NHS Improvement

Consolidated NHS provider accounts

2019/20

Health and high quality care for all, now and for future generations

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HC 1060

Consolidated NHS provider accounts 2019/20

1 April 2019 – 31 March 2020

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

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Foreword

Introduction

This is the third year for which we have produced consolidated provider accounts. The Department of Health and Social Care (DHSC) uses the provider sub-consolidation as part of the DHSC group accounts. We are very grateful to NHS providers for their co-operation in reporting their data to us.

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

In the weeks following publication of this document we will publish the underlying data to enable local scrutiny and to help trusts compare their financial information with others.

The rest of this foreword provides further information on the legal requirements for NHS trust and NHS foundation trust accounts and on changes in the provider sector.

NHS trusts

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

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

[1] DHSC Group Accounting Manual 2019/20 chapter 2 annex 4: https://www.gov.uk/government/publications/dhsc-group-accounting-manual-2019-to-2020

NHS foundation trusts

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

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

Basis of preparation for consolidated NHS provider accounts

The Secretary of State has directed NHS Improvement (the NHS TDA legal entity) to prepare consolidated NHS provider accounts for each financial year. The accounts presented in this report have been prepared as a consolidation of the audited accounts submitted by NHS trusts and NHS foundation trusts that were in existence during the 2019/20 financial year, together with comparative information for 2018/19. We give details below of providers whose legal status changed during this time.

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

Consolidated NHS foundation trust accounts

Paragraph 17 of Schedule 8 to the 2012 Act requires Monitor to prepare consolidated NHS foundation trust accounts and send a copy to the Secretary of State. These are available separately on our website.

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 2018/19 or 2019/20 are as follows:

		NHS trusts	NHS FTs	All providers
1 April 2018	**Opening number of providers** This includes the following transactions on 1 April 2018: • Dissolution of Heart of England NHS Foundation Trust on acquisition by University Hospitals Birmingham NHS Foundation Trust • Dissolution of Liverpool Community Healthcare NHS Trust on acquisition by Mersey Care NHS Foundation Trust	**79**	**151**	**230**
1 June 2018	Dissolution of Staffordshire and Stoke-on-Trent Partnership NHS Trust on acquisition by South Staffordshire and Shropshire Healthcare NHS Foundation Trust; entity renamed as Midlands Partnership NHS Foundation Trust.	-1		229
1 July 2018	Dissolution of Burton Hospitals NHS Foundation Trust on acquisition by Derby Teaching Hospitals NHS Foundation Trust; entity renamed as University Hospitals of Derby and Burton NHS Foundation Trust.		-1	228
1 July 2018	Dissolution of Ipswich Hospital NHS Trust on acquisition by Colchester Hospital University NHS Foundation Trust; entity renamed as East Suffolk and North Essex NHS Foundation Trust.	-1		227
31 March 2019	**Number of providers at end of year**	**77**	**150**	**227**
1 April 2019	Authorisation of South Tyneside and Sunderland NHS Foundation Trust as a newly formed entity.		1	226
	This follows the dissolution of South Tyneside NHS Foundation Trust and City Hospitals Sunderland NHS Foundation Trust		-2	
1 October 2019	Dissolution of Royal Liverpool and Broadgreen University Hospitals NHS Trust on acquisition by Aintree University Hospitals NHS Foundation Trust; entity renamed as Liverpool University Hospitals NHS Foundation Trust	-1		225
1 October 2019	Dissolution of Gloucestershire Care Services NHS Trust on acquisition by 2gether NHS Foundation Trust; entity renamed as Gloucestershire Health and Care NHS Foundation Trust	-1		224
1 October 2019	Dissolution of North Cumbria University Hospitals NHS Trust on acquisition by Cumbria Partnership NHS Foundation Trust; entity renamed as North Cumbria Integrated Care NHS Foundation Trust	-1		223
31 March 2020	**Number of providers at end of year**	**74**	**149**	**223**

Review of financial performance of NHS providers

Summary in numbers

	2019/20	2018/19
Number of NHS providers in existence during the year	226	230
Surplus/(deficit) before impairments and transfers	(£910 million)	(£575 million)[2]
Number of NHS providers recording a deficit: control total basis[3]	53	107
Number of NHS providers recording a deficit before impairments, transfers and consolidation of charitable funds	62	106
Sector cash balance at year end	£6,832 million	£5,840 million
Capital expenditure (purchases and new finance leases of property, plant and equipment and intangible assets, accruals basis)	£4,555 million	£4,064 million

When combined with the results for the NHS England group, the NHS in England 'balanced the books' in 2019/20. More information on this can be found in the Department of Health and Social Care's annual report and accounts for 2019/20.

Impact of COVID-19 in 2019/20

The COVID-19 pandemic had a significant impact on the NHS in March 2020 and continues to do so. The pandemic and the associated restrictions in the movement of people had implications for the preparation of year end accounts, including property valuations and inventory counts: more details are provided in notes 1.25 and 15 to the accounts. While operationally very significant, the impact of COVID-19 on the finances for the provider sector in 2019/20 is not material to these accounts. This is why there is limited reference to COVID-19 in the detailed accounts that follow for the 2019/20 financial year. More information on the broader response to COVID-19 can be found in the NHS England annual report and accounts. The commentary that follows relates to the 2019/20 financial year as a whole.

[2] This figure for 2018/19 includes £256 million of gains recognised on part-constructed private finance initiative (PFI) assets following the liquidation of Carillion PLC. More information is provided in note 4 of the financial statements.
[3] This is not a measure of whether providers achieved control totals or not: this is assessing outturn surplus or deficit on the same basis as controls totals are set and measured. More information is provided in this commentary on page 10.

Commentary

The NHS in England 'balanced its books' in 2019/20. Within that, the NHS trust and foundation trust sector delivered a net deficit before impairments and gains and losses on transfers by absorption for the year ended 31 March 2020 of £910 million (2018/19: £575 million net deficit) and held cash of £6.8 billion as at 31 March 2020 (31 March 2019: £5.8 billion). Financial performance improved in most NHS providers, with the number of providers reporting a deficit on a control total basis halving from 107 to 53.

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-eight NHS providers consolidated charitable funds, contributing an aggregate deficit of £3 million (2018/19: 47 providers consolidated a £1 million deficit) and net assets of £305 million (31 March 2019: £316 million).

The sector received £2.16 billion of income from the Provider Sustainability Fund (PSF) and Financial Recovery Fund (FRF). The FRF was created in 2019/20 to support the financial sustainability of essential NHS services. Only NHS providers in deficit that have accepted a financial control total can access this fund. The sector deficit before impairments and transfers, excluding these income streams, was £3,071 million (2018/19: £3,006 million).

The following table shows the profile of NHS providers that made up the sector during 2019/20. 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	130	53	10	17	16	n/a	**226**
% of sector turnover	75%	15%	3%	4%	3%	<0.1%	**100.0%**
% share of £2.16 billion PSF and FRF	85%	7%	2%	4%	2%	0%	**100.0%**
Surplus/(deficit) before impairments and transfers (£m)	(1,153)	121	15	76	34	(3)	**(910)**
Number of providers reporting deficit before impairment and transfers	51	6	0	5	0	n/a	**62**

The results for the year showed that, excluding the consolidation of charitable funds, 164 (73%) (2018/19: 124 (54%)) NHS providers delivered a surplus or broke even and 62 providers reported a deficit before impairments and transfers by absorption, compared to 106 providers recording a deficit in 2018/19. The gross deficit of all providers in deficit dropped from £2,709 million in 2018/19 to £1,512 million in 2019/20. Of the 124 trusts that reported a surplus in 2018/19 only 13 (6%) reported a deficit in 2019/20, while 52 (23%) of the trusts that reported a deficit in 2018/19 have recorded a surplus in 2019/20.

Figure 1 shows providers' surplus/deficit for 2019/20 and 2018/19. The two lines are plotted independently. In 2019/20 the Financial Recovery Fund (FRF) was introduced to support organisations' efforts to make all NHS services sustainable. FRF is accessible to trusts where deficit control totals indicate a risk to financial sustainability and continuity of services and where a financial recovery plan has been agreed. This more targeted distribution of resources available to support sustainability has significantly reduced the number of providers reporting a financial deficit and reduced the variation in surplus/deficit reported across the sector.

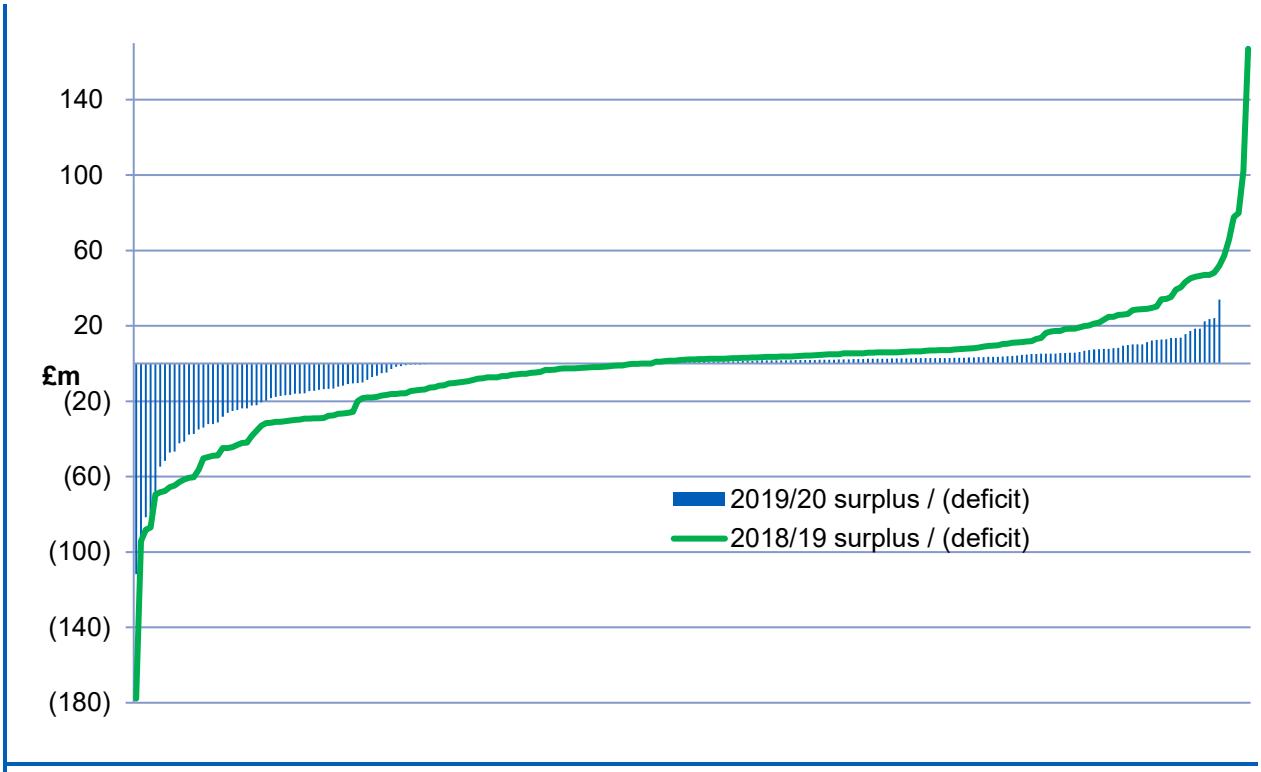

Figure 1: Surplus / (deficit) before impairments and absorption transfers

The lines for the two years are plotted independently to show the distribution of the sector as a whole.

