



NHS England

# Consolidated NHS provider accounts 2021/22

HC 1014



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1 April 2021 – 31 March 2022

Presented to Parliament under Section 65Z4 of the  
National Health Service Act 2006 (as inserted by Section  
14 of the Health and Care Act 2022)

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# 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 are presented separately from those of NHS England as NHS England is not the parent body of NHS trusts and NHS foundation trusts.

The introduction describes the legal requirements for NHS trust and NHS foundation trust accounts and organisational changes in the provider sector in 2020/21 and 2021/22.

## 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. 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 (as amended by paragraph 31(3) of Schedule 5 to the Health and Care Act 2022) 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. These annual accounts must be audited by auditors appointed by the NHS foundation trust's council of governors. The trust must lay a copy of the accounts, and any auditor's report on them, before Parliament and send them to NHS England.

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

## Basis of preparation for consolidated NHS provider accounts

Section 65Z4 of the National Health Service Act 2006 (as inserted by Section 14 of the Health and Care Act 2022) requires NHS England to prepare, for each financial year, a set of accounts that consolidates the annual accounts of all NHS trusts and NHS foundation trusts. The Secretary of State has given directions on the content and form of these consolidated accounts and the principles to be applied in preparing them. The Comptroller and Auditor General is required to examine, certify and report on the consolidated NHS provider accounts and send a copy of his report to the Secretary of State and NHS England. NHS England is required to lay the consolidated provider accounts and the Comptroller and Auditor General's report before Parliament.

## Organisation terminology

NHS Improvement, as the operating name for the NHS Trust Development Authority and Monitor legal entities, was the organisation responsible for the oversight of NHS providers during 2021/22. From 2019, NHS Improvement operated jointly with NHS England. On 1 July 2022 the NHS Trust Development Authority and Monitor were abolished and their functions transferred to NHS England. These consolidated accounts reference other documents issued by NHS England: in some cases these will have been issued by predecessor legal bodies. Documents issued by the NHS Trust Development Authority and Monitor before they were abolished are treated, from 1 July 2022, as having been issued by NHS England.

## 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 2020/21 or 2021/22 are as follows:

		NHS trusts	NHS FTs	All providers
<b>1 April 2020</b>	<b>Opening number of providers</b>	<b>71</b>	<b>147</b>	<b>218</b>
	This includes the dissolution of Basildon & Thurrock University Hospitals NHS Foundation Trust, Mid Essex Hospital Services NHS Trust, Bedford Hospital NHS Trust, Taunton & Somerset NHS Foundation Trust and Weston Area Health NHS Trust.			
1 October 2020	Authorisation of University Hospitals Dorset NHS Foundation Trust as a newly formed entity.		+1	219

		NHS trusts	NHS FTs	All providers
	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>
1 April 2021	Dissolution of Brighton and Sussex University Hospitals NHS Trust on acquisition by University Hospitals Sussex NHS Foundation Trust.	-1		215
1 June 2021	Dissolution of North West Boroughs Healthcare NHS Foundation Trust on acquisition by Mersey Care NHS Foundation Trust.		-1	214
1 October 2021	Dissolution of The Pennine Acute Hospitals NHS Trust on acquisition by Salford Royal NHS Foundation Trust; entity renamed as Northern Care Alliance NHS Foundation Trust.	-1		213
<b>31 March 2022</b>	<b>Number of providers at end of year</b>	<b>69</b>	<b>144</b>	<b>213</b>



# Review of financial performance of NHS providers

## Summary in numbers

	2021/22	2020/21
Number of NHS providers in existence during the year	215	219
Surplus/(deficit) before impairments and transfers	£562 million	£676 million
Number of NHS providers recording a deficit before impairments, transfers and consolidation of charitable funds	74	33
Capital expenditure (purchases and new finance leases of property, plant and equipment and intangible assets, accruals basis)	£6,917 million	£7,199 million

## Financial commentary

The COVID-19 pandemic continued to have a significant impact on NHS providers in 2021/22. NHS providers also faced sustained high demand for other urgent and emergency care. Emergency admissions were 12% higher than in the previous year. Despite these challenges the NHS continued to deliver high quality care and full access to all essential services.

As the UK began to emerge from the pandemic, the NHS continued to look forward, not only to the continued management of COVID-19 through the largest vaccination programme in the service's history, but also prioritising recovery by fully restoring cancer services, accelerating elective activity and tackling health inequalities. For example a record 2.68 million people were seen in 2021/22 following an urgent suspected cancer referral: 112% of pre-pandemic levels.

The sector delivered a net surplus before impairments and gains and losses on transfers by absorption for the year ended 31 March 2022 of £562 million (2020/21: £676 million net surplus) and held cash of £15.6 billion as at 31 March 2022 (31 March 2021: £13.8 billion).

The following table shows the profile of NHS providers that made up the sector during 2021/22. 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	123	48	10	16	18	n/a	<b>215</b>
% of sector turnover	76%	14%	3%	4%	3%	<0.1%	<b>100%</b>
Surplus/(deficit) before impairments and transfers (£m)	345	87	3	106	9	12	<b>562</b>
Number of providers reporting deficit before impairment and transfers	51	10	4	3	6	n/a	<b>74</b>

The results for the year showed that, excluding the consolidation of charitable funds, 141 NHS providers (66%) (2020/21: 186 (85%)) delivered a surplus or broke even and 74 providers (34%) (2020/21: 33 (15%)) reported a deficit before impairments and transfers by absorption. While the gross deficit of all providers in deficit increased from £113 million in 2020/21 to £141 million in 2021/22, this remains just 0.1% of total operating revenues for the sector.

Figure 1 shows the distribution of providers' surplus or deficit for 2021/22 and 2020/21. The two lines are plotted independently.

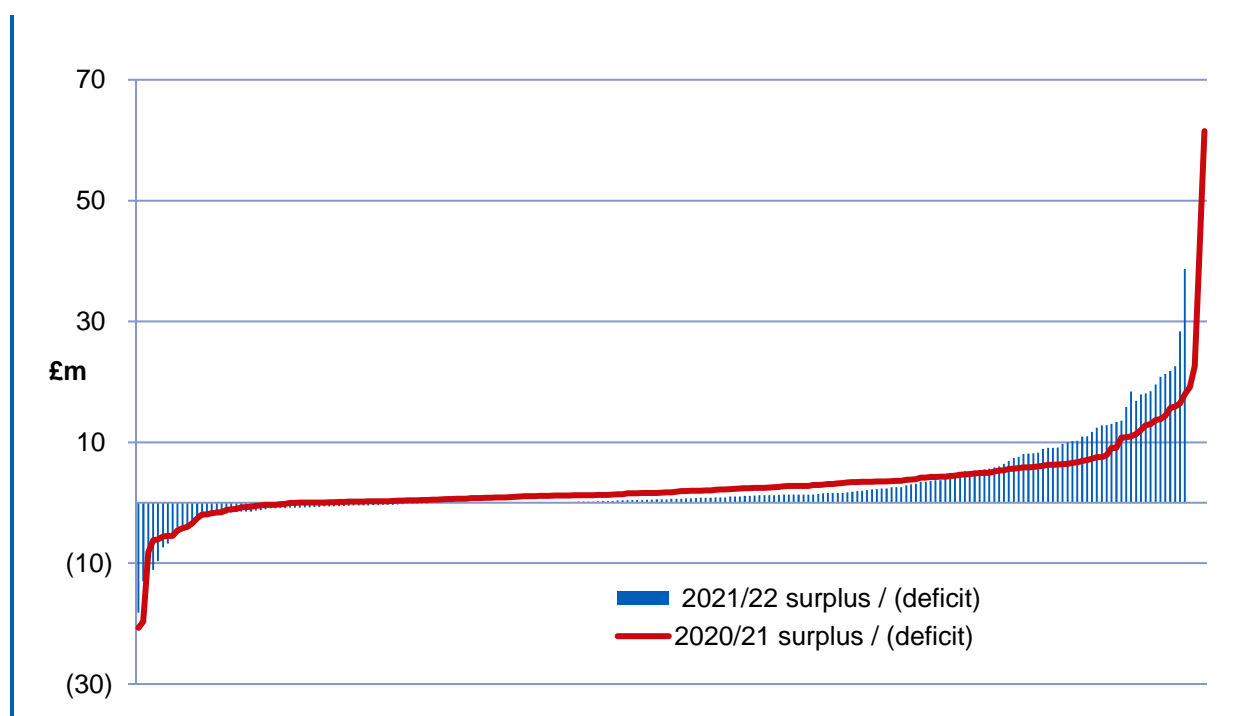


Figure 1: Surplus / (deficit) before impairments and absorption transfers

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-three NHS providers consolidated charitable funds, contributing an aggregate surplus of £12 million (2020/21: 46 providers consolidated a £25 million surplus) and net assets of £352 million (31 March 2021: £335 million).

The NHS System Oversight Framework was launched in July 2021. Providers who are in segment 4 of the system oversight framework (SOF) are entered into the Recovery Support Programme (RSP). This programme provides focused and integrated support to systems as well as individual organisations. As at 31 March 2022, seven providers reporting a deficit were also receiving support in the RSP. This support may not be finance related in all cases.

193 NHS provider financial statements received unqualified true and fair audit opinions at the time of finalising these accounts on 12 January 2023 (2020/21: 189). The results of three providers have been consolidated based on unaudited accounts information provided by the Trust (2020/21: one). Further information is provided in note 1 to these consolidated financial statements on page 45. 19 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 a previous year end (2020/21: 29 qualified opinions) with impacts on inventory movements in the current or comparative year. These arose because restrictions on movement in response to the COVID-19 pandemic prevented some providers from performing year end inventory counts and/or auditors from attending such counts in previous years. 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 (FRoM) 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 accounting policies contain our going concern assessment for these consolidated accounts.

## **Operating financial performance**

### **Operating income**

In the year to 31 March 2022, 215 NHS providers generated total operating revenues of £112.6 billion, an increase of £7.3 billion (6.9%). This increase is largely due to additional funding made available to the NHS for the pandemic response and to tackle the backlog of elective services.

As part of the pandemic response, transaction flows were simplified in the NHS. The revised financial framework placed focus on system collaboration with providers deriving most of their income from block contracts set within fixed system funding envelopes.

## Operating expenditure

Total operating expenditure increased by 6.2% from £104.4 billion in 2020/21 to £110.9 billion in 2021/22.

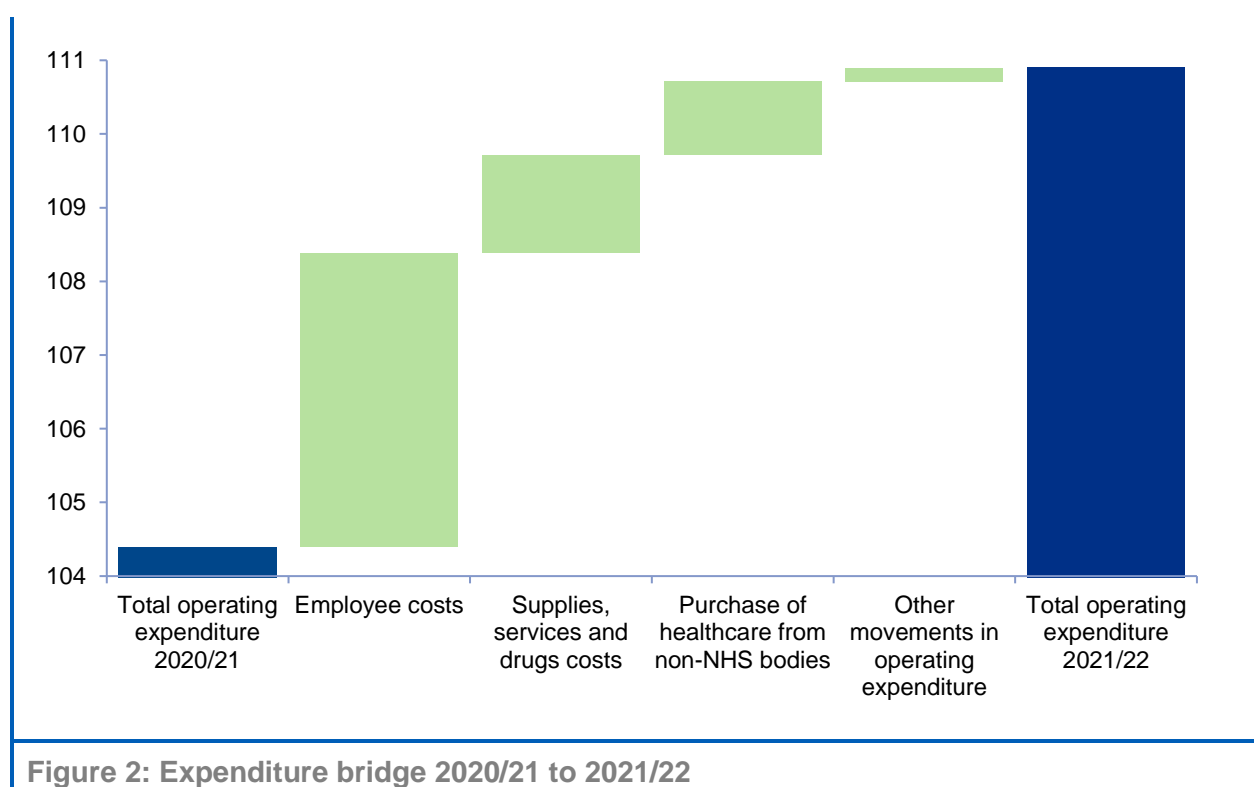


Figure 2: Expenditure bridge 2020/21 to 2021/22

61% (£4.0 billion) of the increase in operating expenditure related to employee costs, which is largely driven by uplifts in pay. Recovery of elective services with the support of the elective recovery fund has contributed to an increase in the purchase of healthcare from non-NHS bodies. Some spend with non-NHS bodies has transferred from NHS England to the provider sector due to the creation of NHS led provider collaboratives to deliver specialised mental health, learning disability and autism services. Under these new arrangements, the lead NHS provider in each collaborative manages a specialised commissioning budget for a population.

