



PAR1163

NHS Improvement

# Consolidated NHS provider accounts 2020/21

HC 1030

# Consolidated NHS provider accounts 2020/21

1 April 2020 – 31 March 2021

Presented to Parliament under Direction of the Secretary of State for Health and Social Care pursuant to sections 7(1), 8(1), 272 and 278 of the National Health Service Act 2006

Ordered by the House of Commons to be printed 31 January 2022.

HC 1030

© **NHS Trust Development Authority** copyright 2022

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

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

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

This publication is available at [www.gov.uk/official-documents](http://www.gov.uk/official-documents)

ISBN: 978-1-5286-3123-5

E02708818

Printed on paper containing 75% recycled fibre content minimum

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

### **NHS Improvement**

Skipton House, 80 London Road, London SE1 6LH

Telephone: 020 3747 0900 Email: [enquiries@england.nhs.uk](mailto:enquiries@england.nhs.uk)

Website: [www.engand.nhs.uk](http://www.engand.nhs.uk)

Publication approval reference: PAR1163

# Contents

Introduction .....	2
Review of financial performance of NHS providers.....	5
Statement of accounting officer’s responsibilities and accountability framework .....	13
Annual governance statement .....	16
The certificate and audit report of the Comptroller and Auditor General to the Houses of Parliament.....	38
Consolidated accounts.....	43

# Introduction

This document presents the results of all NHS trusts and NHS foundation trusts (termed 'providers') in England. The Department of Health and Social Care (DHSC) uses the provider sub-consolidation as part of the DHSC group accounts. We are very grateful to NHS providers for their co-operation in reporting their data to us.

These accounts do not include the results of the constituent legal bodies of NHS Improvement (Monitor and the NHS Trust Development Authority (NHS TDA)): the accounts for these bodies are published separately as they are not the parent bodies of NHS trusts and NHS foundation trusts.

The introduction describes the legal requirements for NHS trust and NHS foundation trust accounts and changes in the provider sector in 2019/20 and 2020/21.

## NHS trusts

Paragraph 3(1) of Schedule 15 to the National Health Service Act 2006 (the 2006 Act) requires each NHS trust to prepare annual accounts for each financial year ending 31 March. Paragraph 5(1) of Schedule 15 to the 2006 Act requires NHS trusts to submit these annual accounts to the Secretary of State. The Secretary of State has directed<sup>1</sup> NHS TDA (one of the constituent bodies of NHS Improvement) to exercise this function of receiving NHS trust accounts. These annual accounts must be audited by auditors appointed by the NHS trust.

NHS trusts that cease to exist as separate legal entities during the year (including on authorisation as an NHS foundation trust) prepare accounts for their final period as directed by the Secretary of State and have them audited.

## NHS foundation trusts

Paragraph 25 of Schedule 7 to the 2006 Act requires each NHS foundation trust to prepare annual accounts for the period beginning on the date it is authorised and ending the following 31 March and for each successive 12-month period, and to submit the accounts to Monitor (one of the constituent bodies of NHS Improvement). These annual accounts must be audited by auditors appointed by the NHS foundation trust's

<sup>1</sup> DHSC Group Accounting Manual 2020/21 chapter 2 annex 4:  
<https://www.gov.uk/government/publications/dhsc-group-accounting-manual-2020-to-2021>

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 NHS Improvement (Monitor).

NHS foundation trusts that cease to exist as separate legal entities and/or cease to provide services before the end of the year continue to prepare accounts for their final period as directed by NHS Improvement and have them audited, but do not present them to the council of governors.

## Basis of preparation for consolidated NHS provider accounts

The Secretary of State has directed NHS Improvement (the NHS TDA legal entity) to prepare consolidated NHS provider accounts for each financial year. The accounts presented in this report have been prepared as a consolidation of the audited accounts submitted by NHS trusts and NHS foundation trusts that were in existence during the 2020/21 financial year, together with comparative information for 2019/20. We give details below of providers whose legal status changed during this time.

NHS TDA has requested the Comptroller and Auditor General (C&AG), and the C&AG has agreed, to perform an audit of these consolidated NHS provider accounts.

## Consolidated NHS foundation trust accounts

Paragraph 17 of Schedule 8 to the 2012 Act requires Monitor to prepare consolidated NHS foundation trust accounts and send a copy to the Secretary of State. These are available separately on our website. These accounts are not subject to audit.

## Changes in legal status of NHS providers

These consolidated NHS provider accounts incorporate the results of all NHS trusts and NHS foundation trusts. Entities for which legal status changed in 2019/20 or 2020/21 are as follows:

		NHS trusts	NHS FTs	All providers
<b>1 April 2019</b>	<b>Opening number of providers</b>	<b>77</b>	<b>149</b>	<b>226</b>
	This 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.			

		NHS trusts	NHS FTs	All providers
1 October 2019	Dissolution of Royal Liverpool and Broadgreen University Hospitals NHS Trust on acquisition by Aintree University Hospitals NHS Foundation Trust; entity renamed as Liverpool University Hospitals NHS Foundation Trust	-1		225
1 October 2019	Dissolution of Gloucestershire Care Services NHS Trust on acquisition by 2gether NHS Foundation Trust; entity renamed as Gloucestershire Health and Care NHS Foundation Trust	-1		224
1 October 2019	Dissolution of North Cumbria University Hospitals NHS Trust on acquisition by Cumbria Partnership NHS Foundation Trust; entity renamed as North Cumbria Integrated Care NHS Foundation Trust	-1		223
<b>31 March 2020</b>	<b>Number of providers at end of year</b>	<b>74</b>	<b>149</b>	<b>223</b>
1 April 2020	Dissolution of Basildon & Thurrock University Hospitals NHS Foundation Trust and Mid Essex Hospital Services NHS Trust on acquisition by Southend University Hospital NHS Foundation Trust; entity renamed as Mid and South Essex NHS Foundation Trust.	-1	-1	221
1 April 2020	Dissolution of Bedford Hospital NHS Trust on acquisition by Luton and Dunstable University Hospital NHS Foundation Trust; entity renamed as Bedfordshire Hospitals NHS Foundation Trust.	-1		220
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	219
1 April 2020	Dissolution of Weston Area Health NHS Trust on acquisition by University Hospitals Bristol NHS Foundation Trust; entity renamed as University Hospitals Bristol and Weston NHS Foundation Trust.	-1		218
1 October 2020	Authorisation of University Hospitals Dorset NHS Foundation Trust as a newly formed entity.		+1	219
	This follows the dissolution of The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust and Poole Hospital NHS Foundation Trust.		-2	217
1 February 2021	Dissolution of Royal Brompton and Harefield NHS Foundation Trust on acquisition by Guy's & St Thomas' NHS Foundation Trust.		-1	216
<b>31 March 2021</b>	<b>Number of providers at end of year</b>	<b>71</b>	<b>145</b>	<b>216</b>

# Review of financial performance of NHS providers

## Summary in numbers

	2020/21	2019/20
Number of NHS providers in existence during the year	219	226
Surplus/(deficit) before impairments and transfers	£676 million	(£910 million)
Number of NHS providers recording a deficit before impairments, transfers and consolidation of charitable funds	33	62
Sector cash balance at year end	£13,787 million	£6,832 million
Capital expenditure (purchases and new finance leases of property, plant and equipment and intangible assets, accruals basis)	£7,199 million	£4,555 million

## Financial commentary

The response to the COVID-19 pandemic represented the biggest challenge for the NHS in its 72 year history. The commentary in these consolidated provider accounts is a review of financial performance. NHS England's annual report and accounts for 2020/21 provides a broader commentary on the NHS's response to the pandemic and the roll out of the COVID-19 vaccination programme.

Health services throughout England have transformed faster than envisaged in many areas of the NHS Long Term Plan, accelerating progress towards important deliverables and outcomes. Rapid reforms to the financial regime in the NHS were part of our pandemic response, to simplify transacting for NHS bodies and ensure the provider sector had sufficient funds to manage the pandemic. The sector delivered a net surplus before impairments and gains and losses on transfers by absorption for the year ended 31 March 2021 of £676 million (2019/20: £910 million net deficit) and held cash of £13.8 billion as at 31 March 2021 (31 March 2020: £6.8 billion).

The following table shows the profile of NHS providers that made up the sector during 2020/21. Providers are classified by their principal services but they may also provide other services.



	Acute	Mental health	Ambulance	Specialist	Community	Charitable funds	Total
Number of NHS providers	126	48	10	17	18	n/a	<b>219</b>
% of sector turnover	76%	14%	3%	4%	3%	<0.1%	<b>100%</b>
Surplus/(deficit) before impairments and transfers (£m)	480	86	16	62	7	25	<b>676</b>
Number of providers reporting deficit before impairment and transfers	18	6	1	4	4	n/a	<b>33</b>

The results for the year showed that, excluding the consolidation of charitable funds, 186 NHS providers (85%) (2019/20: 164 (73%)) delivered a surplus or broke even and 33 providers (15%) (2019/20: 62 (27%)) reported a deficit before impairments and transfers by absorption. The gross deficit of all providers in deficit dropped from £1,512 million in 2019/20 to £113 million in 2020/21.

Figure 1 shows the distribution of providers' surplus or deficit for 2020/21 and 2019/20. The two lines are plotted independently.

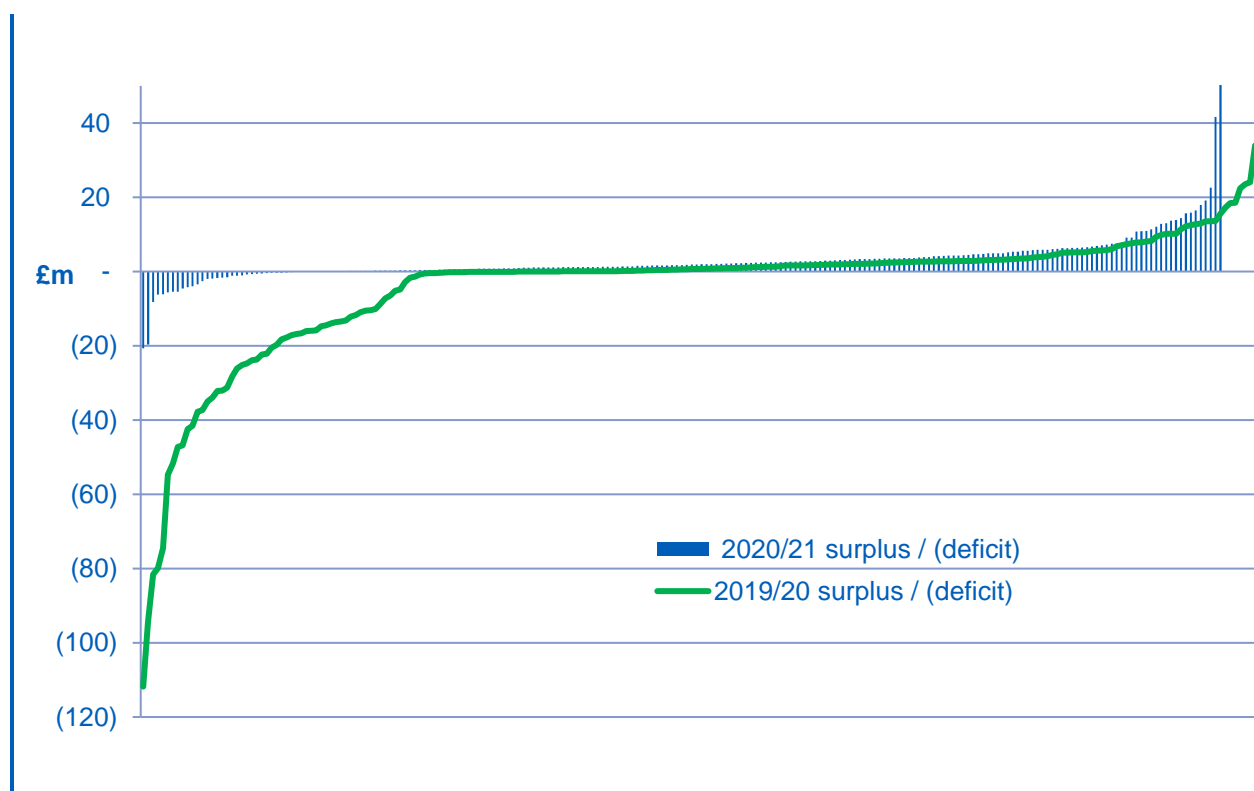


Figure 1: Surplus / (deficit) before impairments and absorption transfers

Where NHS charitable funds are locally deemed to be controlled by an NHS provider, the financial results of the charities are consolidated in these accounts. Forty-six NHS providers consolidated charitable funds, contributing an aggregate surplus of £25 million (2019/20: 48 providers consolidated a £3 million deficit) and net assets of £335 million (31 March 2020: £305 million).

As at 31 March 2021, seven of the most financially challenged providers were receiving intensive support in the Financial Special Measures programme. Of the nine providers in Financial Special Measures as at 31 March 2020, six remained in the programme throughout 2020/21. In July 2021, with the launch of the 2021/22 NHS System Oversight Framework, the Recovery Support Programme replaced the Special Measures programmes. This programme provides focused and integrated support to systems as well as individual organisations. All seven providers in Financial Special Measures as at 31 March 2021 have been placed in the new regime.

The Department of Health and Social Care (DHSC) provides cash support to NHS providers in financial difficulty to support their continued delivery of services on a finite basis. This interim support is normally intended to be a precursor to longer term planned investment to support the delivery of a sustainable recovery plan. In April 2020, DHSC and NHS England and NHS Improvement announced reforms to the cash regime. Interim cash support is now issued in the form of public dividend capital (PDC) and refinancing PDC was issued during 2020/21 to effect the repayment of all historic interim loans totalling £13.5 billion.

Forty-three providers received interim cash revenue support from DHSC in 2020/21 (2019/20: 84). The total gross interim revenue support received by all trusts from DHSC during 2020/21 was £122 million (2019/20: £2,326 million) with an extra £388 million interim funding to support capital investment (2019/20: £568 million).

189 NHS provider financial statements received unqualified true and fair audit opinions (2019/20: 196). The results for one provider, University Hospitals of Leicester NHS Trust, have been consolidated based on accounts information provided by the Trust, but the annual accounts for 2019/20 and 2020/21 have not been adopted by the Trust Board or certified by the Trust's auditor. Further information is provided in note 1 to these consolidated financial statements. 29 providers received audit opinions qualified for a limitation of scope in respect of inventories where sufficient assurance could not be obtained over material inventory balances at the current or comparative year end (2019/20: 29). These arose because restrictions on movement and physical presence in response to the COVID-19 pandemic prevented some providers from performing year end inventory counts and/or auditors from attending such counts. The total impact is not material to these accounts; more detail is provided in note 15 to the financial statements.

All providers have prepared financial statements on a going concern basis. HM Treasury's Financial Reporting Manual (FReM) defines that a public sector body will be a going concern where continuation of the provision of services is anticipated in the future. The same definition is applied by NHS providers in preparing their financial statements. The Public Audit Forum revised 'Practice Note 10' in late 2020 to reinforce to local auditors that the anticipated continued provision of services is a sufficient basis for going concern and corresponding updates were made to the NHS reporting manuals. In 2019/20 prior to the release of this notice, 57 providers received audit reports highlighting material uncertainty in relation to going concern. In 2020/21 this number reduced to one provider and we are satisfied this does not relate to any anticipated future discontinuation of services so there is no material uncertainty over going concern. The accounting policies contain our going concern assessment for these consolidated accounts.

## **Operating performance**

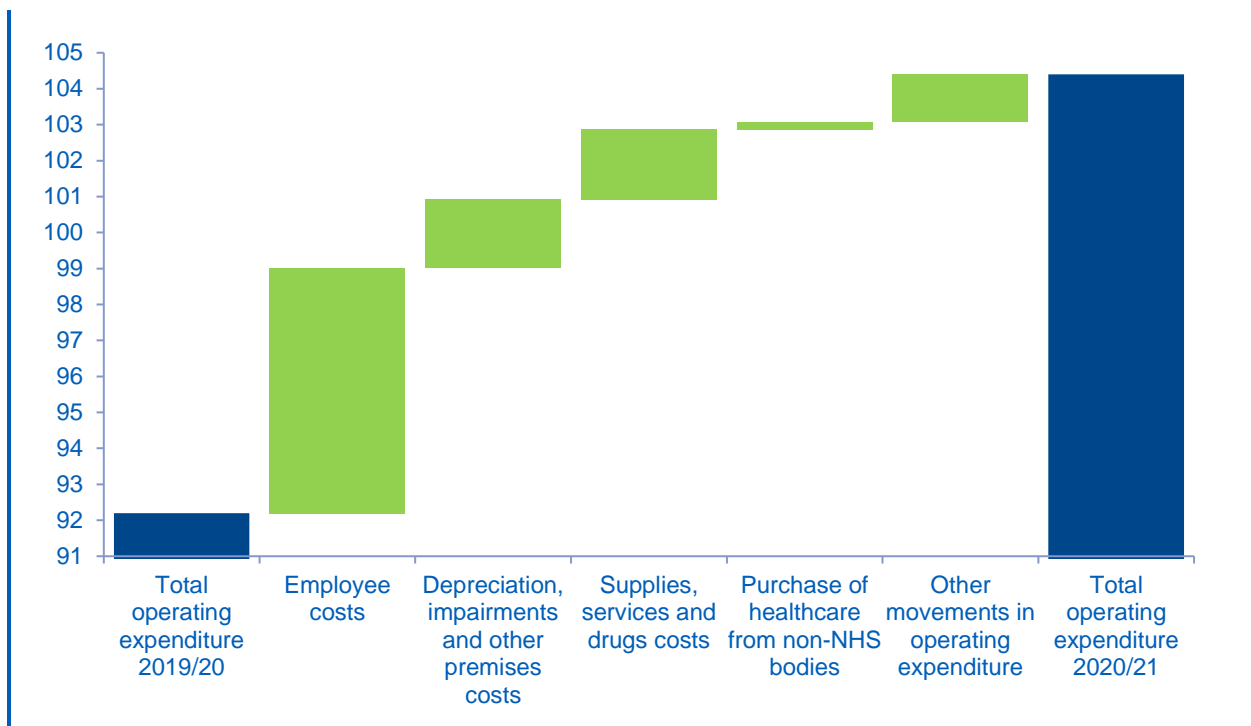
### **Operating income**

In the year to 31 March 2021, 219 NHS providers generated total operating revenues of £105.3 billion, an increase of £13.3 billion (14.5%). This increase is largely due to additional funding made available to the NHS for the pandemic response.

In April 2020, as part of the pandemic response, transaction flows were simplified in the NHS and providers and their commissioners moved onto block contract payments set nationally to guarantee a minimum level of income reflecting the current cost base. 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 fixed system funding envelopes. These arrangements have continued beyond 2020/21.

### **Operating expenditure**

Total operating expenditure increased by 13.2% from £92.2 billion in 2019/20 to £104.4 billion in 2020/21.



