accounted for in-year	(2)	-
Transfers by absorption	30	25
Net change in year	4,702	806
At 31 March	10,323	5,593
Broken down into:		
Cash at commercial banks and in hand (excluding charitable funds)	151	114
Cash with the Government Banking Service (excluding charitable funds)	10,017	5,190
Deposits with the National Loans Fund (excluding charitable funds)	-	130
Other current investments (excluding charitable funds)	7	10
NHS charitable funds cash and cash equivalents	148	149
Total cash and cash equivalents as in SoFP	10,323	5,593
Bank overdrafts	(2)	-
Total cash and cash equivalents as in SoCF	10,321	5,593

Note 15 Receivables

	31 March 2021 £m	31 March 2020 £m
Current		
Contract receivables *	2,238	3,956
Contract assets *	3	21
Capital receivables	26	66
Allowance for impaired contract receivables / assets	(407)	(384)
Allowance for other impaired receivables	(18)	(14)
Deposits and advances	3	5
Prepayments	655	583
PDC dividend receivable	90	33
VAT receivable	248	171
Other receivables	134	117
NHS charitable funds receivables	5	8
Total current receivables	2,977	4,562
Non-current		
Contract receivables *	120	163
Contract assets *	4	4
Capital receivables	16	14
Allowance for impaired contract receivables / assets	(20)	(16)
Allowance for other impaired receivables	-	(1)
Deposits and advances	6	5
Prepayments	182	212
Other receivables	97	97
NHS charitable funds receivables	-	1
Total non-current receivables	405	479
Of which receivable from NHS and DHSC group bodies		
Current	1,149	2,685
Non-current	78	65

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

Note 16 Trade and other payables

	31 March 2021 £m	31 March 2020 £m
Current		
Trade payables	1,807	1,751
Capital payables	1,251	668
Accruals	4,686	2,867
Receipts in advance	66	57
Social security costs	560	476
Other taxes payable	362	341
PDC dividend payable	2	12
Other payables	738	615
Total current trade and other payables	9,472	6,787
Non-current		
Trade payables	7	7
Capital payables	2	3
Accruals	7	4
Receipts in advance	8	2
Other payables	2	2
Total non-current trade and other payables	26	18
Of which payable to NHS and DHSC group bodies		
Current	591	616
Non-current	-	-

Note 17 Other liabilities

	31 March 2021 £m	31 March 2020 £m
Current		
Deferred income: contract liability	1,111	670
Deferred grants	51	12
Deferred PFI income/credits	4	3
Lease incentives	6	7
Deferred income: other	27	16
NHS charitable funds other liabilities	2	-
Total other current liabilities	1,201	708
Non-current		
Deferred income: contract liability	87	74
Deferred grants	-	3
Deferred PFI income/credits	30	21
Lease incentives	3	7
Deferred income: other	1	-
Net pension scheme liability	71	44
NHS charitable funds other liabilities	-	-
Total other non-current liabilities	192	149

Note 18 Borrowings

	31 March 2021 £m	31 March 2020 £m
Current		
Bank overdrafts	2	-
Loans from the Department of Health and Social Care*	211	7,024
Other loans	39	45
Obligations under finance leases	47	42
Obligations under PFI, LIFT or other service concession contracts (finance lease element)	171	149
Total current borrowings	470	7,260
Non-current		
Loans from the Department of Health and Social Care*	2,102	2,355
Other loans	312	256
Obligations under finance leases	224	202
Obligations under PFI, LIFT or other service concession contracts (finance lease element)	4,161	4,175
Total non-current borrowings	6,799	6,988

*In 2020/21, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement implemented reforms to the NHS cash regime. Existing DHSC interim revenue and capital loans were repaid and replaced with the issue of public dividend capital (PDC) to allow the repayment. The affected loans totalled £7.2 billion as at 31 March 2020.

Note 18.1 Reconciliation of liabilities arising from financing activities - 2020/21

	Loans from DHSC £m	Other loans £m	Finance leases £m	PFI and LIFT schemes £m	Total £m
Carrying value at 1 April 2020	9,379	301	244	4,324	14,248
Cash movements:					
Financing cash flows - payments and receipts of principal	(7,363)	50	(44)	(154)	(7,511)
Financing cash flows - payments of interest	(88)	(10)	(14)	(263)	(375)
Non-cash movements:					
Adjustments to prior year accounted for in-year	-	-	-	13	13
Transfers by absorption	325	-	6	141	472
Additions	-	-	63	10	73
Application of effective interest rate	59	10	15	261	345
Early terminations	-	-	-	-	-
Other changes	1	-	1	-	2
Carrying value at 31 March 2021	2,313	351	271	4,332	7,267

Note 18.2 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:					
Adjustments to prior year accounted for in-year	-	-	-	-	-
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 19.1 Provisions for liabilities and charges