## 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 2021/22 net impairments charged to income and expenditure were £700 million (2020/21: £1,464 million). A further £140 million of net impairments was charged to reserves (2020/21: £797 million), reducing previously recognised revaluation surpluses. There were 133 NHS providers recording a net impairment within surplus/deficit in 2021/22 (2020/21: 178) while 63 providers recorded net reversals of impairments (2020/21: 19). This reduction in net impairments is mainly driven by inflation reflected in build costs used in the valuation of specialised assets such as hospitals.

Of the £700 million of net impairments charged to income and expenditure, 84% arose from changes in market price, compared to 91% in 2020/21. 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 2021/22 showed a net increase of £151 million to £1,800 million. This is mainly driven by an increase in PDC dividend of £168 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 including the impact of rising property valuations noted above.

### **Working capital and borrowings**

At 31 March 2022, NHS providers held cash and cash equivalents of £15.6 billion; equivalent to 7.8 weeks' operating costs in a sector with annual revenue (excluding the 6.3% NHS pension contribution made by NHS England) of £109.9 billion.

The number of receivables days decreased to 13.0 days (2020/21: 13.8 days), reflecting the up-front settlement of block contracts between providers and commissioners and absence of activity-based income accruals. Payable days increased to 42.5 days in 2021/22 from 38.8 days in 2020/21. These figures reflect an increase in total payables at the year end. Providers are monitored on their reported timeliness in paying suppliers.

Total long-term and working capital borrowing at 31 March 2022 was £11.3 billion (31 March 2021: £11.8 billion).

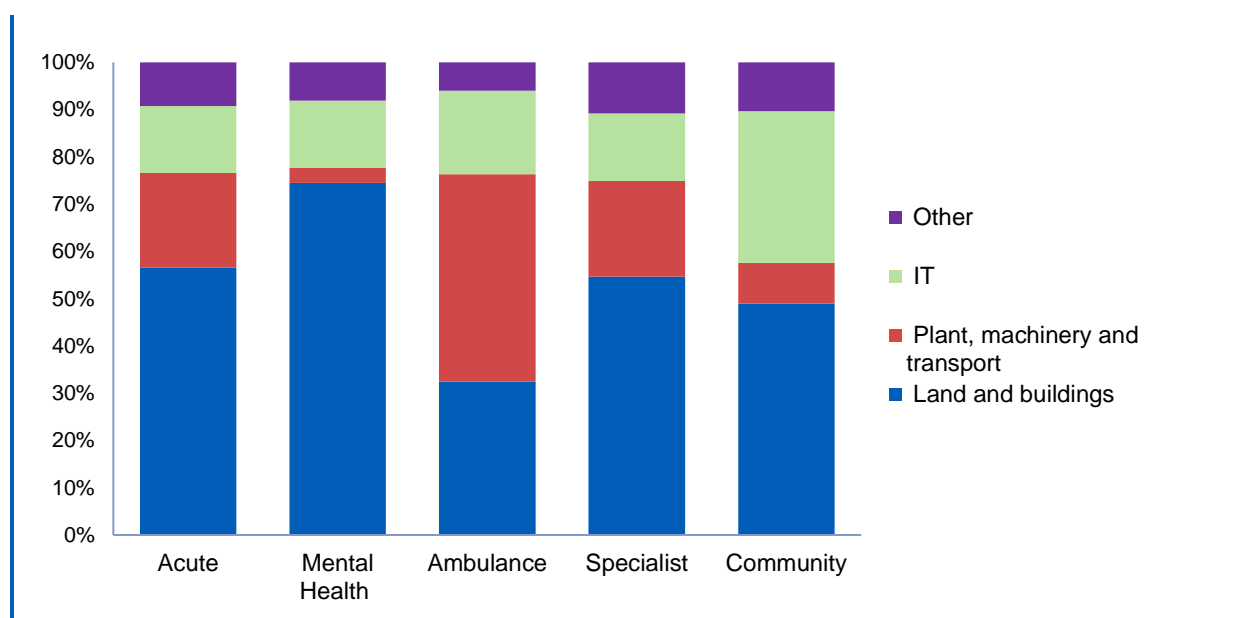
### **Capital expenditure**

Providers' ability to invest in capital schemes is limited by constraints in DHSC's capital expenditure limit. Affordable capital envelopes are allocated at a system level for local prioritisation and the promotion of system driven operational capital planning. In

2021/22, capital envelope allocations included additional funding to support the procurement of diagnostics equipment and help address issues of reinforced autoclaved aerated concrete within hospitals.

Additional funding was also available to providers outside of system envelopes as part of national programmes, including community diagnostic hubs, mental health dormitory eradication, technology investment, new hospitals and hospital upgrades.

Total purchases and new finance leases of property, plant and equipment and intangible assets were £6.9 billion (2020/21: £7.2 billion). Just over half (58%) of capital spend was on land and buildings, with a further 19% on plant, equipment and transport, 14% on information technology, and 9% on other capital (Figure 3).



**Figure 3: Proportion of capital spend by type, 2021/22**

Across the country, the NHS is investing in modernising healthcare facilities. Sheffield Teaching Hospitals NHS Foundation Trust reopened the Hadfield Wing at the Northern General Hospital site in the summer of 2021 following extensive refurbishment of wards. New buildings such as the Heartlands Treatment Centre at University Hospitals Birmingham NHS Foundation Trust continued construction in 2021/22. The £97 million facility, due to open in early 2023 will house a wide range of diagnostic services, creating additional capacity at Heartlands Hospital.

### Events after the reporting period

As at 31 March 2022 there were 213 NHS providers. Since this date one NHS provider had been dissolved and their services transferred to an existing provider. More details

can be found in note 32 to these accounts. As at the date of authorisation of these accounts, there are 212 NHS providers.

## Understanding the sector position

In internal management, NHS England 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>556</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)	(7)
Reported outturn for locally-controlled NHS charities	12
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>562</b>

## Wider context

More information on the performance of the NHS in 2021/22 and priorities going forward can be found in NHS England's annual report and accounts.

Amanda Pritchard  
Chief Executive  
19 January 2023

# Statement of accounting officer's responsibilities and accountability framework

I am designated as the Accounting Officer for NHS England. In this capacity I am responsible for ensuring that NHS England prepares consolidated NHS provider accounts to send to the Secretary of State and the Comptroller and Auditor General. 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 England. NHS foundation trust chief executives are designated as the accounting officer by the NHS Act 2006.

Professor Stephen Powis was the accounting officer for NHS Improvement (being the Monitor and NHS Trust Development Authority legal entities) for the 2021/22 financial year and up to 30 June 2022. On 1 July 2022 Monitor and the NHS Trust Development Authority were abolished and their functions transferred to NHS England. Amanda Pritchard, as Chief Executive of NHS England, received assurances from Professor Stephen Powis as part of this process which supports the authorising of 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 (FRoM). NHS England 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 England 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 England 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 England issued by the Secretary of State, NHS England 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 England 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.

Amanda Pritchard  
Chief Executive  
19 January 2023

# 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 System Oversight Framework
- (ii) disclosures in local annual governance statements and
- (iii) the audit reports issued by local external auditors.

## Scope of responsibility

NHS England's Board is not responsible 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 England 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 England'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 NHS England and NHS trusts and foundation trusts. As part of this system, NHS England 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 England
- 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 England'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 2022. 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.

### **Timeliness of local accounts**

In preparing the consolidated provider accounts based on consolidation schedules from NHS providers, we are reliant on each provider submitting an audited annual report and accounts to us. We and the Department of Health and Social Care issue directions to NHS providers on the timing by which these should be submitted. In recent years the sector's timeliness in submitting audited accounts has deteriorated. While it remains the case that the majority of providers comply with the specified deadline, the number of late NHS provider accounts for 2021/22 had a significant impact on the preparation of these consolidated accounts. This also poses a significant risk to the ambition across the Departmental group to return to earlier finalisation of the consolidated sector and group accounts in future years.

We have worked with the audit community to agree a deliverable accounts timetable for 2022/23 recognising there are challenges associated with a greater number of health bodies in 2022/23 as a result of the mid-year changes in commissioning body

arrangements, with many fewer bodies from 2023/24. The timeliness of local accounts in the public sector is a matter under consideration in conjunction with other stakeholders including the Department for Levelling Up, Housing and Communities.

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

### NHS System Oversight Framework

The NHS System Oversight Framework for 2021/22 provides the framework for overseeing the delivery of high quality, sustainable care with a focus at both local system and organisational level, and identifying potential support needs.

The Framework describes a process to identify where NHS organisations may benefit from or require support to meet the standards required of them in a sustainable way, and deliver the overall objectives for the sector in line with the priorities set out in the 2021/22 Operational Planning Guidance, the NHS Long Term Plan and the NHS People Plan.

To provide an overview of the level and nature of support required across systems, inform oversight arrangements and target support capacity as effectively as possible, NHS England regional teams allocate NHS organisations to one of four 'segments'.

A segmentation decision indicates the scale and general nature of support needs, from no specific support needs (segment 1) to a requirement for mandated intensive support (segment 4). A segment does not determine specific support requirements. By default, all NHS organisations are allocated to segment 2 unless the criteria for moving into another segment are met. These criteria have two components:

- a) objective and measurable eligibility criteria based on performance against the six oversight themes using the relevant oversight metrics (the themes are: quality of care, access and outcomes; people; preventing ill-health and reducing inequalities; leadership and capability; finance and use of resources; local strategic priorities)
- b) additional considerations focused on the assessment of system leadership and behaviours, and improvement capability and capacity.

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 in 2020/21 and 2021/22, NHS England ensures 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.

Segmentation of NHS providers is updated regularly. The table below summarises NHS providers' segmentation as at 31 March 2022 which provides a snapshot at that point in time.

<b>Segmentation at 31 March 2022</b>				
	Number of NHS trusts	Number of NHS FTs	Total number of providers	% of sector
<b>1</b>	8	23	<b>31</b>	15%
<b>2</b>	27	74	<b>101</b>	47%
<b>3</b>	28	38	<b>66</b>	31%
<b>4</b>	6	9	<b>15</b>	7%
<b>Total</b>	<b>69</b>	<b>144</b>	<b>213</b>	

### **NHS providers in segment 3 or 4**

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

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

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

NHS providers may also be put in the recovery support programme 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 provider subject to the recovery support programme is placed in segment 4.

The recovery support programme replaced the quality and finance special measures programmes in July 2021 and is focused at system level while still providing tailored intensive support to organisations. Its work is focused on the underlying drivers of the problems that needs to be addressed and those parts of the system that hold the key to improvement.

In exceptional circumstances an NHS trust or NHS foundation trusts 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. No trusts or foundation trusts were subject to trust special administration in 2020/21 or 2021/22.

## Impact of COVID-19

The COVID-19 pandemic continued to bring significant challenges for the NHS in 2021/22. The pandemic is not itself a significant internal control weakness. In the prior year, many providers discussed in their annual governance statements the impact of the pandemic on rapidly changing decision making and governance processes and the implementation of emergency preparedness, major incident and business continuity plans. In 2021/22 annual governance statements, many providers disclose the impact of the pandemic on the achievement of broader performance targets and objectives.

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

## Special severance payments

In preparing the consolidated provider accounts we have identified a number of instances of special severance payments (being non-contractual payments to departing staff) made by providers that were not properly disclosed in local accounts. Adjustments have been made in the consolidated provider accounts. We have implemented changes to provider financial reporting for 2022/23 to require disclosures in financial returns to be compared to the cases submitted by providers to NHS England for approval and we will continue to remind providers of their responsibilities in this area.

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

### Sources of information

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

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

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

NHS England 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 England'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 System Oversight Framework segmentation as 3 or 4 by NHS England

### **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. This table does not list individual trusts that have remarked on the impact of the COVID-19 pandemic on achieving operational priorities.

In addition, regardless of whether these have been reported locally, we also deem the following to be evidence of significant internal control weaknesses:

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



In the table that follows we also disclose notes on other non-standard forms of the auditor’s reporting. We do not consider that entries here necessarily represent a significant internal control weakness.

## Summary of results

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

	2021/22	2020/21
Number of providers receiving mandated support from NHS England during the year	89	79
Total number of modified conclusions relating to arrangements for securing economy, efficiency and effectiveness in the provider’s use of resources	40	36
Number of providers where ‘true and fair’ audit opinion has been modified (qualified) – see below	19	29
Providers consolidated without an audit report	3: see below	1: see below

### *Providers consolidated without an audit report*

The consolidated provider accounts in 2021/22 and 2020/21 have been prepared using unaudited information for University Hospitals of Leicester NHS Trust. More information on this is provided in this annual governance statement on page 32 and in note 1 to the consolidated financial statements on page 45.

The consolidated provider accounts in 2021/22 have been prepared using unaudited information for Surrey and Sussex Healthcare NHS Trust and Wirral Community Health and Care NHS Foundation Trust as the audit reports remained outstanding at the time of finalising these disclosures on 12 January 2023. The financial statements of the trusts are not material to the consolidated provider accounts and the delay does not reflect any financial reporting or governance matters at the trusts to our knowledge. More information is provided in note 1 to the consolidated financial statements on page 45.

### *Modifications of ‘true and fair’ audit opinion: inventory*

19 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 a previous year end (2020/21: 29 qualified opinions) with impacts on inventory movements in the current or comparative year. Where inventory is material to a provider, international standards on auditing prescribe that the auditor must attend one or more inventory counts. These qualified opinions arose because restrictions on movement in response to the COVID-19 pandemic prevented some providers from performing year end inventory counts and/or auditors from attending such counts in

previous years. For the affected prior year ends, NHS providers were able to employ a variety of procedures to assure themselves of the material accuracy of inventory balances at the year end.