**Figure 2: Expenditure bridge 2019/20 to 2020/21**

55% (£6.8 billion) of the increase in operating expenditure related to employee costs. The increase in staff costs in excess of uplifts in pay has been driven by the unprecedented demand on NHS staff resulting from COVID-19. The NHS embarked on a major recruitment campaign to support the pandemic response including facilitating recently retired nurses and clinicians to return to practice. Additionally, where staff were unable to take annual leave the cost to providers of this entitlement being taken in a future year has been accrued in the 2020/21 position. Providers have reported an in-year staff expenditure charge of £847m associated with increased untaken annual leave balances.

Premises costs and the costs of using supplies and services have also increased at rates higher than those seen in recent years. These increases include the incremental costs of setting up and running seven Nightingale Hospitals and mass vaccination hubs and the utilisation of personal protective equipment.

### **Impact of impairments**

Impairments to the carrying value of assets are charged to operating surplus except where previous revaluation surpluses remain: in such cases a reduction is first recognised in the revaluation reserve to the extent of the remaining surplus for that asset. Where the impairments are the result of a permanent loss, such as fire damage, they are always charged to expenditure. In 2020/21 net impairments charged to income and expenditure were £1,464 million (2019/20: £924 million). A further £797 million of net impairments was charged to reserves (2019/20: £612 million), reducing previously

recognised revaluation surpluses. There were 178 NHS providers recording a net impairment within surplus/deficit in 2020/21 (2019/20: 148) while 19 providers recorded net reversals of impairments (2019/20: 45).

Of the £1,464 million of net impairments charged to income and expenditure, 91% arose from changes in market price, compared to 81% in 2019/20. These impairments reflect market conditions at the time of valuation and not a deterioration in the service potential of the asset. Further details of impairments are provided in note 9 to the accounts.

### **Net finance costs**

Net finance costs in 2020/21 showed a net decrease of £70 million to £1,649 million. Within this, interest paid on loans issued by DHSC fell by £282 million. This decrease was a direct result of refinancing £13.5 billion of interim loans on which no interest was payable in 2020/21. This is offset by a drop in interest received from bank deposits of £53 million and an increase in Public Dividend Capital (PDC) dividend charges of £125 million. PDC dividend is calculated based on average net relevant assets so this rise resulted from the increase in net assets held by the provider sector following the replacement of interim loans with equity financing.

### **Working capital and borrowings**

At 31 March 2021, NHS providers held cash and cash equivalents of £13.8 billion (31 March 2020: £6.8 billion), an increase of £7.0 billion. The cash balance is equivalent to 7.4 weeks' operating costs in a sector with annual revenue (excluding the 6.3% NHS pension contribution made by NHS England) of £102.7 billion (2019/20: 4.1 weeks). The increase is substantially driven by the move to block contracts with commissioners. Operational pressures and restrictions on movement delaying capital schemes during 2020/21 also resulted in an increase in accrued capital expenditure and an increase in capital funding remaining in cash at year end.

Of the total cash balance, £13.5 billion was held with the Government Banking Service and £162 million was held elsewhere. The remaining £155 million was held by NHS charitable funds and is not available to support provider operating costs.

The number of receivables days decreased to 13.8 days (2019/20: 26.0 days), reflecting the up-front settlement of block contracts between providers and commissioners and absence of activity-based income accruals. Payable days increased to 38.8 days in 2020/21 from 34.6 days in 2019/20. We are working with the sector to improve the timeliness of providers paying their suppliers.

Total long-term and working capital borrowing at 31 March 2021 was £11.8 billion (31 March 2020: £25.8 billion). The reforms to the NHS cash regime announced in April

2020, resulted in the conversion of all interim loans (£13.5 billion) held by 112 NHS providers into public dividend capital (PDC).

## Capital expenditure

Providers' ability to invest in capital schemes is limited by constraints in DHSC's capital expenditure limit. In April 2020 DHSC, along with NHS England and NHS Improvement, announced changes to the NHS capital regime. Affordable capital envelopes are now allocated at a system level for local prioritisation and the promotion of system driven operational capital planning.

Total purchases and new finance leases of property, plant and equipment and intangible assets were £7.2 billion (2019/20: £4.6 billion). Just over half (56%) of capital spend was on land and buildings, with a further 22% on plant, equipment and transport, 14% on information technology, and 8% on other capital (Figure 3).

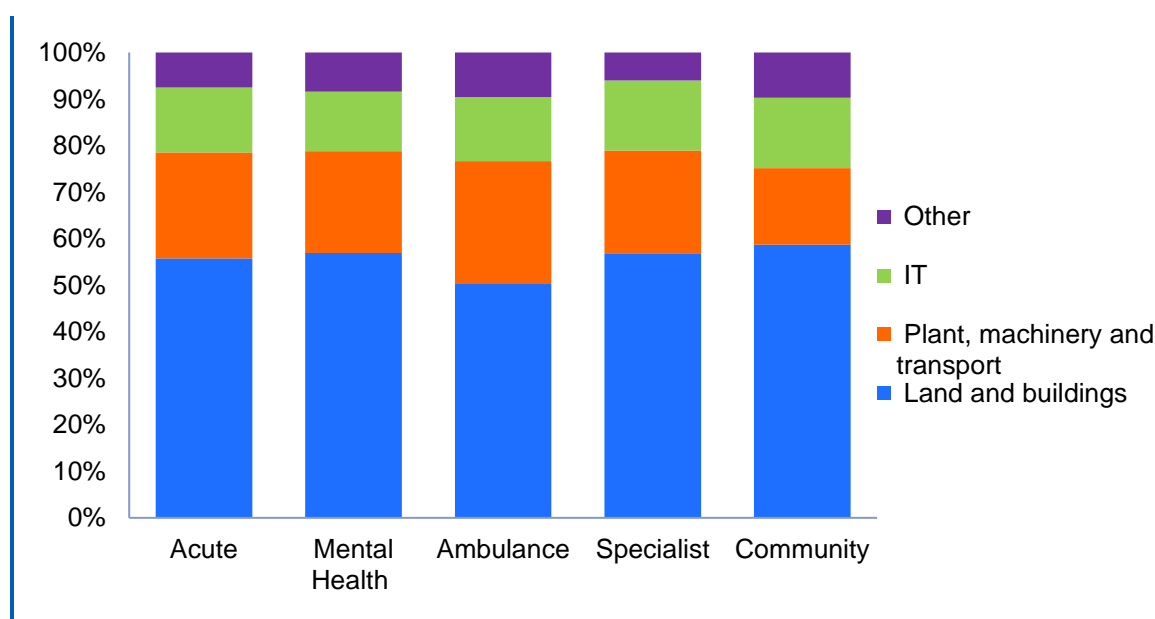


Figure 3: Proportion of capital spend by type, 2020/21

This increased level of capital expenditure in 2020/21 includes some early investment under the New Hospitals Programme, a government commitment to see 40 new hospitals built across the UK by 2030 and the completion of a further eight pre-existing schemes.

Despite restrictions on movement delaying to capital developments in early 2020/21, some providers were still able to complete major schemes. In April 2020, following a virtual inspection and approval by the Care Quality Commission (CQC), Tees, Esk and Wear Valleys NHS Foundation Trust opened Foss Park, a purpose built 72-bed mental health hospital in York, a week ahead of schedule. Providers also spent £537 million on

capital assets acquired to respond to the pandemic, including reconfiguration of clinical areas to provide more adult critical care units to treat patients seriously ill with COVID-19 while protecting those patients admitted for non-COVID conditions. This was in addition to the £207 million of equipment procured nationally by DHSC or NHS England and donated to NHS providers.

### Events after the reporting period

As at 31 March 2021 there were 216 NHS providers. Since this date three NHS providers have been dissolved and their services transferred to other existing providers. More details can be found in note 32 to these accounts. As at the date of authorisation of these accounts, there are 213 NHS providers.

## Understanding the sector position

In internal management, NHS England and NHS Improvement report on the financial performance of the provider sector in a slightly different way to how it is presented in these consolidated accounts. This is reconciled below:

	£m
<b>Reported sector financial performance surplus / (deficit)</b>	<b>655</b>
Adjustment for 'on-statement of financial position' pension schemes (treated on a cash basis in management reporting but an IAS 19 basis in accounts)	(5)
Reported outturn for locally-controlled NHS charities	25
Intra-group consolidation adjustment for NHS charities	1
<b>Consolidated accounts basis: surplus / (deficit) before impairments and transfers, including consolidated charities – audited accounts (per Statement of Comprehensive Income)</b>	<b>676</b>

## Wider context

More information on the performance of the NHS in 2020/21 and priorities going forward can be found in NHS England's annual report and accounts.

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

# Statement of accounting officer's responsibilities and accountability framework

I am designated as the Accounting Officer for Monitor and NHS TDA, the constituent legal entities of NHS Improvement. In this capacity I am responsible for ensuring that NHS Improvement prepares consolidated NHS provider accounts to send to the Secretary of State and the Comptroller and Auditor General, in line with the directions issued to Monitor and NHS TDA. I am not the accountable/accounting officer for each individual NHS trust/NHS foundation trust; this is the role of each local chief executive. An NHS trust's chief executive is designated as the accountable officer when their appointment is confirmed by NHS Improvement. NHS foundation trust chief executives are designated as the accounting officer by the NHS Act 2006.

Amanda Pritchard was the accounting officer for NHS Improvement (being the Monitor and NHS TDA legal entities) 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 trusts

The Secretary of State is responsible for determining, with HM Treasury's approval, the form of accounts each NHS trust must adopt. This is described in the [Department of Health and Social Care's Group Accounting Manual \(GAM\)](#), which is based on HM Treasury's Financial Reporting Manual (FReM). NHS Improvement [has set out](#) the responsibilities of each NHS trust accountable officer to ensure:

- there are effective management systems in place to safeguard public funds and assets
- the trust achieves value for money from the resources available to it
- the trust's expenditure and income have been applied to the purposes intended by Parliament and conform to the authorities which govern them
- effective and sound financial management systems are in place
- the Trust's annual accounts give a true and fair view.

NHS Improvement has set out the responsibilities of NHS trust directors 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 and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

## NHS foundation trusts

NHS Improvement is responsible for determining, with the Secretary of State's approval, the form of accounts each NHS foundation trust must adopt. The [NHS foundation trust annual reporting manual](#) (FT ARM), which is based on the FReM, 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.

## Consolidated NHS provider accounts

In discharging its responsibilities in accordance with the directions to NHS TDA and Monitor issued by the Secretary of State, NHS Improvement has prepared consolidated NHS provider accounts on a basis consistent with the individual NHS providers' accounts and consolidated in accordance with International Financial Reporting Standards (IFRS), as amended for NHS providers by the FReM, the FT ARM and the GAM.

The Secretary of State's directions require NHS Improvement to prepare these consolidated NHS provider accounts to:

- give a true and fair view of the state of affairs of NHS trusts and foundation trusts collectively 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.

As far as I am aware, there is no relevant audit information of which the auditors of the consolidated NHS provider accounts are unaware. As Accounting Officer I have taken all the steps I ought to have taken to make myself aware of any relevant audit information and to establish that the auditors are aware of this information.

Professor Stephen Powis

National Medical Director and Interim NHS Improvement Chief Executive Officer

21 January 2022

# Annual governance statement

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

- (i) the segmentation of providers under the NHS Oversight Framework
- (ii) disclosures in local annual governance statements and
- (iii) the audit reports issued by local external auditors.

## Scope of responsibility

NHS Improvement's Board (which is the board of both Monitor and NHS TDA) is not accountable for the internal control and systems of NHS providers; this is the responsibility of each NHS provider's board.

### **NHS trusts**

As accountable officer, each NHS trust's chief executive is accountable to NHS Improvement and is responsible for maintaining a sound system of internal control that supports the achievement of the trust's policies, aims and objectives. In addition, the chief executive, as accountable officer, has responsibility for safeguarding public funds and the organisation's assets as set out in the NHS trust accountable officer memorandum.

### **NHS foundation trusts**

As accounting officer, each NHS foundation trust's chief executive has responsibility to Parliament for maintaining a sound system of internal control that supports the achievement of the trust's policies, aims and objectives. In addition, the chief executive, as accounting officer, has responsibility for safeguarding public funds and the organisation's assets as set out in the NHS foundation trust accounting officer memorandum.

## Purpose of the system of internal control

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

- contributing to the development of guidance to NHS trusts and NHS foundation trusts through the Department of Health and Social Care's (DHSC's) Group Accounting Manual (GAM); this has been approved by HM Treasury

- providing guidance to foundation trusts through the NHS foundation trust annual reporting manual (FT ARM); this has been approved by the Secretary of State
- relying on the external auditors appointed by each NHS trust/NHS foundation trust's council of governors to ensure the truth and fairness of each set of accounts consolidated into these accounts; these auditors have each undertaken an audit in accordance with the [Code of audit practice](#) (audit code), issued by the Comptroller and Auditor General, supported by the National Audit Office (NAO)
- appointing the Quality Assurance Directorate of the Institute of Chartered Accountants in England and Wales and Audit Quality Review department of the Financial Reporting Council to review the quality of the work of NHS foundation trust auditors and consider their findings. The audits of NHS trusts are reviewed under similar arrangements by Statute, not overseen by NHS Improvement
- attending the NAO's Local Auditors' Advisory Group and associated technical networks, to which senior representatives from each of the audit suppliers appointed as auditors of NHS providers are invited; the forum members discuss technical audit and accounting issues in the public sector, including those concerning NHS bodies and
- consideration by NHS Improvement's management and by its Audit and Risk Assurance Committee of the consolidated accounts and the processes established to derive them.

Each NHS provider's annual report and accounts includes an AGS for the year ended 31 March 2021. Each individual AGS explains how the accountable/accounting officer has reviewed the effectiveness of internal control during the period and highlights any significant control issues where the risk cannot be effectively controlled.

## Overview of internal control systems at NHS trusts and NHS foundation trusts

### NHS Oversight Framework

The NHS Oversight Framework provides the framework for overseeing NHS trusts and NHS foundation trusts and identifying potential support needs.

NHS providers are segmented according to the level of support needed across five themes:

- quality of care
- finance and use of resources
- operational performance
- strategic change
- leadership and improvement capability (well-led)

Each NHS provider is segmented into one of the following four categories:

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

An NHS foundation trust will be in segment 3 or 4 only where it has been found to be in breach or suspected breach of its licence conditions. For NHS trusts this means conditions equivalent to those that are applicable to NHS foundation trusts.

While NHS trusts are exempt from the requirement to apply for and hold the licence, directions from the Secretary of State require NHS TDA to ensure that NHS trusts comply with conditions equivalent to the licence as it deems appropriate. This includes giving directions to an NHS trust where necessary to ensure compliance. We aim to treat all providers in comparable circumstances similarly unless there is sound reason not to. Using the NHS Oversight Framework, we therefore base our oversight of all NHS trusts and NHS foundation trusts on the conditions of the NHS provider licence.

Segmentation of NHS providers is updated regularly. The table below summarises NHS providers' segmentation as at 31 March 2021 and 31 March 2020.

	Segmentation at 31 March 2021				Segmentation at 31 March 2020			
	Number of NHS trusts	Number of NHS FTs	Total number of providers	% of sector	Number of NHS trusts	Number of NHS FTs	Total number of providers	% of sector
<b>1</b>	11	33	<b>44</b>	20%	11	34	<b>45</b>	20%
<b>2</b>	17	79	<b>96</b>	45%	19	83	<b>102</b>	46%
<b>3</b>	34	26	<b>60</b>	28%	36	25	<b>61</b>	27%
<b>4</b>	8	7	<b>15</b>	7%	8	7	<b>15</b>	7%
<b>Total</b>	<b>70*</b>	<b>145</b>	<b>215*</b>		<b>74</b>	<b>149</b>	<b>223</b>	

\*One provider (Dudley Integrated Health and Care NHS Trust) changed its primary function and segmentation was not in place at the year end.

### NHS trusts in segment 3 or 4

Where NHS Improvement identifies a significant concern that requires mandated support to the trust, and finds a breach or suspected breach of the applicable licence conditions, the trust will be placed in segment 3 or 4. For NHS trusts placed in segment 3 or 4, formal undertakings are being agreed in a manner akin to the arrangements at NHS foundation trusts.

Where an NHS trust is in breach of its applicable conditions (or where there are reasonable grounds for suspecting a breach), and NHS Improvement considers that mandated support may be appropriate, NHS Improvement considers the use of NHS TDA's powers under the 2006 Act. Those powers include the development of enforcement undertakings or giving directions to the trust, to secure compliance and ensure the breach does not recur.

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

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

A trust subject to special measures, whether for quality or financial reasons, is placed in segment 4.

In July 2021, with the launch of the 2021/22 NHS System Oversight Framework, the Recovery Support Programme replaced the Special Measures programmes. This programme provides focused and integrated support to systems as well as individual organisations.

In exceptional circumstances an NHS trust may be placed in trust special administration. Administration is a regime for ensuring the continuity of essential services in the event of provider financial distress.

### **NHS foundation trusts in segment 3 or 4**

Where NHS Improvement identifies a significant concern that requires mandated support to the trust, and finds a breach or suspected breach of the applicable licence conditions, the trust will be placed in segment 3 or 4.

Where an NHS foundation trust is in breach of its licence conditions (or where there are reasonable grounds for suspecting a breach) and NHS Improvement considers that mandated support may be appropriate, NHS Improvement considers the use of Monitor's statutory enforcement powers under the 2012 Act. NHS Improvement may apply a range of enforcement powers including developing enforcement undertakings, imposing discretionary requirements and imposing additional licence conditions to secure compliance and ensure breach does not recur. More information on NHS Improvement's formal powers of enforcement and general approach to deciding on

regulatory action can be found in the [Enforcement guidance](#) available on NHS Improvement's website.

Where the CQC has recommended NHS Improvement takes action following the identification of failings in the quality of patient care, NHS Improvement may also place a foundation trust in special measures for quality. Under special measures, trusts are supported to improve levels of patient care, including by partnering with a high performing foundation trust and appointing an improvement director.

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

A trust subject to special measures, whether for quality or financial reasons, is placed in segment 4.

In July 2021, with the launch of the 2021/22 NHS System Oversight Framework, the Recovery Support Programme replaced the Special Measures programmes. This programme provides focused and integrated support to systems as well as individual organisations.

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

## Impact of COVID-19

The COVID-19 pandemic brought unprecedented challenges for the NHS in 2020/21. While the pandemic is not itself a significant internal control weakness, providers discuss in their annual governance statement the impact of the pandemic on governance, including:

- amendments to control environments as part of the pandemic response including financial delegations and clinical governance
- implementing emergency preparedness, major incident and business continuity plans involving a greater degree of central control within trusts rather than established governance structures with more internal delegation
- changes to decision-making processes to enable a faster response
- implementing and managing surge plans including staff redeployment while applying relevant clinical guidelines and

- the impact on patient flow of suspension of non-COVID clinical activity in the first half of 2020/21 and effect on waiting times. The NHS worked to maintain non-COVID activity during COVID-19 peaks in the second half of 2020/21.