For the purposes of this graph the 2018/19 surplus/(deficit) excludes the gains recognised on part-constructed private finance initiative (PFI) assets following the liquidation of Carillion PLC

Of the 62 providers reporting deficits for 2019/20, 8 of the most financially challenged trusts were receiving intensive support in the Financial Special Measures programme as at 31 March 2020. These 8 trusts make up 22% of the reported gross deficit value.

The largest individual deficits were at the following trusts:

- King's College Hospital NHS Foundation Trust (£111.8 million)
- London North West University Healthcare NHS Trust (£93.4 million)
- Worcestershire Acute Hospitals NHS Trust (£81.0 million)
- University Hospitals of Leicester NHS Trust (£79.9 million) (see page 9)
- Barts Health NHS Trust (£74.5 million)

Figure 2 details the trusts reporting a deficit in excess of £20 million before impairments and transfers and consolidation of charitable funds.

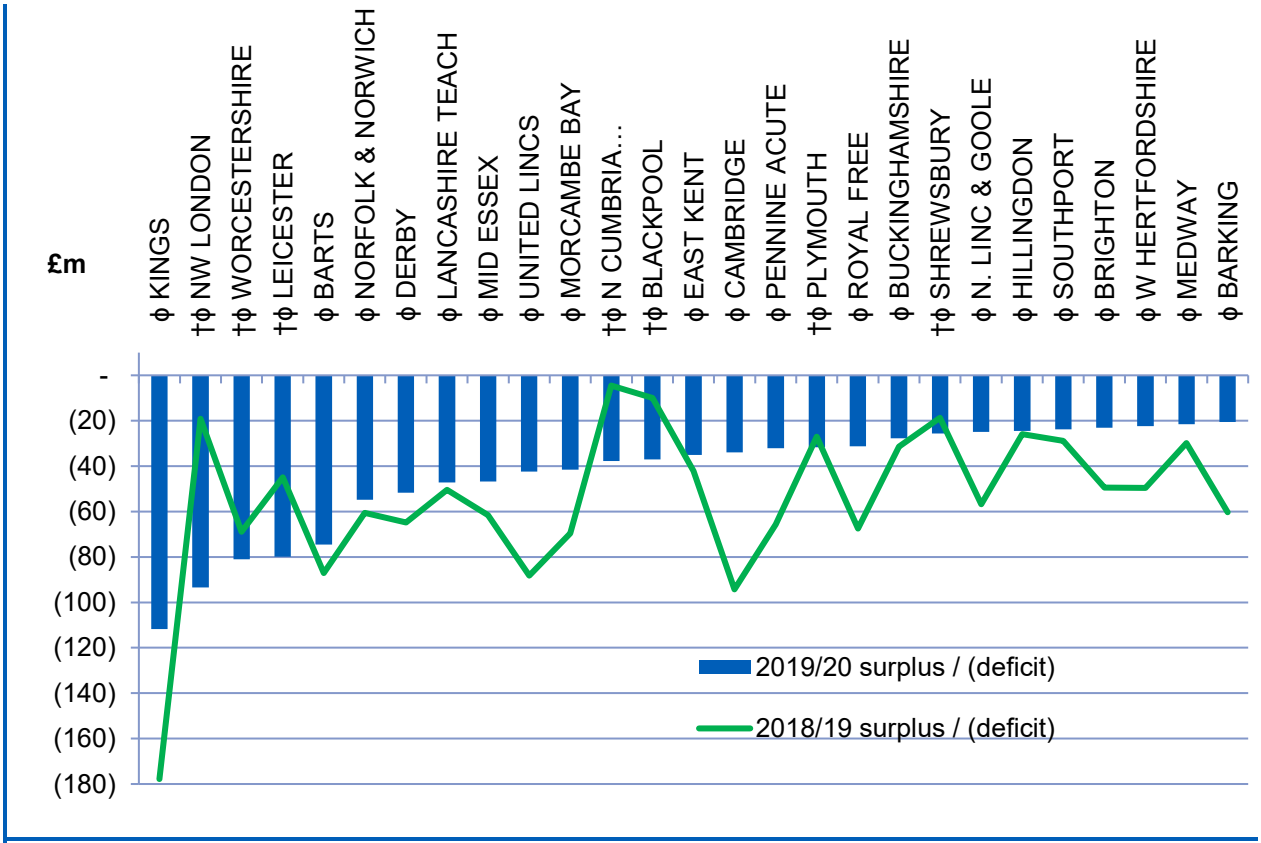

Figure 2: Deficits greater than £20 million before impairments, absorption transfers and consolidation of charitable funds

† Receiving intensive support through the Financial Special Measures programme as at 31 March 2020
ϕ In receipt of interim revenue support funding from DHSC during 2019/20

The Department of Health and Social Care (DHSC) provides cash support to NHS providers in financial difficulty to support their continued delivery of services on a finite basis. This interim support is normally intended to be a precursor to longer term planned investment to support the delivery of a sustainable recovery plan. In April 2020, DHSC and NHS England and NHS Improvement announced reforms to the current cash regime. From 2020/21 interim cash support will be replaced with the issue of public

dividend capital (PDC). All existing interim loans will be repayable during 2020/21 and PDC will be issued to providers to effect these repayments.

Eighty-four providers received interim cash revenue support from DHSC in 2019/20 (2018/19: 99). Those with a deficit greater than £20 million are identified with ϕ in figure 2. The total gross interim revenue support received by all trusts from DHSC during 2019/20 was £2,326 million (2018/19: £3,054 million) with an extra £568 million interim funding to support capital investment (2018/19: £199 million). The five providers with the biggest deficits received £494 million of the total interim DHSC revenue support in 2019/20.

196 NHS provider financial statements received unqualified true and fair audit opinions (2018/19: 230). 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 have not been adopted by the Trust Board or certified by the Trust's auditor. Further information is provided in note 1 to these consolidated financial statements. 29 providers received audit opinions qualified for a limitation of scope in respect of inventories where sufficient assurance could not be obtained over material inventory balances (2018/19: none). These arose because government restrictions on movement in March 2020 in response to the COVID-19 pandemic prevented some providers from performing year end inventory counts and/or auditors from attending such counts. The total impact is not material to these accounts; more detail is provided in note 15 to the financial statements.

All providers have prepared financial statements on a going concern basis. The financial statements of 57 (2018/19: 78) providers received audit reports highlighting material uncertainty in relation to going concern. These trusts are listed in the consolidated annual governance statement and the accounting policies contain our going concern assessment for these consolidated accounts.

Operating performance

Operating income

In the year to 31 March 2020, 226 NHS providers generated total operating revenues of £92.0 billion, an increase of £7.3 billion (8.6%). This growth was mainly a result of national tariff increases and additional funding for increased employer contributions to the NHS pension scheme (£2.3 billion).

An 18% increase in A&E income has been seen following changes to the marginal rate emergency tariff (MRET) which previously reduced payment for excess activity where emergency admissions exceeded a planned threshold. In line with this, growth in non-elective income (11%) was more than double the growth seen in 2018/19 (5%).

Provider Sustainability Fund (PSF) and Financial Recovery Fund (FRF)

Funding earned by NHS providers in 2019/20 under these two schemes totalled £2.16 billion. Access to PSF and FRF income is dependent on NHS providers accepting a financial control total. The basis for measuring performance against control totals has been consistent since 2017/18. It excludes some items of non-recurrent income or expenditure; for example most non-current asset impairments, the effect of capital donations and non-cash movements on defined benefit pension schemes. In 2019/20, 55 control totals on this basis were set below break-even (after PSF and FRF).

Of the 222 providers that accepted control totals in 2019/20:

- 177 providers met or exceeded their full year control total and received their full entitlement of PSF and FRF income,
- 14 providers that failed to meet their full year control total still received a full PSF and FRF allocation as their system or region met its combined control total,
- 29 providers met their control total for part of the year and received a portion of their initial allocation; and
- 2 providers did not meet their control total at any point in the year and received no PSF or FRF income.

Operating expenditure

Total operating expenditure increased by 8% from £85.0 billion in 2018/19 to £92.2 billion in 2019/20.

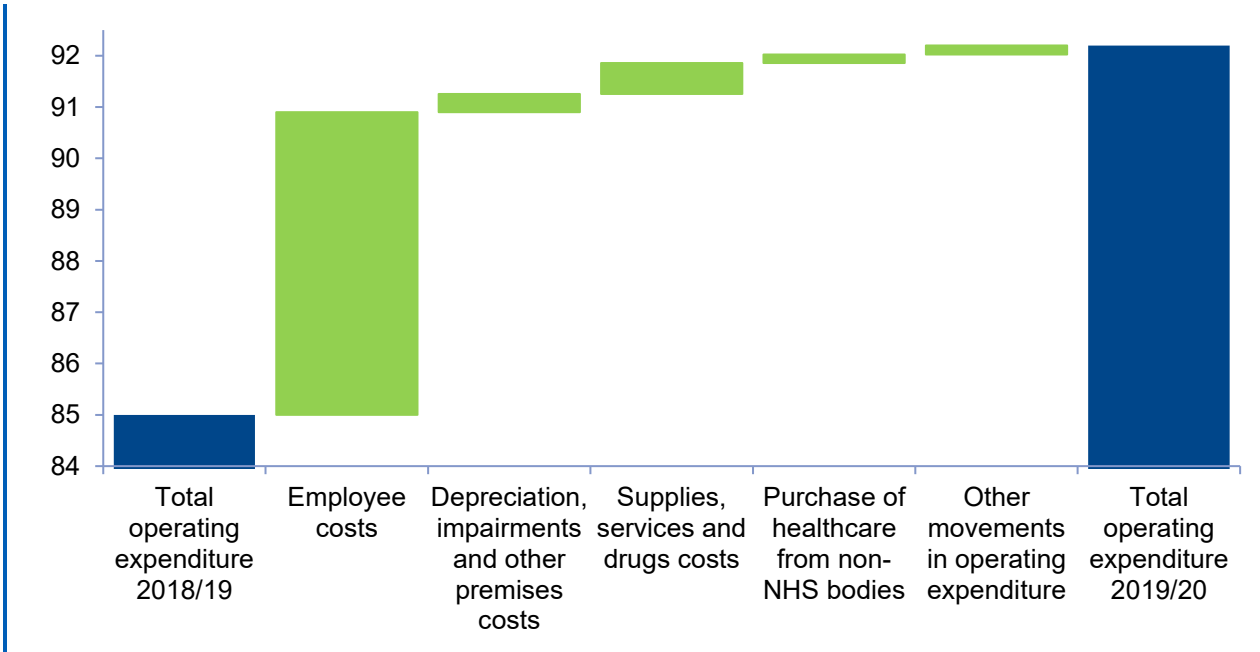

Figure 3: Expenditure bridge 2018/19 to 2019/20

Almost 66% (£60.6 billion) of operating expenditure related to employee costs. On 1 April 2019, employer contributions to the NHS pension scheme increased from 14.3% to 20.6%, adding £2.3 billion for 2019/20. This increased contribution was funded directly by NHS England so had no impact on surplus/deficit. Growth in the NHS workforce including the recruitment and retention of more registered nurses as part of the Interim NHS People Plan and the second year of the Agenda for Change three year pay deal agreed in 2018 also contributed to increases in employee costs.