The inventory balances at these trusts and associated movements are 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 England's mandated support or individual mentions of the impact of the COVID-19 pandemic. 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 England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		(6) Other notes
	(1) Provider in System Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures / recovery support programme <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)	
Ashford and St Peter's Hospitals NHS Foundation Trust			Yes: operational performance			
Avon and Wiltshire Mental Health Partnership NHS Trust	Yes (Quality, access & outcomes; finance; people)			Yes		
Barking, Havering and Redbridge University Hospitals NHS Trust	Yes (Quality, access & outcomes; finance)	Yes		Yes		α
Barts Health NHS Trust	Yes (Quality, access & outcomes; finance)		Yes: fire safety and flooding resilience			
Birmingham and Solihull Mental Health NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Birmingham Community Healthcare NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Blackpool Teaching Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes)			Yes		
Buckinghamshire Healthcare NHS Trust	Yes (finance)		Yes: never events			
Calderdale and Huddersfield NHS Foundation Trust	Yes (finance)					
Cambridgeshire Community Services NHS Trust						Y
Cornwall Partnership NHS Foundation Trust	Yes (Quality; leadership & capability)			Yes		
Countess of Chester Hospital NHS Foundation Trust	Yes (Quality, access & outcomes)			Yes		
County Durham and Darlington NHS Foundation Trust			Yes: internal audit findings			
Coventry and Warwickshire Partnership NHS Trust	Yes (Quality, access & outcomes)					

Provider name	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		(6) Other notes
	(1) Provider in System Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures / recovery support programme <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)	
Croydon Health Services NHS Trust	Yes (Quality, access & outcomes; finance)					
Dorset County Hospital NHS Foundation Trust	Yes (Quality, access & outcomes)					
Dudley Integrated Health and Care NHS Trust	Yes (Finance)					
East And North Hertfordshire NHS Trust	Yes (Quality, access & outcomes; finance)					
East Cheshire NHS Trust	Yes (Quality, access & outcomes)					
East Kent Hospitals University NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	Yes	Yes: internal audit findings	Yes		
East Lancashire Hospitals NHS Trust					Yes: financial sustainability	
East London NHS Foundation Trust					Yes: exit packages	
East Midlands Ambulance Service NHS Trust	Yes (Quality, access & outcomes; finance)					
East of England Ambulance Service NHS Trust	Yes (Quality, access & outcomes)	Yes		Yes		
East Sussex Healthcare NHS Trust	Yes (finance)					
Epsom and St Helier University Hospitals NHS Trust	Yes (Quality, access & outcomes; finance)					
Essex Partnership University NHS Foundation Trust			Yes: CQC notice			
George Eliot Hospital NHS Trust	Yes (Quality, access & outcomes; finance)					

Provider name	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		(6) Other notes
	(1) Provider in System Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures / recovery support programme <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)	
Gloucestershire Hospitals NHS Foundation Trust					Yes: CQC findings	
Great Western Hospitals NHS Foundation Trust					Yes: financial sustainability	
Hampshire Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance; people)					α
Hull University Teaching Hospitals NHS Trust	Yes (Quality, access & outcomes; finance)		Yes: staff engagement			α
Isle of Wight NHS Trust	Yes (Quality, access & outcomes; finance)	Yes (exited during 2021/22)				α
Kettering General Hospital NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
King's College Hospital NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	Yes				
Lancashire and South Cumbria NHS Foundation Trust	Yes (Quality, access & outcomes)					
Lancashire Teaching Hospitals NHS Foundation Trust	Yes (Finance)					
Leicestershire Partnership NHS Trust	Yes (Quality, access & outcomes)					
Lewisham and Greenwich NHS Trust	Yes (Quality, access & outcomes; finance)					
Liverpool University Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	Yes		Yes		α
Liverpool Women's NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
London North West University Healthcare NHS Trust	Yes (Quality, access & outcomes; finance)					α

Provider name	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		(6) Other notes
	(1) Provider in System Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures / recovery support programme <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)	
Maidstone And Tunbridge Wells NHS Trust			Yes: never events, HM Coroner notice, mortuary inquiry			
Medway NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	Yes				
Mid and South Essex NHS Foundation Trust	Yes (Quality, access & outcomes)				Yes: financial sustainability	α
Norfolk and Norwich University Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)		Yes: workforce planning and digital maturity			
Norfolk and Suffolk NHS Foundation Trust	Yes (Quality, access & outcomes)	Yes		Yes		
North Bristol NHS Trust	Yes (Quality, access & outcomes; finance)					α
North Cumbria Integrated Care NHS Foundation Trust	Yes (Quality, access & outcomes; finance)		Yes: internal audit findings	Yes		α
North Middlesex University Hospital NHS Trust	Yes (Quality, access & outcomes; finance)					
North Tees and Hartlepool NHS Foundation Trust					Yes: CQC and NHSE findings post year-end	
North West Anglia NHS Foundation Trust	Yes (Quality, access & outcomes)					
Northampton General Hospital NHS Trust	Yes (Quality, access & outcomes; finance)					
Northern Devon Healthcare NHS Trust	Yes (Finance)					β
Northern Lincolnshire and Goole NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	Yes	Yes: data breach	Yes		
Nottingham University Hospitals NHS Trust	Yes (Quality, access & outcomes)	Yes	Yes: workforce issues	Yes		

Provider name	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		(6) Other notes
	(1) Provider in System Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures / recovery support programme <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)	
Nottinghamshire Healthcare NHS Foundation Trust	Yes (Quality, access & outcomes)					
Oxford University Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					α
Portsmouth Hospitals University NHS Trust	Yes (Quality, access & outcomes)		Yes: internal audit findings			
Queen Victoria Hospital NHS Foundation Trust	Yes (Leadership and capability)			Yes		
Royal Cornwall Hospitals NHS Trust	Yes (Quality, access & outcomes; finance; people)					α
Royal Devon and Exeter NHS Foundation Trust	Yes (Quality, access & outcomes)					
Royal Free London NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Salisbury NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					α
Sandwell And West Birmingham Hospitals NHS Trust	Yes (Quality, access & outcomes; finance)			Yes		
Sheffield Children's NHS Foundation Trust	Yes (Finance)					
Sheffield Health and Social Care NHS Foundation Trust	Yes (Quality, access & outcomes)	Yes (exited during 2021/22)		Yes		
Sheffield Teaching Hospitals NHS Foundation Trust			Yes: operational performance and CQC findings		Yes: CQC findings	
South Central Ambulance Service NHS Foundation Trust			Yes: CQC findings			
South East Coast Ambulance Service NHS Foundation Trust			Yes: governance and response to workforce issues		Yes: CQC findings	

Provider name	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		(6) Other notes
	(1) Provider in System Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures / recovery support programme <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)	
South Tees Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes		
Southern Health NHS Foundation Trust	Yes (Quality, access & outcomes)					
Southport And Ormskirk Hospital NHS Trust					Yes: financial sustainability	
St George's University Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Stockport NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes		
Surrey And Sussex Healthcare NHS Trust			These consolidated accounts have been prepared using unaudited financial information from this Trust. See page 21.			
Tavistock and Portman NHS Foundation Trust	Yes (Quality, access & outcomes; finance)		Yes: payroll controls	Yes (also payroll controls and accounts process)		
Tees, Esk and Wear Valleys NHS Foundation Trust	Yes (Quality, access & outcomes)		Yes: well-led environment	Yes		
The Dudley Group NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes		
The Hillingdon Hospitals NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	Yes	Yes: internal audit findings	Yes		
The Leeds Teaching Hospitals NHS Trust						α
The Mid Yorkshire Hospitals NHS Trust	Yes (Quality, access & outcomes; finance)					
The Princess Alexandra Hospital NHS Trust	Yes (Quality, access & outcomes)					



Provider name	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		(6) Other notes
	(1) Provider in System Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures / recovery support programme <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)	
The Queen Elizabeth Hospital King's Lynn NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	Yes				
The Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust	Yes (Quality, access & outcomes)			Yes		
The Rotherham NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes		
The Royal Orthopaedic Hospital NHS Foundation Trust						α
The Royal Wolverhampton NHS Trust	Yes (Quality, access & outcomes; finance)					
The Shrewsbury and Telford Hospital NHS Trust	Yes (Quality, access & outcomes; finance)	Yes				
Torbay and South Devon NHS Foundation Trust	Yes (Finance)					
United Lincolnshire Hospitals NHS Trust	Yes (Quality, access & outcomes; finance)	Yes (exited during 2021/22)		Yes		
University College London Hospitals NHS Foundation Trust			Yes: never events			
University Hospitals Birmingham NHS Foundation Trust	Yes (Quality, access & outcomes)					
University Hospitals Bristol and Weston NHS Foundation Trust	Yes (Quality, access & outcomes; people)					
University Hospitals Coventry And Warwickshire NHS Trust	Yes (Quality, access & outcomes; finance)					
University Hospitals of Derby and Burton NHS Foundation Trust	Yes (Quality, access & outcomes; finance)			Yes		α

Provider name	Provider subject to mandated support from NHS England		Other significant internal control issue disclosed by provider	Audit report: Significant issues in arrangements for use of resources		(6) Other notes
	(1) Provider in System Oversight Framework segment 3 or 4 <u>during the year</u> *	(2) Provider in special measures / recovery support programme <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)	
University Hospitals of Leicester NHS Trust	Yes (Quality, access & outcomes; finance)	Yes	These consolidated accounts have been prepared using unaudited financial information from University Hospitals of Leicester NHS Trust. See page 32.			
University Hospitals of Morecambe Bay NHS Foundation Trust	Yes (Quality, access & outcomes; finance)	Yes		Yes		
University Hospitals of North Midlands NHS Trust	Yes (Quality, access & outcomes; finance)	Yes (exited during 2021/22)				α
University Hospitals Plymouth NHS Trust	Yes (Quality, access & outcomes; finance)	Yes				α
Walsall Healthcare NHS Trust	Yes (Quality, access & outcomes; finance)			Yes		
West Midlands Ambulance Service University NHS Foundation Trust			Yes: business case issues			
West Suffolk NHS Foundation Trust	Yes (Quality, access & outcomes)		Yes: staff engagement and building structure	Yes		
Wirral Community Health and Care NHS Foundation Trust			These consolidated accounts have been prepared using unaudited financial information from this Trust. See page 21.			
Wirral University Teaching Hospital NHS Foundation Trust	Yes (Quality, access & outcomes; finance)					
Worcestershire Acute Hospitals NHS Trust	Yes (Quality, access & outcomes; finance)		Yes: staff wellbeing and IT infrastructure	Yes		α
Wye Valley NHS Trust	Yes (Quality, access & outcomes; finance)			Yes		
Yeovil District Hospital NHS Foundation Trust	Yes (Finance)					β
York and Scarborough Teaching Hospitals NHS Foundation Trust	Yes (Finance)				Yes: CQC findings	α
<b>Totals</b>	<b>89</b>	<b>19</b>	<b>23</b>	<b>30</b> ^	<b>10</b> ^	<b>-</b>

**Notes for column (6)** – note we do not consider these items as significant internal control issues:

α 19 trusts: modified audit opinion due to inventory counts (see page 21)

β 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 in the future. This also applies to 2 trusts that demised during the year (see accounts note 30), making the overall total 4 trusts.

γ trust with modification to audit report relating to remuneration report. Further information is available in the individual trust accounts.

**Other notes:**

^ No audit report has been issued for University Hospitals of Leicester NHS Trust, Surrey and Sussex Healthcare NHS Trust, or Wirral Community Health and Care NHS Foundation Trust at the time of finalising these consolidated accounts on 12 January 2023.

**\* 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 capability theme in the System Oversight Framework. Where this is the case the underlying issues will usually relate to other themes so this is not always additionally listed here, unless it is a primary matter.

## University Hospitals of Leicester NHS Trust

As explained in note 1 to the consolidated financial statements on page 45, the annual report and accounts for University Hospitals of Leicester NHS Trust for 2021/22 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 Trust entered the Special Measures for Finance regime in August 2020, transitioning to the Recovery Support Programme in July 2021. 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. The external auditor issued Statutory Recommendations in January 2021 on deficiencies in the Trust's financial reporting and governance. The Trust has published accounts for recent years with a disclaimer of opinion from the external auditor in 2019/20 and an adverse opinion in 2020/21. This means the auditor considers the 2020/21 accounts were materially not true and fair as a result of misstatements identified and their extrapolations to populations.

The Trust continues to work on resolving the issues affecting its financial reporting: more information is available in the Trust's [annual report and accounts for 2020/21](#)<sup>1</sup>. The Trust currently expects to finalise 2021/22 accounts in February 2023. These consolidated provider accounts for 2021/22 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

<sup>1</sup> <https://www.leicestershospitals.nhs.uk/aboutus/performance/publications-and-reports/annual-reports/>

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

36 NHS trusts (2020/21: 33) and no NHS foundation trusts (2020/21: none) were subject to such referrals in 2021/22. 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. The statutory breakeven duty does not apply to NHS foundation trusts. In addition to the totals above, the auditor at University Hospitals of Leicester NHS Trust made a referral under Section 30 of the 2014 Act in August 2022 concerning the breakeven duty target for 2020/21 and the Trust having not prepared accounts for 2020/21 in line with national timescales.

Amanda Pritchard  
Chief Executive  
19 January 2023

# The certificate and 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 2022 under the Health and Care Act 2022.

The Consolidated NHS Provider Accounts comprise the:

- Consolidated Statement of Financial Position as at 31 March 2022;
- Consolidated Statement of Comprehensive Income, Consolidated Statement of Cash Flows and Consolidated Statement of Changes in Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the consolidated financial statements is applicable law and UK adopted International Accounting Standards.

In my opinion, the 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 2022 and of their deficit for the year then ended; and
- have been properly prepared in accordance with the Health and Care Act 2022 and Secretary of State directions issued thereunder.

## Opinion on regularity

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

## Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (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 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 NHS England and of NHS trusts and NHS foundation trusts, taken collectively, in accordance with the ethical requirements that are relevant to my audit of the 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 financial statements, I have concluded that NHS England'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 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 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 nor my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the 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 financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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 financial statements are prepared is consistent with the consolidated financial statements and is in accordance with the applicable legal requirements.

## 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:

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

## Responsibilities of the Accounting Officer for the financial statements

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

- maintaining proper accounting records;
- preparing the information which comprises the Review of Financial Performance of NHS Providers, the Statement of Accounting Officer's Responsibilities and Accountability Framework and the Annual Governance Statement in accordance with the Health and Care Act 2022, and with the directions made thereunder by the Secretary of State;
- 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 as the Accounting Officer determines is necessary to enable the preparation of financial statement to be free from material misstatement, whether due to fraud or error; and
- 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 financial statements

My responsibility is to audit, certify and report on the consolidated financial statements in accordance with the Health and Care Act 2022.

My objectives are to obtain reasonable assurance about whether the 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 financial statements.