Further information on the national response to the pandemic can be found in the NHS England and DHSC annual reports and accounts.

## NHS trusts' and NHS foundation trusts' significant internal control weaknesses

### Sources of information

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

#### *NHS Oversight Framework segment 3 or 4*

Where an NHS provider is in Oversight Framework segment 3 or 4 and is receiving mandated support, the support offered to the provider will be defined in terms of the Oversight Framework themes.

NHS Improvement placing an NHS provider into segment 3 or 4 and mandating support would normally indicate the existence of control weaknesses or failings in the trust's control environment.

#### *Other significant control issues*

NHS providers may also declare other matters as significant control issues. NHS Improvement's FT ARM for NHS foundation trusts and AGS guidance for NHS trusts gives guidance on how to determine whether an internal control matter is 'significant' but does not prescribe an approach; this is a matter for each trust's board. The table that follows includes all cases where trusts have disclosed one or more significant control weaknesses in their annual governance statement.

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

In addition to the 'true and fair' audit opinion on the accounts, external auditors of NHS trusts and NHS foundation trusts are required to conclude whether the trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Where the auditor identifies significant issues, the auditor reports that they are unable to satisfy themselves that the trust has made these proper arrangements. Such reporting does not imply that the 'true and fair' audit opinion on the provider's accounts is qualified. These conclusions are listed in the table that follows. In each case



we summarise if this modification relates to the same matters as the reason for Oversight Framework segmentation as 3 or 4 by NHS Improvement.

*Financial standing: interim cash revenue support from DHSC*

Twelve NHS trusts and NHS foundation trusts required interim cash revenue support from DHSC in 2020/21 to support the continued provision of services to patients. These are also listed in the table that follows.

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

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

- NHS Oversight Framework segmentation of 3 or 4 by NHS Improvement during the year
- the external auditor modifying their use of resources conclusion.

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

- trusts in receipt of interim cash revenue support from DHSC during the year
- notes on other non-standard forms of the auditor’s reporting.

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

**Summary of results**

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

	2020/21	2019/20
Number of providers receiving mandated support from NHS Improvement during the year	79	79
Total number of modified conclusions relating to arrangements for securing economy, efficiency and effectiveness in the provider’s use of resources	36	81
Number of providers where audit opinion contains material uncertainty on going concern	1	57
Number of providers in receipt of DHSC interim cash revenue support	12	84

	2020/21	2019/20
Number of providers where 'true and fair' audit opinion has been modified (qualified)	29	29
Providers consolidated without an audit report	1: see page 36	1: see page 36

### *Modifications of 'true and fair' audit opinion: inventory*

The Government's lockdown period in response to COVID-19 spanned the 31 March 2020 year end, with restrictions on physical attendance continuing in 2020/21. For inventory balances, where performance of a year end inventory count was not possible, NHS providers were able to employ a variety of procedures to assure themselves of the material accuracy of inventory balances at the year end. Where inventory is material to a provider, international standards on auditing prescribe that the auditor must attend one or more inventory counts. This was not possible in all cases. This limitation of the auditor's scope meant a corresponding qualified audit opinion at 29 providers. Seven provider audit opinions contained a qualification in respect of inventories held at 31 March 2021 (£114 million) and 25 opinions were qualified in relation to inventories held in the comparative period at 31 March 2020 (£252 million). Three of these opinions qualified both periods. This is not material to these consolidated provider accounts. Given the effect of the pandemic, we **do not** consider a true and fair audit qualification arising from a lack of audit evidence on inventory at the statement of financial position date to constitute a significant internal control issue for the trust.

### **List of providers with matters to report**

The table below lists the NHS trusts and NHS foundation trusts for which there are matters to report in the relevant columns. It therefore does not list all NHS providers. Column (3) lists significant internal control issues disclosed in local annual governance statements, excluding matters relating to the same issues as covered by NHS Improvement's mandated support. Therefore, the absence of a tick in this column does not necessarily mean the provider disclosed no significant internal control issues in its local AGS.

Provider name	Provider subject to mandated support from NHS Improvement		Other significant internal control issue disclosed by provider	Audit report: Significant issues in proper arrangements for use of resources		Other information	
	(1) Provider in Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures <u>during the year</u>	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Provider in receipt of DHSC interim cash revenue support during 2020/21	(7) Other notes
		Finance	Quality				
Airedale NHS Foundation Trust	No						ε
Ashford and St Peter's Hospitals NHS Foundation Trust	No			Yes: performance targets			
Avon and Wiltshire Mental Health Partnership NHS Trust	Yes (finance)				Yes (also quality)		
Barking, Havering and Redbridge University Hospitals NHS Trust	Yes (operational performance, quality, finance)	✓			Yes		α ζ
Barts Health NHS Trust	Yes (operational performance, quality, finance)	✓		Yes: also fire safety			
Blackpool Teaching Hospitals NHS Foundation Trust	Yes (operational performance, quality)				Yes (also finance)	Yes	
Brighton and Sussex University Hospitals NHS Trust	Yes (Operational performance, finance)						δ
Buckinghamshire Healthcare NHS Trust	Yes (finance)					Yes	
Calderdale and Huddersfield NHS Foundation Trust	Yes (finance)						
Cambridge University Hospitals NHS Foundation Trust	No			Yes: access targets and estates issues			β
Cambridgeshire and Peterborough NHS Foundation Trust	No						ζ
Cambridgeshire Community Services NHS Trust	No						ζ

Provider name	Provider subject to mandated support from NHS Improvement		Other significant internal control issue disclosed by provider	Audit report: Significant issues in proper arrangements for use of resources		Other information	
	(1) Provider in Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures <u>during the year</u>		(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Provider in receipt of DHSC interim cash revenue support during 2020/21	(7) Other notes
		Finance	Quality				
Cornwall Partnership NHS Foundation Trust	Yes (leadership and improvement capability)				Yes		
County Durham and Darlington NHS Foundation Trust	No			Yes: management of significant investments			β
Croydon Health Services NHS Trust	Yes (operational performance, quality, finance)			Yes: IT infrastructure			
Dartford and Gravesham NHS Trust	Yes (operational performance, finance)						
Doncaster & Bassetlaw Teaching Hospitals NHS Foundation Trust	No						ζ
East and North Hertfordshire NHS Trust	Yes (operational performance, quality, finance)						ζ
East Cheshire NHS Trust	Yes (operational performance)						
East Kent Hospitals University NHS Foundation Trust	Yes (operational performance, quality, finance)	✓		Yes: data quality	Yes	Yes	
East Lancashire Hospitals NHS Trust	No						β
East London NHS Foundation Trust	No						ζ
East Midlands Ambulance Service NHS Trust	Yes (operational performance)						
East of England Ambulance Service NHS Trust	Yes (operational performance, quality)		✓		Yes		

Provider name	Provider subject to mandated support from NHS Improvement		Other significant internal control issue disclosed by provider	Audit report: Significant issues in proper arrangements for use of resources		Other information	
	(1) Provider in Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures <u>during the year</u>	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Provider in receipt of DHSC interim cash revenue support during 2020/21	(7) Other notes
		Finance	Quality				
East Suffolk and North Essex NHS Foundation Trust	No			Yes: access targets and hospital acquired infections			ζ
East Sussex Healthcare NHS Trust	Yes (finance)						
Epsom and St Helier University Hospitals NHS Trust	Yes (operational performance, quality, finance)						
Essex Partnership University NHS Foundation Trust	No						ζ
Gateshead Health NHS Foundation Trust	No						ζ
George Eliot Hospital NHS Trust	Yes (operational performance, quality, finance)						
Gloucestershire Hospitals NHS Foundation Trust	Yes (finance)						
Great Western Hospitals NHS Foundation Trust	No					Yes	
Guy's & St Thomas' NHS Foundation Trust	No						β
Hampshire Hospitals NHS Foundation Trust	No						β ζ
Harrogate and District NHS Foundation Trust	No						ζ
Hull University Teaching Hospitals NHS Trust	Yes (operational performance, quality, finance)						γ

Provider name	Provider subject to mandated support from NHS Improvement		Other significant internal control issue disclosed by provider	Audit report: Significant issues in proper arrangements for use of resources		Other information	
	(1) Provider in Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures <u>during the year</u>	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Provider in receipt of DHSC interim cash revenue support during 2020/21	(7) Other notes
		Finance	Quality				
Imperial College Healthcare NHS Trust	No			Yes (pandemic impact on patient waits and staff, finance, estates)			
Isle of Wight NHS Trust	Yes (operational performance, quality, finance)	✓	✓				β
Kettering General Hospital NHS Foundation Trust	Yes (operational performance, quality, finance)				Yes		
King's College Hospital NHS Foundation Trust	Yes (operational performance, quality, finance)	✓		Yes (freedom to speak up, risk management, register of interests, serious incident investigations, data governance, private patient activity management)			β
Lancashire Teaching Hospitals NHS Foundation Trust	Yes (finance)						
Leeds Teaching Hospitals NHS Trust	No						α
Leicestershire Partnership NHS Trust	Yes (operational performance, quality, finance)						
Lewisham and Greenwich NHS Trust	Yes (operational performance, quality, finance)						

Provider name	Provider subject to mandated support from NHS Improvement		Other significant internal control issue disclosed by provider	Audit report: Significant issues in proper arrangements for use of resources		Other information	
	(1) Provider in Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures <u>during the year</u>	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Provider in receipt of DHSC interim cash revenue support during 2020/21	(7) Other notes
		Finance	Quality				
Liverpool Heart and Chest Hospital NHS Foundation Trust	No						β
Liverpool University Hospitals NHS Foundation Trust	No						β
Liverpool Women's NHS Foundation Trust	Yes (finance)						
London Ambulance Service NHS Trust	No			Yes: medicines controls, transfer of staff records between providers			ζ
London North West University Healthcare NHS Trust	Yes (operational performance, quality, finance)				Yes		β
Maidstone And Tunbridge Wells NHS Trust	Yes (operational performance, quality, finance)			Yes: never events			
Medway NHS Foundation Trust	Yes (operational performance, quality, finance)						β
Mid and South Essex Hospitals NHS Foundation Trust	Yes (operational performance, quality)				Yes		β ζ
Mid Yorkshire Hospitals NHS Trust	Yes (operational performance, quality, finance)						
Midlands Partnership NHS Foundation Trust	No						
Norfolk and Norwich University Hospitals NHS Foundation Trust	Yes (operational performance, quality, finance)		✓ (ended April 2020)	Yes: also workforce support, locality digital maturity	Yes		

Provider name	Provider subject to mandated support from NHS Improvement		Other significant internal control issue disclosed by provider	Audit report: Significant issues in proper arrangements for use of resources		Other information	
	(1) Provider in Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures <u>during the year</u>	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Provider in receipt of DHSC interim cash revenue support during 2020/21	(7) Other notes
		Finance	Quality				
Norfolk and Suffolk NHS Foundation Trust	Yes (operational performance, quality)		✓		Yes		
North Bristol NHS Trust	Yes (operational performance, finance)			Yes: staff overpayment, serious incident, never event			β
North Cumbria Integrated Care NHS Foundation Trust	Yes (operational performance, quality, finance)				Yes	Yes	γ
North East London NHS Foundation Trust	No						ζ
North Middlesex University Hospital NHS Trust	Yes (operational performance, quality, finance)						
North Staffordshire Combined Healthcare NHS Trust	No						ζ
North Tees and Hartlepool NHS Foundation Trust	Yes (strategy)						
North West Anglia NHS Foundation Trust	Yes (operational performance, quality)						
North West Boroughs Healthcare NHS Foundation Trust	No						δ
Northampton General Hospital NHS Trust	Yes (operational performance, quality, finance)				Yes		
Northern Lincolnshire and Goole NHS Foundation Trust	Yes (operational performance, quality, finance)	✓	✓	Yes: also information governance	Yes		



Provider name	Provider subject to mandated support from NHS Improvement		Other significant internal control issue disclosed by provider	Audit report: Significant issues in proper arrangements for use of resources		Other information	
	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Provider in receipt of DHSC interim cash revenue support during 2020/21	(7) Other notes
		Finance	Quality				
Nottingham University Hospitals NHS Trust	Yes (operational performance, quality)				Yes		
Oxford University Hospitals NHS Foundation Trust	Yes (finance)						α
Pennine Acute Hospitals NHS Trust	Yes (operational performance, quality, finance)					Yes	
Pennine Care NHS Foundation Trust	Yes (quality, finance)						
Portsmouth Hospitals NHS Trust	Yes (operational performance)						
Royal Cornwall Hospitals NHS Trust	Yes (operational performance, quality, finance, leadership and improvement capability)				Yes		β
Royal Free London NHS Foundation Trust	Yes (operational performance, quality, finance)						
Royal National Orthopaedic Hospital NHS Trust	No					Yes	
Salford Royal NHS Foundation Trust	No						ε
Salisbury NHS Foundation Trust	Yes (finance)						β
Sandwell And West Birmingham Hospitals NHS Trust	Yes (operational performance, quality, finance)				Yes		
Sheffield Children's NHS Foundation Trust	Yes (finance)				Yes		
Sheffield Health and Social Care NHS Foundation Trust	Yes (quality)		✓		Yes (also finance)		

Provider name	Provider subject to mandated support from NHS Improvement		Other significant internal control issue disclosed by provider	Audit report: Significant issues in proper arrangements for use of resources		Other information	
	(1) Provider in Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures <u>during the year</u>		(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Provider in receipt of DHSC interim cash revenue support during 2020/21	(7) Other notes
		Finance	Quality				
Sheffield Teaching Hospitals NHS Foundation Trust	No					Yes (CQC inspection)	
Sherwood Forest Hospitals NHS Foundation Trust	No						
Shrewsbury and Telford Hospital NHS Trust	Yes (operational performance, quality, finance)		✓		Yes		
Shropshire Community Health NHS Trust	No						
South East Coast Ambulance Service NHS Foundation Trust	Yes (Operational performance, finance)						
South London and Maudsley NHS Foundation Trust	No			Yes: patients' monies controls			
South Tees Hospitals NHS Foundation Trust	Yes (operational performance, finance)			Yes: CQC actions and staff survey concerns	Yes		
South Tyneside and Sunderland NHS Foundation Trust	No						ζ
Southern Health NHS Foundation Trust	Yes (quality)						
Southport And Ormskirk Hospital NHS Trust	Yes (quality, finance)				Yes		
St George's University Hospitals NHS Foundation Trust	Yes (operational performance, quality, finance)	✓					
Stockport NHS Foundation Trust	Yes (operational performance, quality, finance)				Yes		

Provider name	Provider subject to mandated support from NHS Improvement		Other significant internal control issue disclosed by provider	Audit report: Significant issues in proper arrangements for use of resources		Other information	
	(1) Provider in Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures <u>during the year</u>	(3) Significant internal control issue not relating to matters in (1)	(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Provider in receipt of DHSC interim cash revenue support during 2020/21	(7) Other notes
		Finance	Quality				
Tameside and Glossop Integrated Care NHS Foundation Trust	Yes (finance)						
Tavistock and Portman NHS Foundation Trust	No				Yes (quality)		
Tees, Esk and Wear Valleys NHS Foundation Trust	No			Yes: CQC report, governance weaknesses	Yes (quality)		
The Clatterbridge Cancer Centre NHS Foundation Trust	No						β
The Dudley Group NHS Foundation Trust	Yes (operational performance, quality, finance)						
The Hillingdon Hospitals NHS Foundation Trust	Yes (operational performance, quality, finance)				Yes (also capital and data quality)	Yes	
The Princess Alexandra Hospital NHS Trust	Yes (quality)						β ζ
The Queen Elizabeth Hospital King's Lynn NHS Foundation Trust	Yes (operational performance, quality, finance)		✓	Yes: cyber security	Yes		
The Rotherham NHS Foundation Trust	Yes (operational performance, quality, finance)				Yes		
The Royal Orthopaedic Hospital NHS Foundation Trust	No						β
The Royal Wolverhampton NHS Trust	Yes (operational performance, finance)						
Torbay and South Devon NHS Foundation Trust	No					Yes	

Provider name	Provider subject to mandated support from NHS Improvement		Other significant internal control issue disclosed by provider	Audit report: Significant issues in proper arrangements for use of resources		Other information	
	(1) Provider in Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures <u>during the year</u>		(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Provider in receipt of DHSC interim cash revenue support during 2020/21	(7) Other notes
		Finance	Quality				
United Lincolnshire Hospitals NHS Trust	Yes (operational performance, quality, finance)	✓	✓	Yes: also fire safety and workforce supply	Yes (also fire safety and capital backlog)		
University College London Hospitals NHS Foundation Trust	No			Yes: never events			
University Hospitals Bristol and Weston NHS Foundation Trust	No			Yes: access targets and hospital acquired COVID-19			
University Hospitals Coventry and Warwickshire NHS Trust	Yes (operational performance, finance)			Yes: also never events			
University Hospitals of Derby and Burton NHS Foundation Trust	Yes (operational performance, finance)				Yes		α
University Hospitals of Leicester NHS Trust	Yes (operational performance, quality, finance)	✓		These consolidated accounts have been prepared using unaudited financial information from University Hospitals of Leicester NHS Trust. See page 36.			
University Hospitals of Morecambe Bay NHS Foundation Trust	Yes (finance)				Yes (also governance matters)		
University Hospitals of North Midlands NHS Trust	Yes (operational performance, quality, finance)	✓					β
University Hospitals Plymouth NHS Trust	Yes (operational performance, quality, finance)						β
Walsall Healthcare NHS Trust	Yes (operational performance, quality, finance)				Yes		

Provider name	Provider subject to mandated support from NHS Improvement		Other significant internal control issue disclosed by provider	Audit report: Significant issues in proper arrangements for use of resources		Other information		
	(1) Provider in Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures <u>during the year</u>		(4) UoR significant issues: linked to matters in (1)	(5) UoR significant issues: Other matter (or segment 3/4 post year-end)	(6) Provider in receipt of DHSC interim cash revenue support during 2020/21	(7) Other notes	
		Finance	Quality					
Warrington and Halton Hospitals NHS Foundation Trust	No					Yes		
West Hertfordshire Hospitals NHS Trust	Yes (operational performance, quality, finance)							
West Suffolk NHS Foundation Trust	No			Yes: senior recruitment controls, nursing rostering			ζ	
Western Sussex Hospitals NHS Foundation Trust	No						ε	
Wirral University Teaching Hospital NHS Foundation Trust	Yes (operational performance, finance)							
Worcestershire Acute Hospitals NHS Trust	Yes (operational performance, quality, finance)		✓ (exited Sep 2020)	Yes: also IT infrastructure	Yes	Yes	β	
Wye Valley NHS Trust	Yes (operational performance, quality, finance)				Yes	Yes		
York Teaching Hospital NHS Foundation Trust	Yes (finance)				Yes (also quality)		γ	
<b>Totals</b>	<b>79</b>	<b>10</b>	<b>10</b>	<b>24</b>	<b>33</b> ^	<b>3</b> ^	<b>12</b>	<b>-</b>

**Notes for column (7)** – note we do not consider these items as significant internal control issues:

- α 4 trusts: modified audit opinion - inventory at the 31 March 2021 year end (see page 23)
- β 22 trusts: modified audit opinion - inventory at the 31 March 2020 year end (see page 23). This includes Royal Brompton and Harefield NHS Foundation Trust which demised as a separate organisation on 1 February 2021 and is not listed in the table.
- γ 3 trusts: modified audit opinion - inventory at the 31 March 2020 and 31 March 2021 year ends (see page 23)
- δ 2 trusts are denoted with this symbol in the table to indicate that the auditor included an ‘emphasis of matter’ relating to the organisation demising or significantly changing its organisational form with services transferring to other trusts, either during the reporting year or anticipated within the coming year. This also applies to the 3 trusts that demised during the year (see accounts note 30), making the overall total 5 trusts.
- ε 3 trusts: emphasis of matter for other reasons. These are not material to the consolidated accounts; details are available in the local annual report and accounts.
- ζ 18 trusts: modification to remuneration report opinion due to non-availability of pensions information in cases such as where senior managers left the NHS pension scheme.