Following the introduction of caps on agency staff spend in 2015/16, agency costs as a proportion of total employee costs (excluding the NHS pension contribution increase) continued to fall, being 4.1% in 2019/20 (2018/19: 4.4%).

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 2019/20 net impairments charged to income and expenditure were £924 million (2018/19: £1,053 million). A further £612 million of net impairments was charged to reserves (2018/19: £695 million), reducing previously recognised revaluation surpluses. There were 148 NHS providers recording a net impairment within surplus/deficit in 2019/20 (2018/19: 190) while 45 providers recorded net reversals of impairments (2018/19: 37).

Of the £924 million of net impairments charged to income and expenditure, 81% arose from changes in market price, compared to 54% in 2018/19. These impairments reflect market conditions at the time of valuation and not a deterioration in the service potential of the asset.

In March 2020, the Royal Institute of Chartered Surveyors (RICS), the standard-setting body for property valuations, issued guidance to valuers highlighting the additional valuation uncertainty presented by the uncertain impact of COVID-19 on markets. More detail on the effect of this uncertainty is given in Note 1.25 to the accounts.

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

Net finance costs

Net finance costs remained fairly static in 2019/20, increasing by only £16 million to £1,719 million. This includes an increase in interest on loans from the Department of Health and Social care of £62 million. This increase was offset by additional interest income of £9 million and a reduction in Public Dividend Capital (PDC) dividend charges

of £36 million. PDC dividend is calculated based on average net relevant assets so this decrease resulted directly from a further decrease in net assets held by the provider sector.

Working capital and borrowings

At 31 March 2020, NHS providers held cash and cash equivalents of £6.8 billion (31 March 2019: £5.8 billion). While this is an increase of £1.0 billion, the cash balance is equivalent to just 4.1 weeks' operating costs in a sector with annual revenue (excluding the 6.3% NHS pension contribution made by NHS England) of £89.7 billion (2018/19: 3.7 weeks).

Of the total cash balance, £6.4 billion was held with the Government Banking Service, £130 million was on deposit with the National Loans Fund and £129 million was held elsewhere. The remaining £156 million was held by NHS charitable funds and is not available to support provider operating costs.

The number of receivables days decreased to 26.0 days (2018/19: 28.0 days), reflecting a decrease in receivables outstanding from NHS commissioners at the year end. Payable days increased slightly to 35.5 days in 2019/20 from 34.8 days in 2018/19.

Total long-term and working capital borrowing at 31 March 2020 was £25.8 billion (31 March 2019: £23.6 billion). This includes a £2.4 billion increase (17%) in loans from the Department of Health and Social Care (DHSC) which continues to be the largest source of provider borrowings ahead of PFI liabilities of £8.6 billion. Eighty two percent of the increase in loan funding from DHSC related to revenue and working capital support. The reforms to the NHS cash regime announced in April 2020 resulted in the classification of all outstanding interim loans held by 112 NHS providers as current liabilities at 31 March 2020. The value of interim loans recognised in these accounts is £13.5 billion which includes £13.4 billion of loan principal as well as accrued interest.

Capital expenditure

Total purchases and new finance leases of property, plant and equipment and intangible assets were £4.6 billion (2018/19: £4.1 billion). Just over half (54%) of capital spend was on land and buildings, with a further 21% on plant, equipment and transport, 16% on information technology, and 9% on other capital (figure 4).

Providers' ability to invest in capital schemes is limited by constraints in DHSC's capital expenditure limit. In April 2020 DHSC, along with NHS England and NHS Improvement, announced changes to the NHS capital regime from 2020/21. Affordable capital envelopes will be allocated at a system level for local prioritisation and the promotion of system driven operational capital planning.

Several major capital developments were completed during 2019/20 including the new Broadmoor Hospital at West London NHS Trust providing a safe and modern environment for patients who need high-secure psychiatric care. Royal Papworth Hospital NHS Foundation Trust opened a new heart and lung hospital on the Cambridge Biomedical Campus in July 2019.

Many providers had major capital developments still under construction as at 31 March 2020. For example, the Royal Devon and Exeter NHS Foundation Trust continued to develop its MY CARE electronic patient records system for use in both hospital and community settings.

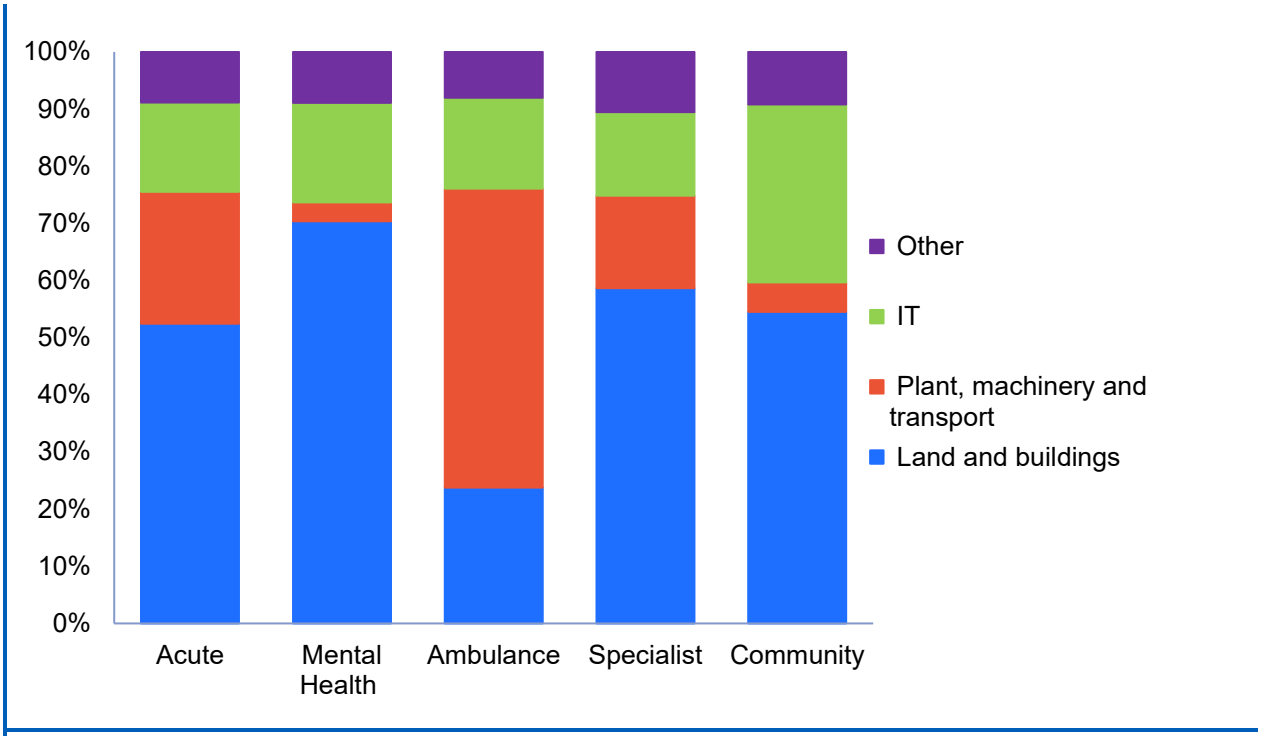

Figure 4: Proportion of capital spend by type, 2019/20

NHS providers continued to invest in their estates at levels significantly in excess of depreciation charges in year. On average capital expenditure was 190% of the depreciation charged.

Events after the reporting period

As at 31 March 2020 there were 223 NHS providers. On 1 April 2020 there were five restructuring transactions involving eleven providers. On 1 October 2020 two providers merged to form a new NHS foundation trust. More details can be found in note 32 to

these accounts. As at the date of authorisation of these accounts, there are 217 NHS providers.

The transition period following the United Kingdom's departure from the European Union ended on 31 December 2020. The Minister of State for Health has written to the health and social care sector regarding the impact of the UK and EU Trade and Co-operation Agreement on the health and care system from 1 January 2021. The letter includes details on continuity of supply, reciprocal healthcare, health security and professional qualifications.

Understanding the sector position

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

	£m
Reported sector financial performance surplus / (deficit)	**(899)**
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	(3)
Intra-group consolidation adjustment for NHS charities	(1)
Consolidated accounts basis: surplus / (deficit) before impairments and transfers, including consolidated charities – audited accounts (per Statement of Comprehensive Income)	**(910)**

Wider context

More information on the performance of the NHS in 2019/20 and priorities going forward can be found in NHS England's annual report and accounts.

Amanda Pritchard
NHS Improvement Chief Executive and Accounting Officer
12 January 2021

Statement of accounting officer's responsibilities and accountability framework

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

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 within the Department of Health and Social Care's Group Accounting Manual (GAM), which is based on HM Treasury's Financial reporting manual (FReM). NHS Improvement has set out the responsibilities of each NHS trust accountable officer to ensure:

- there are effective management systems in place to safeguard public funds and assets
- the trust achieves value for money from the resources available to it
- the trust's expenditure and income has 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.

NHS Improvement has set out the responsibilities of NHS trust directors to:

- apply suitable accounting policies consistently
- make reasonable judgements and estimates
- make a statement within the accounts on whether applicable accounting standards have been followed, and to disclose and explain any material departures and

- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

NHS foundation trusts

NHS Improvement is responsible for determining, with the Secretary of State's approval, the form of accounts each NHS foundation trust must adopt. This is described in the NHS foundation trust annual reporting manual (FT ARM), which is based on the FReM. The manual sets out the responsibilities of each NHS foundation trust accounting officer to:

- apply suitable accounting policies consistently
- make reasonable judgements and estimates
- make a statement within the accounts on whether applicable accounting standards have been followed, and to disclose and explain any material departures
- ensure the use of public funds complies with the relevant legislation, delegated authorities and guidance
- confirm that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for patients, regulators and stakeholders to assess the NHS foundation trust's performance, business model and strategy and
- prepare the financial statements on a going concern basis and disclose any material uncertainties over going concern.