### **Extent to which the audit was considered capable of detecting non-compliance with laws and regulations including fraud**

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



to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

### **Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud**

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, we considered the following:

- the nature of the sector, control environment and operational performance including the design of NHS trusts' and NHS foundation trusts' accounting policies and performance incentives.
- Inquiring of management, NHS England's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to NHS England's policies and procedures relating to:
  - identifying, evaluating and complying 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 NHS England's controls relating to NHS England's compliance with the Health and Care Act 2022 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 a result of these procedures, I considered the opportunities and incentives that may exist within NHS trusts and NHS foundation trusts for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am also required to perform specific procedures to respond to the risk of management override of controls.

I also obtained an understanding of NHS trusts' and NHS foundation trusts' framework of authority as well as other legal and regulatory frameworks in which NHS trusts and NHS foundation trusts operate, focusing on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of NHS trusts and NHS foundation trusts. The key laws and regulations I considered in this context included the Health and Care Act 2022, the National Health Service Act 2006, the Health and Social Care Act 2012, Managing Public Money, Employment Law and tax Legislation.

### **Audit response to identified risk**

As a result of performing the above, the procedures I implemented to respond to identified risks included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- enquiring of management, the Audit and Risk Assurance Committee concerning actual and potential litigation and claims;

- reading and reviewing minutes of meetings of those charged with governance and the Board and internal audit reports;
- 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; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business; and enquiring with the auditors of NHS trusts and NHS foundation trusts about the findings of their audits with respect to management override of control; and
- in addressing the risk of fraud in revenue recognition, I notified the 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 around 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 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 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.

### **Other auditor's responsibilities**

I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the 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 2021-22 financial statements of the Department of Health and Social Care. The report is relevant to the Consolidated NHS Provider Accounts because it reports on the timetable for the preparation and audit of NHS trusts' and NHS foundation trusts' financial statements.

Gareth Davies  
Comptroller and Auditor General

24 January 2023

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

## Consolidated statement of comprehensive income for the year ended 31 March 2022

	2021/22			2020/21			
		Before revaluations, impairments and transfers	Revaluations, impairments and transfers	After revaluations, impairments and transfers	Before revaluations, impairments and transfers	Revaluations, impairments and transfers	After revaluations, impairments and transfers
	Note	£m	£m	£m	£m	£m	£m
Operating income from patient care activities	3	103,443	-	103,443	90,678	-	90,678
Other operating income	4	9,153	-	9,153	14,590	-	14,590
<b>Total operating income</b>		<b>112,596</b>	<b>-</b>	<b>112,596</b>	<b>105,268</b>	<b>-</b>	<b>105,268</b>
Operating expenses	5, 6	(110,212)	(700)	(110,912)	(102,969)	(1,464)	(104,433)
<b>Operating surplus/(deficit)</b>		<b>2,384</b>	<b>(700)</b>	<b>1,684</b>	<b>2,299</b>	<b>(1,464)</b>	<b>835</b>
Finance income		17	-	17	8	-	8
Finance expenses	10	(913)	-	(913)	(921)	-	(921)
PDC dividends payable		(904)	-	(904)	(736)	-	(736)
<b>Net finance costs</b>		<b>(1,800)</b>	<b>-</b>	<b>(1,800)</b>	<b>(1,649)</b>	<b>-</b>	<b>(1,649)</b>
Other gains/(losses)	11	(36)	-	(36)	17	1	18
Share of profits/(losses) of joint ventures/associates		22	-	22	20	-	20
Gains arising from transfers by absorption	30	-	-	-	-	1	1
Losses arising from transfers by absorption	30	-	(5)	(5)	-	(1)	(1)
Corporation tax expense		(8)	-	(8)	(11)	-	(11)
<b>Surplus/(deficit) for the year</b>		<b>562</b>	<b>(705)</b>	<b>(143)</b>	<b>676</b>	<b>(1,463)</b>	<b>(787)</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	-	(140)	(140)	-	(797)	(797)
Revaluations	9	-	1,534	1,534	(1)	766	765
Fair value gains/(losses) on equity instruments designated at fair value through OCI		(25)	-	(25)	17	-	17
Gains arising from transfers by modified absorption	30	-	6	6	-	-	-
Other OCI movements		20	-	20	(24)	-	(24)
<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		2	-	2	9	1	10
<b>Other comprehensive income/(expense)</b>		<b>(3)</b>	<b>1,400</b>	<b>1,397</b>	<b>1</b>	<b>(30)</b>	<b>(29)</b>
<b>Total comprehensive income/(expense) for the period</b>		<b>559</b>	<b>695</b>	<b>1,254</b>	<b>677</b>	<b>(1,493)</b>	<b>(816)</b>

## Consolidated statement of financial position as at 31 March 2022

	Note	31 March 2022 £m	31 March 2021 £m
<b>Non-current assets</b>			
Intangible assets	12	1,956	1,612
Property, plant and equipment	13	54,151	49,658
Investment property	14	211	208
Investments in joint ventures and associates	14	125	96
Other financial assets	14	225	222
Receivables	16	645	591
Other assets		7	4
<b>Total non-current assets</b>		<b>57,320</b>	<b>52,391</b>
<b>Current assets</b>			
Inventories	15	1,236	1,220
Receivables	16	4,080	4,136
Other financial assets	14	27	26
Non-current assets held for sale and assets in disposal groups		53	54
Cash and cash equivalents	17	15,579	13,787
<b>Total current assets</b>		<b>20,975</b>	<b>19,223</b>
<b>Current liabilities</b>			
Trade and other payables	18	(15,360)	(13,419)
Borrowings	20	(734)	(689)
Other financial liabilities		(1)	(1)
Provisions	21	(883)	(724)
Other liabilities	19	(1,977)	(1,472)
<b>Total current liabilities</b>		<b>(18,955)</b>	<b>(16,305)</b>
<b>Total assets less current liabilities</b>		<b>59,340</b>	<b>55,309</b>
<b>Non-current liabilities</b>			
Trade and other payables	18	(38)	(42)
Borrowings	20	(10,611)	(11,108)
Other financial liabilities		(2)	(2)
Provisions	21	(930)	(753)
Other liabilities	19	(255)	(225)
<b>Total non-current liabilities</b>		<b>(11,836)</b>	<b>(12,130)</b>
<b>Total assets employed</b>		<b>47,504</b>	<b>43,179</b>
<b>Financed by</b>			
Public dividend capital		47,969	45,448
Revaluation reserve		10,340	9,046
Other reserves		122	137
Income and expenditure reserve		(11,279)	(11,787)
NHS charitable fund reserves	27	352	335
<b>Total taxpayers' equity</b>		<b>47,504</b>	<b>43,179</b>

The accompanying notes are an integral part of these accounts. They are presented on pages 45 to 98.

Amanda Pritchard  
Accounting Officer  
19 January 2023

## Consolidated statement of changes in equity for the year ended 31 March 2022

	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 2021 - brought forward</b>		<b>45,448</b>	<b>9,046</b>	<b>137</b>	<b>(11,787)</b>	<b>335</b>	<b>43,179</b>
Surplus/(deficit) for the year		-	-	-	(194)	51	(143)
Gain/(loss) arising from transfers by modified absorption	30	-	-	-	6	-	6
Transfers by absorption: transfers between reserves	30	-	-	-	-	-	-
Adjustments to prior period accounted for in-year *		-	15	-	16	2	33
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits		-	(17)	-	17	-	-
Other transfers between reserves		-	(77)	2	74	-	(1)
Impairments	9	-	(140)	-	-	-	(140)
Revaluations	9	-	1,534	-	-	-	1,534
Transfer to income and expenditure reserve on disposal of assets		-	(20)	-	20	-	-
Fair value gains/(losses) on financial assets mandated at fair value through Other Comprehensive Income (OCI)		-	-	-	-	2	2
Fair value gains/(losses) on equity instruments designated at fair value through OCI		-	-	(25)	-	-	(25)
Other recognised gains and losses		-	-	-	(10)	-	(10)
Remeasurements of the defined net benefit pension scheme liability/asset		-	-	9	21	-	30
Public dividend capital received		3,058	-	-	-	-	3,058
Public dividend capital repaid		(19)	-	-	-	-	(19)
Public dividend capital written off		(518)	-	-	518	-	-
Other reserve movements**		-	(1)	(1)	40	(38)	-
<b>Taxpayers' and others' equity at 31 March 2022</b>		<b>47,969</b>	<b>10,340</b>	<b>122</b>	<b>(11,279)</b>	<b>352</b>	<b>47,504</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 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</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)
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 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 2022

		2021/22	2020/21
	Note	£m	£m
<b>Cash flows from operating activities</b>			
<b>Operating surplus/ (deficit)</b>		1,684	835
Non-cash income and expense:			
Depreciation and amortisation	5.1	3,045	2,720
Net impairments	9	700	1,464
Donations/grants credited to income		(371)	(332)
Non-cash movements in on-SoFP pension liability		7	4
(Increase)/decrease in receivables and other assets		(82)	2,524
(Increase) in inventories		(15)	(58)
Increase in payables and other liabilities		2,326	3,596
Increase/(decrease) in provisions		350	410
Corporation tax (paid)		(10)	(8)
Other movements in operating cash flows		(2)	(76)
<b>Net cash generated from operating activities</b>		<b>7,632</b>	<b>11,079</b>
<b>Cash flows from investing activities</b>			
Interest received		10	3
Purchase of financial assets/investments		(21)	(14)
Sale of financial assets/investments		4	35
Purchase of intangible assets		(614)	(546)
Sales of intangible assets		9	-
Purchase of property, plant, equipment and investment property		(6,417)	(5,805)
Sales of property, plant, equipment and investment property		97	99
Receipt of cash donations to purchase capital assets		286	101
Other movements in investing cash flows		1	(1)
<b>Net cash generated from / (used in) investing activities</b>		<b>(6,645)</b>	<b>(6,128)</b>
<b>Cash flows from financing activities</b>			
Public dividend capital received		3,058	17,831
Public dividend capital repaid		(19)	(13)
Receipt of loans from the Department of Health and Social Care		98	68
Repayment of loans from the Department of Health and Social Care		(238)	(13,806)
Receipt of other loans		93	99
Repayment of other loans		(74)	(40)
Capital element of finance lease rental payments		(72)	(67)
Capital element of PFI, LIFT and other service concession payments		(321)	(295)
Interest paid on finance lease liabilities		(20)	(19)
Interest paid on PFI, LIFT and other service concession obligations		(799)	(800)
Other interest paid		(74)	(136)
PDC dividend (paid)		(814)	(824)
Cash flows used in other financing activities		-	2
<b>Net cash generated from financing activities</b>		<b>818</b>	<b>2,000</b>
<b>Increase / (decrease) in cash and cash equivalents</b>		<b>1,805</b>	<b>6,951</b>
<b>Cash and cash equivalents at 1 April</b>		13,772	6,819
Cash and cash equivalents transferred under absorption accounting	17.1	-	4
Adjustments to prior period accounted for in year		2	(2)
<b>Cash and cash equivalents at 31 March</b>	17.1	<b>15,579</b>	<b>13,772</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

Paragraph 1 of Section 65Z4 of the National Health Service Act 2006 (as inserted by Section 14 of the Health and Care Act 2022) requires NHS England to prepare a set of accounts that consolidates the annual accounts of all NHS trusts and NHS foundation trusts for each financial year. This set of accounts is termed the 'consolidated provider accounts' and is prepared 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) 2021/22 and the HM Treasury Financial Reporting Manual (FRoM) 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.

For the 2021/22 year and 2020/21 comparative year, NHS Improvement, in exercising the statutory functions conferred on Monitor, was responsible for issuing an accounts direction to NHS foundation trusts under the NHS Act 2006. NHS Improvement directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the GAM. These powers have transferred to NHS England for the 2022/23 year. 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 FRoM, which itself follows International Financial Reporting Standards (IFRS), to the extent that it is meaningful and appropriate in the public sector context. The GAM's divergences from the FRoM are designed to ensure an appropriate financial reporting framework 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 absorption transfers as this is how NHS England (formerly 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 2021/22 using the principles of IFRS as adopted by the FRoM. They present the consolidated results of the NHS provider sector after the elimination of inter-NHS provider balances and transactions. NHS England (and formerly Monitor and the NHS Trust Development Authority (NHS TDA), as part of NHS Improvement), is not the parent undertaking 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.

The consolidated provider accounts are prepared based on accounts for each NHS provider which have been audited by the provider's locally appointed auditor. For 2021/22, three providers' audits remain incomplete at the time of finalising these disclosures on 12 January 2023: these are Wirral Community Health and Care NHS Foundation Trust, Surrey and Sussex Healthcare NHS Trust and University Hospitals of Leicester NHS Trust. (2020/21: consolidated accounts prepared with one trust outstanding: University Hospitals of Leicester NHS Trust).

#### Wirral Community Health and Care NHS Foundation Trust

The conclusion of the local audit of the accounts for Wirral Community Health and Care NHS Foundation Trust was delayed while the auditor awaited assurance on local government pension scheme balances, as the assets relating to

the Trust are material to the Trust's accounts. This was not within the control of the Trust. The information was received by the auditor, EY LLP, at the end of November 2022 and certification of the account is expected in January 2023. No significant issues relating to the audit have been reported to us. As the financial statements of the Trust are not material to any part of the consolidated provider accounts, these consolidated accounts have been finalised using unaudited information for the Trust.

### **Surrey and Sussex Healthcare NHS Trust**

The auditor, BDO LLP, has not been able to complete its audit prior to these accounts disclosures being prepared. No significant issues relating to the audit have been reported to us. As the financial statements of the Trust are not material to any part of the consolidated provider accounts, these consolidated accounts have been finalised using unaudited information for the Trust.

### **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 2021/22 have not been adopted by the Trust Board or certified by the Trust's auditor. The work of the Trust and its external auditor previously identified significant weaknesses in internal control, including financial governance. The Trust has published accounts for 2019/20 and 2020/21 with a disclaimer of opinion from the external auditor in 2019/20 and an adverse opinion in 2020/21. This means the auditor considers the 2020/21 accounts were materially not true and fair as a result of misstatements identified and their extrapolations to populations. The Trust continues to work on resolving the issues affecting its financial reporting and currently expects to finalise 2021/22 accounts in February 2023.