	31 March 2021		31 March 2020	
	Current	Non-current	Current	Non-current
	£m	£m	£m	£m
Pensions	25	271	25	251
Other legal claims	43	8	36	4
Restructurings	7	7	6	5
Equal Pay	8	3	4	-
Redundancy	26	3	24	1
Other	396	187	196	122
Total	505	479	291	383

Note 19.2 Provisions for liabilities and charges analysis

	Pensions	Other legal claims	Restructuring	Equal Pay	Redundancy	Other	Total
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2020	276	40	11	4	25	318	674
Transfers by absorption	5	-	-	-	-	3	8
Adjustments to prior period accounted for in-year	4	-	-	(1)	-	(3)	-
Change in the discount rate	8	-	-	-	-	2	10
Arising during the year	32	31	5	8	13	363	452
Utilised during the year	(24)	(8)	(1)	-	(3)	(32)	(68)
Reversed unused	(5)	(12)	(1)	-	(6)	(68)	(92)
Unwinding of discount	-	-	-	-	-	-	-
At 31 March 2021	296	51	14	11	29	583	984
Expected timing of cash flows:							
- not later than one year;	25	43	7	8	26	396	505
- later than one year and not later than five years;	99	7	7	3	3	123	242
- later than five years.	172	1	-	-	-	64	237
Total	296	51	14	11	29	583	984

- 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, foundation trusts pay an annual premium to NHS Resolution, who then assumes responsibility for settling claims on foundation trusts' 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 foundation trusts' 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 2021, NHS Resolution held provisions for clinical negligence liabilities totalling £22,350 million for CNST (2019/20: £19,249 million) and £577 million for ELS (2019/20: £520 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 2021 £m	31 March 2020 £m
Value of contingent liabilities		
NHS Resolution legal claims	(4)	(5)
Employment tribunal and other employee related litigation	-	(2)
Other	(4)	(34)
Gross value of contingent liabilities	(8)	(41)
Amounts recoverable against liabilities	-	1
Net value of contingent liabilities	(8)	(40)
Net value of contingent assets	16	16

Note 21 Contractual capital commitments

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

	31 March 2021 £m	31 March 2020 £m
Property, plant and equipment	1,403	897
Intangible assets	168	61
Total	1,571	958

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

	31 March 2021 £m	31 March 2020 £m
Gross PFI, LIFT or other service concession liabilities	8,597	8,735
Of which liabilities are due		
- not later than one year;	492	465
- later than one year and not later than five years;	1,941	1,855
- later than five years.	6,164	6,415
Finance charges allocated to future periods	(4,265)	(4,411)
Net PFI, LIFT or other service concession arrangement obligation	4,332	4,324
- not later than one year;	171	149
- later than one year and not later than five years;	738	700
- later than five years.	3,423	3,475

Note 22.2 Total service concession arrangement commitments

NHS foundation trusts 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 2021 £m	31 March 2020 £m
Total future payments due in:		
- not later than one year;	1,303	1,247
- later than one year and not later than five years;	5,458	5,194
- later than five years.	20,096	20,784
Total	26,857	27,225
	Number	Number
Total number of PFI, LIFT and other service concession schemes accounted for on-SoFP at 31 March	109	106
Of which schemes with total future commitment in excess of £500 million	16	16

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.

	2020/21 £m	2019/20 £m
Unitary payment paid to service concession operator	1,283	1,205
Consisting of:		
- Interest charge	262	255
- Repayment of balance sheet obligation	155	136
- Service element	593	554
- Capital lifecycle maintenance	56	53
- Revenue lifecycle maintenance	8	8
- Contingent rent	180	163
- Addition to lifecycle prepayment	29	36

Note 23 Financial instruments

Note 23.1 Financial assets - 2020/21

	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
Carrying values of financial assets as at 31 March 2021				
Receivables excluding non-financial assets	2,148	-	-	2,148
Financial assets / investments	63	1	28	92
Cash and cash equivalents at bank and in hand*	10,175	-	-	10,175
NHS charitable funds financial assets	177	94	37	308
Total at 31 March 2021	12,563	95	65	12,723

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

Note 23.2 Financial assets - 2019/20

	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
Carrying values of financial assets as at 31 March 2020				
Receivables excluding non-financial assets	3,972	-	-	3,972
Financial assets / investments	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

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

Note 23.3 Financial liabilities

	31 March 2021 £m	31 March 2020 £m
Carrying values of financial liabilities		
Loans from the Department of Health and Social Care	2,313	9,379
Obligations under PFI, LIFT and other service concession contracts	4,332	4,324
Obligations under finance leases	271	244
Other borrowings	353	301
Trade and other payables excluding non-financial liabilities	8,057	5,691
Other financial liabilities	-	1
Provisions under contract	375	230
NHS charitable funds financial liabilities	7	4
Total financial liabilities	15,708	20,174

All financial liabilities are held at amortised cost.