Consolidated NHS provider accounts

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

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

- give a true and fair view of the state of affairs of NHS trusts and foundation trusts collectively as at the end of the financial year and the comprehensive income and

expenditure, changes in taxpayers' equity and cash flows for the financial year then ended

- disclose any material expenditure or income that has not been applied for the purposes intended by Parliament or material transactions that have not conformed to the authorities that govern them.

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

Amanda Pritchard
NHS Improvement Chief Executive and Accounting Officer
12 January 2021

Annual governance statement

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

(i) the segmentation of providers under the NHS Oversight Framework

(ii) disclosures in local annual governance statements and

(iii) the audit reports issued by local external auditors.

Scope of responsibility

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

NHS trusts

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

NHS foundation trusts

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

Purpose of the system of internal control

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

- contributing to the development of guidance to NHS trusts and NHS foundation trusts through the Department of Health and Social Care's 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/each 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 to review the quality of the work of NHS foundation trust auditors and consider their findings
- attending the NAO's Local Auditors' Advisory Group and associated technical networks, to which senior representatives from each of the audit suppliers appointed as auditors of NHS providers are invited; the forum members discuss technical audit and accounting issues in the public sector, including those concerning NHS bodies
- consideration by NHS Improvement's management and by its Audit and Risk Assurance Committee of the consolidated accounts and the processes established to derive them and
- appointing the Comptroller and Audit General to audit these consolidated NHS provider accounts.

Each NHS provider's annual report and accounts includes an AGS for the year ended 31 March 2020. 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.

Ministerial direction

In November 2019 the Secretary of State for Health and Social Care issued a ministerial direction letter to NHS England and NHS Improvement on arrangements for clinicians' pension tax liabilities. More detail is provided in note 21 to the accounts. The amounts concerned are not material to these consolidated provider accounts for 2019/20.

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

NHS Oversight Framework

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

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

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

The segmentation for providers is shown in the table below. Each NHS provider is segmented into one of the following four categories:

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

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

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

Segmentation of NHS providers is updated regularly. The table below summarises NHS providers' segmentation as at 31 March 2020 and 31 March 2019. The latest information is available at https://improvement.nhs.uk/resources/single-oversight-framework-segmentation/.

	Segmentation at 31 March 2020				**Segmentation at 31 March 2019**			
	Number of NHS trusts	Number of NHS FTs	Total number of providers	% of sector	Number of NHS trusts	Number of NHS FTs	Total number of providers	% of sector
1	11	34	**45**	20%	9	32	**41**	18%
2	19	83	**102**	46%	23	82	**105**	46%
3	36	25	**61**	27%	35	27	**62**	27%
4	8	7	**15**	7%	10	9	**19**	8%
Total	**74**	**149**	**223**		**77**	**150**	**227**	

NHS trusts in segment 3 or 4

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

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

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

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

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

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

NHS foundation trusts in segment 3 or 4

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

Where an NHS foundation trust is in breach of its licence conditions (or where there are reasonable grounds for suspecting a breach) and NHS Improvement considers that mandated support may be appropriate, NHS Improvement considers the use of Monitor's statutory enforcement powers under the 2012 Act. NHS Improvement may apply a range of enforcement powers including developing enforcement undertakings,

imposing discretionary requirements and imposing additional licence conditions to secure compliance and ensure breach does not recur. More information on NHS Improvement's formal powers of enforcement and general approach to deciding on regulatory action can be found in the Enforcement guidance available on NHS Improvement's website.

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

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

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

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

Impact of COVID-19

The COVID-19 pandemic had a significant impact on the NHS at the end of the 2019/20 financial year; this continues into 2020/21. As would be expected, most providers discuss in their annual governance statement the impact of the pandemic. These responses include:

- the enactment of major incident and business continuity plans
- changes to decision-making processes to enable a faster response including standing financial instructions and schemes of delegation while continuing to manage fraud risks
- steps to create capacity including reduction in elective procedures and manging the impact on patients
- an enhanced focus on the risk posed by the virus to the physical and mental health of trusts' staff
- other adaptations to the control environment and governance

In guidance issued to providers in April 2020 we commented that while the emergence of COVID-19 in itself would likely not constitute a significant internal control issue,

providers were asked to consider for their local annual governance statements whether COVID-19 led to changes in how the trust's control environment is applied or caused other issues to emerge which constitute a significant internal control issue. While most providers have disclosed impacts of the pandemic, none have disclosed a specific resultant significant control issue or weakness. Local control environments have been tested and needed to adapt, but generally control environments were sound without specific significant control weaknesses emerging as at the 31 March 2020 year end.

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

Sources of information

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

NHS Oversight Framework segment 3 or 4

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

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

Other significant control issues

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

External auditor's conclusion on use of resources

In addition to the 'true and fair' audit opinion on the accounts, external auditors of NHS trusts and NHS foundation trusts are required to conclude whether the trust has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Auditors will modify this conclusion where they are unable to satisfy themselves that the trust has made these proper arrangements. Such a modification does not imply that the 'true and fair' audit opinion on the provider's accounts is qualified. These modified/qualified conclusions are listed in the table that follows. In

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

Financial standing: audit opinion material uncertainty on going concern

Auditors at 57 providers (2018/19: 78) included a 'material uncertainty' paragraph within the audit report relating to going concern or financial standing. This means that the auditor felt it necessary to draw the reader's attention to a disclosure about going concern or financial standing being made by the trust. This is not a modification or qualification of the audit opinion. Further details are in the accounting policies for the consolidated NHS provider accounts in note 1.24 to the accounts. A further ten trust auditors (2018/19: six) included an 'emphasis of matter' relating to the organisation demising or significantly changing its organisational form with services transferring to other trusts, either during the reporting year or anticipated within the coming year.

Financial standing: interim cash revenue support from DHSC

Eighty-four NHS trusts and NHS foundation trusts required interim cash revenue support from DHSC in 2019/20 to support the continued provision of services to patients. These are also listed in the table that follows.

Defining a significant internal control issue for this document

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

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

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

- audit reports including a material uncertainty on going concern
- trusts in receipt of interim cash revenue support from DHSC during the year.

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

Summary of results

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

	2019/20	2018/19
Number of providers receiving mandated support from NHS Improvement during the year	79	87
Total number of modified conclusions relating to arrangements for securing economy, efficiency and effectiveness in the provider's use of resources	81	95
Number of providers where audit opinion contains material uncertainty on going concern	57	78
Number of providers in receipt of DHSC interim cash revenue support	84	99
Number of providers where 'true and fair' audit opinion has been modified (qualified)	29	0
Providers consolidated without an audit report	1: see page 38	0

Modifications of 'true and fair' audit opinion: inventory

The Government's lockdown period in response to COVID-19 spanned the 31 March 2020 year end. For inventory balances, where performance of a year end inventory count was not possible, NHS providers were able to employ a variety of procedures to assure themselves of the material accuracy of inventory balances at the year end. Where inventory is material to a provider, international standards on auditing prescribe that the auditor must attend one or more inventory counts. This was not possible given the Government's restrictions on movement, and audits being performed remotely. This limitation of the auditor's scope meant a corresponding qualified audit opinion at 29 providers. The total inventory balance at these providers was £278 million. This is not material to these consolidated provider accounts. Given the effect of the pandemic, for 2019/20 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 NHS trusts and NHS foundation trusts where 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 NHS Improvement's mandated support. Therefore, the absence of a tick in this column does not necessarily mean that the provider disclosed no significant internal control issues in its local AGS.

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
Avon and Wiltshire Mental Health Partnership NHS Trust	✓ Operational performance, quality, finance				✓		✓	✓
Barking, Havering and Redbridge University Hospitals NHS Trust	✓ Operational performance, quality, finance	✓			✓		✓	✓
Barnsley Hospital NHS Foundation Trust	No							✓
Barts Health NHS Trust	✓ Operational performance, quality, finance	✓		✓ Fire safety, never events	✓		✓	✓
Basildon and Thurrock University Hospitals NHS Foundation Trust (#)(β)	✓ Finance					✓ Finance		✓
Bedford Hospital NHS Trust (β)	No					✓ Finance		✓
Blackpool Teaching Hospitals NHS Foundation Trust	✓ Operational performance, quality					✓ Finance	✓	✓
Bolton NHS Foundation Trust	No			✓ Never events		✓ Finance		
Bridgewater Community Healthcare NHS Foundation Trust	No							✓
Brighton and Sussex University Hospitals NHS Trust	✓ Operational performance, finance				✓		✓	✓
Buckinghamshire Healthcare NHS Trust	✓ Operational performance, finance			✓ Never event	✓		✓	✓

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
Calderdale and Huddersfield NHS Foundation Trust	✓ Finance				✓			✓
Cambridge University Hospitals NHS Foundation Trust (#)	No			✓ Capacity, capital constraints affecting fire safety		✓ Finance	✓	✓
Countess of Chester Hospital NHS Foundation Trust	No					✓ Finance		✓
County Durham and Darlington NHS Foundation Trust (#)	No							✓
Croydon Health Services NHS Trust	✓ Operational performance, quality, finance				✓		✓	
Dartford and Gravesham NHS Trust	✓ Operational performance, finance			✓ Never events	✓			✓
Dudley And Walsall Mental Health Partnership NHS Trust (β)	No					✓ Project governance		
East And North Hertfordshire NHS Trust	✓ Operational performance, quality, finance							✓
East Cheshire NHS Trust	✓ Operational performance			✓ Finance and sustainability of organisational form		✓ Finance	✓	✓
East Kent Hospitals University NHS Foundation Trust	✓ Operational performance, quality, finance	✓			✓		✓	✓
East Lancashire Hospitals NHS Trust (#)	No					✓ Finance	✓	

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
East Midlands Ambulance Service NHS Trust	✓ Operational performance							
East of England Ambulance Service NHS Trust	✓ Operational performance, quality							
East Suffolk and North Essex NHS Foundation Trust	No			✓ Delivery of access targets		✓ Finance		✓
East Sussex Healthcare NHS Trust	✓ Operational performance, quality, finance	✓ (exited July 2019)			✓			✓
Epsom and St Helier University Hospitals NHS Trust	✓ Operational performance, quality, finance				✓			✓
George Eliot Hospital NHS Trust	✓ Operational performance, quality, finance				✓			✓
Gloucestershire Hospitals NHS Foundation Trust (#)	✓ Operational performance, finance						✓	✓
Great Western Hospitals NHS Foundation Trust	No					✓ Finance		✓
Hampshire Hospitals NHS Foundation Trust (#)	No					✓ Finance	✓	✓
Harrogate and District NHS Foundation Trust	No							✓
Hull University Teaching Hospitals NHS Trust (#)	✓ Operational performance, quality, finance							