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 2021/22 and 2020/21 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 main source of income for NHS providers is contracts with commissioners for health care services. In 2021/22 and 2020/21, the majority of providers' income from NHS commissioners was in the form of block contract arrangements. Providers receive block funding from commissioners, where funding envelopes are set at a Integrated Care System or Sustainability and Transformation Partnership level. For the first half of the 2020/21 comparative year these blocks were set for individual NHS providers directly, but the revenue recognition principles are the same. 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 also receive additional income outside of the block payments to reimburse specific costs incurred and, in 2020/21, other income top-ups to support the delivery of services. Reimbursement and top-up income is accounted for as variable consideration.

In 2021/22, the Elective Recovery Fund enabled systems to earn income linked to the achievement of elective activity targets including funding any increased use of independent sector capacity. Income earned by the system is distributed between individual entities by local agreement. Income earned from the fund is accounted for as variable consideration.

### **Mental health provider collaboratives**

NHS led provider collaboratives for specialised mental health, learning disability and autism services involve a lead NHS provider taking responsibility for managing services, care pathways and specialised commissioning budgets for a population. Lead providers are accountable to NHS England and as such recognise the income and expenditure associated with the commissioning of services from other NHS and non NHS providers. Transactions for commissioning of services between NHS providers are eliminated within these accounts.

### **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.

## **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 2022 is based on valuation data as 31 March 2021, updated to 31 March 2022 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) 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 liability for the benefits due under the schemes (taking into account their recent demographic experience), and recommend contribution rates payable by employees and employers.

The latest actuarial valuation undertaken for the NHS Pension Scheme was completed as at 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 at 20.6% of pensionable pay. The results of the 31 March 2020 valuation are not yet available. 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. There was initially 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.

HMT published valuation directions dated 7 October 2021 (see Amending Directions 2021) that set out the technical detail of how the costs of remedy are included in the 2016 valuation process. Following these directions, the scheme actuary has completed the cost control element of the 2016 valuation for the NHS Pension Scheme, which concludes no changes to benefits or member contributions are required. The 2016 valuation reports can be found on the NHS Pensions website at <https://www.nhsbsa.nhs.uk/nhs-pension-scheme-accounts-and-valuation-reports>.

## Other pension schemes

### *Local Government Pension Scheme*

Some 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.

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	20
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	20
Patents	5	5
Goodwill	1	99
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 and 2021/22, 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.

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 2022.

		<u>Nominal rate</u>	<u>Prior year rate</u>
Short-term	Up to 5 years	0.47%	Minus 0.02%
Medium-term	After 5 years up to 10 years	0.70%	0.18%
Long-term	After 10 years up to 40 years	0.95%	1.99%
Very long-term	Exceeding 40 years	0.66%	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 2022.

	<u>Inflation rate</u>	<u>Prior year rate</u>
Year 1	4.00%	1.20%
Year 2	2.60%	1.60%
Into perpetuity	2.00%	2.00%

Early retirement provisions and injury benefit provisions both use the HM Treasury's pension discount rate of minus 1.30% in real terms (minus 0.95% at 31 March 2021).

### *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 2021/22. NHS England has prepared these consolidated financial statements on a going concern basis which reflects the basis on which the underlying accounts have been prepared 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 England 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 46% and 30% of total PPE depreciation charged in-year respectively. Utilising the methodology outlined above, a very approximate average useful life in these categories is 37.5 years and 10 years respectively. In average terms, making all asset lives one year shorter would increase the annual depreciation charge by approximately £34m for buildings and £89m for plant & machinery. This is not material. Based on a materiality of £1 billion, eight 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.

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 2022/23:</i>		
IFRS 3 Business combinations (amendment)	Amendments updating a reference to the Conceptual Framework	Annual periods beginning on or after 1 January 2022.
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.
IFRS 16 Leases	Original issue and subsequent amendments	For DHSC group bodies - applicable from 1 April 2022.
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.
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.
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.
<i>Standards, amendments or interpretations issued and effective for later periods:</i>		
IFRS 17 Insurance contracts	Original issue and subsequent amendments	The Standard applies to annual periods beginning on or after 1 January 2023. Adoption in the UK public sector is expected for the 2025/26 financial year onwards.
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.
IAS 12 Income taxes (amendments)	Amendments to clarify how entities account for deferred tax on transactions such as leases and decommissioning obligations.	Annual periods beginning on or after 1 January 2023. Not yet endorsed for use 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 without restatement and 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. For 2022 this rate is 0.95%. 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 lease term. The estimated impact of applying IFRS 16 in 2022/23 on the opening statement of financial position and the in-year impact on the statement of comprehensive income and capital additions for the provider sector are as follows:

	£m
<b>Estimated impact on 1 April 2022 statement of financial position</b>	
Additional right of use assets recognised for existing operating leases	6,423
Additional lease obligations recognised for existing operating leases	(5,886)
Changes to other statement of financial position line items	(39)
<b>Net impact on net assets on 1 April 2022</b>	<b>498</b>
<b>Estimated in-year impact in 2022/23</b>	
Additional depreciation on right of use assets	(858)
Additional finance costs on lease liabilities	(60)
Lease rentals no longer charged to operating expenditure	852
Other impact on income / expenditure	-
<b>Estimated impact on surplus / deficit in 2022/23</b>	<b>(66)</b>
<b>Estimated increase in capital additions for new leases commencing in 2022/23</b>	<b>1,107</b>

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 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 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

<b>2021/22 excluding charities</b>	<b>Community £m</b>	<b>Ambulance £m</b>	<b>Specialist £m</b>	<b>Mental Health £m</b>	<b>Acute £m</b>	<b>Total £m</b>
Income	3,769	3,654	4,631	16,143	87,325	<b>115,522</b>
Expenditure before depreciation and impairments	(3,651)	(3,509)	(4,308)	(15,526)	(83,096)	<b>(110,090)</b>
Depreciation and amortisation	(83)	(130)	(161)	(326)	(2,345)	<b>(3,045)</b>
Net finance costs	(25)	(16)	(62)	(209)	(1,493)	<b>(1,805)</b>
Other	(1)	3	5	5	(44)	<b>(32)</b>
<b>Surplus / (deficit) before I&amp;T</b>	<b>9</b>	<b>2</b>	<b>105</b>	<b>87</b>	<b>347</b>	<b>550</b>
Impairments (net of reversals)	(6)	(7)	7	(78)	(616)	<b>(700)</b>
Transfers by absorption	-	-	3	-	(8)	<b>(5)</b>
<b>Surplus / (deficit) for the year <sup>1</sup></b>	<b>3</b>	<b>(5)</b>	<b>115</b>	<b>9</b>	<b>(277)</b>	<b>(155)</b>

<b>2020/21 excluding charities</b>	<b>Community £m</b>	<b>Ambulance £m</b>	<b>Specialist £m</b>	<b>Mental Health £m</b>	<b>Acute £m</b>	<b>Total £m</b>
Income	3,478	3,542	4,595	14,463	81,444	<b>107,522</b>
Expenditure before depreciation and impairments	(3,371)	(3,405)	(4,311)	(13,890)	(77,523)	<b>(102,500)</b>
Depreciation and amortisation	(77)	(114)	(161)	(292)	(2,076)	<b>(2,720)</b>
Net finance costs	(22)	(10)	(66)	(199)	(1,357)	<b>(1,654)</b>
Other	(1)	3	5	4	(8)	<b>3</b>
<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)	<b>(1,464)</b>
Transfers by absorption	-	-	(287)	(3)	291	<b>1</b>
<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>

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

## Analysis by region

2021/22 excluding charities	North East and		Midlands	East of England	South East	South West	London	Total
	North West	Yorkshire						
	£m	£m	£m	£m	£m	£m	£m	£m
Income	16,326	17,243	20,127	10,989	15,668	10,496	24,673	115,522
Expenditure before depreciation and impairments	(15,698)	(16,452)	(19,199)	(10,502)	(14,965)	(9,954)	(23,320)	(110,090)
Depreciation and amortisation	(409)	(388)	(504)	(293)	(417)	(303)	(731)	(3,045)
Net finance costs	(200)	(238)	(330)	(174)	(242)	(174)	(447)	(1,805)
Other	3	(14)	(8)	(3)	-	(1)	(9)	(32)
<b>Surplus / (deficit) before I&amp;T</b>	<b>22</b>	<b>151</b>	<b>86</b>	<b>17</b>	<b>44</b>	<b>64</b>	<b>166</b>	<b>550</b>
Impairments (net of reversals)	(115)	(121)	(229)	(70)	(100)	(64)	(1)	(700)
Gains/(losses) from transfers by absorption	-	-	-	-	-	(5)	-	(5)
<b>Surplus / (deficit) for the year <sup>1</sup></b>	<b>(93)</b>	<b>30</b>	<b>(143)</b>	<b>(53)</b>	<b>(56)</b>	<b>(5)</b>	<b>165</b>	<b>(155)</b>

2020/21 excluding charities	North East and		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	107,522
Expenditure before depreciation and impairments	(14,766)	(15,439)	(17,875)	(9,675)	(13,714)	(9,165)	(21,866)	(102,500)
Depreciation and amortisation	(346)	(368)	(465)	(255)	(375)	(267)	(644)	(2,720)
Net finance costs	(192)	(231)	(299)	(156)	(212)	(149)	(415)	(1,654)
Other	1	(4)	(2)	(1)	(1)	2	8	3
<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)	(1,464)
Gains/(losses) from transfers by absorption	-	-	6	1	-	(6)	-	1
<b>(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>

<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>2021/22</b>						
Operating income	115,522	(2,968)	42	<b>112,596</b>	-	<b>112,596</b>
Operating expenditure excluding depreciation	(110,090)	2,968	(45)	<b>(107,167)</b>	(700)	<b>(107,867)</b>
Depreciation and amortisation	(3,045)	-	-	<b>(3,045)</b>	-	<b>(3,045)</b>
Operating expenditure total	(113,135)	2,968	(45)	<b>(110,212)</b>	(700)	<b>(110,912)</b>
<b>Operating surplus / (deficit)</b>	<b>2,387</b>	-	<b>(3)</b>	<b>2,384</b>	<b>(700)</b>	<b>1,684</b>
Net finance costs	(1,805)	-	5	<b>(1,800)</b>	-	<b>(1,800)</b>
Other items	(32)	-	10	<b>(22)</b>	(5)	<b>(27)</b>
<b>Surplus / (deficit) for the year</b>	<b>550</b>	-	<b>12</b>	<b>562</b>	<b>(705)</b>	<b>(143)</b>
<b>2020/21</b>						
Operating income	107,522	(2,293)	39	<b>105,268</b>	-	<b>105,268</b>
Operating expenditure excluding depreciation	(102,500)	2,293	(42)	<b>(100,249)</b>	(1,464)	<b>(101,713)</b>
Depreciation and amortisation	(2,720)	-	-	<b>(2,720)</b>	-	<b>(2,720)</b>
Operating expenditure total	(105,220)	2,293	(42)	<b>(102,969)</b>	(1,464)	<b>(104,433)</b>
<b>Operating surplus / (deficit)</b>	<b>2,302</b>	-	<b>(3)</b>	<b>2,299</b>	<b>(1,464)</b>	<b>835</b>
Net finance costs	(1,654)	-	5	<b>(1,649)</b>	-	<b>(1,649)</b>
Other items	3	-	23	<b>26</b>	1	<b>27</b>
<b>Surplus / (deficit) for the year</b>	<b>651</b>	-	<b>25</b>	<b>676</b>	<b>(1,463)</b>	<b>(787)</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)

	2021/22 £m	2020/21 £m
<b>Acute services</b>		
Block contract / system envelope income	67,787	59,565
Other NHS clinical income (including high cost drugs income)	6,613	6,029
<b>Mental health services</b>		
Block contract / system envelope income	10,310	9,751
Income for the commissioning of services from other providers	627	90
Other clinical income	1,034	415
<b>Ambulance services</b>		
A & E income	2,978	2,652
Patient transport service income	229	210
Other income	245	210
<b>Community services</b>		
Block contract / system envelope income	6,895	6,363
Community services income from other sources	1,319	1,321
<b>All services</b>		
Private patient income	548	385
Elective recovery fund	1,290	
Additional pension contribution central funding*	2,661	2,521
Other clinical income	907	1,166
<b>Total income from patient care activities</b>	<b>103,443</b>	<b>90,678</b>

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

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

Income from patient care activities received from:	2021/22 £m	2020/21 £m
CCGs and NHS England	100,116	87,646
Department of Health and Social Care	4	2
NHS other	135	132
Local authorities	1,846	1,805
Non-NHS: private patients	540	376
Non-NHS: overseas patients (chargeable to patient)	67	61
Injury cost recovery scheme	148	130
Non NHS: other	587	526
<b>Total income from activities</b>	<b>103,443</b>	<b>90,678</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)

	2021/22 £m	2020/21 £m
Income recognised this year	67	61
Cash payments received in-year	25	21
Amounts added to provision for impairment of receivables	48	46
Amounts written off in-year	36	46

#### Note 4 Other operating income

	2021/22			2020/21		
	Contract income £m	Non- contract income £m	Total £m	Contract income £m	Non- contract income £m	Total £m
Research and development	997	85	1,082	845	70	915
Education and training	3,315	114	3,429	2,983	81	3,064
Receipt of capital grants and donations*		371	371		332	332
Charitable and other contributions to expenditure**		325	325		1,353	1,353
Non-patient care services to other bodies	840		840	597		597
Provider Sustainability Fund (PSF) ***				(6)		(6)
Financial Recovery Fund (FRF) ***				(5)		(5)
Reimbursement and top up funding	1,124		1,124	6,865		6,865
Support from the Department of Health and Social Care for mergers		7	7		8	8
Rental revenue from operating leases		78	78		71	71
Income in respect of staff costs where accounted on gross basis	203		203	177		177
Incoming resources excluding investment income, relating to NHS charitable funds		84	84		76	76
PFI support income	43		43	42		42
Car parking	93		93	47		47
Pharmacy sales	123		123	122		122
Clinical excellence awards	90		90	55		55
Catering	86		86	61		61
Other	1,157	18	1,175	827	(11)	816
<b>Total other operating income</b>	<b>8,071</b>	<b>1,082</b>	<b>9,153</b>	<b>12,610</b>	<b>1,980</b>	<b>14,590</b>

\* The receipt of capital grants and donations includes £25 million (2020/21: £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 £255 million (2020/21: £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 2021/22 or 2020/21. 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.