**Other notes:**

^ No audit report has been issued for University Hospitals of Leicester NHS Trust at the time of finalising these consolidated accounts.

\* Approach for column (1):

- The explanation for each provider shows the support offerings for each provider in segment 3 or 4 at any point during the year. In some cases a trust may receive a combination of mandated and targeted support with all such support needs included here.
- In many cases our support also relates to the leadership and improvement capability and strategic change Oversight Framework domains. Where this is the case the underlying issues will relate to other Oversight Framework domains so these are not always additionally listed here, unless these are the only applicable domains.

## **University Hospitals of Leicester NHS Trust**

As explained in note 1 to the consolidated financial statements on page 49, the annual report and accounts for one provider, University Hospitals of Leicester NHS Trust, have not been adopted by the Trust Board or certified by the Trust's auditor. This means that the Trust has not published its annual governance statement, which forms part of the annual report.

The consolidated provider accounts for 2019/20 utilised reporting by the Trust in August 2020 which reported a deficit of £77.6 million for 2019/20. The consolidated provider accounts for 2020/21 are based on the Trust's reported position in August 2021 which records a surplus of £58.3 million for 2020/21 and a revised 2019/20 deficit of £120.9 million. In these consolidated accounts the prior year movement is recognised in 2020/21.

The Trust entered the Special Measures for Finance regime in August 2020. This includes the appointment of a financial improvement director to the Trust, senior monthly oversight meetings, external review of the finance function, and board development.

During 2020 the work of the Trust and its external auditor identified significant weaknesses in internal control. Findings included deficiencies in financial systems and control, governance and financial reporting; in particular the use and authorisation of journals in the accounting ledger. In December 2020 the Trust assessed that the weaknesses in underlying accounting records meant that the Board was unable to certify the annual accounts for 2019/20 as true and fair. As a consequence the external auditor did not issue an audit report.

During 2021 the Trust has worked to improve its governance and financial control, including work to remedy accounting records for 2019/20 as far as possible. The Trust currently expects to adopt its accounts for 2019/20 and 2020/21 in April 2022. These consolidated provider accounts for 2020/21 have been finalised based on the unaudited information provided by the Trust.

### **Auditor referrals of matters arising**

Under Section 30 of the Local Audit and Accountability Act 2014 for NHS trusts, and under Schedule 10 to the NHS Act 2006 for NHS foundation trusts, where an auditor believes that the body or an officer of the body:

- is about to make, or has made, a decision which involves or would involve the incurring of expenditure which is unlawful, or

- is about to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency

the auditor should make a referral to the Secretary of State (for NHS trusts)/NHS Improvement (for NHS foundation trusts).

33 NHS trusts (2019/20: 40) and no NHS foundation trusts (2019/20: none) were subject to such referrals in 2020/21. These referrals relate to a failure by the trust to meet the statutory breakeven duty target. This requires an NHS trust to achieve a cumulative breakeven over a three or five-year period. The underlying issues in trust finances are disclosed as part of the detail on significant internal control issues presented above. A referral under Section 30 of the 2014 Act by the auditor at University Hospitals of Leicester NHS Trust in December 2020 (included in the 2019/20 count of 40) also referred to the Trust having not prepared accounts for 2019/20 that it could adopt as true and fair, as explained on page 36 of this governance statement.

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



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

## Opinion on consolidated financial statements

I certify that I have audited the Consolidated NHS Provider Accounts for the year ended 31 March 2021. The consolidated financial statements have been prepared by the NHS Trust Development Authority in accordance with the Secretary of State direction under the National Health Service Act 2006. The consolidated financial statements comprise: the Consolidated Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Equity; and the related notes, including the significant accounting policies. These consolidated financial statements have been prepared under the accounting policies set out within them. The financial reporting framework that has been applied in their preparation is applicable law and International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual.

In my opinion, the consolidated financial statements:

- give a true and fair view of the state of affairs of NHS trusts and NHS foundation trusts, taken collectively, as at 31 March 2021 and of their deficit for the year then ended;
- have been properly prepared in accordance with the directions issued under the National Health Service Act 2006.

## Opinion on regularity

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

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK), applicable law and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2019. I have also elected to apply the ethical standards relevant to listed entities. I am independent of the NHS Trust Development Authority in accordance with the ethical requirements that are relevant to my audit of the consolidated financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Conclusions relating to going concern

In auditing the consolidated financial statements, I have concluded that NHS Trust Development Authority's use of the going concern basis of accounting in the preparation of the consolidated financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on NHS trusts' and NHS foundation trusts' collective ability to continue as a going concern for a period of at least twelve months from when the consolidated financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Consolidated NHS Provider Accounts is adopted in consideration of the requirements set out in International Accounting Standards as interpreted by HM Treasury's Government Financial Reporting Manual, which require entities to adopt the going concern basis of accounting in the preparation of the financial statements where it anticipated that the services which they provide will continue into the future.

## Other Information

The other information comprises information included in the Consolidated NHS Provider Accounts, but does not include the consolidated financial statements and my auditor's certificate thereon. The Accounting Officer is responsible for the other information. My opinion on the consolidated financial statements does not cover the other information and except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon. In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the consolidated financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

## Opinion on other matters

In my opinion, based on the work undertaken in the course of the audit, the information given in the Introduction, Review of Financial Performance of NHS Providers, Statement of Accounting Officer's Responsibilities and Accountability Framework, and the Annual Governance Statement for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

## Matters on which I report by exception

In the light of the knowledge and understanding of NHS trusts and NHS foundation trusts, taken collectively, and their environment obtained in the course of the audit, I have not identified material misstatements in the Introduction, Review of Financial Performance of NHS Providers, Statement of Accounting Officer's Responsibilities and Accountability Framework, and the Annual Governance Statement.

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

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

## Responsibilities of the Accounting Officer for the consolidated financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities and Accountability Framework, the Accounting Officer is responsible for:

- the preparation of the consolidated financial statements in accordance with the applicable financial reporting framework and for being satisfied that they give a true and fair view;
- such internal controls that the Accounting Officer determines are necessary to enable the preparation of consolidated financial statement to be free from material misstatement, whether due to fraud or error.
- assessing NHS trusts' and NHS foundation trusts' collective ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by NHS trusts and NHS foundation trusts will not continue to be provided in the future.

## Auditor's responsibilities for the audit of the consolidated financial statements

My responsibility is to audit, certify and report on the consolidated financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

My objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to

influence the economic decisions of users taken on the basis of these consolidated financial statements.

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulation, including fraud .

My procedures included the following:

- Inquiring of management, NHS England and NHS Improvement's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the NHS Trust Development Authority's policies and procedures relating to:
  - identifying, evaluating and monitoring NHS trusts' and NHS foundation trusts' compliance with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud; and
  - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the NHS Trust Development Authority's controls relating to the National Health Service Act 2006 and Managing Public Money;
- discussing among the engagement team regarding how and where fraud might occur in the consolidated financial statements and any potential indicators of fraud. As part of this discussion, I identified potential for fraud in the following areas: revenue recognition, posting of unusual journals and prudence in the valuation of year-end liabilities;
- obtaining an understanding of NHS trusts' and NHS foundation trusts' framework of authority as well as other legal and regulatory frameworks that NHS trusts and NHS foundation trusts operate in, focusing on those laws and regulations that had a direct effect on the consolidated financial statements or that had a fundamental effect on the operations of NHS trusts and NHS foundation trusts taken collectively. The key laws and regulations I considered in this context included the National Health Service Act 2006, the Health and Social Care Act 2012, Managing Public Money, Employment Law, and tax Legislation; and
- communicating with auditors of NHS trusts and NHS foundation trusts and reviewing their assessment of the risks relating to fraud, non-compliance with laws and regulations and regularity in their audits.

In addition to the above, my procedures to respond to identified risks included the following:

- reviewing the consolidated financial statement disclosures and testing to supporting documentation to assess compliance with relevant laws and regulations discussed above;
- enquiring of management and the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;
- reading minutes of meetings of those charged with governance and the Board;

- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and enquiring with auditors of NHS trusts and NHS foundation trusts about the findings of their audits with respect to management override of controls; and
- in addressing the risk of fraud in revenue recognition, I notified auditors of NHS trusts and NHS foundation trusts of the need to consider the presumed risk of fraud in revenue recognition and enquired with them about the findings of their audits with respect to fraud in revenue recognition.

I also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including significant component audit teams and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the consolidated financial statements is located on the Financial Reporting Council's website at:

[www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of my certificate.

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

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Report

I refer to the explanatory report that I have included alongside my audit certificate on the 2020-21 financial statements of the Department of Health and Social Care. This report is relevant to the Consolidated NHS Provider Accounts because it reports on the developments with the financial management and governance issues at University Hospitals of Leicester NHS Trust.

Gareth Davies  
Comptroller and Auditor General

28 January 2022

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

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

	2020/21			2019/20			
	Note	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	90,678	-	90,678	82,338	-	82,338
Other operating income	4	14,590	-	14,590	9,663	-	9,663
<b>Total operating income</b>		<b>105,268</b>	<b>-</b>	<b>105,268</b>	<b>92,001</b>	<b>-</b>	<b>92,001</b>
Operating expenses	5, 6	(102,969)	(1,464)	(104,433)	(91,260)	(924)	(92,184)
<b>Operating surplus/(deficit)</b>		<b>2,299</b>	<b>(1,464)</b>	<b>835</b>	<b>741</b>	<b>(924)</b>	<b>(183)</b>
Finance income		8	-	8	65	-	65
Finance expenses	10	(921)	-	(921)	(1,173)	-	(1,173)
PDC dividends payable		(736)	-	(736)	(611)	-	(611)
<b>Net finance costs</b>		<b>(1,649)</b>	<b>-</b>	<b>(1,649)</b>	<b>(1,719)</b>	<b>-</b>	<b>(1,719)</b>
Other gains/(losses)	11	17	1	18	45	-	45
Share of profits/(losses) of joint ventures/associates		20	-	20	22	-	22
Gains arising from transfers by absorption	30	-	1	1	-	-	-
Losses arising from transfers by absorption	30	-	(1)	(1)	-	(15)	(15)
Corporation tax expense		(11)	-	(11)	1	-	1
<b>Surplus/(deficit) for the year</b>		<b>676</b>	<b>(1,463)</b>	<b>(787)</b>	<b>(910)</b>	<b>(939)</b>	<b>(1,849)</b>
<b>Other comprehensive income/(expenditure)</b>							
<b>Will not be reclassified to income and expenditure:</b>							
Net impairments charged to the revaluation reserve	9	-	(797)	(797)	-	(612)	(612)
Revaluations	9	(1)	766	765	(1)	1,014	1,013
Fair value gains/(losses) on equity instruments designated at fair value through OCI		17	-	17	(15)	-	(15)
Gains arising from transfers by modified absorption	30	-	-	-	-	10	10
Other OCI movements		(24)	-	(24)	3	-	3
<b>May be reclassified to income and expenditure when certain conditions are met:</b>							
Fair value gains/(losses) on financial assets mandated at fair value through OCI		9	1	10	(7)	-	(7)
<b>Other comprehensive income/(expense)</b>		<b>1</b>	<b>(30)</b>	<b>(29)</b>	<b>(20)</b>	<b>412</b>	<b>392</b>
<b>Total comprehensive income/(expense) for the period</b>		<b>677</b>	<b>(1,493)</b>	<b>(816)</b>	<b>(930)</b>	<b>(527)</b>	<b>(1,457)</b>

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

	Note	31 March 2021 £m	31 March 2020 £m
<b>Non-current assets</b>			
Intangible assets	12	1,612	1,337
Property, plant and equipment	13	49,658	46,609
Investment property	14	208	216
Investments in joint ventures and associates	14	96	91
Other financial assets	14	222	171
Receivables	16	591	676
Other assets		4	5
<b>Total non-current assets</b>		<b>52,391</b>	<b>49,105</b>
<b>Current assets</b>			
Inventories	15	1,220	1,169
Receivables	16	4,136	6,564
Other financial assets	14	26	39
Non-current assets held for sale and assets in disposal groups		54	49
Cash and cash equivalents	17	13,787	6,832
<b>Total current assets</b>		<b>19,223</b>	<b>14,653</b>
<b>Current liabilities</b>			
Trade and other payables	18	(13,419)	(9,551)
Borrowings	20	(689)	(14,202)
Other financial liabilities		(1)	(1)
Provisions	21	(724)	(453)
Other liabilities	19	(1,472)	(914)
<b>Total current liabilities</b>		<b>(16,305)</b>	<b>(25,121)</b>
<b>Total assets less current liabilities</b>		<b>55,309</b>	<b>38,637</b>
<b>Non-current liabilities</b>			
Trade and other payables	18	(42)	(35)
Borrowings	20	(11,108)	(11,568)
Other financial liabilities		(2)	(2)
Provisions	21	(753)	(581)
Other liabilities	19	(225)	(191)
<b>Total non-current liabilities</b>		<b>(12,130)</b>	<b>(12,377)</b>
<b>Total assets employed</b>		<b>43,179</b>	<b>26,260</b>
<b>Financed by</b>			
Public dividend capital		45,448	28,047
Revaluation reserve		9,046	9,139
Other reserves		137	127
Income and expenditure reserve		(11,787)	(11,358)
NHS charitable fund reserves	27	335	305
<b>Total taxpayers' equity</b>		<b>43,179</b>	<b>26,260</b>

The accompanying notes are an integral part of these accounts. They are presented on pages 49 to 108.

Professor Stephen Powis  
National Medical Director and Interim Accounting Officer  
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
<b>Taxpayers' and others' equity at 1 April 2020 - brought forward</b>		<b>28,047</b>	<b>9,139</b>	<b>127</b>	<b>(11,358)</b>	<b>305</b>	<b>26,260</b>
Surplus/(deficit) for the year		-	-	-	(849)	62	(787)
Transfers by absorption: transfers between reserves	30	-	-	-	(1)	1	-
Adjustments to prior period accounted for in-year *		-	40	(1)	(40)	(5)	(6)
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits		-	(16)	-	16	-	-
Other transfers between reserves		-	(67)	-	66	-	(1)
Impairments	9	-	(797)	-	-	-	(797)
Revaluations	9	-	765	-	-	-	765
Transfer to income and expenditure reserve on disposal of assets		-	(18)	-	16	-	(2)
Fair value gains/(losses) on financial assets mandated at fair value through Other Comprehensive Income (OCI)		-	-	1	-	9	10
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)	(17)	-	(24)
Public dividend capital received		17,831	-	-	-	-	17,831
Public dividend capital repaid		(87)	-	-	-	-	(87)
Public dividend capital written off		(343)	-	-	343	-	-
Other reserve movements**		-	-	-	37	(37)	-
<b>Taxpayers' and others' equity at 31 March 2021</b>		<b>45,448</b>	<b>9,046</b>	<b>137</b>	<b>(11,787)</b>	<b>335</b>	<b>43,179</b>

\* These adjustments reflect local NHS providers' adjustments to prior year reserves. The aggregated adjustments are not considered material to the consolidated provider accounts and so prior year balances have not been restated.

\*\* Other reserve movements includes a transfer between charitable funds and NHS provider 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
<b>Taxpayers' and others' equity at 1 April 2019</b>		<b>27,408</b>	<b>8,846</b>	<b>138</b>	<b>(9,925)</b>	<b>316</b>	<b>26,783</b>
Surplus/(deficit) for the year		-	-	-	(1,886)	37	(1,849)
Gain/(loss) arising from transfers by modified absorption	30	-	-	-	10	-	10
Transfers by absorption: transfers between reserves	30	-	1	-	9	(10)	-
Adjustments to prior period accounted for in-year *		-	1	-	17	9	27
impairments arising from consumption of economic benefits		-	(33)	-	33	-	-
Other transfers between reserves		-	(57)	(3)	60	-	-
Impairments	9	-	(612)	-	-	-	(612)
Revaluations	9	-	1,013	-	-	-	1,013
Transfer to income and expenditure reserve on disposal of assets		-	(20)	-	20	-	-
Other Comprehensive Income (OCI)		-	-	-	-	(7)	(7)
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	10	-	17
Public dividend capital received		908	-	-	-	-	908
Public dividend capital repaid		(1)	-	-	-	-	(1)
Public dividend capital written off		(268)	-	-	268	-	-
Other reserve movements**		-	-	-	27	(40)	(13)
<b>Taxpayers' and others' equity at 31 March 2020</b>		<b>28,047</b>	<b>9,139</b>	<b>127</b>	<b>(11,358)</b>	<b>305</b>	<b>26,260</b>

\* These adjustments reflect local NHS providers' adjustments to prior year reserves. The aggregated adjustments are not considered material to the consolidated provider accounts and so prior year balances have not been restated.

\*\* Other reserve movements includes a transfers between charitable funds and NHS provider 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 an NHS trust, or predecessor NHS trust where PDC is recognised by a foundation trust. Additional PDC may also be issued to NHS providers 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 provider, 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 provider which is not attributable, directly or indirectly, to the NHS provider.