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
Imperial College Healthcare NHS Trust	✓ Operational performance, quality, finance				✓			
Isle of Wight NHS Trust (#)	✓ Operational performance, quality, finance	✓	✓		✓		✓	✓
Kent and Medway NHS and Social Care Partnership Trust	No			✓ Information governance issues				
Kettering General Hospital NHS Foundation Trust	✓ Operational performance, quality, finance				✓		✓	✓
King's College Hospital NHS Foundation Trust (#)	✓ Operational performance, quality, finance	✓		✓ Information governance framework compliance	✓		✓	✓
Lancashire Care NHS Foundation Trust	No					✓ Quality (CQC rating)		
Lancashire Teaching Hospitals NHS Foundation Trust	✓ Finance				✓		✓	✓
Leeds Teaching Hospitals NHS Trust	No			✓ Operational performance, serious incidents, never events and health and safety incidents				
Leicestershire Partnership NHS Trust	✓ Operational performance, quality			✓ Data handling and internal audit findings	✓			

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
Lewisham and Greenwich NHS Trust	✓ Operational performance, quality, finance							✓
Liverpool University Hospitals NHS Foundation Trust (#)	No					✓ Quality (CQC)	✓	✓
Liverpool Women's NHS Foundation Trust	✓ Finance			✓ CQC warning notice				
London North West University Healthcare NHS Trust (#)	✓ Operational performance, quality, finance				✓		✓	✓
Maidstone And Tunbridge Wells NHS Trust	✓ Operational performance, quality, finance			✓ Never events				
Medway NHS Foundation Trust (#)	✓ Operational performance, quality, finance				✓		✓	✓
Mid Cheshire Hospitals NHS Foundation Trust	No					✓ Finance		
Mid Essex Hospital Services NHS Trust (#)(β)	✓ Operational performance, finance				✓			✓
Mid Yorkshire Hospitals NHS Trust	✓ Operational performance, quality, finance				✓			✓
Milton Keynes University Hospital NHS Foundation Trust	No			✓ Finance and data quality		✓ Finance, operational performance (data quality)		✓

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
Norfolk and Norwich University Hospitals NHS Foundation Trust	✓ Operational performance, quality, finance		✓		✓			✓
Norfolk and Suffolk NHS Foundation Trust	✓ Operational performance, quality, finance		✓		✓			
North Bristol NHS Trust (#)	✓ Operational performance, finance						✓	✓
North Cumbria Integrated Care NHS Foundation Trust (#)	✓ Operational performance, quality, finance				✓		✓	✓
North Middlesex University Hospital NHS Trust	✓ Operational performance, quality, finance)						✓	✓
North Tees and Hartlepool NHS Foundation Trust	✓ Finance				✓		✓	
North West Anglia NHS Foundation Trust	✓ Operational performance, quality					✓ Finance	✓	✓
North West Boroughs Healthcare NHS Foundation Trust	No						✓	
Northampton General Hospital NHS Trust	✓ Operational performance, finance				✓			✓
Northern Devon Healthcare NHS Trust	No							✓
Northern Lincolnshire and Goole NHS Foundation Trust	✓ Operational performance, quality, finance	✓	✓	✓ Information governance	✓		✓	✓

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
Nottingham University Hospitals NHS Trust	✓ Operational performance, finance							✓
Oxford University Hospitals NHS Foundation Trust	✓ Operational performance, finance				✓		✓	
Pennine Acute Hospitals NHS Trust	✓ Operational performance, quality, finance				✓		✓	✓
Pennine Care NHS Foundation Trust	✓ Operational performance, quality, finance						✓	
Poole Hospital NHS Foundation Trust (β)	No							✓
Portsmouth Hospitals NHS Trust	✓ Operational performance, quality, finance						✓	
Queen Victoria Hospital NHS Foundation Trust	No					✓ Finance	✓	✓
Royal Cornwall Hospitals NHS Trust (#)	✓ Operational performance, finance		✓ (exited Apr 2020)		✓		✓	
Royal Free London NHS Foundation Trust	✓ Finance				✓		✓	
Royal National Orthopaedic Hospital NHS Trust	No			✓ Workforce issues, capital needs sustainability of small-scale services				✓
Salisbury NHS Foundation Trust (#)	✓ Operational performance, finance				✓		✓	

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
Sandwell And West Birmingham Hospitals NHS Trust	✓ Operational performance, quality, finance							
Sheffield Health and Social Care NHS Foundation Trust	No			✓ CQC findings		✓ Quality		
Sherwood Forest Hospitals NHS Foundation Trust	No					✓ Finance	✓	✓
Shrewsbury and Telford Hospital NHS Trust	✓ Operational performance, quality, finance		✓		✓			✓
South East Coast Ambulance Service NHS Foundation Trust	✓ Operational performance, finance		✓ (exited Aug 2019)					
South Tees Hospitals NHS Foundation Trust	✓ Operational performance, finance			✓ CQC findings, staff survey results	✓			✓
Southend University Hospital NHS Foundation Trust (#)	No					✓ Finance		
Southern Health NHS Foundation Trust	✓ Quality, finance				✓		✓	✓
Southport And Ormskirk Hospital NHS Trust	✓ Operational performance, quality, finance				✓		✓	✓
St George's University Hospitals NHS Foundation Trust	✓ Operational performance, quality, finance	✓	✓		✓		✓	✓
St Helens and Knowsley Teaching Hospital NHS Trust	No							✓

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
Stockport NHS Foundation Trust	✓ Operational performance, quality, finance				✓		✓	✓
Surrey And Sussex Healthcare NHS Trust	No			✓ Operational performance				
Sussex Partnership NHS Foundation Trust	No			✓ Operational performance				
Tameside and Glossop Integrated Care NHS Foundation Trust	✓ Finance							✓
Taunton & Somerset NHS Foundation Trust (β)	No							✓
Tees, Esk and Wear Valleys NHS Foundation Trust	No			✓ CQC findings				
The Dudley Group NHS Foundation Trust	✓ Operational performance, quality, finance				✓		✓	
The Hillingdon Hospitals NHS Foundation Trust	✓ Operational performance, quality, finance				✓		✓	✓
The Princess Alexandra Hospital NHS Trust (#)	✓ Operational performance						✓	✓
The Queen Elizabeth Hospital King's Lynn NHS Foundation Trust	✓ Operational performance, quality, finance		✓		✓			✓
The Rotherham NHS Foundation Trust	✓ Operational performance, quality, finance				✓		✓	✓

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
The Royal Orthopaedic Hospital NHS Foundation Trust (#)	No			✓ Never events			✓	✓
The Royal Wolverhampton NHS Trust	✓ Operational performance, finance							
Torbay and South Devon NHS Foundation Trust	No					✓ Finance	✓	✓
United Lincolnshire Hospitals NHS Trust	✓ Operational performance, quality, finance	✓	✓	✓ Workforce issues, health and safety and fire notices	✓		✓	✓
University College London Hospitals NHS Foundation Trust	No			✓ Never events				
University Hospitals Coventry And Warwickshire NHS Trust	✓ Operational performance, finance				✓			✓
University Hospitals of Derby and Burton NHS Foundation Trust	✓ Operational performance, finance				✓		✓	✓
University Hospitals of Leicester NHS Trust	✓ Operational performance, quality, finance			These consolidated accounts have been prepared using unaudited financial information from University Hospitals of Leicester NHS Trust. See page 38.				✓
University Hospitals of Morecambe Bay NHS Foundation Trust	✓ Operational performance, finance				✓		✓	✓
University Hospitals of North Midlands NHS Trust (#)	✓ Operational performance, quality, finance	✓			✓		✓	✓
University Hospitals Plymouth NHS Trust (#)	✓ Operational performance, quality, finance				✓		✓	✓

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
Walsall Healthcare NHS Trust	✓ Operational performance, quality, finance			✓ Internal audit findings, staff survey, workforce race equality standard	✓		✓	✓
Warrington and Halton Hospitals NHS Foundation Trust	No						✓	
West Hertfordshire Hospitals NHS Trust	✓ Operational performance, quality, finance				✓			✓
West Suffolk NHS Foundation Trust	No			✓ CQC findings, building issues, pathology delivery, operational performance		✓ Finance		✓
Weston Area Health NHS Trust	✓ Operational performance, quality, finance				✓			✓
Wirral University Teaching Hospital NHS Foundation Trust	✓ Operational performance, finance				✓		✓	✓
Worcestershire Acute Hospitals NHS Trust (#)	✓ Operational performance, quality, finance		✓		✓		✓	✓
Wye Valley NHS Trust (#)	✓ Operational performance, quality, finance			✓ Workforce issues	✓		✓	✓
Yeovil District Hospital NHS Foundation Trust	No					✓ Quality		✓

	Provider subject to mandated support from NHS Improvement			Other significant internal control issue disclosed by provider	Audit report: Use of Resources modification		Financial standing	
Provider name	(1) Provider in Oversight Framework segment 3 or 4 during the year *	(2) Provider in special measures during the year		(3) Significant internal control issue not relating to matters in (1)	(4) UoR modification linked to matters in (1)	(5) UoR modification: Other matter (or segment 3/4 post year-end)	(6) Auditor material uncertainty on going concern	(7) Provider in receipt of DHSC interim cash revenue support during 2019/20
		Finance	Quality					
York Teaching Hospital NHS Foundation Trust (#)	✓ Finance			✓ CQC findings	✓ and quality			✓
Yorkshire Ambulance Service NHS Trust	No					✓ financial reporting		
Totals	**79**	**10**	**11**	**28**	**56 ^**	**25 ^**	**57 ^** (see α below)	**84** (see δ below)

* Notes for column (1):

- The explanation for each provider shows the support offerings for each provider in segment 3 or 4 at any point during the year. In some cases a trust may receive a combination of mandated and targeted support with all such support needs included here.
- In many cases our support also relates to the leadership and improvement capability and strategic change Oversight Framework domains. Where this is the case the underlying issues will relate to other Oversight Framework domains so these are not additionally listed here. No providers are receiving mandated support solely relating to either leadership and improvement capability or strategic change.

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

α 56 trusts are listed in the table. The auditor at North Cumbria University Hospitals NHS Trust, which was dissolved on 1 October 2019 and is not listed in the table, entered a material uncertainty on going concern in addition to an emphasis of matter, making this overall total **57**.