## Note 5.1 Operating expenses

	2021/22	2020/21
	£m	£m
Purchase of healthcare from NHS and DHSC bodies	11	76
Purchase of healthcare from non-NHS and non-DHSC bodies	2,693	1,691
Purchase of social care	200	203
Employee expenses - staff (including executive directors)	70,846	66,860
Non-executive directors	34	32
Supplies and services - clinical	8,164	7,784
Supplies and services - general	1,709	1,880
Drug costs	9,172	8,055
Inventories written down	18	62
Consultancy costs	260	234
Establishment	1,205	1,086
Premises	4,466	4,401
Transport (including patient travel)	849	744
Depreciation on property, plant and equipment	2,706	2,434
Amortisation on intangible assets	339	286
Net Impairments	700	1,464
Movement in credit loss allowance: contract receivables/assets	78	164
Movement in credit loss allowance: all other receivables & financial assets	-	14
Increase in other provisions	126	182
Change in provisions discount rate(s)	14	18
Fees payable to the external auditor *		
audit services- statutory audit	26	23
other auditor remuneration (external auditor only)	1	1
Internal audit costs, including local counter fraud services	21	20
Clinical negligence	2,456	2,254
Legal fees	112	110
Insurance	97	70
Research and development	749	633
Education and training	797	617
Rentals under operating leases	880	816
Early retirements	1	7
Redundancy	15	27
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT) **	1,059	1,050
Charges to operating expenditure for off-SoFP PFI / LIFT schemes	4	4
Car parking & security	82	72
Hospitality	6	13
Losses, ex gratia & special payments	32	24
Grossing up consortium arrangements	13	10
Other services, eg external payroll	87	83
Other	840	894
NHS charitable funds: Other resources expended	44	35
<b>Total</b>	<b>110,912</b>	<b>104,433</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 £130,000 (2020/21: £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 Other auditors' remuneration

	2021/22	2020/21
	£m	£m
Other remuneration paid to the external auditor is made up as follows:		
1. Audit of accounts of any associate of the provider	0.3	0.2
2. Audit-related assurance services	0.3	0.2
3. Taxation compliance services	0.3	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
7. Corporate finance transaction services not falling within items 1 to 6 above	-	-
8. Other non-audit services not falling within items 2 to 7 above	0.2	0.3
<b>Total</b>	<b>1.1</b>	<b>1.4</b>

## Note 6.1 Employee benefits

	Permanent	Other	2021/22 Total	2020/21 Total
	£m	£m	£m	£m
Salaries and wages	51,196	1,917	53,113	50,539
Social security costs	5,226	111	5,337	4,902
Apprenticeship levy	258	3	261	242
Employers' contributions to NHS pensions	8,617	135	8,752	8,240
Pension cost - other	23	3	26	24
Other employment benefits	-	7	7	9
Termination benefits	7	2	9	14
Temporary staff (including agency)	-	4,435	4,435	3,829
NHS charitable funds staff	4	-	4	4
<b>Total gross staff costs</b>	<b>65,331</b>	<b>6,613</b>	<b>71,944</b>	<b>67,803</b>
Recoveries in respect of seconded staff	(103)	(18)	(121)	(113)
<b>Total staff costs</b>	<b>65,228</b>	<b>6,595</b>	<b>71,823</b>	<b>67,690</b>
<b>Included within:</b>				
Costs capitalised as part of assets	216	35	251	201

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, fair pay ratio information and off-payroll engagements as required by the HM Treasury FReM.

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

	Permanent	Other	2021/22 Total	2020/21 Total
	Number	Number	Number	Number
Medical and dental	123,734	21,327	145,061	140,165
Ambulance staff	31,555	366	31,921	32,347
Administration and estates	255,587	20,331	275,918	268,243
Healthcare assistants and other support staff	249,179	36,484	285,663	266,502
Nursing, midwifery and health visitors	370,384	46,101	416,485	404,554
Scientific, therapeutic and technical staff	147,039	7,651	154,690	147,964
Healthcare science staff	28,168	885	29,053	27,275
Social care staff	2,612	226	2,838	2,536
Other	2,658	737	3,395	3,458
<b>Total average numbers</b>	<b>1,210,916</b>	<b>134,108</b>	<b>1,345,024</b>	<b>1,293,044</b>

### Of which:

Number of employees (WTE) engaged on capital projects	3,406	513	3,919	3,333
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## Note 6.3 Early retirements due to ill-health

During 2021/22 there were 711 early retirements on the grounds of ill-health (2020/21: 712). The estimated additional pension liability (calculated on an average basis and borne by the NHS Pension Scheme) is £48 million (2020/21: £26 million).

#### Note 6.4 Staff sickness absence (This note is not subject to audit)

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

	<b>2021 Number</b>
Total days lost	14,166,778
Total staff years	1,217,667
<b>Average working days lost (per WTE)</b>	<b>11.6</b>

In 2020/21, preparation of this disclosure was not required in annual reports. Comparative information on NHS providers' staff sickness absence was 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>2021/22</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	89	1,650	<b>1,739</b>
£10,000 - £25,000	102	250	<b>352</b>
£25,001 - £50,000	71	101	<b>172</b>
£50,001 - £100,000	47	65	<b>112</b>
£100,001 - £150,000	21	8	<b>29</b>
£150,001 - £200,000	6	7	<b>13</b>
>£200,000	2	2	<b>4</b>
<b>Total number of exit packages by type</b>	<b>338</b>	<b>2,083</b>	<b>2,421</b>
Total resource cost (£m)	12	19	<b>31</b>

<b>2020/21</b>	<b>Number of compulsory redundancies Number</b>	<b>Number of other departures agreed - reinstated Number</b>	<b>Total number of exit packages Number</b>
<£10,000	100	1,432	<b>1,532</b>
£10,000 - £25,000	89	205	<b>294</b>
£25,001 - £50,000	97	74	<b>171</b>
£50,001 - £100,000	70	62	<b>132</b>
£100,001 - £150,000	21	11	<b>32</b>
£150,001 - £200,000	15	2	<b>17</b>
>£200,000	2	-	<b>2</b>
<b>Total number of exit packages by type</b>	<b>394</b>	<b>1,786</b>	<b>2,180</b>
Total resource cost (£m)	16	15	<b>31</b>

Some 2020/21 figures in this table have been updated to correct for omissions or misclassifications.

## Note 6.6 Exit packages: other (non-compulsory) departure payments

	2021/22		2020/21 restated	
	Payments agreed Number	Total value of agreements £m	Payments agreed Number	Total value of agreements £m
Voluntary redundancies including early retirement contractual costs	80	3.8	81	2.8
Mutually agreed resignations (MARS) contractual costs	108	3.7	85	2.8
Early retirements in the efficiency of the service contractual costs	4	0.3	1	-
Contractual payments in lieu of notice	1,783	8.5	1,574	8.5
Exit payments following employment tribunals or court orders	71	1.1	43	0.9
Non-contractual payments requiring HM Treasury approval*	46	1.7	19	0.5
<b>Total</b>	<b>2,092</b>	<b>19.1</b>	<b>1,803</b>	<b>15.5</b>

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

In 2021/22 there were 3 non-contractual payments requiring HM Treasury approval (£0.4million) that were in excess of the individuals' salary (2020/21: none).

Some 2020/21 figures in this table have been updated to correct for omissions or misclassifications.

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 2021/22, the employer contribution rate was 20.6% (2020/21: 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.

	2021/22 £m	2020/21 £m
<b>Operating lease revenue</b>		
Minimum lease receipts	75	69
Contingent rent	2	1
Other	1	1
<b>Total</b>	<b>78</b>	<b>71</b>
	<b>31 March 2022 £m</b>	<b>31 March 2021 £m</b>
<b>Future minimum lease receipts due:</b>		
- not later than one year;	77	64
- later than one year and not later than five years;	182	170
- later than five years.	686	539
<b>Total</b>	<b>945</b>	<b>773</b>

### Note 8.2 Operating lease expense

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

	2021/22 £m	2020/21 £m
<b>Operating lease expense</b>		
Minimum lease payments	885	820
Contingent rents	1	1
Less sublease receipts received	(6)	(5)
<b>Total</b>	<b>880</b>	<b>816</b>
	<b>31 March 2022 £m</b>	<b>31 March 2021 £m</b>
<b>Future minimum lease payments due:</b>		
On leases of land expiring		
- not later than one year;	13	6
- later than one year and not later than five years;	37	15
- later than five years.	69	30
On leases of buildings expiring		
- not later than one year;	525	473
- later than one year and not later than five years;	1,483	1,169
- later than five years.	2,220	1,512
On other leases expiring		
- not later than one year;	234	200
- later than one year and not later than five years;	444	347
- later than five years.	115	68
<b>Total</b>	<b>5,140</b>	<b>3,820</b>
Future minimum sublease receipts to be received	(54)	(53)

## 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.

			2021/22 Net impairments	2020/21 Net impairments
	Impairments £m	Reversals £m	£m	£m
<b>Net impairments charged to operating surplus / deficit resulting from:</b>				
Loss or damage from normal operations	25	(10)	15	19
Over specification of assets	11	(1)	10	11
Abandonment of assets in course of construction	47	-	47	30
Unforeseen obsolescence	12	(2)	10	11
Changes in market price	1,313	(725)	588	1,329
Other causes	39	(9)	30	64
<b>Total net impairments charged to operating surplus / deficit</b>	<b>1,447</b>	<b>(747)</b>	<b>700</b>	<b>1,464</b>
Impairments charged to the revaluation reserve	401	(261)	140	797
<b>Total net impairments</b>	<b>1,848</b>	<b>(1,008)</b>	<b>840</b>	<b>2,261</b>

Net impairments taken to operating surplus / deficit relate to property, plant and equipment (£674 million, 2020/21: £1,398 million), intangible assets (£26 million, 2020/21: £65 million) and assets held for sale (£0 million, 2020/21: £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 £1,534 million (2020/21: £765 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.

	2021/22 £m	2020/21 £m
Interest incurred on:		
Loans from the Department of Health and Social Care	63	70
Other loans	10	9
Finance leases	19	20
Main finance costs on PFI and LIFT schemes obligations	439	457
Contingent finance costs on PFI and LIFT scheme obligations	364	340
Other finance costs	21	25
<b>Total finance expenditure - financial liabilities</b>	<b>916</b>	<b>921</b>
Finance expense - unwinding of discount on provisions	(3)	-
<b>Total finance expenditure</b>	<b>913</b>	<b>921</b>

## Note 11 Other gains and losses

	2021/22 £m	2020/21 £m
<b>Gains/losses on disposal/derecognition of non-current assets</b>		
Profit on disposal of non-current assets	21	32
Loss on disposal of non-current assets	(62)	(31)
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	(5)	(7)
Fair value gains/(losses) on charitable fund investment property and other financial assets	10	23
<b>Total other gains/(losses)</b>	<b>(36)</b>	<b>18</b>

**Note 12.1 Intangible assets - 2021/22**

	<b>Software licences</b>	<b>Licences &amp; trademarks</b>	<b>Information technology</b>	<b>Development expenditure</b>	<b>Intangible assets under construction</b>	<b>Other</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Valuation/gross cost at 1 April 2021 - brought forward</b>	<b>1,988</b>	<b>30</b>	<b>657</b>	<b>246</b>	<b>268</b>	<b>6</b>	<b>3,195</b>
Adjustments to prior period accounted for in-year	(9)	-	(6)	(10)	14	-	(11)
Additions	233	4	74	23	327	2	663
Impairments	-	-	(2)	-	(20)	-	(22)
Reclassifications	52	1	183	(60)	(127)	11	60
Revaluations	(10)	-	-	-	-	-	(10)
Disposals / derecognition	(102)	-	(27)	(14)	(2)	-	(145)
<b>Valuation/gross cost at 31 March 2022</b>	<b>2,152</b>	<b>35</b>	<b>879</b>	<b>185</b>	<b>460</b>	<b>19</b>	<b>3,730</b>
<b>Amortisation at 1 April 2021 - brought forward</b>	<b>1,090</b>	<b>17</b>	<b>344</b>	<b>130</b>	<b>1</b>	<b>1</b>	<b>1,583</b>
Adjustments to prior period accounted for in-year	(5)	-	-	-	-	-	(5)
Provided during the year	223	4	80	29	-	3	339
Impairments	4	-	(1)	-	-	-	3
Reclassifications	14	(1)	33	(49)	-	-	(3)
Revaluations	(10)	-	-	-	-	-	(10)
Disposals / derecognition	(91)	(1)	(26)	(15)	-	-	(133)
<b>Amortisation at 31 March 2022</b>	<b>1,225</b>	<b>19</b>	<b>430</b>	<b>95</b>	<b>1</b>	<b>4</b>	<b>1,774</b>
<b>Net book value at 31 March 2022</b>	<b>927</b>	<b>16</b>	<b>449</b>	<b>90</b>	<b>459</b>	<b>15</b>	<b>1,956</b>
<b>Net book value at 1 April 2021</b>	<b>898</b>	<b>13</b>	<b>313</b>	<b>116</b>	<b>267</b>	<b>5</b>	<b>1,612</b>

The total net impairment of £25 million shown in this note was charged to operating expenses.