### **Income and expenditure reserve**

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

### **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 27.

## Consolidated statement of cash flows for the year ended 31 March 2021

		2020/21	2019/20
	Note	£m	£m
<b>Cash flows from operating activities</b>			
<b>Operating surplus/ (deficit)</b>		835	(183)
Non-cash income and expense:			
Depreciation and amortisation	5.1	2,720	2,403
Net impairments	9	1,464	924
Donations/grants credited to income		(332)	(129)
Non-cash movements in on-SoFP pension liability		4	7
(Increase)/decrease in receivables and other assets		2,524	(25)
(Increase) in inventories		(58)	(83)
Increase in payables and other liabilities		3,596	729
Increase/(decrease) in provisions		410	147
Corporation tax (paid)		(8)	(6)
NHS charitable funds net adjustments to operating cash flows		4	(2)
Other movements in operating cash flows		(80)	(8)
<b>Net cash generated from operating activities</b>		<b>11,079</b>	<b>3,774</b>
<b>Cash flows from investing activities</b>			
Interest received		3	58
Purchase of financial assets/investments		(14)	(97)
Sale of financial assets/investments		35	113
Purchase of intangible assets		(546)	(372)
Purchase of property, plant, equipment and investment property		(5,805)	(3,980)
Sales of property, plant, equipment and investment property		99	101
Receipt of cash donations to purchase capital assets		101	114
NHS charitable funds investing cash flows		(1)	5
<b>Net cash generated used in investing activities</b>		<b>(6,128)</b>	<b>(4,058)</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		17,831	908
Public dividend capital repaid		(13)	(1)
Receipt of loans from the Department of Health and Social Care		68	3,081
Repayment of loans from the Department of Health and Social Care		(13,806)	(642)
Receipt of other loans		99	50
Repayment of other loans		(40)	(22)
Capital element of finance lease rental payments		(67)	(60)
Capital element of PFI, LIFT and other service concession payments		(295)	(279)
Interest paid on finance lease liabilities		(19)	(17)
Interest paid on PFI, LIFT and other service concession obligations		(800)	(785)
Other interest paid		(136)	(354)
PDC dividend (paid)		(824)	(601)
Cash flows used in other financing activities		2	-
<b>Net cash generated from financing activities</b>		<b>2,000</b>	<b>1,278</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>6,951</b>	<b>994</b>
<b>Cash and cash equivalents at 1 April</b>		<b>6,819</b>	<b>5,824</b>
Cash and cash equivalents transferred under absorption accounting	17.1	4	(1)
Adjustments to prior period accounted for in year		(2)	2
<b>Cash and cash equivalents at 31 March</b>	17.1	<b>13,772</b>	<b>6,819</b>

Total cash and cash equivalents is reconciled to the Consolidated Statement of Financial Position in note 17.1

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

NHS Improvement, in exercising the duties conferred on the NHS Trust Development Authority (NHS TDA) and Monitor, has produced the consolidated accounts of NHS providers in accordance with directions issued by the Secretary of State. In line with those directions, these accounts have been prepared in accordance with the Department of Health and Social Care (DHSC) Group Accounting Manual (GAM) 2020/21 and the HM Treasury Financial Reporting Manual (FReM) in relevant respects. 'NHS providers' is used as a collective term for NHS trusts and NHS foundation trusts. 'Trusts' when not prefixed with 'NHS' is also used to mean providers in general.

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 GAM. The GAM is directly applicable to NHS trusts as a result of directions issued by the Secretary of State.

The accounting policies contained within the GAM are broadly consistent with those specified in the FReM, 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 FReM are designed to ensure an appropriate financial reporting framework and have been approved by HM Treasury's Financial Reporting Advisory Board. NHS providers have confirmed their accounting policies are consistent with the GAM in all material respects.

#### 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 (SOCl) policy

The SOCl 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 providers 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 provider. Impairments and revaluations of 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.

### Note 1.1 Consolidation and other entities

#### Basis of consolidation

These accounts consolidate the audited accounts of all NHS providers that have been in existence during 2020/21 using the principles of IFRS as adopted by the FReM. They present the consolidated results of the NHS provider sector after the elimination of inter-NHS provider balances and transactions. Monitor and the NHS Trust Development Authority (NHS TDA), as part of NHS Improvement, are not the parent undertakings for NHS providers and their results are not incorporated within these accounts. As there is no parent entity within this consolidation, only consolidated group statements are presented.

#### University Hospitals of Leicester NHS Trust

The results for one provider, University Hospitals of Leicester NHS Trust, have been consolidated based on accounts information provided by the Trust, but the annual accounts for 2019/20 and 2020/21 have not been adopted by the Trust Board or certified by the Trust's auditor. The work of the Trust and its external auditor has identified significant weaknesses in internal control, including financial governance. In December 2020 the Trust assessed that the weaknesses in underlying accounting records meant that the Board was unable to certify that the 2019/20 annual accounts were true and fair. As a consequence, the external auditor did not issue an audit report. Since that time the Trust has continued to work on preparing accounts for 2019/20 and 2020/21 for audit and currently expects to adopt its accounts for 2019/20 and 2020/21 in April 2022.

The Trust's total operating income and operating expenditure are material to these consolidated accounts. We have performed additional procedures on the Trust's reported income and payroll expenditure balances in the current and prior years to satisfy ourselves that with reference to materiality for these consolidated accounts, these amounts are fairly stated and that these consolidated accounts continue to present a true and fair view. While not material to these consolidated accounts, we have also performed procedures to satisfy ourselves that property, plant and equipment balances are materially fairly stated, with reference to materiality for these consolidated accounts, in the absence of local auditor assurance for the current and prior years.

### **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 30.

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 a 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 is 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](http://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*

Sixteen NHS providers 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:

	<b>Min life</b>	<b>Max life</b>
	<b>Years</b>	<b>Years</b>
Buildings, excluding dwellings	1	169
Dwellings	1	100
Plant & machinery	1	35
Transport equipment	1	15
Information technology	1	25
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:

	<b>Min life Years</b>	<b>Max life Years</b>
<b>Intangible assets - internally generated</b>		
Information technology	1	20
Development expenditure	1	12
Websites	1	8
<b>Intangible assets - purchased</b>		
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 DHSC at nil cost. In line with the GAM and applying the principles of the IFRS Conceptual Framework, providers have accounted for the receipt of personal protective equipment at a deemed cost, reflecting the best available approximation of an imputed market value for the transaction based on the cost of acquisition by the 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 (see note 17.2 to the accounts).

### 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 21.3.

### *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 22 where an inflow of economic benefits is probable.

Contingent liabilities are not recognised, but are disclosed in note 22, 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 57 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. One NHS provider audit report included a material uncertainty on going concern in 2020/21 but we are satisfied this does not relate to any anticipated future discontinuation of services so there is no material uncertainty over going concern. 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 provider accounts reflect the following accounting judgements made either by NHS Improvement or individual NHS providers:

- Intra-group transactions and balances between NHS providers 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 13.1, property plant and equipment (PPE) is material to these consolidated accounts. In note 1.7 we disclose, for each category of PPE, the lowest minimum and the highest maximum in the ranges of useful lives used by providers. Useful lives are the period over which assets are depreciated. We do not collect information from providers on average useful lives, but in taking the median average lowest and median average highest, and the mean average of those, an approximate average can be computed to assess the impact of the accounting estimates.

As shown in note 13.1, buildings and plant & equipment depreciation comprise 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 £33m for buildings and £76m 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 providers in both the current and prior year concluded that valuations recognised in local provider financial statements were materially accurate. In 2019/20, 209 providers told us that a report obtained from their valuer contained a material uncertainty disclosure while in 2020/21 this number fell to 21 providers. Consequently, no audit reports made reference to additional valuation uncertainty in 2020/21 (2019/20: 189).

Property assets in these consolidated accounts are valued at £39 billion. These accounts are prepared based on a balance of the judgements made locally by each NHS provider. 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 provider accounts are disclosed locally by each NHS provider.

#### Note 1.25 Early adoption of standards, amendments and interpretations

The consolidated NHS Provider 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 2021 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 8.2 in these accounts shows annual lease payments for operating leases of £816 million and future commitments under these contracts of £3.8 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.

From 1 April 2022, the principles of IFRS 16 will also be applied to providers' PFI liabilities where payments are linked to a price index representing the rate of inflation. The PFI imputed lease liability will be remeasured when a change in the index causes a change in future imputed lease payments and that change has taken effect in the cash flow. Under existing accounting practices, amounts relating to changes in the price index are expensed as incurred. This is expected to increase the PFI liability on the statement of financial position upon transition to IFRS 16. The effect of this has not yet been quantified.

#### Other standards

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



## Note 2 Operating segments

The NHS provider sector is formed of five types of NHS provider, supplying different services: acute, ambulance, community, mental health and specialist. This classification is based on the majority of the provider's income: i.e. each provider is allocated to a single segment. Alternatively NHS providers can be allocated into one of seven regions.

These are two alternative segmental analyses. NHS England and Improvement does not allocate resources between these segments; however this is the basis on which the performance of the NHS provider sector is reported internally. NHS England and NHS Improvement is not the parent of NHS providers and as such does not have a function that meets the definition of the chief operating decision maker in IFRS 8.

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

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

### Analysis by type of trust

2020/21 excluding charities	Community £m	Ambulance £m	Specialist £m	Mental Health £m	Acute £m	Total £m
Income	3,478	3,542	4,595	14,463	81,444	107,522
Expenditure before depreciation and impairments	(3,371)	(3,405)	(4,311)	(13,890)	(77,523)	(102,500)
Depreciation and amortisation	(77)	(114)	(161)	(292)	(2,076)	(2,720)
Net finance costs	(22)	(10)	(66)	(199)	(1,357)	(1,654)
Other	(1)	3	5	4	(8)	3
<b>Surplus / (deficit) before I&amp;T</b>	<b>7</b>	<b>16</b>	<b>62</b>	<b>86</b>	<b>480</b>	<b>651</b>
Impairments (net of reversals)	(7)	(9)	(115)	(150)	(1,183)	(1,464)
Transfers by absorption	-	-	(287)	(3)	291	1
<b>Surplus / (deficit) for the year <sup>1</sup></b>	<b>-</b>	<b>7</b>	<b>(340)</b>	<b>(67)</b>	<b>(412)</b>	<b>(812)</b>

2019/20 excluding charities restated*	Community £m	Ambulance £m	Specialist £m	Mental Health £m	Acute £m	Total £m
Income	3,178	2,875	4,276	12,807	71,245	94,381
Expenditure before depreciation and impairments	(3,041)	(2,748)	(3,988)	(12,201)	(69,256)	(91,234)
Depreciation and amortisation	(68)	(96)	(150)	(269)	(1,820)	(2,403)
Net finance costs	(26)	(17)	(71)	(226)	(1,385)	(1,725)
Other	-	1	9	36	28	74
<b>Surplus / (deficit) before I&amp;T</b>	<b>43</b>	<b>15</b>	<b>76</b>	<b>147</b>	<b>(1,188)</b>	<b>(907)</b>
Impairments (net of reversals)	(29)	(17)	(24)	(333)	(521)	(924)
Transfers by absorption	(13)	-	-	27	(28)	(14)
<b>Surplus / (deficit) for the year <sup>1</sup></b>	<b>1</b>	<b>(2)</b>	<b>52</b>	<b>(159)</b>	<b>(1,737)</b>	<b>(1,845)</b>

\* In 2020/21 the classification of five providers was updated following a reassessment of the principal services provided. This comparative disclosure has been restated for consistency.

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

## Analysis by region

2020/21 excluding charities	North East and Yorkshire		Midlands	East of England	South East	South West	London	Total
	North West	Yorkshire						
	£m	£m	£m	£m	£m	£m	£m	£m
Income	15,323	16,181	18,815	10,146	14,376	9,628	23,053	<b>107,522</b>
Expenditure before depreciation and impairments	(14,766)	(15,439)	(17,875)	(9,675)	(13,714)	(9,165)	(21,866)	<b>(102,500)</b>
Depreciation and amortisation	(346)	(368)	(465)	(255)	(375)	(267)	(644)	<b>(2,720)</b>
Net finance costs	(192)	(231)	(299)	(156)	(212)	(149)	(415)	<b>(1,654)</b>
Other	1	(4)	(2)	(1)	(1)	2	8	<b>3</b>
<b>Surplus / (deficit) before I&amp;T</b>	<b>20</b>	<b>139</b>	<b>174</b>	<b>59</b>	<b>74</b>	<b>49</b>	<b>136</b>	<b>651</b>
Impairments (net of reversals)	(288)	(257)	(128)	(164)	(125)	(82)	(420)	<b>(1,464)</b>
Gains/(losses) from transfers by absorption	-	-	6	1	-	(6)	-	<b>1</b>
<b>Surplus / (deficit) for the year <sup>1</sup></b>	<b>(268)</b>	<b>(118)</b>	<b>52</b>	<b>(104)</b>	<b>(51)</b>	<b>(39)</b>	<b>(284)</b>	<b>(812)</b>

2019/20 excluding charities	North East and Yorkshire		Midlands	East of England	South East	South West	London	Total
	North west	Yorkshire						
	£m	£m	£m	£m	£m	£m	£m	£m
Income	13,306	14,372	16,417	8,918	12,571	8,559	20,238	<b>94,381</b>
Expenditure before depreciation and impairments	(12,930)	(13,823)	(15,975)	(8,659)	(12,096)	(8,238)	(19,513)	<b>(91,234)</b>
Depreciation and amortisation	(309)	(297)	(417)	(226)	(335)	(237)	(582)	<b>(2,403)</b>
Net finance costs	(207)	(231)	(308)	(155)	(228)	(150)	(446)	<b>(1,725)</b>
Other	9	-	1	-	29	5	30	<b>74</b>
<b>Surplus / (deficit) before I&amp;T</b>	<b>(131)</b>	<b>21</b>	<b>(282)</b>	<b>(122)</b>	<b>(59)</b>	<b>(61)</b>	<b>(273)</b>	<b>(907)</b>
Impairments (net of reversals)	(117)	(163)	(134)	(32)	(83)	(103)	(292)	<b>(924)</b>
Gains/(losses) from transfers by absorption	1	(11)	-	(22)	-	-	18	<b>(14)</b>
<b>(Deficit) for the year <sup>1</sup></b>	<b>(247)</b>	<b>(153)</b>	<b>(416)</b>	<b>(176)</b>	<b>(142)</b>	<b>(164)</b>	<b>(547)</b>	<b>(1,845)</b>

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

## Reconciliation to Consolidated Statement of Comprehensive Income

	Figure per segmental analysis	Less: Inter- provider adjustment	Add: charities consolidation <sup>2</sup>	Total before impairments & transfers	Impairments & transfers	Total per SOCl
	£m	£m	£m	£m	£m	£m
<b>2020/21</b>						
Operating income	107,522	(2,293)	39	105,268	-	105,268
Operating expenditure excluding depreciation	(102,500)	2,293	(42)	(100,249)	(1,464)	(101,713)
Depreciation and amortisation	(2,720)	-	-	(2,720)	-	(2,720)
Operating expenditure total	(105,220)	2,293	(42)	(102,969)	(1,464)	(104,433)
<b>Operating surplus / (deficit)</b>	<b>2,302</b>	<b>-</b>	<b>(3)</b>	<b>2,299</b>	<b>(1,464)</b>	<b>835</b>
Net finance costs	(1,654)	-	5	(1,649)	-	(1,649)
Other items	3	-	23	26	1	27
<b>Surplus / (deficit) for the year</b>	<b>651</b>	<b>-</b>	<b>25</b>	<b>676</b>	<b>(1,463)</b>	<b>(787)</b>
<b>2019/20</b>						
Operating income	94,381	(2,414)	34	92,001	-	92,001
Operating expenditure excluding depreciation	(91,234)	2,414	(37)	(88,857)	(924)	(89,781)
Depreciation and amortisation	(2,403)	-	-	(2,403)	-	(2,403)
Operating expenditure total	(93,637)	2,414	(37)	(91,260)	(924)	(92,184)
<b>Operating surplus / (deficit)</b>	<b>744</b>	<b>-</b>	<b>(3)</b>	<b>741</b>	<b>(924)</b>	<b>(183)</b>
Net finance costs	(1,725)	-	6	(1,719)	-	(1,719)
Other items	74	-	(6)	68	(15)	53
<b>Surplus / (deficit) for the year</b>	<b>(907)</b>	<b>-</b>	<b>(3)</b>	<b>(910)</b>	<b>(939)</b>	<b>(1,849)</b>

<sup>2</sup> These numbers reflect the impact of consolidating NHS charitable funds including local intra-group eliminations. These numbers do not represent total income and expenditure in NHS charitable funds.

### Note 3 Operating income from patient care activities

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
<b>Acute services</b>		
Block contract / system envelope income	59,565	50,943
Other NHS clinical income (including high cost drugs income)	6,029	7,944
<b>Mental health services</b>		
Block contract / system envelope income	9,751	8,765
Clinical partnerships providing mandatory services	204	251
Clinical income for the secondary commissioning of mandatory services	90	68
Other clinical income from mandatory services	211	224
<b>Ambulance services</b>		
A & E income	2,652	2,323
Patient transport service income	210	221
Other income	210	127
<b>Community services</b>		
Block contract / system envelope income	6,363	6,247
Community services income from other sources	1,321	1,312
<b>All services</b>		
Private patient income	385	684
Additional pension contribution central funding**	2,521	2,324
Other clinical income	1,166	905
<b>Total income from patient care activities</b>	<b>90,678</b>	<b>82,338</b>

\*As part of the coronavirus pandemic response, transaction flows were simplified in the NHS and providers 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 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 providers continued to pay over contributions at the former rate with the additional amount being paid over by NHS England on providers' behalf. The full cost and related funding have been recognised in these accounts.

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

<b>Income from patient care activities received from:</b>	<b>2020/21</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
CCGs and NHS England	87,646	78,526
Department of Health and Social Care	2	33
NHS other	132	177
Local authorities	1,805	2,030
Non-NHS: private patients	376	671
Non-NHS: overseas patients (chargeable to patient)	61	93
Injury cost recovery scheme	130	210
Non NHS: other	526	598
<b>Total income from activities</b>	<b>90,678</b>	<b>82,338</b>

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

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

	<b>2020/21</b>	<b>2019/20</b>
	<b>£m</b>	<b>£m</b>
Income recognised this year	61	93
Cash payments received in-year	21	39
Amounts added to provision for impairment of receivables	46	36
Amounts written off in-year	46	41

## Note 4 Other operating income

	2020/21			2019/20		
	Contract income £m	Non- contract income £m	Total £m	Contract income £m	Non- contract income £m	Total £m
Research and development	845	70	915	937	79	1,016
Education and training	2,983	81	3,064	2,819	60	2,879
Receipt of capital grants and donations*		332	332		129	129
Charitable and other contributions to expenditure**		1,353	1,353		85	85
Non-patient care services to other bodies	597		597	761		761
Provider Sustainability Fund (PSF) ***	(6)		(6)	1,013		1,013
Financial Recovery Fund (FRF) ***	(5)		(5)	1,148		1,148
Marginal Rate Emergency Tariff funding (MRET)	-		-	435		435
Reimbursement and top up funding ****	6,865		6,865	-		-
Support from the Department of Health and Social Care for mergers	-	8	8		27	27
Rental revenue from operating leases	-	71	71		97	97
Income in respect of staff costs where accounted on gross basis	177		177	218		218
Incoming resources excluding investment income, relating to NHS charitable funds		76	76		76	76
PFI support income	42		42	99		99
Car parking	47		47	263		263
Pharmacy sales	122		122	140		140
Clinical excellence awards	55		55	88		88
Catering	61		61	117		117
Other	827	(11)	816	1,019	53	1,072
<b>Total other operating income</b>	<b>12,610</b>	<b>1,980</b>	<b>14,590</b>	<b>9,057</b>	<b>606</b>	<b>9,663</b>

\* The receipt of capital grants and donations includes £207 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 providers in response to the coronavirus pandemic.