β 6 trusts are denoted with this symbol to indicate that the auditor included an 'emphasis of matter' relating to the organisation demising or significantly changing its organisational form with services transferring to other trusts, either during the reporting year or anticipated within the coming year. This also applies to the 3 trusts that demised during the year (see accounts note 30), plus The Royal Bournemouth and Christchurch Hospitals NHS Foundation Trust (not otherwise included in the table) making the overall total **10**.

δ 82 trusts are listed in the table. 2 trusts that demised during the year were also in receipt of DHSC interim revenue support, making this overall total **84**.

(#) The 29 trusts that received a qualified audit opinion due to COVID-19 leading to limitations on audit evidence on inventory, as explained on page 25, are denoted with a hash. 25 trusts are identified in the table; the additional 4 trusts not otherwise included in the table are Guy's & St Thomas' NHS Foundation Trust, Liverpool Heart and Chest Hospital NHS Foundation Trust, Royal Brompton and Harefield NHS Foundation Trust and The Clatterbridge Cancer Centre NHS Foundation Trust.

University Hospitals of Leicester NHS Trust

As explained in note 1 to the consolidated financial statements on page 51, the annual report and accounts for one provider, University Hospitals of Leicester NHS Trust, have not been adopted by the Trust Board or certified by the Trust's auditor. This means that the Trust has not published its annual governance statement, which forms part of the annual report.

In its draft accounts for 2019/20 the Trust recognised prior period adjustments that increased previous periods' deficits by £45 million. This was revised to £32 million in August 2020 and is the position included in these consolidated accounts. The Trust entered the Special Measures for Finance regime in August 2020. This includes the appointment of a Financial Improvement Director to the Trust, senior monthly oversight meetings, external review of the finance function, and board development.

The work of the Trust and its external auditor has identified significant weaknesses in internal control. These findings include deficiencies in financial systems and control, governance and financial reporting; in particular the use and authorisation of journals in the accounting ledger. In December 2020 the Trust assessed that the weaknesses in underlying accounting records mean that the Board is currently unable to certify that the annual accounts are true and fair. As a consequence, the external auditor cannot issue an audit report. The Trust is commencing work to review and assure itself over the accuracy of its accounting records and intends to prepare revised 2019/20 accounts by March 2021.

Auditor referrals of matters arising

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

- is about to make, or has made, a decision which involves or would involve the incurring of expenditure which is unlawful, or
- is about to take, or has taken, a course of action which, if pursued to its conclusion, would be unlawful and likely to cause a loss or deficiency

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

40 NHS trusts (2018/19: 42) and no NHS foundation trusts (2018/19: none) were subject to such referrals in 2019/20. 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 submission by the auditor at University Hospitals of Leicester NHS Trust also refers to the Trust having not prepared accounts that it can adopt as true and fair, as explained on page 38 of this governance statement.

NHS foundation trusts: quality report external assurance

In previous years, the results of the limited assurance work performed on quality reports by the external auditor at NHS foundation trusts has been reported in this statement. This work is usually performed as part of NHS Improvement defining requirements for NHS foundation trusts' annual reports. In light of restrictions imposed due to the COVID-19 pandemic, this assurance work – which in most cases would require work to be performed on trusts' premises – was suspended for 2019/20.

Amanda Pritchard
NHS Improvement Chief Executive and Accounting Officer
12 January 2021

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

Opinion on consolidated financial statements

I certify that I have audited the Consolidated NHS Provider Accounts for the year ended 31 March 2020 pursuant to my powers under section 16 of the Budget Responsibility and National Audit Act 2011. The consolidated financial statements have been prepared by the National Health Service Trust Development Authority in accordance with directions issued by the Secretary of State for Health and Social Care dated 29 June 2018 under the National Health Service Act 2006. The consolidated financial statements comprise: the Consolidated Statements of Comprehensive Income, Financial Position, Cash Flows, Changes in Equity; and the related notes, including the significant accounting policies. These consolidated financial statements have been prepared under the accounting policies set out within them.

In my opinion:

- the consolidated financial statements give a true and fair view of the state of affairs of NHS trusts and NHS foundation trusts, taken collectively, as at 31 March 2020 and of their deficit for the year then ended; and
- the consolidated financial statements have been properly prepared in accordance with the directions issued under the National Health Service Act 2006

Emphasis of matter – material uncertainty regarding property valuation

I draw attention to the disclosures made in note 1.25 to the consolidated financial statements which state that the valuation of NHS trusts' and NHS foundation trusts' property is subject to material uncertainty arising from the impact of Covid-19 on markets. My opinion is not modified in respect of this matter.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the National Health Service Trust Development Authority in accordance with the ethical requirements that are relevant to my audit and the consolidated financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the National Health Service Trust Development Authority's use of the going concern basis of accounting in the preparation of the consolidated financial statements is not appropriate; or
- the National Health Service Trust Development Authority have not disclosed in the consolidated financial statements any identified material uncertainties that may cast significant doubt about NHS trusts' and NHS foundation trusts' collective ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the consolidated financial statements are authorised for issue.

Responsibilities of the Accounting Officer for the consolidated financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities and Accountability Framework, the Accounting Officer of the National Health Service Trust Development Authority is responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view.

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

My responsibility is to audit, certify and report on the consolidated financial statements, in response to a request made by the National Health Service Trust Development

Authority for me to audit the Consolidated NHS Provider Accounts under section 16 of the Budget Responsibility and National Audit Act 2011.

An audit involves obtaining evidence about the amounts and disclosures in the consolidated financial statements sufficient to give reasonable assurance that the consolidated financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls relevant to the production of the Consolidated NHS Provider Accounts.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. I am responsible for the direction, supervision and performance of the group audit. I remain solely responsible for my audit opinion.
- conclude on the appropriateness of the National Health Service Trust Development Authority's use of the going concern basis of accounting and,

based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of NHS trusts and NHS foundation trusts, collectively, to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause NHS trusts and NHS foundation trusts, collectively, to cease to continue as a going concern.

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.

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

Other Information

The Accounting Officer of the National Health Service Trust Development is responsible for the other information. The other information comprises information included in the Foreword, Review of Financial Performance of NHS Providers, Statement of Accounting Officer's Responsibilities and Accountability Framework, and the Annual Governance Statement but does not include the consolidated financial statements and my auditor's report thereon. My opinion on the consolidated financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the consolidated financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, 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 the information given in in the Foreword, Review of Financial Performance of NHS Providers, Statement of Accounting Officer's Responsibilities and Accountability Framework, and the Annual Governance Statement for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which I report by exception

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

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

Report

I refer to the explanatory report that I have included alongside my audit certificate on the 2019/20 financial statements of the Department of Health and Social Care. This report is relevant to the Consolidated NHS Provider Accounts because it reports on the financial management and governance issues at University Hospitals of Leicester NHS Trust and on the regularity considerations arising from the ministerial direction given by the Secretary of State for Health and Social Care on 22 November 2019.

Gareth Davies 26 January 2021

Comptroller and Auditor General

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

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

	Note	2019/20 Before revaluations, impairments and transfers £m	2019/20 Revaluations, impairments and transfers £m	2019/20 After revaluations, impairments and transfers £m	2018/19 Before revaluations, impairments and transfers £m	2018/19 Revaluations, impairments and transfers £m	2018/19 After revaluations, impairments and transfers £m
Operating income from patient care activities	3	82,338	-	82,338	75,170	-	75,170
Other operating income	4	9,663	-	9,663	9,510	-	9,510
Total operating income		**92,001**	**-**	**92,001**	**84,680**	**-**	**84,680**
Operating expenses	5, 6	(91,260)	(924)	(92,184)	(83,958)	(1,053)	(85,011)
Operating surplus/(deficit)		**741**	**(924)**	**(183)**	**722**	**(1,053)**	**(331)**
Finance income		65	-	65	56	-	56
Finance expenses	10	(1,173)	-	(1,173)	(1,112)	-	(1,112)
PDC dividends payable		(611)	-	(611)	(647)	-	(647)
Net finance costs		**(1,719)**	**-**	**(1,719)**	**(1,703)**	**-**	**(1,703)**
Other gains/(losses)	11	45	-	45	400	-	400
Share of profits/(losses) of joint ventures/associates		22	-	22	10	-	10
Gains arising from transfers by absorption	30	-	-	-	-	1	1
Losses arising from transfers by absorption	30	-	(15)	(15)	-	(6)	(6)
Corporation tax expense		1	-	1	(4)	-	(4)
Surplus/(deficit) for the year		**(910)**	**(939)**	**(1,849)**	**(575)**	**(1,058)**	**(1,633)**
Other comprehensive income/(expenditure)							
Will not be reclassified to income and expenditure:							
Net impairments charged to the revaluation reserve	8	-	(612)	(612)	-	(695)	(695)
Revaluations	8	(1)	1,014	1,013	-	623	623
Fair value gains/(losses) on equity instruments designated at fair value through OCI		(15)	-	(15)	1	-	1
Gains arising from transfers by modified absorption	30	-	10	10			
Other OCI movements		3	-	3	(8)	-	(8)
May be reclassified to income and expenditure when certain conditions are met:							
Fair value gains/(losses) on financial assets mandated at fair value through OCI		(7)	-	(7)	5	-	5
Other comprehensive income/(expense)		**(20)**	**412**	**392**	**(2)**	**(72)**	**(74)**
Total comprehensive income/(expense) for the period		**(930)**	**(527)**	**(1,457)**	**(577)**	**(1,130)**	**(1,707)**

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

Consolidated statement of financial position as at 31 March 2020

	Note	31 March 2020 £m	31 March 2019 £m
Non-current assets			
Intangible assets	12	1,337	1,201
Property, plant and equipment	13	46,609	45,022
Investment property	14	216	201
Investments in joint ventures and associates	14	91	75
Other financial assets	14	171	214
Receivables	16	676	539
Other assets		5	5
Total non-current assets		**49,105**	**47,257**
Current assets			
Inventories	15	1,169	1,086
Receivables	16	6,564	6,671
Other financial assets	14	39	45
Non-current assets held for sale and assets in disposal groups		49	30
Cash and cash equivalents	17	6,832	5,840
Total current assets		**14,653**	**13,672**
Current liabilities			
Trade and other payables	18	(9,551)	(8,645)
Borrowings	20	(14,202)	(3,983)
Other financial liabilities		(1)	(1)
Provisions	21	(453)	(432)
Other liabilities	19	(914)	(814)
Total current liabilities		**(25,121)**	**(13,875)**
Total assets less current liabilities		**38,637**	**47,054**
Non-current liabilities			
Trade and other payables	18	(35)	(25)
Borrowings	20	(11,568)	(19,586)
Other financial liabilities		(2)	(2)
Provisions	21	(581)	(463)
Other liabilities	19	(191)	(195)
Total non-current liabilities		**(12,377)**	**(20,271)**
Total assets employed		**26,260**	**26,783**
Financed by			
Public dividend capital		28,047	27,408
Revaluation reserve		9,139	8,846
Other reserves		127	138
Income and expenditure reserve		(11,358)	(9,925)
NHS charitable fund reserves	27	305	316
Total taxpayers' equity		**26,260**	**26,783**

The accompanying notes are an integral part of these accounts. They are presented on pages 51 to 108.