Note 23.4 Maturity of financial liabilities

The following maturity profile of financial liabilities is based on the contractual undiscounted future cash flows. This differs to the amounts recognised in the statement of financial position which are discounted to present value.

	31 March 2021 £m	31 March 2020 restated* £m
Financial liabilities fall due in:		
In one year or less	9,165	13,547
In more than two years but not more than five years	3,173	3,226
In more than five years	8,208	8,618
Total financial liabilities	20,546	25,391

* This note was previously prepared using discounted future cash flows. The comparatives have therefore been restated on an undiscounted basis.

Note 23.5 Fair values of financial instruments

At a consolidated level, the fair values of financial instruments disclosed by individual 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 foundation trust.

Under section 63 of the National Health Service Act 2006, NHS foundation trusts are required to carry out their functions effectively, efficiently and economically and under their licence conditions, they are required to have systems and processes in place to ensure they comply with that duty and to ensure they are able to continue as a going concern as defined by generally accepted accounting practice. NHS Improvement 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 our Single Oversight Framework. It may provide mandated support to foundation trusts where required.

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

In 2020/21, the Department of Health and Social Care (DHSC) introduced reforms to the cash regime. As a consequence, £7.2 billion of DHSC interim loans were refinanced through the issue of public dividend capital, improving the liquidity of NHS foundation trusts.

As disclosed within the accounting policies at Note 1.23, these consolidated accounts are prepared on a going concern basis and we do not consider there to be a material uncertainty over going concern. It is deemed that there is not a risk that the consolidated NHS foundation trust 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 0.57% of total income from patient care activities generated in the year to 31 March 2021 (2019/20: 1.10%). Other sources of income from non-public sector bodies amount to a small proportion of total foundation trust income. Accordingly, the effective credit risk posed by income derived from private and overseas patients or non-public sector entities to the sector is low. Within cash and cash equivalents, £10.0 billion is held with the Government Banking Service and National Loans Fund. Individual foundation trusts have confirmed that they do not consider these deposits to be exposed to significant credit risk. The maximum exposures as at 31 March 2021 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 2021 £m	31 March 2020 £m
Restricted funds:		
Endowment funds	14	10
Other restricted income funds	83	86
Unrestricted funds:		
Unrestricted income funds	187	168
Revaluation reserve	7	2
Other reserves	1	1
Total	292	267

NHS charitable funds are consolidated by 42 NHS foundation trusts where the trust determines they have control (2019/20: 42) as outlined in accounting policy 1.1. Other foundation trusts 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

	2020/21		2019/20	
	Number of cases	Total value of cases £m	Number of cases	Total value of cases £m
Losses				
Cash losses	2,073	3.0	2,689	2.3
Fruitless payments	301	2.2	536	1.1
Bad debts and claims abandoned	23,224	44.8	23,775	26.2
Stores losses and damage to property	4,649	14.0	4,691	8.9
Total losses	30,247	64.0	31,691	38.5
Special payments				
Extra-contractual payments	27	0.4	7	-
Extra-statutory and extra-regulatory payments	6	0.2	18	0.4
Compensation payments under court order or legally binding arbitration award	223	2.8	231	1.5
Special severance payments	7	0.2	9	0.3
Ex-gratia payments	4,041	7.1	4,556	8.9
Total special payments	4,304	10.7	4,821	11.1
Total losses and special payments	34,551	74.7	36,512	49.6
Compensation payments received to recover losses		0.4		0.4

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 2020/21, seven foundation trusts reported eight individual losses or special payments in excess of £0.3 million:

- Mid and South Essex NHS Foundation Trust recorded a fraud case of £0.803 million
- Medway NHS Foundation Trust recorded losses of £0.534 million relating to an IT project which was abandoned.
- University Hospitals of Derby and Burton NHS Foundation Trust recorded losses of £0.891 million relating to an abandoned capital project.
- Great Ormond Street Hospital for Children NHS Foundation Trust recorded losses of £1.134 million for bad debt.
- The following two foundation trusts have recorded pharmacy stores losses totalling £0.855 million:-
 - University Hospitals Bristol and Weston NHS Foundation Trust
 - Royal Surrey NHS Foundation Trust
- Essex Partnership University NHS Foundation Trust recorded a special payment of £1.585 million relating to a fine for a breach of the Health and Safety at Work Act.
- Mid and South Essex NHS Foundation Trust recorded a special payment of £0.405 million relating to a cancelled contract for ventilators.