\*\* Charitable and other contributions to expenditure includes £1,280 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 providers 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. During 2020/21 £10.9 million of income previously awarded to University Hospitals of Leicester NHS Trust was reclaimed as a result of financial reporting issues identified at the Trust as explained in the consolidated annual governance statement.

\*\*\*\* This new income stream is explained in note 1.2.

## Note 5.1 Operating expenses

	2020/21	2019/20
	£m	£m
Purchase of healthcare from NHS and DHSC bodies	76	83
Purchase of healthcare from non-NHS and non-DHSC bodies	1,691	1,492
Purchase of social care	203	196
Employee expenses - staff (including executive directors)	66,860	60,046
Non-executive directors	32	30
Supplies and services - clinical	7,784	6,674
Supplies and services - general	1,880	1,452
Drug costs	8,055	7,640
Inventories written down	62	12
Consultancy costs	234	199
Establishment	1,086	981
Premises	4,401	3,428
Transport (including patient travel)	744	742
Depreciation on property, plant and equipment	2,434	2,163
Amortisation on intangible assets	286	240
Net Impairments	1,464	924
Movement in credit loss allowance: contract receivables/assets	164	111
Movement in credit loss allowance: all other receivables & financial assets	14	(11)
Increase in other provisions	182	28
Change in provisions discount rate(s)	18	25
Fees payable to the external auditor *		
audit services- statutory audit	23	17
other auditor remuneration (external auditor only)	1	2
Internal audit costs, including local counter fraud services	20	20
Clinical negligence	2,254	1,952
Legal fees	110	94
Insurance	70	59
Research and development	633	603
Education and training	617	523
Rentals under operating leases	816	752
Early retirements	7	2
Redundancy	27	35
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT) **	1,050	1,001
Charges to operating expenditure for off-SoFP PFI / LIFT schemes	4	6
Car parking & security	72	52
Hospitality	13	7
Losses, ex gratia & special payments	24	17
Grossing up consortium arrangements	10	10
Other services, eg external payroll	83	72
Other	894	472
NHS charitable funds: Other resources expended	35	33
<b>Total</b>	<b>104,433</b>	<b>92,184</b>

\* These are the audit fees disclosed by NHS providers and do not include the audit fee payable to the National Audit Office in respect of these consolidated accounts. This fee is accounted for within the NHS TDA's own accounts which are prepared separately. This fee is £110,000 (2019/20: £110,000).

\*\* 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 24.3.

## Note 5.2 Nightingale facilities

During 2020/21 seven providers hosted Nightingale Hospitals as part of the national and regional coronavirus pandemic response. Premises lease payments were made by NHS England.

The costs incurred by providers in operating the facilities have been included within the operating expenses note in these accounts. The total costs associated with the facilities are disclosed below for information; this includes where existing resources were redeployed so the note below does not represent the additional cost to the NHS of operating these facilities. Incremental costs associated with operating the facilities have been reimbursed to providers by NHS England.

	2020/21
	£m
<b>Gross set up costs:</b>	
Staff costs	3
Other operating costs	130
<b>Gross running costs:</b>	
Staff costs	15
Other operating costs	86
<b>Gross decommissioning costs:</b>	
Staff costs	-
Other operating costs	18
<b>Total gross costs</b>	<b>252</b>

## Note 5.3 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 *	0.2	0.8
3. Taxation compliance services	0.2	-
4. All taxation advisory services not falling within item 3 above	-	-
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	0.5	0.4
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	0.3	0.3
<b>Total</b>	<b>1.4</b>	<b>1.7</b>

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

## Note 5.4 Limitation on auditors' liability

Liability caps are standard under most public sector frameworks. 173 (2019/20: 177) NHS providers disclosed a clause in their engagement letter with their auditors which states that the liability of the auditor (whether in contract, negligence or otherwise) shall in no circumstances exceed a fixed amount. The amount of that limit in 2020/21 ranges between £0.14 million to £5 million (2019/20 £0.14 million to £5 million).

For these consolidated provider accounts, the Comptroller and Auditor General is indemnified for any liability arising from a breach of duty in relation to the audit of these financial statements. Any amount payable arising from such a liability shall be charged on and paid out of the Consolidated Fund.



## Note 6.1 Employee benefits

	Permanent	Other	2020/21 Total	2019/20 Total
	£m	£m	£m	£m
Salaries and wages	48,890	1,649	50,539	45,144
Social security costs	4,800	102	4,902	4,429
Apprenticeship levy	239	3	242	226
Employers' contributions to NHS pensions	8,117	123	8,240	7,576
Pension cost - other	19	5	24	24
Other employment benefits	7	2	9	3
Termination benefits	14	-	14	19
Temporary staff (including agency)	-	3,829	3,829	3,521
NHS charitable funds staff	4	-	4	4
<b>Total gross staff costs</b>	<b>62,090</b>	<b>5,713</b>	<b>67,803</b>	<b>60,946</b>
Recoveries in respect of seconded staff	(105)	(8)	(113)	(96)
<b>Total staff costs</b>	<b>61,985</b>	<b>5,705</b>	<b>67,690</b>	<b>60,850</b>
<b>Included within:</b>				
Costs capitalised as part of assets	171	30	201	229

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

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

	Permanent	Other	2020/21 Total	2019/20 Total
	Number	Number	Number	Number
Medical and dental	119,262	20,903	140,165	132,469
Ambulance staff	31,888	459	32,347	30,447
Administration and estates	250,817	17,426	268,243	256,514
Healthcare assistants and other support staff	236,236	30,266	266,502	242,068
Nursing, midwifery and health visiting staff	354,828	39,641	394,469	381,440
Nursing, midwifery and health visiting learners	9,269	816	10,085	8,962
Scientific, therapeutic and technical staff	141,184	6,780	147,964	142,398
Healthcare science staff	26,629	646	27,275	25,531
Social care staff	2,317	219	2,536	1,742
Other	2,696	762	3,458	3,271
<b>Total average numbers</b>	<b>1,175,126</b>	<b>117,918</b>	<b>1,293,044</b>	<b>1,224,842</b>
<b>Of which:</b>				
Number of employees (WTE) engaged on capital projects	2,947	386	3,333	4,210

## Note 6.3 Early retirements due to ill-health

During 2020/21 there were 712 early retirements on the grounds of ill-health (2019/20: 524). The estimated additional pension liability (calculated on an average basis and borne by the NHS Pension Scheme) is £26 million (2019/20: £29 million).

## Note 6.4 Staff sickness absence

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

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

## Note 6.5 Reporting of compensation schemes - exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the NHS terms and conditions of service. Exit costs are accounted for in full in the year of departure. Ill-health retirement costs are met by the pension scheme and are not included in the table.

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

Note 6.6 provides further analysis of the 'other departures' disclosed below.

<b>2020/21</b>	<b>Number of compulsory redundancies Number</b>	<b>Number of other departures agreed Number</b>	<b>Total number of exit packages Number</b>
<b>Exit package cost band (including any special payment element)</b>			
<£10,000	100	1,432	1,532
£10,000 - £25,000	89	195	284
£25,001 - £50,000	97	72	169
£50,001 - £100,000	70	62	132
£100,001 - £150,000	21	11	32
£150,001 - £200,000	15	2	17
>£200,000	2	-	2
<b>Total number of exit packages by type</b>	<b>394</b>	<b>1,774</b>	<b>2,168</b>
Total resource cost (£m)	16	15	31

<b>2019/20</b>	<b>Number of compulsory redundancies Number</b>	<b>Number of other departures agreed Number</b>	<b>Total number of exit packages Number</b>
<£10,000	200	1,692	1,892
£10,000 - £25,000	188	283	471
£25,001 - £50,000	207	134	341
£50,001 - £100,000	130	68	198
£100,001 - £150,000	44	13	57
£150,001 - £200,000	19	4	23
>£200,000	4	2	6
<b>Total number of exit packages by type</b>	<b>792</b>	<b>2,196</b>	<b>2,988</b>
Total resource cost (£m)	30	21	51

## Note 6.6 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	81	2.8	103	2.5
Mutually agreed resignations (MARS) contractual costs	85	2.8	223	6.5
Early retirements in the efficiency of the service contractual costs	1	-	31	0.5
Contractual payments in lieu of notice	1,574	8.5	1,762	9.1
Exit payments following employment tribunals or court orders	44	0.9	83	2.0
Non-contractual payments requiring HM Treasury approval*	7	0.2	11	0.5
<b>Total</b>	<b>1,792</b>	<b>15.2</b>	<b>2,213</b>	<b>21.1</b>

\* 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: three).

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 6.6 does not match the total numbers in note 6.5 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 providers participate in the NHS Pension Scheme. This is a statutory, defined benefit scheme, the regulations of which are laid down in the NHS Pension Scheme Regulations 1995 (SI 1995 No. 300). NHS providers pay contributions at rates specified from time to time by the Secretary of State, as advised by the Government Actuary and with the consent of HM Treasury.

For 2020/21, the employer contribution rate was 20.6% (2019/20: 20.6%). It is not possible for the NHS provider 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 providers also have employees who are members of other pension schemes. Membership of these individual schemes is not material to the consolidated NHS provider accounts.

## Note 8 Operating leases

### Note 8.1 Operating lease income

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

	2020/21 £m	2019/20 £m
<b>Operating lease revenue</b>		
Minimum lease receipts	69	94
Contingent rent	1	2
Other	1	1
<b>Total</b>	<b>71</b>	<b>97</b>
	<b>31 March 2021 £m</b>	<b>31 March 2020 £m</b>
<b>Future minimum lease receipts due:</b>		
- not later than one year;	64	74
- later than one year and not later than five years;	170	169
- later than five years.	539	537
<b>Total</b>	<b>773</b>	<b>780</b>

### Note 8.2 Operating lease expense

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

	2020/21 £m	2019/20 £m
<b>Operating lease expense</b>		
Minimum lease payments	820	755
Contingent rents	1	2
Less sublease receipts received	(5)	(5)
<b>Total</b>	<b>816</b>	<b>752</b>
	<b>31 March 2021 £m</b>	<b>31 March 2020 £m</b>
<b>Future minimum lease payments due:</b>		
On leases of land expiring		
- not later than one year;	6	26
- later than one year and not later than five years;	15	13
- later than five years.	30	21
On leases of buildings expiring		
- not later than one year;	473	443
- later than one year and not later than five years;	1,169	1,130
- later than five years.	1,512	1,384
On other leases expiring		
- not later than one year;	200	194
- later than one year and not later than five years;	347	371
- later than five years.	68	65
<b>Total</b>	<b>3,820</b>	<b>3,647</b>
Future minimum sublease receipts to be received	(53)	(49)

## Note 9 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
	£m	£m	impairments	impairments
			£m	£m
<b>Net impairments charged to operating surplus / deficit resulting from:</b>				
Loss or damage from normal operations	19	-	19	6
Over specification of assets	12	(1)	11	-
Abandonment of assets in course of construction	30	-	30	9
Unforeseen obsolescence	14	(3)	11	43
Changes in market price	1,607	(278)	1,329	744
Other causes	80	(16)	64	122
<b>Total net impairments charged to operating surplus / deficit</b>	<b>1,762</b>	<b>(298)</b>	<b>1,464</b>	<b>924</b>
Impairments charged to the revaluation reserve	906	(109)	797	612
<b>Total net impairments</b>	<b>2,668</b>	<b>(407)</b>	<b>2,261</b>	<b>1,536</b>

Net impairments taken to operating surplus / deficit relate to property, plant and equipment (£1,398 million), intangible assets (£65 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 £765 million (2019/20: £1,013 million), as can be seen in the Statement of Changes in Equity.

## Note 10 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	70	352
Other loans	9	8
Finance leases	20	17
Interest on late payment of commercial debt	-	1
Main finance costs on PFI and LIFT schemes obligations	457	468
Contingent finance costs on PFI and LIFT scheme obligations	340	317
Other finance costs	25	8
<b>Total finance expenditure - financial liabilities</b>	<b>921</b>	<b>1,171</b>
Finance expense - unwinding of discount on provisions	-	2
<b>Total finance expenditure</b>	<b>921</b>	<b>1,173</b>

## Note 11 Other gains and losses

	2020/21	2019/20
	£m	£m
<b>Gains/losses on disposal/derecognition of non-current assets</b>		
Profit on disposal of non-current assets	32	51
Loss on disposal of non-current assets	(31)	(15)
Profits/losses on disposal of non-current assets by NHS charitable funds	1	-
<b>Other gains/losses</b>		
Fair value gains/(losses) on investment property and other financial assets	(7)	15
Other gains/(losses)	-	-
Fair value gains/(losses) on charitable fund investment property and other financial assets	23	(6)
<b>Total other gains/(losses)</b>	<b>18</b>	<b>45</b>

## Note 12.1 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
<b>Valuation/gross cost at 1 April 2020 - brought forward</b>	<b>1,688</b>	<b>30</b>	<b>574</b>	<b>226</b>	<b>221</b>	<b>4</b>	<b>2,743</b>
Adjustments to prior period accounted for in-year	(3)	(1)	-	-	-	-	(4)
Additions	269	2	43	22	216	1	553
Impairments	(30)	-	-	-	(30)	(1)	(61)
Reclassifications	142	-	58	13	(136)	2	79
Revaluations	-	-	(1)	-	-	-	(1)
Disposals / derecognition	(78)	(1)	(17)	(15)	(3)	-	(114)
<b>Valuation/gross cost at 31 March 2021</b>	<b>1,988</b>	<b>30</b>	<b>657</b>	<b>246</b>	<b>268</b>	<b>6</b>	<b>3,195</b>
<b>Amortisation at 1 April 2020 - brought forward</b>	<b>971</b>	<b>14</b>	<b>304</b>	<b>117</b>	<b>-</b>	<b>-</b>	<b>1,406</b>
Adjustments to prior period accounted for in-year	(8)	(1)	-	-	-	-	(9)
Provided during the year	195	5	59	25	1	1	286
Impairments	5	-	1	-	-	-	6
Reclassifications	1	-	(5)	1	-	-	(3)
Revaluations	-	-	(1)	-	-	-	(1)
Disposals / derecognition	(74)	(1)	(14)	(13)	-	-	(102)
<b>Amortisation at 31 March 2021</b>	<b>1,090</b>	<b>17</b>	<b>344</b>	<b>130</b>	<b>1</b>	<b>1</b>	<b>1,583</b>
<b>Net book value at 31 March 2021</b>	<b>898</b>	<b>13</b>	<b>313</b>	<b>116</b>	<b>267</b>	<b>5</b>	<b>1,612</b>
<b>Net book value at 1 April 2020</b>	<b>717</b>	<b>16</b>	<b>270</b>	<b>109</b>	<b>221</b>	<b>4</b>	<b>1,337</b>

The total net impairment of £67 million shown in this note was charged to operating expenses.

**Note 12.2 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
<b>Valuation/gross cost at 1 April 2019</b>	<b>1,453</b>	<b>32</b>	<b>505</b>	<b>219</b>	<b>194</b>	<b>3</b>	<b>2,406</b>
Previous prior period adjustments accounted for in 2019/20	(2)	-	1	-	-	-	(1)
Additions	173	3	36	12	160	1	385
Impairments	(1)	-	(2)	(5)	(1)	-	(9)
Reclassifications	102	(1)	52	5	(132)	-	26
Revaluations	(12)	-	-	-	-	-	(12)
Disposals / derecognition	(25)	(4)	(18)	(5)	-	-	(52)
<b>Valuation/gross cost at 31 March 2020</b>	<b>1,688</b>	<b>30</b>	<b>574</b>	<b>226</b>	<b>221</b>	<b>4</b>	<b>2,743</b>
<b>Amortisation at 1 April 2019</b>	<b>826</b>	<b>16</b>	<b>269</b>	<b>94</b>	-	-	<b>1,205</b>
Previous prior period adjustments accounted for in 2019/20	(1)	-	-	-	-	-	(1)
Provided during the year	159	4	49	28	-	-	240
Impairments	17	-	(1)	-	-	-	16
Reclassifications	4	(2)	(2)	-	-	-	-
Revaluations	(12)	-	-	-	-	-	(12)
Disposals / derecognition	(22)	(4)	(11)	(5)	-	-	(42)
<b>Amortisation at 31 March 2020</b>	<b>971</b>	<b>14</b>	<b>304</b>	<b>117</b>	-	-	<b>1,406</b>
<b>Net book value at 31 March 2020</b>	<b>717</b>	<b>16</b>	<b>270</b>	<b>109</b>	<b>221</b>	<b>4</b>	<b>1,337</b>
<b>Net book value at 1 April 2019</b>	<b>627</b>	<b>16</b>	<b>236</b>	<b>125</b>	<b>194</b>	<b>3</b>	<b>1,201</b>

**Note 13.1 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
<b>Valuation/gross cost at 1 April 2020 - brought forward</b>	<b>4,282</b>	<b>35,046</b>	<b>353</b>	<b>3,367</b>	<b>9,860</b>	<b>499</b>	<b>4,130</b>	<b>612</b>	<b>4</b>	<b>58,153</b>
Transfers by absorption	-	-	-	-	1	-	-	-	-	1
Prior period adjustments recorded in-year	5	(23)	-	(18)	(96)	(1)	(42)	(2)	-	(177)
Additions	24	1,340	3	3,657	1,301	25	627	26	-	7,003
Impairments	(48)	(2,334)	(11)	(137)	(7)	-	(19)	(1)	-	(2,557)
Reversals of impairments	70	205	4	-	-	-	-	-	-	279
Reclassifications	6	1,389	2	(2,063)	291	27	225	21	-	(102)
Revaluations	134	(392)	7	-	-	-	(2)	(5)	-	(258)
Transfers to/ from assets held for sale	(11)	(7)	(6)	(2)	(3)	(2)	-	-	-	(31)
Disposals / derecognition	(1)	(28)	(1)	(7)	(430)	(20)	(279)	(22)	-	(788)
<b>Valuation/gross cost at 31 March 2021</b>	<b>4,461</b>	<b>35,196</b>	<b>351</b>	<b>4,797</b>	<b>10,917</b>	<b>528</b>	<b>4,640</b>	<b>629</b>	<b>4</b>	<b>61,523</b>
<b>Accumulated depreciation at 1 April 2020 - brought forward</b>	<b>8</b>	<b>1,426</b>	<b>26</b>	<b>8</b>	<b>6,651</b>	<b>284</b>	<b>2,709</b>	<b>432</b>	<b>-</b>	<b>11,544</b>
Transfers by absorption	-	-	-	-	1	-	-	-	-	1
Prior period adjustments recorded in-year	-	(71)	-	-	(96)	(1)	(54)	(2)	-	(224)
Provided during the year	-	1,183	9	2	681	58	464	37	-	2,434
Impairments	1	49	1	1	(5)	-	(6)	-	-	41
Reversals of impairments	(4)	(118)	(2)	-	-	-	(2)	-	-	(126)
Reclassifications	-	(22)	-	-	7	-	(5)	1	-	(19)
Revaluations	2	(1,009)	(12)	-	(1)	-	(2)	(1)	-	(1,023)
Transfers to/ from assets held for sale	-	-	-	-	(2)	(2)	-	-	-	(4)
Disposals / derecognition	-	(25)	-	-	(420)	(20)	(273)	(21)	-	(759)
<b>Accumulated depreciation at 31 March 2021</b>	<b>7</b>	<b>1,413</b>	<b>22</b>	<b>11</b>	<b>6,816</b>	<b>319</b>	<b>2,831</b>	<b>446</b>	<b>-</b>	<b>11,865</b>
<b>Net book value at 31 March 2021</b>	<b>4,454</b>	<b>33,783</b>	<b>329</b>	<b>4,786</b>	<b>4,101</b>	<b>209</b>	<b>1,809</b>	<b>183</b>	<b>4</b>	<b>49,658</b>
<b>Net book value at 1 April 2020</b>	<b>4,274</b>	<b>33,620</b>	<b>327</b>	<b>3,359</b>	<b>3,209</b>	<b>215</b>	<b>1,421</b>	<b>180</b>	<b>4</b>	<b>46,609</b>