Amanda Pritchard
Accounting Officer
12 January 2021

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

	Note	Public dividend capital £m	Revaluation reserve £m	Other reserves £m	Income and expenditure reserve £m	NHS charitable fund reserves £m	Total £m
Taxpayers' and others' equity at 1 April 2019 - brought forward		**27,408**	**8,846**	**138**	**(9,925)**	**316**	**26,783**
Surplus/(deficit) for the year		-	-	-	(1,886)	37	**(1,849)**
Gain/(loss) arising from transfers by modified absorption	30	-	-	-	10	-	**10**
Transfers by absorption: transfers between reserves	30	-	1	-	9	(10)	**-**
Adjustments to prior period accounted for in-year *		-	1	-	17	9	**27**
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits		-	(33)	-	33	-	**-**
Other transfers between reserves		-	(57)	(3)	60	-	**-**
Impairments	8	-	(612)	-	-	-	**(612)**
Revaluations	8	-	1,013	-	-	-	**1,013**
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)		-	-	-	-	(7)	**(7)**
Fair value gains/(losses) on equity instruments designated at fair value through OCI		-	-	(15)	-	-	**(15)**
Other recognised gains and losses		-	-	-	(1)	-	**(1)**
Remeasurements of the defined net benefit pension scheme liability/asset		-	-	7	10	-	**17**
Public dividend capital received		908	-	-	-	-	**908**
Public dividend capital repaid		(1)	-	-	-	-	**(1)**
Public dividend capital written off		(268)	-	-	268	-	**-**
Other reserve movements**		-	-	-	27	(40)	**(13)**
Taxpayers' and others' equity at 31 March 2020		**28,047**	**9,139**	**127**	**(11,358)**	**305**	**26,260**

* 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 2019

	Note	Public dividend capital £m	Revaluation reserve £m	Other reserves £m	Income and expenditure reserve £m	NHS charitable fund reserves £m	Total £m
Taxpayers' and others' equity at 1 April 2018		**26,692**	**9,025**	**149**	**(8,505)**	**449**	**27,810**
Impact of implementing IFRS 15 on 1 April 2018		-	-	-	(2)	-	**(2)**
Impact of implementing IFRS 9 on 1 April 2018		-	-	-	(11)	-	**(11)**
Surplus/(deficit) for the year		-	-	-	(1,671)	38	**(1,633)**
Transfers by absorption: transfers between reserves	30	-	-	(5)	5	-	**-**
Previous prior period adjustments accounted for in 2018/19		-	8	-	16	(139)	**(115)**
Transfer from revaluation reserve to income and expenditure reserve for impairments arising from consumption of economic benefits		-	(8)	-	8	-	**-**
Other transfers between reserves		-	(53)	(4)	57	-	**-**
Impairments	8	-	(695)	-	-	-	**(695)**
Revaluations	8	-	623	-	-	-	**623**
Transfer to income and expenditure reserve on disposal of assets		-	(54)	-	54	-	**-**
Fair value gains/(losses) on financial assets mandated at fair value through Other Comprehensive Income (OCI)		-	-	-	-	4	**4**
Fair value gains/(losses) on equity instruments designated at fair value through OCI		-	-	1	-	-	**1**
Remeasurements of the defined net benefit pension scheme		-	-	(3)	(6)	-	**(9)**
Public dividend capital received		809	-	-	-	-	**809**
Public dividend capital repaid		(3)	-	-	-	-	**(3)**
Public dividend capital written off		(90)	-	-	91	-	**1**
Other reserve movements*		-	-	-	39	(36)	**3**
Taxpayers' and others' equity at 31 March 2019		**27,408**	**8,846**	**138**	**(9,925)**	**316**	**26,783**

* 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. 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 2020

	Note	2019/20 £m	2018/19 £m
Cash flows from operating activities			
Operating surplus/ (deficit)		(183)	(331)
Non-cash income and expense:			
Depreciation and amortisation	5.1	2,403	2,229
Net impairments	8	924	1,053
Donations/grants credited to income		(129)	(384)
Non-cash movements in on-SoFP pension liability		7	5
(Increase) in receivables and other assets		(25)	(557)
(Increase) in inventories		(83)	(43)
Increase in payables and other liabilities		729	515
Increase/(Decrease) in provisions		147	15
Corporation tax (paid)		(6)	(3)
NHS charitable funds net adjustments to operating cash flows		(2)	(1)
Other movements in operating cash flows		(8)	(30)
Net cash generated from operating activities		**3,774**	**2,468**
Cash flows from investing activities			
Interest received		58	49
Purchase of financial assets/investments		(97)	(165)
Sale of financial assets/investments		113	144
Purchase of intangible assets		(372)	(364)
Sales of intangible assets		-	-
Purchase of property, plant, equipment and investment property		(3,980)	(3,493)
Sales of property, plant, equipment and investment property		101	441
Receipt of cash donations to purchase capital assets		114	108
NHS charitable funds investing cash flows		5	-
Net cash generated used in investing activities		**(4,058)**	**(3,280)**
Cash flows from financing activities			
Public dividend capital received		908	809
Public dividend capital repaid		(1)	(3)
Movement in loans from the Department of Health and Social Care		2,439	2,963
Movement in other loans		28	101
Capital element of finance lease rental payments		(60)	(59)
Capital element of PFI, LIFT and other service concession payments		(279)	(276)
Interest paid on finance lease liabilities		(17)	(14)
Interest paid on PFI, LIFT and other service concession obligations		(785)	(794)
Other interest paid		(354)	(288)
PDC dividend (paid)		(601)	(663)
Net cash generated from financing activities		**1,278**	**1,776**
Increase / (decrease) in cash and cash equivalents		**994**	**964**
Cash and cash equivalents at 1 April		5,824	4,865
Cash and cash equivalents transferred under absorption accounting	17.1	(1)	-
Adjustments to prior period accounted for in year		2	(5)
Cash and cash equivalents at 31 March	17.1	**6,819**	**5,824**

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

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

Notes to the financial statements

Note 1 Accounting policies and other information

Basis of preparation

NHS Improvement, in exercising the duties conferred on the NHS Trust Development Authority (NHS TDA) and Monitor, has produced the consolidated accounts of NHS providers in accordance with directions issued by the Secretary of State. In line with those directions, these accounts have been prepared in accordance with the Department of Health and Social Care (DHSC) Group Accounting Manual (GAM) 2019/20 and the HM Treasury Financial Reporting Manual (FReM) in relevant respects. 'NHS providers' is used as a collective term for NHS trusts and NHS foundation trusts. 'Trusts' when not prefixed with 'NHS' is also used to mean providers in general.

NHS Improvement, in exercising the statutory functions conferred on Monitor, is responsible for issuing an accounts direction to NHS foundation trusts under the NHS Act 2006. NHS Improvement has directed that the financial statements of NHS foundation trusts shall meet the accounting requirements of the GAM. The GAM is directly applicable to NHS trusts as a result of directions issued by the Secretary of State.

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

Accounting convention

These financial statements have been prepared under the historical cost convention modified to account for the revaluation of property, plant and equipment, intangible assets and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Consolidated Statement of Comprehensive Income (SOCI) policy

The SOCI in these consolidated accounts is presented to separately identify the surplus or deficit before impairments of non-financial assets and transfers as this is how NHS Improvement has reported on the performance of NHS 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 2019/20 using the principles of IFRS as adopted by the FReM. They present the consolidated results of the NHS provider sector after the elimination of inter-NHS provider balances and transactions. Monitor and the NHS Trust Development Authority (NHS TDA), as part of NHS Improvement, are not the parent undertakings for NHS providers and their results are not incorporated within these accounts. As there is no parent entity within this consolidation, only consolidated group statements are presented.

University Hospitals of Leicester NHS Trust

The results for one provider, University Hospitals of Leicester NHS Trust, have been consolidated based on accounts information provided by the Trust, but the annual accounts have not been adopted by the Trust Board or certified by the Trust's auditor. The work of the Trust and its external auditor has identified significant weaknesses in internal control, including financial governance. In December 2020 the Trust assessed that the weaknesses in underlying accounting records mean that the Board is currently unable to certify that the annual accounts are true and fair. As a consequence, the external auditor cannot issue an audit report.

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 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.

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 2019/20 and 2018/19 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

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

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

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

Revenue from research contracts

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

NHS injury cost recovery scheme

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

Note 1.3 Other forms of income

Grants and donations

Government grants are grants from Government bodies other than income from commissioners for the provision of services. Where a grant is used to fund revenue expenditure it is credited to operating income to match that expenditure. Where the grant is used to fund capital expenditure, it is credited to the Consolidated Statement of Comprehensive Income once conditions attached to the grant have been met. Donations are treated in the same way as government grants.

Apprenticeship service income

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

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

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

Note 1.4 Expenditure on employee benefits

Short-term employee benefits

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

NHS pension scheme

Past and present employees are covered by the provisions of the two NHS Pension Schemes. Details of the benefits payable and rules of the Schemes can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions. Both schemes are unfunded, defined benefit schemes that cover NHS employers, general practices and other bodies, allowed under the direction of the Secretary of State for Health and Social Care in England and Wales. The scheme is not designed to be run in a way that would enable NHS bodies to identify their share of the underlying scheme assets and liabilities. Therefore, the scheme is accounted for as a defined contribution scheme: the cost to the NHS body is taken as equal to the employers' pension contributions payable to the scheme for the accounting period. The contributions are charged to operating expenses as they become due.

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

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

a) Accounting valuation

A valuation of scheme liability is carried out annually by the scheme actuary (currently the Government Actuary’s Department) as at the end of the reporting period. This utilises an actuarial assessment for the previous accounting period in conjunction with updated membership and financial data for the current reporting period, and is accepted as providing suitably robust figures for financial reporting purposes. The valuation of scheme liability as at 31 March 2020 is based on valuation data as 31 March 2019, updated to 31 March 2020 with summary global member and accounting data. In undertaking this actuarial assessment, the methodology prescribed in IAS 19, relevant FReM interpretations, and the discount rate prescribed by HM Treasury have also been used.

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

b) Full actuarial (funding) valuation

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

The last published actuarial valuation undertaken for the NHS Pension Scheme was completed for the year ending 31 March 2016. The results of this valuation set the employer contribution rate payable from April 2019 at 20.6%, and the scheme regulations were amended accordingly. For 2019/20 providers continue to pay over contributions at the former rate (14.3%) with the additional amount being paid by NHS England on providers’ behalf. The full cost and related funding are recognised in these accounts.