**Note 12.2 Intangible assets - 2020/21**

	<b>Software licences</b>	<b>Licences &amp; trademarks</b>	<b>Information technology</b>	<b>Development expenditure</b>	<b>Intangible assets under construction</b>	<b>Other</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
<b>Valuation/gross cost at 1 April 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>
Previous prior period adjustments accounted for in 2020/21	(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</b>	<b>971</b>	<b>14</b>	<b>304</b>	<b>117</b>	<b>-</b>	<b>-</b>	<b>1,406</b>
Previous prior period adjustments accounted for in 2020/21	(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>



**Note 13.1 Property, plant and equipment - 2021/22**

	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 2021 - brought forward</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>
Transfers by absorption	(1)	(2)	-	-	-	-	-	-	-	(3)
Prior period adjustments recorded in-year	7	6	-	(1)	(86)	-	(28)	(2)	-	(104)
Additions	38	1,249	2	3,879	882	27	538	35	-	6,650
Impairments	(62)	(1,396)	(7)	(283)	(12)	-	(14)	(7)	-	(1,781)
Reversals of impairments	101	659	5	-	-	-	1	-	-	766
Reclassifications	7	2,024	7	(2,860)	411	32	270	26	-	(83)
Revaluations	291	(162)	6	-	1	-	(4)	-	-	132
Transfers to/ from assets held for sale	(29)	(6)	-	-	(3)	(10)	-	-	-	(48)
Disposals / derecognition	(5)	(17)	(3)	(24)	(626)	(41)	(402)	(52)	-	(1,170)
<b>Valuation/gross cost at 31 March 2022</b>	<b>4,808</b>	<b>37,551</b>	<b>361</b>	<b>5,508</b>	<b>11,484</b>	<b>536</b>	<b>5,001</b>	<b>629</b>	<b>4</b>	<b>65,882</b>
<b>Accumulated depreciation at 1 April 2021 - brought forward</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>
Transfers by absorption	-	-	-	-	-	-	-	-	-	-
Prior period adjustments recorded in-year	-	(14)	-	-	(87)	-	(26)	(2)	-	(129)
Provided during the year	-	1,235	13	-	801	61	554	42	-	2,706
Impairments	1	29	1	8	(1)	1	1	-	-	40
Reversals of impairments	(6)	(232)	(1)	-	(2)	-	-	-	-	(241)
Reclassifications	-	(12)	-	-	1	-	(12)	1	-	(22)
Revaluations	(2)	(1,379)	(17)	-	-	-	(4)	-	-	(1,402)
Transfers to/ from assets held for sale	-	-	-	-	(3)	(10)	-	-	-	(13)
Disposals / derecognition	-	(10)	1	(5)	(584)	(43)	(379)	(53)	-	(1,073)
<b>Accumulated depreciation at 31 March 2022</b>	<b>-</b>	<b>1,030</b>	<b>19</b>	<b>14</b>	<b>6,941</b>	<b>328</b>	<b>2,965</b>	<b>434</b>	<b>-</b>	<b>11,731</b>
<b>Net book value at 31 March 2022</b>	<b>4,808</b>	<b>36,521</b>	<b>342</b>	<b>5,494</b>	<b>4,543</b>	<b>208</b>	<b>2,036</b>	<b>195</b>	<b>4</b>	<b>54,151</b>
<b>Net book value at 1 April 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>

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 £814 million shown in this note, £674 million was charged to operating expenses and £140 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 - 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</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
Previous prior period adjustments accounted for in 2020/21	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</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
Previous prior period adjustments accounted for in 2020/21	-	(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 13.3 Property, plant and equipment financing - 2021/22**

	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 2022</b>										
Owned - purchased	4,626	26,220	261	5,162	3,753	206	1,981	174	4	<b>42,387</b>
Owned - donated/granted	101	1,299	13	322	476	1	17	12	-	<b>2,241</b>
Finance leased	31	217	15	4	161	1	32	9	-	<b>470</b>
On-SoFP PFI contracts and other service concession arrangements	50	8,785	50	6	153	-	6	-	-	<b>9,050</b>
Off SoFP PFI residual interests	-	-	3	-	-	-	-	-	-	<b>3</b>
<b>NBV total at 31 March 2022</b>	<b>4,808</b>	<b>36,521</b>	<b>342</b>	<b>5,494</b>	<b>4,543</b>	<b>208</b>	<b>2,036</b>	<b>195</b>	<b>4</b>	<b>54,151</b>

**Note 13.4 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 14.1 Investment property**

	2021/22	2020/21
	£m	£m
<b>Carrying value at 1 April</b>	<b>208</b>	<b>216</b>
Acquisitions in year	9	3
Movement in fair value	(4)	(8)
Reclassifications to/from PPE	(2)	1
Disposals	-	(4)
<b>Carrying value at 31 March</b>	<b>211</b>	<b>208</b>

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

	2021/22	2020/21
	£m	£m
<b>Carrying value at 1 April</b>	<b>96</b>	<b>91</b>
Acquisitions in year	10	13
Share of profit/(loss)	22	20
Disbursements / dividends received	(2)	(18)
Disposals	-	(11)
Share of Other Comprehensive Income recognised by joint ventures/associates	(1)	1
<b>Carrying value at 31 March</b>	<b>125</b>	<b>96</b>

Where interests in other entities are material to individual NHS providers relevant disclosures around the nature of investments and exposures to risk as required by IFRS 12 are made in individual local accounts.

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

	2021/22	2020/21
	£m	£m
<b>Carrying value at 1 April</b>	<b>222</b>	<b>171</b>
Adjustments to prior period accounted for in-year	1	(4)
Acquisitions in year	34	23
Movements in fair value through income and expenditure	9	23
Movements in fair value through other comprehensive income	(23)	26
Current portion of loans receivable transferred to current financial assets	(1)	-
Disposals	(17)	(17)
<b>Carrying value at 31 March</b>	<b>225</b>	<b>222</b>
Held by:		
NHS providers excluding charitable funds	17	31
NHS charitable funds	208	191

### Note 14.4 Other financial assets (current)

	2021/22	2020/21
	£m	£m
Loans receivable within 12 months transferred from non-current financial assets	1	-
Other current financial assets	26	26
<b>Total current financial assets at 31 March</b>	<b>27</b>	<b>26</b>

### Note 15 Inventories

	31 March	31 March
	2022	2021
	£m	£m
Drugs	449	411
Work in progress	1	2
Consumables	722	751
Energy	18	13
Other	46	43
<b>Total inventories</b>	<b>1,236</b>	<b>1,220</b>

Inventories recognised in expenses for the year were £12,473 million (2020/21 £11,559 million). Write-downs of inventories recognised as expenses for the year were £18 million (2020/21: £62 million). These include utilisation of £315 million and write down of £4 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 (2020/21: £1,128 million utilisation, £41 million write down).

In response to COVID-19 different restrictions were in place in England across recent 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 2021/22 limitations of scope in previous years continues to impact the audits of providers for comparative information and prior or current year expenditure arising from the utilisation of opening inventories. The audit reports of 19 providers referenced a limitation of scope in relation to these. The total value of inventory and expenditure covered by these qualifications is not material to these consolidated provider accounts.

## Note 16.1 Receivables

	31 March 2022 £m	31 March 2021 £m
<b>Current</b>		
Contract receivables	2,968	2,995
Contract assets	3	4
Capital receivables	39	35
Allowance for impaired contract receivables / assets	(572)	(585)
Allowance for other impaired receivables	(25)	(30)
Deposits and advances	11	4
Prepayments	1,019	1,006
Interest receivable	2	1
Finance lease receivables	1	1
PDC dividend receivable	55	132
VAT receivable	413	381
Other receivables	159	186
NHS charitable funds receivables	7	6
<b>Total current receivables</b>	<b>4,080</b>	<b>4,136</b>
<b>Non-current</b>		
Contract receivables	197	186
Contract assets	5	4
Capital receivables	36	43
Allowance for impaired contract receivables / assets	(33)	(27)
Allowance for other impaired receivables	-	(2)
Deposits and advances	5	6
Prepayments	238	234
Finance lease receivables	6	6
VAT receivable	2	3
Corporation tax receivable	1	1
Other receivables	188	137
<b>Total non-current receivables</b>	<b>645</b>	<b>591</b>
<b>Of which receivable from NHS and DHSC group bodies</b>		
Current	1,273	1,554
Non-current	153	120

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

## Note 16.2 Allowances for credit losses

	2021/22		2020/21	
	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 2021 - brought forward</b>	<b>612</b>	<b>32</b>	<b>559</b>	<b>24</b>
Adjustments to prior period accounted for in-year	4	(4)	10	-
New allowances arising	191	10	257	14
Changes in existing allowances	(1)	(2)	18	1
Reversals of allowances	(112)	(8)	(109)	(2)
Utilisation of allowances (write offs)	(89)	(3)	(121)	(6)
Changes arising following modification of contractual cash flows	-	-	(1)	-
Foreign exchange and other changes	-	-	(1)	1
<b>Allowances as at 31 March 2022</b>	<b>605</b>	<b>25</b>	<b>612</b>	<b>32</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.

	2021/22	2020/21
	£m	£m
<b>At 1 April</b>	<b>13,787</b>	<b>6,832</b>
Adjustments to prior period accounted for in-year	2	(2)
Transfers by absorption	-	4
Net change in year	1,790	6,953
<b>At 31 March</b>	<b>15,579</b>	<b>13,787</b>
<b>Broken down into:</b>		
Cash at commercial banks and in hand (excluding charitable funds)	210	155
Cash with the Government Banking Service (excluding charitable funds)	15,216	13,470
Other current investments (excluding charitable funds)	-	7
NHS charitable funds cash and cash equivalents	153	155
<b>Total cash and cash equivalents as in SoFP</b>	<b>15,579</b>	<b>13,787</b>
Bank overdrafts	-	(15)
<b>Total cash and cash equivalents as in SoCF</b>	<b>15,579</b>	<b>13,772</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 2022 was £37 million (31 March 2021: £39 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 2022 £m	31 March 2021 £m
<b>Current</b>		
Trade payables	2,821	2,428
Capital payables	2,013	1,876
Accruals	7,773	6,709
Receipts in advance	67	71
Social security costs	828	764
VAT payable	13	11
Other taxes payable	562	502
PDC dividend payable	19	6
Other payables	1,253	1,043
NHS charitable funds trade and other payables	11	9
<b>Total current trade and other payables</b>	<b>15,360</b>	<b>13,419</b>
<b>Non-current</b>		
Trade payables	10	7
Capital payables	6	10
Accruals	4	7
Receipts in advance	9	8
Other payables	9	10
<b>Total non-current trade and other payables</b>	<b>38</b>	<b>42</b>
<b>Of which payable to NHS and DHSC group bodies</b>		
Current	468	641
Non-current	-	-

## Note 19 Other liabilities

	31 March 2022 £m	31 March 2021 £m
<b>Current</b>		
Deferred income: contract liability	1,843	1,376
Deferred grants	69	52
Deferred PFI income/credits	5	4
Lease incentives	5	6
Deferred income: other	52	32
NHS charitable funds other liabilities	3	2
<b>Total other current liabilities</b>	<b>1,977</b>	<b>1,472</b>
<b>Non-current</b>		
Deferred income: contract liability	125	99
Deferred grants	2	-
Deferred PFI income/credits	61	48
Lease incentives	6	6
Deferred income: other	10	1
Net pension scheme liability	51	71
<b>Total other non-current liabilities</b>	<b>255</b>	<b>225</b>



## Note 20 Borrowings

	31 March 2022 £m	31 March 2021 £m
<b>Current</b>		
Bank overdrafts	-	15
Loans from the Department of Health and Social Care	223	242
Other loans	96	46
Obligations under finance leases	71	69
Obligations under PFI, LIFT or other service concession contracts (finance lease element)	344	317
<b>Total current borrowings</b>	<b>734</b>	<b>689</b>
<b>Non-current</b>		
Loans from the Department of Health and Social Care	2,329	2,450
Other loans	332	360
Obligations under finance leases	280	300
Obligations under PFI, LIFT or other service concession contracts (finance lease element)	7,670	7,998
<b>Total non-current borrowings</b>	<b>10,611</b>	<b>11,108</b>

### Note 20.1 Finance lease obligations

	31 March 2022 £m	31 March 2021 £m
Obligations under finance leases where NHS providers are the lessees:		
<b>Gross lease liabilities</b>	<b>501</b>	<b>532</b>
Of which liabilities are due:		
- not later than one year;	84	85
- later than one year and not later than five years;	205	208
- later than five years.	212	239
Finance charges allocated to future periods	(150)	(163)
<b>Net lease liabilities</b>	<b>351</b>	<b>369</b>
Of which payable:		
- not later than one year;	71	69
- later than one year and not later than five years;	160	162
- later than five years.	120	138

**Note 20.2 Reconciliation of liabilities arising from financing activities - 2021/22**

	Loans from DHSC £m	Other loans £m	Finance leases £m	PFI and LIFT schemes £m	Total £m
<b>Carrying value at 1 April 2021</b>	<b>2,692</b>	<b>406</b>	<b>369</b>	<b>8,315</b>	<b>11,782</b>
<b>Cash movements:</b>					
Financing cash flows - payments and receipts of principal	(140)	19	(72)	(321)	(514)
Financing cash flows - payments of interest	(63)	(9)	(20)	(436)	(528)
<b>Non-cash movements:</b>					
Adjustments to prior year accounted for in-year	-	-	11	(2)	9
Transfers by absorption	-	-	-	(4)	(4)
Additions	-	-	56	9	65
Application of effective interest rate	63	10	19	439	531
Other changes	-	2	(12)	14	4
<b>Carrying value at 31 March 2022</b>	<b>2,552</b>	<b>428</b>	<b>351</b>	<b>8,014</b>	<b>11,345</b>

**Note 20.3 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)	(14,041)
Financing cash flows - payments of interest	(124)	(11)	(19)	(460)	(614)
<b>Non-cash movements:</b>					
Adjustments to prior year accounted for in-year	-	-	11	19	30
Additions	-	-	98	13	111
Application of effective interest rate	70	12	20	457	559
Early terminations	-	-	-	(25)	(25)
Other changes	-	-	2	3	5
<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 21.1 Provisions for liabilities and charges