In 2019/20, the following two trusts reported individual losses or special payments in excess of £0.3 million totalling £1.356 million:

- Royal Surrey NHS Foundation Trust
- Essex Partnership University NHS Foundation Trust

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 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 2021 £m	31 March 2020 £m	31 March 2021 £m	31 March 2020 £m
Value of balances with board members and key staff (excluding salaries)	-	-	-	-
Value of balances with other related parties:				
Non-consolidated NHS charitable funds	34	22	2	1
Subsidiaries / Associates / Joint ventures	8	21	7	9
Other	40	48	32	41
Value of allowances for expected credit losses held against related party balances	(2)	(2)	-	-
Total	80	89	41	51
Value of balances with related parties written off in year	-	-	-	-

	Income		Expenditure	
	2020/21 £m	2019/20 £m	2020/21 £m	2019/20 £m
Value of transactions with board members and key staff (excluding salaries)	-	-	-	-
Value of transactions with other related parties:				
NHS charitable funds	69	92	11	10
Subsidiaries / Associates / Joint Ventures	24	29	122	155
Other	85	101	137	141
Total	178	222	270	306

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: 2020/21

14 absorption transfers occurred wholly within the NHS foundation trust sector during 2020/21 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 transfers occurred between NHS foundation trust sector and other government bodies during 2020/21 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
Mid and South Essex NHS Foundation Trust	Mid Essex Hospital Services NHS Trust	1 April 2020	321	39	(253)	(153)	(46)	-
Bedfordshire Hospitals NHS Foundation Trust	Bedford Hospital NHS Trust	1 April 2020	100	37	(87)	(6)	44	43
University Hospitals Bristol and Weston NHS Foundation Trust	Weston Area Health NHS Trust	1 April 2020	77	14	(74)	-	17	17
Black Country Healthcare NHS Foundation Trust	Dudley Integrated Health and Care NHS Trust	1 April 2020	32	13	-	-	45	45
Herefordshire and Worcestershire Health and Care NHS Trust	Gloucestershire Health and Care NHS Foundation Trust	1 April 2020	(6)	-	-	-	(6)	-
Other transfers			1	11	(11)	-	1	-
Totals			525	114	(425)	(159)	55	105

Other transfers include:

Transfers from NHS Property Services relating to assets formerly held by Primary Care Trusts and received by Kent Community Health NHS Foundation Trust on 1 March 2021. See accounting policy 1.1 for details of the 'modified' treatment that applies to gains recognised on these transfers.

Transfers from Public Health England relating to the transfer of services to East Suffolk and North Essex NHS Foundation Trust. Transfers from CCGs for Greater Manchester Shared Services to Salford Royal NHS Foundation Trust.

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

Transactions accounted for under 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. 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 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
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.

Note 28 Prior period adjustments

Sector-wide changes in accounting policy

In 2020/21, 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.

Restatement of disclosures

As part of the coronavirus pandemic response, transaction flows were simplified in the NHS and foundation trusts and their commissioners moved onto block contract payments at the start of 2020/21. In the second half of the year, a revised financial framework built on these arrangements but with a greater focus on system partnership and providers derived most of their income from these system envelopes. Comparatives in note 3.1 *Income from patient care activities* have been reanalysed to be comparable with the current year activity. This does not reflect the contracting and payment mechanisms in place during the prior year.

Note 23.4 *Maturity of financial liabilities* is now prepared using undiscounted future cash flows. The comparatives in this note were previously presented on a discounted basis and have been restated for consistency.

Note 29 Events after the reporting date

As at 31 March 2021 there were 145 NHS foundation trusts.

On 1 April 2021, all services previously provided by Brighton and Sussex University Hospitals NHS Trust transferred to Western Sussex Hospitals NHS Foundation Trust and Brighton and Sussex University Hospitals NHS Trust was dissolved. Following the acquisition, the acquiring provider changed its name to University Hospitals Sussex NHS Foundation Trust.

On 1 April 2021, services previously provided by North West Boroughs Healthcare NHS Foundation Trust in Wigan, Bolton and Greater Manchester transferred to Greater Manchester Mental Health NHS Foundation Trust. Subsequently, on 1 June 2021, all remaining services in Cheshire and Merseyside transferred to Mersey Care NHS Foundation Trust and North West Boroughs Healthcare NHS Foundation Trust was dissolved.

On 1 April 2021, the majority of services previously provided by Pennine Acute Hospitals NHS Trust at North Manchester General Hospital transferred to Manchester University Hospitals NHS Foundation Trust. Subsequently, on 1 October 2021, all remaining services transferred to Salford Royal NHS Foundation Trust and Pennine Acute Hospitals NHS Trust was dissolved. Salford Royal NHS Foundation Trust was subsequently renamed to Northern Care Alliance NHS Foundation Trust.

As at the date of authorisation of these accounts, there are 144 NHS foundation trusts.