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

Of the total net impairments of £2,193 million shown in this note, £1,398 million was charged to operating expenses and £795 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 13.2 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
<b>Valuation/gross cost at 1 April 2019</b>	<b>4,517</b>	<b>34,383</b>	<b>363</b>	<b>3,068</b>	<b>9,311</b>	<b>476</b>	<b>3,726</b>	<b>586</b>	<b>8</b>	<b>56,438</b>
Transfers by absorption	1	5	-	-	-	-	-	-	-	6
Previous prior period adjustments accounted for in 2019/20	-	(127)	(3)	(1)	(4)	-	(3)	-	-	(138)
Additions	14	968	2	2,160	708	30	428	25	(4)	4,331
Impairments	(279)	(1,368)	(11)	(39)	(10)	-	(22)	-	-	(1,729)
Reversals of impairments	30	267	2	-	-	-	-	-	-	299
Reclassifications	2	1,302	4	(1,818)	189	38	182	28	1	(72)
Revaluations	37	(343)	-	-	1	-	(3)	(3)	-	(311)
Transfers to/ from assets held for sale	(29)	(23)	(3)	-	(3)	(16)	(1)	-	-	(75)
Disposals / derecognition	(11)	(18)	(1)	(3)	(332)	(29)	(177)	(24)	(1)	(596)
<b>Valuation/gross cost at 31 March 2020</b>	<b>4,282</b>	<b>35,046</b>	<b>353</b>	<b>3,367</b>	<b>9,860</b>	<b>499</b>	<b>4,130</b>	<b>612</b>	<b>4</b>	<b>58,153</b>
<b>Accumulated depreciation at 1 April 2019</b>	<b>28</b>	<b>1,759</b>	<b>33</b>	<b>8</b>	<b>6,367</b>	<b>277</b>	<b>2,521</b>	<b>422</b>	<b>1</b>	<b>11,416</b>
Transfers by absorption	-	1	-	-	-	-	-	-	-	1
Previous prior period adjustments accounted for in 2019/20	(2)	(152)	(5)	-	-	-	(4)	-	-	(163)
Provided during the year	-	1,091	10	(1)	609	50	370	35	(1)	2,163
Impairments	29	305	(1)	1	-	1	1	-	-	336
Reversals of impairments	(4)	(256)	(1)	-	-	-	-	-	-	(261)
Reclassifications	-	(40)	(1)	-	-	-	(1)	-	-	(42)
Revaluations	(43)	(1,269)	(8)	-	-	-	(3)	(1)	-	(1,324)
Transfers to/ from assets held for sale	-	(10)	(1)	-	(3)	(16)	(1)	-	-	(31)
Disposals / derecognition	-	(3)	-	-	(322)	(28)	(174)	(24)	-	(551)
<b>Accumulated depreciation at 31 March 2020</b>	<b>8</b>	<b>1,426</b>	<b>26</b>	<b>8</b>	<b>6,651</b>	<b>284</b>	<b>2,709</b>	<b>432</b>	<b>-</b>	<b>11,544</b>
<b>Net book value at 31 March 2020</b>	<b>4,274</b>	<b>33,620</b>	<b>327</b>	<b>3,359</b>	<b>3,209</b>	<b>215</b>	<b>1,421</b>	<b>180</b>	<b>4</b>	<b>46,609</b>
<b>Net book value at 1 April 2019</b>	<b>4,489</b>	<b>32,624</b>	<b>330</b>	<b>3,060</b>	<b>2,944</b>	<b>199</b>	<b>1,205</b>	<b>164</b>	<b>7</b>	<b>45,022</b>

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

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 13.3 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
<b>Net book value at 31 March 2021</b>										
Owned - purchased	4,302	23,970	252	4,457	3,318	208	1,753	164	4	<b>38,428</b>
Owned - donated/granted	88	1,210	12	308	471	1	16	14	-	<b>2,120</b>
Finance leased	28	171	15	19	160	-	34	5	-	<b>432</b>
On-SoFP PFI contracts and other service concession arrangements	36	8,432	48	2	152	-	6	-	-	<b>8,676</b>
Off SoFP PFI residual interests	-	-	2	-	-	-	-	-	-	<b>2</b>
<b>NBV total at 31 March 2021</b>	<b>4,454</b>	<b>33,783</b>	<b>329</b>	<b>4,786</b>	<b>4,101</b>	<b>209</b>	<b>1,809</b>	<b>183</b>	<b>4</b>	<b>49,658</b>

**Note 13.4 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
<b>Net book value at 31 March 2020</b>										
Owned - purchased	4,136	23,707	251	3,038	2,652	213	1,368	158	4	<b>35,527</b>
Owned - donated/granted	79	1,239	13	304	280	1	15	16	-	<b>1,947</b>
Finance leased	28	173	11	15	142	1	31	6	-	<b>407</b>
On-SoFP PFI contracts and other service concession arrangements	31	8,501	50	2	135	-	7	-	-	<b>8,726</b>
Off SoFP PFI residual interests	-	-	2	-	-	-	-	-	-	<b>2</b>
<b>NBV total at 31 March 2020</b>	<b>4,274</b>	<b>33,620</b>	<b>327</b>	<b>3,359</b>	<b>3,209</b>	<b>215</b>	<b>1,421</b>	<b>180</b>	<b>4</b>	<b>46,609</b>

**Note 14.1 Investment property**

	2020/21	2019/20
	£m	£m
<b>Carrying value at 1 April</b>	<b>216</b>	<b>201</b>
Acquisitions in year	3	1
Movement in fair value	(8)	16
Reclassifications to/from PPE	1	4
Transfers to/from assets held for sale	-	(2)
Disposals	(4)	(4)
<b>Carrying value at 31 March</b>	<b>208</b>	<b>216</b>

**Note 14.2 Investments in joint ventures and associates**

	2020/21	2019/20
	£m	£m
<b>Carrying value at 1 April</b>	<b>91</b>	<b>75</b>
Acquisitions in year	13	15
Share of profit/(loss)	20	22
Impairments	-	(3)
Disbursements / dividends received	(18)	(16)
Disposals	(11)	(2)
Share of Other Comprehensive Income recognised by joint ventures/associates	1	-
<b>Carrying value at 31 March</b>	<b>96</b>	<b>91</b>

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

### Note 14.3 Other financial assets (non-current)

	2020/21	2019/20
	£m	£m
<b>Carrying value at 1 April</b>	<b>171</b>	<b>214</b>
Transfers by absorption	-	(9)
Adjustments to prior period accounted for in-year	(4)	6
Acquisitions in year	23	28
Movements in fair value through income and expenditure	23	(7)
Movements in fair value through other comprehensive income	26	(22)
Disposals	(17)	(39)
<b>Carrying value at 31 March</b>	<b>222</b>	<b>171</b>
Held by:		
NHS providers excluding charitable funds	31	12
NHS charitable funds	191	159

### Note 14.4 Other financial assets (current)

	2020/21	2019/20
	£m	£m
Deposits with the National Loans Fund	-	10
Other current financial assets	26	29
<b>Total current financial assets at 31 March</b>	<b>26</b>	<b>39</b>

### Note 15 Inventories

	31 March	31 March
	2021	2020
	£m	£m
Drugs	411	433
Work in progress	2	2
Consumables	751	674
Energy	13	14
Other	43	46
<b>Total inventories</b>	<b>1,220</b>	<b>1,169</b>
<b>Of which:</b>		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £11,559 million (2019/20 £10,404 million). Write-downs of inventories recognised as expenses for the year were £62 million (2019/20: £12 million). These include utilisation of £1,128 million and write down of £41 million of personal protective equipment procured nationally by the Department of Health and Social Care and supplied free of charge to NHS providers 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 providers were able to employ a variety of procedures to assure themselves of the material accuracy of inventory balances at the year end. Where inventory is material to a provider, international standards on auditing prescribe that the auditor must attend one or more inventory counts. 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 7 providers referenced a limitation of scope in relation to inventory balances as at 31 March 2021 (inventory balances totalling £114 million). In addition the audit reports of 25 included reference to limitation of scope as at 31 March 2020 (£252 million). This prior year count of 25 reported in the current year end is lower than the 29 trusts reported last year following changes in local circumstances. Three of the trusts included in these figures have qualified opinions relating to both years, so the total number of trusts affected is 29. The total value of inventory covered by these qualifications is not material to these consolidated provider accounts.

## Note 16.1 Receivables

	31 March 2021 £m	31 March 2020 £m
<b>Current</b>		
Contract receivables	2,995	5,609
Contract assets	4	24
Capital receivables	35	72
Allowance for impaired contract receivables / assets	(585)	(535)
Allowance for other impaired receivables	(30)	(22)
Deposits and advances	4	5
Prepayments	1,006	906
Interest receivable	1	1
Finance lease receivables	1	1
PDC dividend receivable	132	52
VAT receivable	381	270
Corporation tax receivable	-	1
Other receivables	186	170
NHS charitable funds receivables	6	10
<b>Total current receivables</b>	<b>4,136</b>	<b>6,564</b>
<b>Non-current</b>		
Contract receivables	186	243
Contract assets	4	5
Capital receivables	43	45
Allowance for impaired contract receivables / assets	(27)	(24)
Allowance for other impaired receivables	(2)	(2)
Deposits and advances	6	5
Prepayments	234	272
Finance lease receivables	6	6
VAT receivable	3	4
Corporation tax receivable	1	1
Other receivables	137	120
NHS charitable funds receivables	-	1
<b>Total non-current receivables</b>	<b>591</b>	<b>676</b>
<b>Of which receivable from NHS and DHSC group bodies</b>		
Current	1,554	3,792
Non-current	120	91

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

## Note 16.2 Allowances for credit losses

	2020/21		2019/20	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£m	£m	£m	£m
<b>Allowances as at 1 April 2020 - brought forward</b>	<b>559</b>	<b>24</b>	<b>528</b>	<b>38</b>
Adjustments to prior period accounted for in-year	10	-	(6)	-
New allowances arising	257	14	199	9
Changes in existing allowances	18	1	2	(1)
Reversals of allowances	(109)	(2)	(91)	(18)
Utilisation of allowances (write offs)	(121)	(6)	(74)	(3)
Changes arising following modification of contractual cash flows	(1)	-	-	-
Foreign exchange and other changes	(1)	1	1	(1)
<b>Allowances as at 31 March 2021</b>	<b>612</b>	<b>32</b>	<b>559</b>	<b>24</b>

## Note 17.1 Cash and cash equivalents movements

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

	2020/21	2019/20
	£m	£m
<b>At 1 April</b>	<b>6,832</b>	<b>5,840</b>
Adjustments to prior period accounted for in-year	(2)	2
Transfers by absorption	4	(1)
Net change in year	6,953	991
<b>At 31 March</b>	<b>13,787</b>	<b>6,832</b>
<b>Broken down into:</b>		
Cash at commercial banks and in hand (excluding charitable funds)	155	119
Cash with the Government Banking Service (excluding charitable funds)	13,470	6,417
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	155	156
<b>Total cash and cash equivalents as in SoFP</b>	<b>13,787</b>	<b>6,832</b>
Bank overdrafts	(15)	(13)
<b>Total cash and cash equivalents as in SoCF</b>	<b>13,772</b>	<b>6,819</b>

## Note 17.2 Third party assets

The balance of third party assets, including patients' money held within the NHS providers' bank accounts at 31 March 2021 was £39 million (31 March 2020: £37 million). This has been excluded from the Consolidated Statement of Financial Position as it is not an asset of the NHS provider. It includes monies held in trust on behalf of patients and others.

## Note 18 Trade and other payables

	31 March 2021 £m	31 March 2020 £m
<b>Current</b>		
Trade payables	2,428	2,346
Capital payables	1,876	1,038
Accruals	6,709	4,015
Receipts in advance	71	71
Social security costs	764	680
VAT payable	11	12
Other taxes payable	502	466
PDC dividend payable	6	14
Other payables	1,043	903
NHS charitable funds trade and other payables	9	6
<b>Total current trade and other payables</b>	<b>13,419</b>	<b>9,551</b>
<b>Non-current</b>		
Trade payables	7	8
Capital payables	10	10
Accruals	7	4
Receipts in advance	8	3
Other payables	10	10
<b>Total non-current trade and other payables</b>	<b>42</b>	<b>35</b>
<b>Of which payable to NHS and DHSC group bodies</b>		
Current	641	580
Non-current	-	-

## Note 19 Other liabilities

	31 March 2021 £m	31 March 2020 £m
<b>Current</b>		
Deferred income: contract liability	1,376	871
Deferred grants	52	12
Deferred PFI income/credits	4	5
Lease incentives	6	7
Deferred income: other	32	19
NHS charitable funds other liabilities	2	-
<b>Total other current liabilities</b>	<b>1,472</b>	<b>914</b>
<b>Non-current</b>		
Deferred income: contract liability	99	84
Deferred grants	-	3
Deferred PFI income/credits	48	49
Lease incentives	6	10
Deferred income: other	1	1
Net pension scheme liability	71	44
<b>Total other non-current liabilities</b>	<b>225</b>	<b>191</b>

## Note 20 Borrowings

	31 March 2021 £m	31 March 2020 £m
<b>Current</b>		
Bank overdrafts	15	13
Loans from the Department of Health and Social Care*	242	13,779
Other loans	46	50
Obligations under finance leases	69	62
Obligations under PFI, LIFT or other service concession contracts (finance lease element)	317	298
<b>Total current borrowings</b>	<b>689</b>	<b>14,202</b>
<b>Non-current</b>		
Loans from the Department of Health and Social Care*	2,450	2,705
Other loans	360	296
Obligations under finance leases	300	262
Obligations under PFI, LIFT or other service concession contracts (finance lease element)	7,998	8,305
<b>Total non-current borrowings</b>	<b>11,108</b>	<b>11,568</b>

\*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 £13.5 billion as at 31 March 2020.

### Note 20.1 Finance lease obligations

	31 March 2021 £m	31 March 2020 £m
Obligations under finance leases where NHS providers are the lessees:		
<b>Gross lease liabilities</b>	<b>532</b>	<b>477</b>
Of which liabilities are due:		
- not later than one year;	85	76
- later than one year and not later than five years;	208	192
- later than five years.	239	209
Finance charges allocated to future periods	(163)	(153)
<b>Net lease liabilities</b>	<b>369</b>	<b>324</b>
Of which payable:		
- not later than one year;	69	62
- later than one year and not later than five years;	162	151
- later than five years.	138	111
Total of future minimum sublease payments to be received at the reporting date	-	-



## Note 20.2 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
<b>Carrying value at 1 April 2020</b>	<b>16,484</b>	<b>346</b>	<b>324</b>	<b>8,603</b>	<b>25,757</b>
<b>Cash movements:</b>					
Financing cash flows - payments and receipts of principal	(13,738)	59	(67)	(295)	<b>(14,041)</b>
Financing cash flows - payments of interest	(124)	(11)	(19)	(460)	<b>(614)</b>
<b>Non-cash movements:</b>					
Adjustments to prior year accounted for in-year	-	-	11	19	<b>30</b>
Additions	-	-	98	13	<b>111</b>
Application of effective interest rate	70	12	20	457	<b>559</b>
Early terminations	-	-	-	(25)	<b>(25)</b>
Other changes	-	-	2	3	<b>5</b>
<b>Carrying value at 31 March 2021</b>	<b>2,692</b>	<b>406</b>	<b>369</b>	<b>8,315</b>	<b>11,782</b>

## Note 20.3 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
<b>Carrying value at 1 April 2019</b>	<b>14,036</b>	<b>318</b>	<b>305</b>	<b>8,894</b>	<b>23,553</b>
<b>Cash movements:</b>					
Financing cash flows - payments and receipts of principal	2,439	28	(60)	(279)	<b>2,128</b>
Financing cash flows - payments of interest	(343)	(10)	(16)	(469)	<b>(838)</b>
<b>Non-cash movements:</b>					
Adjustments to prior year accounted for in-year	-	-	-	(25)	<b>(25)</b>
Additions	-	-	81	16	<b>97</b>
Application of effective interest rate	352	10	16	468	<b>846</b>
Other changes	-	-	(2)	(2)	<b>(4)</b>
<b>Carrying value at 31 March 2020</b>	<b>16,484</b>	<b>346</b>	<b>324</b>	<b>8,603</b>	<b>25,757</b>

## Note 21.1 Provisions for liabilities and charges

	31 March 2021		31 March 2020	
	Current	Non-current	Current	Non-current
	£m	£m	£m	£m
Pensions	39	429	39	409
Other legal claims	75	12	58	8
Restructurings	9	9	6	7
Equal Pay	8	4	5	-
Redundancy	41	3	30	2
Other	552	296	315	155
<b>Total</b>	<b>724</b>	<b>753</b>	<b>453</b>	<b>581</b>

## Note 21.2 Provisions for liabilities and charges analysis

	Pensions	Other legal claims	Restructuring	Equal Pay	Redundancy	Other	Total
	£m	£m	£m	£m	£m	£m	£m
<b>At 1 April 2020</b>	<b>448</b>	<b>66</b>	<b>13</b>	<b>5</b>	<b>32</b>	<b>470</b>	<b>1,034</b>
Transfers by absorption	-	-	-	-	-	2	2
Adjustments to prior period accounted for in-year	4	-	-	(1)	-	4	7
Change in the discount rate	16	-	-	-	-	2	18
Arising during the year	50	52	8	8	24	510	652
Utilised during the year	(42)	(15)	(2)	-	(5)	(47)	(111)
Reversed unused	(7)	(16)	(1)	-	(7)	(94)	(125)
Unwinding of discount	(1)	-	-	-	-	1	-
<b>At 31 March 2021</b>	<b>468</b>	<b>87</b>	<b>18</b>	<b>12</b>	<b>44</b>	<b>848</b>	<b>1,477</b>
<b>Expected timing of cash flows:</b>							
- not later than one year;	39	75	9	8	41	552	724
- later than one year and not later than five years;	150	9	7	3	3	190	362
- later than five years.	279	3	2	1	-	106	391
<b>Total</b>	<b>468</b>	<b>87</b>	<b>18</b>	<b>12</b>	<b>44</b>	<b>848</b>	<b>1,477</b>

- 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 providers 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 21.3 Clinical negligence liabilities

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

Under these schemes, most liabilities for clinical negligence are not included in providers' statements of financial position. Instead they separately disclose the amounts relating to clinical negligence cases for their trust which are included in the provisions of NHS Resolution.