	31 March 2022		31 March 2021	
	Current	Non-current	Current	Non-current
	£m	£m	£m	£m
Pensions	40	427	39	429
Other legal claims	93	13	75	12
Restructurings	16	4	9	9
Equal Pay	15	4	8	4
Redundancy	25	15	41	3
Other	694	467	552	296
<b>Total</b>	<b>883</b>	<b>930</b>	<b>724</b>	<b>753</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 2021</b>	<b>468</b>	<b>87</b>	<b>18</b>	<b>12</b>	<b>44</b>	<b>848</b>	<b>1,477</b>
Adjustments to prior period accounted for in-year	2	(3)	-	-	-	(10)	(11)
Change in the discount rate	14	-	-	-	-	-	14
Arising during the year	45	57	10	10	16	550	688
Utilised during the year	(50)	(15)	(2)	(1)	(5)	(66)	(139)
Reversed unused	(9)	(20)	(6)	(2)	(15)	(161)	(213)
Unwinding of discount	(3)	-	-	-	-	-	(3)
<b>At 31 March 2022</b>	<b>467</b>	<b>106</b>	<b>20</b>	<b>19</b>	<b>40</b>	<b>1,161</b>	<b>1,813</b>
<b>Expected timing of cash flows:</b>							
- not later than one year;	40	93	16	15	25	694	883
- later than one year and not later than five years;	149	9	4	4	14	267	447
- later than five years.	278	4	-	-	1	200	483
<b>Total</b>	<b>467</b>	<b>106</b>	<b>20</b>	<b>19</b>	<b>40</b>	<b>1,161</b>	<b>1,813</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 2022, NHS Resolution held provisions for clinical negligence liabilities totalling £53,622 million for CNST (2020/21: £35,689 million) and £1,366 million for ELS (2020/21: £1,001 million) on behalf of NHS providers. NHS Resolution's annual report and accounts provides more information on overall liabilities and explanations for movements between years: <https://www.gov.uk/government/publications/nhs-resolution-annual-report-and-accounts-2021-to-2022>

### 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.

	31 March 2022 £m	31 March 2021 £m
<b>Value of contingent liabilities</b>		
NHS Resolution legal claims	(6)	(6)
Employment tribunal and other employee related litigation	(4)	(1)
Redundancy	(1)	-
Other	(18)	(16)
<b>Gross value of contingent liabilities</b>	<b>(29)</b>	<b>(23)</b>
Amounts recoverable against liabilities	1	2
<b>Net value of contingent liabilities</b>	<b>(28)</b>	<b>(21)</b>
<b>Net value of contingent assets</b>	<b>14</b>	<b>17</b>

### Note 23.1 Contractual capital commitments

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

	31 March 2022 £m	31 March 2021 £m
Property, plant and equipment	2,066	2,061
Intangible assets	194	213
<b>Total</b>	<b>2,260</b>	<b>2,274</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 2022	31 March 2021
	£m	£m
Payments falling due:		
- not later than 1 year	332	250
- after 1 year and not later than 5 years	356	218
- thereafter	21	14
<b>Total</b>	<b>709</b>	<b>482</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 2022	31 March 2021
	£m	£m
<b>Gross PFI, LIFT or other service concession liabilities</b>	<b>14,559</b>	<b>15,357</b>
<b>Of which liabilities are due</b>		
- not later than one year;	866	847
- later than one year and not later than five years;	3,244	3,330
- later than five years.	10,449	11,180
Finance charges allocated to future periods	(6,545)	(7,042)
<b>Net PFI, LIFT or other service concession arrangement obligation</b>	<b>8,014</b>	<b>8,315</b>
- not later than one year;	344	317
- later than one year and not later than five years;	1,341	1,346
- later than five years.	6,329	6,652

### 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 2022	31 March 2021
	£m	£m
<b>Total future payments due in:</b>		
- not later than one year;	2,336	2,225
- later than one year and not later than five years;	9,620	9,287
- later than five years.	35,881	36,746
<b>Total</b>	<b>47,837</b>	<b>48,258</b>

	Number	Number
Total number of PFI, LIFT and other service concession schemes accounted for on-SoFP at 31 March	153	154
Of which schemes with total future commitment in excess of £500 million	25	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.

	2021/22	2020/21
	£m	£m
<b>Unitary payment paid to service concession operator</b>	<b>2,287</b>	<b>2,232</b>
<b>Consisting of:</b>		
- Interest charge	439	457
- Repayment of balance sheet obligation	319	296
- Service element	998	976
- Capital lifecycle maintenance	109	105
- Revenue lifecycle maintenance	15	18
- Contingent rent	364	340
- Addition to lifecycle prepayment	43	40

### 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 2022	31 March 2021
	£m	£m
Charge in respect of the off SoFP PFI, LIFT or other service concession arrangement for the period	4	4
Commitments in respect of off-SoFP PFI, LIFT or other service concession arrangements payable in:		
- not later than one year;	4	5
- later than one year and not later than five years;	13	17
- later than five years.	8	13
<b>Total</b>	<b>25</b>	<b>35</b>

### Note 26 Financial instruments

#### Note 26.1 Financial assets - 2021/22

	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 2022</b>				
Receivables excluding non-financial assets	2,883	-	-	2,883
Financial assets / investments	82	1	5	88
Cash and cash equivalents at bank and in hand*	15,426	-	-	15,426
NHS charitable funds financial assets	186	120	61	367
<b>Total at 31 March 2022</b>	<b>18,577</b>	<b>121</b>	<b>66</b>	<b>18,764</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 - 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	-	<b>2,878</b>
Financial assets / investments	65	1	28	<b>94</b>
Cash and cash equivalents at bank and in hand*	13,632	-	-	<b>13,632</b>
NHS charitable funds financial assets	184	126	42	<b>352</b>
<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 26.3 Financial liabilities

	31 March 2022 £m	31 March 2021 £m
<b>Carrying values of financial liabilities</b>		
Loans from the Department of Health and Social Care	2,552	2,692
Obligations under PFI, LIFT and other service concession contracts	8,014	8,315
Obligations under finance leases	351	369
Other borrowings	427	420
Trade and other payables excluding non-financial liabilities	13,259	11,372
Other financial liabilities	2	2
Provisions under contract	497	438
NHS charitable funds financial liabilities	6	7
<b>Total financial liabilities</b>	<b>25,108</b>	<b>23,615</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 2022 £m	31 March 2021 £m
<b>Financial liabilities fall due in:</b>		
In one year or less	14,876	12,920
In more than one year but not more than five years	4,701	4,801
In more than five years	12,634	13,622
<b>Total financial liabilities</b>	<b>32,211</b>	<b>31,343</b>

## 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. However in 2021/22 and 2020/21 the majority of providers' income from commissioners was under block contract and system envelope arrangements which does not have this variability. More information is provided in the accounting policies.

NHS providers are required by legislation 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 England 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 NHS System Oversight Framework. It may provide mandated support to providers where required.

Details of the NHS System Oversight Framework used by NHS England for 2021/22 to monitor these risks can be accessed on the NHS England website (<https://www.england.nhs.uk/publication/system-oversight-framework-2021-22/>).

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 0.53% of total income from patient care activities generated in the year to 31 March 2022 (2020/21: 0.48%). 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, £15.2 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 2022 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 2022 £m	31 March 2021 £m
<b>Restricted funds:</b>		
Endowment funds	14	15
Other restricted income funds	104	93
<b>Unrestricted funds:</b>		
Unrestricted income funds	227	219
Revaluation reserve	7	7
Other reserves	-	1
<b>Total</b>	<b>352</b>	<b>335</b>

NHS charitable funds are consolidated by 43 NHS providers where the trust determines they have control (2020/21: 46) 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

	2021/22		2020/21 restated	
	Number of cases	Total value of cases £m	Number of cases	Total value of cases £m
<b>Losses</b>				
Cash losses	3,971	2.9	2,857	4.0
Fruitless payments	272	7.7	342	4.8
Bad debts and claims abandoned	40,872	61.3	38,899	78.1
Stores losses and damage to property	8,288	20.4	11,888	22.2
<b>Total losses</b>	<b>53,403</b>	<b>92.3</b>	<b>53,986</b>	<b>109.1</b>
<b>Special payments</b>				
Extra-contractual payments	46	0.1	31	1.5
Extra-statutory and extra-regulatory payments	1	-	7	0.2
Compensation payments under court order or legally binding arbitration award	379	2.1	373	3.8
Special severance payments	46	1.7	19	0.5
Ex-gratia payments	7,170	11.4	6,485	12.0
<b>Total special payments</b>	<b>7,642</b>	<b>15.3</b>	<b>6,915</b>	<b>18.0</b>
<b>Total losses and special payments</b>	<b>61,045</b>	<b>107.6</b>	<b>60,901</b>	<b>127.1</b>
Compensation payments received to recover losses		0.4		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.

The prior year disclosure of special severance payments has been amended to correct for errors identified in prior year disclosures at some NHS providers. The disclosures for compensation payments under court order and ex-gratia payments have also been updated.

## **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 2021/22 6 trusts reported 7 individual losses or special payments in excess of £0.3 million, totalling £8.2 million:

- University Hospitals Plymouth NHS Trust recognised two constructive losses totalling £5.6 million in relation to capital schemes written off.
- Royal Surrey NHS Foundation Trust recorded a £0.6 million loss relating to pharmacy stock write offs.
- Northern Care Alliance NHS Foundation Trust recognised a £0.4 million loss due to damage and theft following a break in at the Salford Royal.
- Mid and South Essex NHS Foundation Trust recognised a £0.5 million debt write off relating to an overseas patient.
- East Suffolk and North Essex NHS Foundation Trust recognised a £0.8 million debt write off following the counterparty going into administration.
- Manchester University NHS Foundation Trust recognised a £0.3 million debt write off relating to salary recharges.

In 2020/21, the following 11 trusts reported 12 cases of losses or special payments in excess of £0.3 million totalling £9.9 million:

- Barking, Havering and Redbridge University Hospitals NHS Trust
- Buckinghamshire Healthcare NHS Trust
- Essex Partnership University NHS Foundation Trust
- George Eliot Hospital NHS Trust
- Great Ormond Street Hospital for Children NHS Foundation Trust
- Medway NHS Foundation Trust
- Mid and South Essex NHS Foundation Trust
- North Middlesex University Hospital NHS Trust
- Royal Surrey NHS Foundation Trust
- University Hospitals Bristol and Weston NHS Foundation Trust
- University Hospitals of Derby and Burton NHS Foundation Trust

In 2020/21 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. The related payments are in addition to those disclosed in note 28.1.

## 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 2022 £m	31 March 2021 £m	31 March 2022 £m	31 March 2021 £m
Value of balances with board members and key staff (excluding salaries)	-	-	-	-
Value of balances with other related parties:				
Non-consolidated NHS charitable funds	23	40	1	4
Subsidiaries / Associates / Joint ventures	11	8	61	7
Other	46	52	65	46
Value of allowances for expected credit losses held against related party balances	(2)	(2)	-	-
<b>Total</b>	<b>78</b>	<b>98</b>	<b>127</b>	<b>57</b>
Value of balances with related parties written off in year	-	-	-	-

	Income		Expenditure	
	2021/22 £m	2020/21 £m	2021/22 £m	2020/21 £m
Value of transactions with board members and key staff (excluding salaries)	-	-	-	2
Value of transactions with other related parties:				
NHS charitable funds	102	84	6	13
Subsidiaries / Associates / Joint Ventures	32	24	207	125
Other	132	126	256	241
<b>Total</b>	<b>266</b>	<b>234</b>	<b>469</b>	<b>381</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: 2021/22

Absorption transfers occurring between NHS providers are eliminated within these accounts. The transfers eliminated in 2021/22 include the following provider merger and acquisition transactions:

Receiving body	Divesting body	Date of transfer
University Hospitals Sussex NHS Foundation Trust	Brighton and Sussex University Hospitals NHS Trust	1 April 2021
Greater Manchester Mental Health NHS Foundation Trust	North West Boroughs Healthcare NHS Foundation Trust	1 April 2021
Mersey Care NHS Foundation Trust		1 June 2021
Manchester University Hospitals NHS Foundation Trust	Pennine Acute Hospital NHS Trust	1 April 2021
Northern Care Alliance NHS Foundation Trust		1 October 2021

The following absorption transactions occurred between NHS providers and other government bodies during 2021/22 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)	5.5	-	-	-	5.5
Transfer to NHS Property Services	(8.8)	-	3.6	-	(5.2)
<b>Totals</b>	<b>(3.3)</b>	<b>-</b>	<b>3.6</b>	<b>-</b>	<b>0.3</b>

Transfers from NHS Property Services under modified absorption accounting related to assets formerly held by primary care trusts received by Kent Community Health NHS Foundation Trust. See accounting policy 1.1 for details of the 'modified' treatment that applies to gains recognised on these transfers.

The additional transfer to NHS Property Services under ordinary absorption accounting relates to the transfer of the Savernake Hospital PFI asset and liability to NHS Property Services. The related community services transferred to Wiltshire Health and Care LLP in a previous year.

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: 2020/21

Absorption transfers occurring between NHS providers are eliminated within these accounts. The transfers eliminated in 2020/21 include the following provider transactions:

Receiving body	Divesting body	Date of transfer
Mid and South Essex NHS Foundation Trust	Basildon and Thurrock University Hospitals NHS Foundation Trust	1 April 2020
	Mid Essex Hospital Services NHS Trust	1 April 2020
Bedfordshire Hospitals NHS Foundation Trust	Bedford Hospital NHS Trust	1 April 2020
Somerset NHS Foundation Trust	Taunton and Somerset NHS Foundation Trust	1 April 2020
University Hospitals Bristol and Weston NHS Foundation Trust	Weston Area Health NHS Trust	1 April 2020
Black Country Healthcare NHS Foundation Trust	Dudley Integrated Care NHS Trust	1 April 2020
University Hospitals Dorset NHS Foundation Trust	The Royal Bournemouth and Christchurch	1 October 2020
	Poole Hospital NHS Foundation Trust	
Guy's & St Thomas' NHS Foundation Trust	Royal Brompton and Harefield NHS Foundation Trust	1 February 2021

The following transfers by absorption 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	-	-	-	<b>0.4</b>
Transfers from Public Health England	0.3	-	-	-	<b>0.3</b>
Transfers to Local Authorities	-	-	7.1	(7.3)	<b>(0.2)</b>
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.

### **Note 31 Prior period adjustments**

#### Sector-wide changes in accounting policy

In 2021/22, 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

Some comparatives in notes 6.5 and 6.6 for exit packages have been restated to correct for omissions and misclassifications in the prior year. These have also been reflected in note 28.1.

### **Note 32 Events after the reporting date**

As at 31 March 2022 there were 213 NHS providers.

On 1 April 2022, all services previously provided by Northern Devon Healthcare NHS Trust transferred to Royal Devon and Exeter NHS Foundation Trust and Northern Devon Healthcare NHS Trust was dissolved. Following the acquisition, the acquiring provider changed its name to Royal Devon University Healthcare NHS Foundation Trust.

This transaction will eliminate and therefore have no impact on the 2022/23 consolidated NHS provider accounts. As at the date of authorisation of these accounts, there are 212 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.



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