As at 31 March 2021, NHS Resolution held provisions for clinical negligence liabilities totalling £35,689 million for CNST (2019/20: £31,986 million) and £1,001 million for ELS (2019/20: £986 million) on behalf of NHS providers.

### Note 22 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.

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£m</b>	<b>£m</b>
<b>Value of contingent liabilities</b>		
NHS Resolution legal claims	(6)	(7)
Employment tribunal and other employee related litigation	(1)	(4)
Other	(16)	(41)
<b>Gross value of contingent liabilities</b>	<b>(23)</b>	<b>(52)</b>
Amounts recoverable against liabilities	2	1
<b>Net value of contingent liabilities</b>	<b>(21)</b>	<b>(51)</b>
<b>Net value of contingent assets</b>	<b>17</b>	<b>17</b>

### Note 23.1 Contractual capital commitments

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

	<b>31 March 2021</b>	<b>31 March 2020</b>
	<b>£m</b>	<b>£m</b>
Property, plant and equipment	2,061	1,742
Intangible assets	213	78
<b>Total</b>	<b>2,274</b>	<b>1,820</b>

## Note 23.2 Other financial commitments

NHS providers are committed to making the following payments under non-cancellable contracts (which are not leases, PFI contracts or other service concession arrangements):

	31 March 2021	31 March 2020
	£m	£m
Payments falling due:		
- not later than 1 year	250	176
- after 1 year and not later than 5 years	218	207
- thereafter	14	16
<b>Total</b>	<b>482</b>	<b>399</b>

## Note 24 On-SoFP PFI, LIFT or other service concession lease arrangements

### Note 24.1 On-SoFP PFI, LIFT and other service concession obligations

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

	31 March 2021	31 March 2020
	£m	£m
<b>Gross PFI, LIFT or other service concession liabilities</b>	<b>15,357</b>	<b>16,214</b>
<b>Of which liabilities are due</b>		
- not later than one year;	847	838
- later than one year and not later than five years;	3,330	3,314
- later than five years.	11,180	12,062
Finance charges allocated to future periods	(7,042)	(7,611)
<b>Net PFI, LIFT or other service concession arrangement obligation</b>	<b>8,315</b>	<b>8,603</b>
- not later than one year;	317	298
- later than one year and not later than five years;	1,346	1,317
- later than five years.	6,652	6,988

### Note 24.2 Total service concession arrangement commitments

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

	31 March 2021	31 March 2020
	£m	£m
<b>Total future payments due in:</b>		
- not later than one year;	2,225	2,181
- later than one year and not later than five years;	9,287	9,083
- later than five years.	36,746	39,368
<b>Total</b>	<b>48,258</b>	<b>50,632</b>
	Number	Number
Total number of PFI, LIFT and other service concession schemes accounted for on-SoFP at 31 March	154	157
Of which schemes with total future commitment in excess of £500 million	26	26

### Note 24.3 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
<b>Unitary payment paid to service concession operator</b>	<b>2,232</b>	<b>2,178</b>
<b>Consisting of:</b>		
- Interest charge	457	468
- Repayment of balance sheet obligation	296	278
- Service element	976	949
- Capital lifecycle maintenance	105	94
- Revenue lifecycle maintenance	18	16
- Contingent rent	340	317
- Addition to lifecycle prepayment	40	56

### Note 25 Off-SoFP PFI, LIFT and other service concession arrangements

NHS providers incurred the following charges in respect of off-Statement of Financial Position PFI and LIFT schemes:

	31 March 2021 £m	31 March 2020 £m
Charge in respect of the off SoFP PFI, LIFT or other service concession arrangement for the period	4	6
Commitments in respect of off-SoFP PFI, LIFT or other service concession arrangements payable in:		
- not later than one year;	5	6
- later than one year and not later than five years;	17	23
- later than five years.	13	20
<b>Total</b>	<b>35</b>	<b>49</b>

### Note 26 Financial instruments

#### Note 26.1 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
<b>Carrying values of financial assets as at 31 March 2021</b>				
Receivables excluding non-financial assets	2,877	1	-	2,878
Financial assets / investments	65	1	28	94
Cash and cash equivalents at bank and in hand*	13,632	-	-	13,632
NHS charitable funds financial assets	184	126	42	352
<b>Total at 31 March 2021</b>	<b>16,758</b>	<b>128</b>	<b>70</b>	<b>16,956</b>

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

## Note 26.2 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
<b>Carrying values of financial assets as at 31 March 2020</b>				
Receivables excluding non-financial assets	5,622	-	-	<b>5,622</b>
Financial assets / investments	67	2	8	<b>77</b>
Cash and cash equivalents at bank and in hand*	6,676	-	-	<b>6,676</b>
NHS charitable funds financial assets	199	90	39	<b>328</b>
<b>Total at 31 March 2020</b>	<b>12,564</b>	<b>92</b>	<b>47</b>	<b>12,703</b>

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

## Note 26.3 Financial liabilities

	31 March 2021 £m	31 March 2020 £m
<b>Carrying values of financial liabilities</b>		
Loans from the Department of Health and Social Care	2,692	16,484
Obligations under PFI, LIFT and other service concession contracts	8,315	8,603
Obligations under finance leases	369	324
Other borrowings	420	359
Trade and other payables excluding non-financial liabilities	11,372	7,985
Other financial liabilities	2	3
Provisions under contract	438	283
NHS charitable funds financial liabilities	7	4
<b>Total financial liabilities</b>	<b>23,615</b>	<b>34,045</b>

All financial liabilities are held at amortised cost.

## Note 26.4 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
<b>Financial liabilities fall due in:</b>		
In one year or less	12,920	23,120
In more than one year but not more than five years	4,801	4,953
In more than five years	13,622	14,598
<b>Total financial liabilities</b>	<b>31,343</b>	<b>42,671</b>

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

## Note 26.5 Fair values of financial instruments

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

## Note 26.6 Financial risk management

The risks arising from financial instruments and the NHS providers' policies and processes in response to these risks are described below. Individual NHS providers 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 providers is dependent on the contractual arrangements they have with their commissioners, whose resources are voted on annually by Parliament. In the majority of cases, these contractual arrangements are either based on a tariff for services performed or on a contract based on assumptions for the amount of work to be carried out by the NHS provider.

Under section 63 of the National Health Service Act 2006, NHS providers 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 providers 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 providers 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 providers 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, £13.5 billion of DHSC interim loans were refinanced through the issue of public dividend capital, improving the liquidity of NHS providers.

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 provider sector would fail to meet its liabilities as they fall due.

### Credit risk

The vast majority of the NHS provider 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 providers are permitted to generate income derived from private patients and overseas visitors without reciprocal arrangements, however this income contributes only 0.48% of total income from patient care activities generated in the year to 31 March 2021 (2019/20: 0.93%). Other sources of income from non-public sector bodies amount to a small proportion of total provider income. Accordingly, the effective credit risk posed by income derived from private and overseas patients or non-public sector entities to the sector is low. Within cash and cash equivalents, £13.5 billion is held with the Government Banking Service and National Loans Fund. Individual providers have confirmed that they do not consider these deposits to be exposed to significant credit risk. The maximum exposures as at 31 March 2021 are in receivables, as disclosed in the receivables note.

### Currency risk

The NHS provider 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 provider sector has low exposure to currency risk.

### Interest rate risk

NHS providers have the power to enter into loans and working capital facilities with commercial lenders. NHS providers 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 providers (see note 10) this is not a material risk to the consolidated NHS provider accounts.

## Note 27 Analysis of NHS charitable funds reserves

	31 March 2021 £m	31 March 2020 £m
<b>Restricted funds:</b>		
Endowment funds	15	10
Other restricted income funds	93	99
<b>Unrestricted funds:</b>		
Unrestricted income funds	219	193
Revaluation reserve	7	2
Other reserves	1	1
<b>Total</b>	<b>335</b>	<b>305</b>

NHS charitable funds are consolidated by 46 NHS providers where the trust determines they have control (2019/20: 48) as outlined in accounting policy 1.1. Other providers may also have charities meeting the definition of local control that are not locally consolidated on the grounds of materiality.

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

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

## Note 28.1 Losses and special payments

	2020/21		2019/20	
	Number of cases	Total value of cases £m	Number of cases	Total value of cases £m
<b>Losses</b>				
Cash losses	2,857	4.0	3,283	3.0
Fruitless payments	342	4.8	584	8.6
Bad debts and claims abandoned	38,899	78.1	38,160	56.6
Stores losses and damage to property	11,888	22.2	11,588	15.7
<b>Total losses</b>	<b>53,986</b>	<b>109.1</b>	<b>53,615</b>	<b>83.9</b>
<b>Special payments</b>				
Extra-contractual payments	31	1.5	7	-
Extra-statutory and extra-regulatory payments	7	0.2	21	0.5
Compensation payments under court order or legally binding arbitration award	371	3.7	400	3.4
Special severance payments	7	0.2	11	0.5
Ex-gratia payments	6,487	12.0	7,198	14.1
<b>Total special payments</b>	<b>6,903</b>	<b>17.6</b>	<b>7,637</b>	<b>18.5</b>
<b>Total losses and special payments</b>	<b>60,889</b>	<b>126.7</b>	<b>61,252</b>	<b>102.4</b>
Compensation payments received to recover losses		0.5		0.5

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 providers include some losses in other lines within that note.



## Note 28.2 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 11 trusts reported 12 individual losses or special payments in excess of £0.3 million, totalling £9.9 million:

- Mid and South Essex NHS Foundation Trust recorded a fraud case of £0.803 million.
- Barking, Havering and Redbridge University Hospitals NHS Trust recorded losses of £2.084 million relating to payments for aborted COVID19 modular units.
- University Hospitals of Derby and Burton NHS Foundation Trust recorded losses of £0.891 million relating to an abandoned capital project.
- Medway NHS Foundation Trust recorded losses of £0.534 million relating to an IT project which was abandoned.
- Great Ormond Street Hospital for Children NHS Foundation Trust recorded losses of £1.134 million for bad debt.
- The following four trusts recorded pharmacy stores losses totalling £1.515 million:-
  - University Hospitals Bristol and Weston NHS Foundation Trust
  - Buckinghamshire Healthcare NHS Trust
  - George Eliot Hospital NHS 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 Health and Safety at Work Act.
- North Middlesex University Hospital NHS Trust recorded a special payment of £0.978 million relating to COVID19 relief payments to a supplier.
- Mid and South Essex NHS Foundation Trust recorded a special payment of £0.405 million relating to a cancelled contract for ventilators.

NHS England managed the process of obtaining HM Treasury approval for special payments in the NHS resulting from the national settlement of liabilities following the decision of the Employment Appeal Tribunal (EAT) in *Flowers and others v East of England Ambulance Service NHS Trust* and this judgement being applied to all employers. This approval on NHS providers' behalf totalled £159.9 million.

In 2019/20, the following 6 trusts reported 8 cases of losses or special payments in excess of £0.3 million totalling £11.474 million:

- Buckinghamshire Healthcare NHS Trust
- Royal Surrey NHS Foundation Trust
- Croydon Health Services NHS Trust
- Sandwell And West Birmingham Hospitals NHS Trust
- Essex Partnership University NHS Foundation Trust
- University Hospitals Plymouth NHS Trust

## Note 29 Related parties

DHSC is regarded as a related party of NHS trusts and 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 trusts and 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 provider accounts.

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

	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	40	28	4	3
Subsidiaries / Associates / Joint ventures	8	21	7	10
Other	52	61	46	51
Value of allowances for expected credit losses held against related party balances	(2)	(2)	-	-
<b>Total</b>	<b>98</b>	<b>108</b>	<b>57</b>	<b>64</b>
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)	-	-	2	4
Value of transactions with other related parties:				
NHS charitable funds	84	110	13	14
Subsidiaries / Associates / Joint Ventures	24	29	125	158
Other	126	140	241	231
<b>Total</b>	<b>234</b>	<b>279</b>	<b>381</b>	<b>407</b>

### Note 30 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

The following absorption transfers occurred within the NHS provider sector during 2020/21 and so the accounting entries have been eliminated within these consolidated 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	Basildon and Thurrock University Hospitals NHS Foundation Trust	1 April 2020	232	73	(202)	(20)	83	(83)
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)
Somerset NHS Foundation Trust	Taunton & Somerset NHS Foundation Trust	1 April 2020	196	32	(68)	(28)	132	(93)
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)
University Hospitals Dorset NHS Foundation Trust	The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust	1 October 2020	196	104	(71)	(17)	212	(85)
University Hospitals Dorset NHS Foundation Trust	Poole Hospital NHS Foundation Trust	1 October 2020	148	42	(48)	(13)	129	(127)

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
Guy's & St Thomas' NHS Foundation Trust	Royal Brompton and Harefield NHS Foundation Trust	1 February 2021	321	118	(107)	(45)	287	(110)
Manchester University NHS Foundation Trust	Pennine Care NHS Foundation Trust	1 October 2020	3	-	-	-	3	-
Herefordshire and Worcestershire Health and Care NHS Trust	Gloucestershire Health and Care NHS Foundation Trust	1 April 2020	6	-	-	-	6	-

Absorption transfers involving nine other providers also occurred but the net assets transferring totalled less than £1m. These transfers have not been detailed here. Opposite entries have been recorded in the accounts of the divesting NHS providers and so the impact of these transactions on the consolidated NHS provider accounts is nil.

The following absorption transactions occurred between NHS providers and other government bodies during 2020/21 and so reflect absorption movements in or out of the consolidated NHS provider accounts:

Details	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets
	£m	£m	£m	£m	£m
Transfers from NHS Property Services (modified absorption)	0.4	-	-	-	0.4
Transfers from Public Health England	0.3	-	-	-	0.3
Transfers to Local Authorities	-	-	7.1	(7.3)	(0.2)
Transfers from CCGs	-	11.0	(11.0)	-	-
<b>Totals</b>	<b>0.7</b>	<b>11.0</b>	<b>(3.9)</b>	<b>(7.3)</b>	<b>0.5</b>

Transfers from NHS Property Services related to assets formerly held by Primary Care Trusts and were 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 relate to the transfer of services to East Suffolk and North Essex NHS Foundation Trust. Transfers to Local Authorities are local government pension scheme obligations relating to staff transferring from North Staffordshire Combined Healthcare NHS Trust. Transfers from CCGs are 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

The following absorption transfers occurred within the NHS provider sector during 2019/20 and so the accounting entries have been eliminated within these consolidated 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
South Tyneside and Sunderland NHS Foundation Trust	City Hospitals Sunderland NHS Foundation Trust	1 April 2019	151	51	(50)	(54)	98	97
South Tyneside and Sunderland NHS Foundation Trust	South Tyneside NHS Foundation Trust	1 April 2019	88	34	(30)	(28)	64	46
Gloucestershire Health and Care NHS Foundation Trust	Gloucestershire Care Services NHS Trust	1 October 2019	63	28	(12)	(1)	78	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	106	(92)	(148)	293	292
Wrightington, Wigan and Leigh NHS Foundation Trust	Bridgewater Community Healthcare NHS Foundation Trust	1 April 2019	8	-	-	-	8	-
Central London Community Healthcare NHS Trust	Hertfordshire Community NHS Trust	1 October 2019	18	-	-	-	18	-
Lancashire Care NHS Foundation Trust	North Cumbria Integrated Care NHS Foundation Trust	1 October 2019	8	-	-	-	8	-
Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust	North Cumbria Integrated Care NHS Foundation Trust	1 October 2019	19	-	-	-	19	-
Salford Royal NHS Foundation Trust	Pennine Care NHS Foundation Trust	1 July 2019	-	-	-	-	-	-
Manchester University NHS Foundation Trust	Pennine Care NHS Foundation Trust	1 October 2019	1	-	-	-	1	-
Manchester University NHS Foundation Trust	Liverpool Women's NHS Foundation Trust	1 August 2019	1	(1)	-	-	-	-

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
University Hospitals of Morecambe Bay NHS Foundation Trust	North Cumbria Integrated Care NHS Foundation Trust	1 April 2019	2	-	-	-	2	-

Absorption transfers involving four other providers also occurred but the net assets transferring totalled less than £1m. These transfers have not been detailed here. Opposite entries have been recorded in the accounts of the divesting NHS providers and so the impact of these transactions on the consolidated NHS provider accounts is nil.

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

The following absorption transactions occurred between NHS providers and other government bodies during 2019/20 and so reflect absorption movements in or out of the consolidated NHS provider accounts:

Details	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets
	£m	£m	£m	£m	£m
Transfer to NHS Property Services	(5)	-	-	-	(5)
Transfers from NHS Property Services (modified absorption)	10	-	-	-	10
Hospitals NHS Trust Charitable Funds	(10)	(1)	1	-	(10)
<b>Totals</b>	<b>(5)</b>	<b>(1)</b>	<b>1</b>	<b>-</b>	<b>(5)</b>

Hertfordshire Community NHS Trust transferred property to NHS Property Services on 31 December 2019.

Transfers from NHS Property services related to assets formerly held by Primary Care Trusts and were received by West Suffolk NHS Foundation Trust and Dorset Healthcare University NHS Foundation Trust on 30 September 2019. See accounting policy 1. for details of the 'modified' treatment that applies to gains recognised on these transfers.

Aintree University Hospitals NHS Foundation Trust acquired Royal Liverpool and Broadgreen University Hospitals NHS Trust on 1 October 2019. The policy of the acquiring trust is to not consolidate NHS charitable funds, therefore the charitable funds previously consolidated by Royal Liverpool and Broadgreen University Hospitals NHS Trust transferred outside of the NHS provider consolidated group on 1 October 2019.

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.

## Note 31 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 providers

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

### Restatement of disclosures

Note 2 *Operating segments* presents two segmental analyses, one by principal service type and the other by region. In 2020/21 the classification of providers by their principal services has been refreshed. Comparative information in the service type analysis has been restated to reflect the reclassification of five providers.

As part of the coronavirus pandemic response, transaction flows were simplified in the NHS and providers 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 26.4 *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 32 Events after the reporting date

As at 31 March 2021 there were 216 NHS providers.

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.

The above transactions will eliminate and therefore have no impact on the 2020/21 consolidated NHS provider accounts. As at the date of authorisation of these accounts, there are 213 NHS providers.

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