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

Other pension schemes

Local Government Pension Scheme

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

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

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

Where an NHS provider is unable to identify its share of the underlying scheme liabilities these are accounted for as defined contribution pension schemes ('off Statement of Financial Position') and employer contributions are charged to expenditure as they fall due. Seven NHS providers recognise LGPS schemes in this way.

Other pension schemes

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

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

Defined contribution pension schemes

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

Note 1.5 Expenditure on other goods and services

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

Note 1.6 Discontinued operations

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

Note 1.7 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised where:

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

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

Subsequent expenditure

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

Measurement

Valuation

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

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

Current values in existing use are determined as follows:

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

For specialised assets, current value in existing use is interpreted as the present value of the asset’s remaining service potential, which is assumed to be at least equal to the cost of replacing that service potential. In line with the GAM, specialised assets are therefore valued as their depreciated replacement cost (DRC) on a modern equivalent asset (MEA) basis. This valuation method therefore applies to the majority of NHS providers' property asset base. The MEA method assumes that the existing asset would be replaced with a modern asset of equivalent capacity and function. This asset need not be restricted to the current location and thus, where it would meet the contractual location requirements of the service being provided, an alternative site may instead be used as the basis of valuation. It is for individual NHS providers to determine whether the alternative site approach is appropriate when undertaking an MEA based valuation.

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

Note 1.25 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.

Private finance initiative (PFI) and Local Improvement Finance Trust (LIFT) transactions

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

The annual contract payments are apportioned between the repayment of the liability, a finance cost and the charges for services. The finance cost is calculated using the implicit interest rate for the scheme. The element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

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

Useful lives of property, plant and equipment

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

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

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

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

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

Note 1.25 provides further information on the sensitivity of these estimated useful lives.

Note 1.8 Intangible assets

Recognition

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

Internally generated intangible assets

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

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

Software

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

Measurement

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

Subsequently intangible assets are measured at current value in existing use. Where no active market exists, intangible assets are valued at the lower of depreciated replacement cost and the value in use where the asset is income generating. Revaluations gains and losses and impairments are treated in the same manner as for property, plant and equipment. Assets that were most recently held for their service potential but are surplus with no plan to bring them back into use are measured at fair value where there are no restrictions on sale at the reporting date and where they do not meet the definition of an asset held for sale.

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

Amortisation

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

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

	Min life Years	Max life Years
Intangible assets - internally generated		
Information technology	1	20
Development expenditure	1	12
Websites	1	8
Intangible assets - purchased		
Software	1	20
Licences & trademarks	1	11
Patents	5	5
Other	1	15

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

Note 1.9 Investment properties

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

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

Note 1.10 Leases

Finance leases

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

The asset and liability are recognised at the commencement of the lease term and de-recognised when the liability is discharged, cancelled or expires. After initial recognition the asset is accounted for an item of property plant and equipment. The annual rental is split between the repayment of the liability and a finance cost. The annual finance cost is calculated by applying the implicit interest rate to the outstanding liability and is charged to finance costs in the Consolidated Statement of Comprehensive Income.

Operating leases

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

Leases of land and buildings

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

Note 1.11 Inventories

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

Note 1.12 Financial assets and financial liabilities

Recognition

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

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

Classification and measurement

Financial assets and financial liabilities are initially measured at fair value plus or minus directly attributable transaction costs except where the asset or liability is 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 2020.

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

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

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

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

Clinical negligence costs

NHS Resolution (previously known as NHS Litigation Authority) operates a risk pooling scheme under which an NHS provider pays an annual contribution to NHS Resolution, which, in return, settles all clinical negligence claims. Although NHS Resolution is administratively responsible for all clinical negligence cases, the legal liability remains with an NHS provider. The total value of clinical negligence provisions carried by NHS Resolution on behalf of NHS providers is disclosed at note 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, except for
(i) net book value of donated and grant funded assets and assets purchased in response to COVID 19,
(ii) average daily cash balances held with the Government Banking Services (GBS) and National Loans Fund (NLF) deposits, excluding cash balances held in GBS accounts that relate to a short-term working capital facility,
(iii) any PDC dividend balance receivable or payable and
(iv) any receivable associated with Provider sustainability fund (PSF) or Financial recovery fund (FRF) incentive schemes.

In accordance with the requirements laid down by the Department of Health and Social Care (as the issuer of PDC), the dividend for the year is calculated on the actual average relevant net assets as set out in the "pre-audit" version of the annual accounts. The dividend thus calculated is not revised should any adjustment to net assets occur as a result the audit of the annual accounts.

Note 1.18 Value added tax

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

Note 1.19 Corporation tax

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

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

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

Note 1.20 Climate change Levy

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

Note 1.21 Foreign exchange

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

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

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

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

Note 1.22 Losses and special payments

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

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

Note 1.23 Gifts

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

Note 1.24 Going concern

HM Treasury's Financial Reporting Manual (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 2019/20. NHS Improvement has prepared these consolidated financial statements on a going concern basis which reflects the basis on which the underlying accounts have been prepared on the assumption that the Department of Health and Social Care will provide the necessary cash funding to enable the continuation of services if local NHS funds are insufficient through their regime for funding of NHS providers.

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

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. The affected loans totalling £13.5 billion are classified as current liabilities within these financial statements. As the repayment of these loans will be funded through the issue of PDC, this does not present any increased going concern uncertainty for NHS providers.

The auditors of 57 NHS providers have included a 'material uncertainty' paragraph within the audit report to draw attention to the going concern disclosure in those financial statements (2018/19: 78). These are reported by auditors where providers are dependent on future funding (ie from the Department of Health and Social Care) and the future provision of this funding has not been approved in advance. These 57 NHS providers comprise 30% of total operating income and have an aggregate deficit of £1.12 billion before impairments, absorption transfers and consolidation of charitable funds. A listing of these providers is provided in the annual governance statement. 84 providers received interim cash revenue support funding from the Department of Health and Social Care during 2019/20 totalling £2.33 billion. Details of the overall sector position are set out in the *Review of financial performance* .

A further 10 provider audit reports included an 'emphasis of matter' relating to the demise of the organisation and the transfer of its services to another entity (2018/19: 6).

Note 1.25 Critical accounting judgements and key sources of estimation uncertainty

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

- Intra-group transactions and balances between NHS providers are eliminated upon consolidation. Where differences are identified in the amounts recorded, adjustments are made to these amounts to ensure all intra-group balances eliminate. Any difference between these amounts and the amounts recognised as expenditure and payables are not further adjusted as these net amounts are not material. We are satisfied that the gross mismatches which net together to this immaterial position do not constitute a material error.
- These consolidated accounts are prepared on a going concern basis as detailed within accounting policy 1.24.
- Individual NHS providers apply judgement in their application of the nationally prescribed accounting policies set out in the DHSC GAM.

and the following key sources of estimation uncertainty:

- Accounting policy note 1.7 sets out how property plant and equipment is measured. In applying the RICS guidance to valuing an asset, the valuation used by the NHS provider will depend on the local assumptions used, including the floor area for assets. For a specialised asset valued on a depreciated replacement cost (DRC) basis as a modern equivalent (MEA), this includes the assumption of whether 'alternative site' or 'no alternative' site is used for the valuation. Further, RICS guidance says that valuations should be stated net of VAT where VAT would be recoverable on the cost of replacing the service potential. Whether this is applicable in each local valuation is a matter of local judgement, with guidance on the parameters for this judgement provided in the DHSC GAM. The accounting policy of DRC:MEA is applied consistently for specialised assets across NHS providers, but local valuation assumptions may have material effects on each local valuation.

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

  As shown in note 13.1, buildings and plant & equipment depreciation comprise 50% and 28% of total PPE depreciation charged in-year respectively. Utilising the methodology outlined above, a very approximate average useful life in these categories is 38 years and 10 years respectively. In average terms, making all asset lives one year shorter would approximately increase the annual depreciation charge by £29m for buildings and £68m for plant & machinery. This is not material. Based on a materiality of £1 billion, ten times this 'one year effect' would be required to lead to a material error based on these approximate averages.

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

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

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

  Auditors of all NHS providers have concluded that valuations recognised in local provider financial statements are materially accurate. 209 providers have told us that a report obtained from their valuer in 2019/20 contained a material uncertainty disclosure. The external auditor at 189 providers referenced the additional uncertainty in their audit report, either within the description of a key audit matter where the auditor has issued an enhanced audit report or within an emphasis of matter paragraph.

Property assets in these consolidated accounts are valued at £38 billion. These accounts are prepared based on the judgements made locally by each NHS provider. Given the scale of local trusts reporting such uncertainties, it is reasonable to conclude that a material uncertainty exists over the valuation of property assets in these consolidated accounts.

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

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

The transition period following the United Kingdom's departure from the European Union ended on 31 December 2020. The Minister of State for Health has written to the health and social care sector[1] regarding the impact of the UK and EU Trade and Co-operation Agreement on the health and care system from 1 January 2021. The letter includes details on continuity of supply, reciprocal healthcare, health security and professional qualifications.

Note 1.26 Early adoption of standards, amendments and interpretations

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

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

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

Standard	Description of amendment	Effective date
Standards, amendments or interpretations issued and effective from 2020/21:		
IFRS 3 Business combinations (amendment)	Amendments to clarify the definition of a business	Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020
Amendments to financial instruments standards: IFRS 7, IFRS 9 and IAS 39	Amendments regarding pre-replacement issues in the context of the Interbank offered rates (IBOR) reform.	Annual periods beginning on or after 1 January 2020.
IAS 1 and IAS 8 (amendments)	These amendments clarify the definition of material and its application.	Annual periods beginning on or after 1 January 2020.
Standards, amendments or interpretations issued and effective for later periods:		
Amendments to financial instruments standards: IFRS 7, IFRS 9 and IAS 39	Phase 2 amendments under interest rate benchmark reforms.	Annual periods beginning on or after 1 January 2021. Not yet endorsed for use in the UK*.
IAS 41 Agriculture (amendments)	Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (taxation in fair value measurements)	Annual periods beginning on or after 1 January 2022. Not yet endorsed for use in the UK*.

[1] Letter from the Minister of State for Health: https://www.gov.uk/government/publications/letter-to-the-health-and-care-sector-about-the-uk-eu-trade-and-co-operation-agreement

Standard	Description of amendment	Effective date
IFRS 3 Business combinations (amendment)	Amendments updating a reference to the Conceptual Framework	Annual periods beginning on or after 1 January 2022. Not yet endorsed for use in the UK*.
IFRS 9 Financial instruments (amendments)	Amendments resulting from Annual Improvements to IFRS Standards 2018–2020 (fees in the '10 per cent' test for derecognition of financial liabilities)	Annual periods beginning on or after 1 January 2022. Not yet endorsed for use in the UK*.
IFRS 16 Leases	Original issue	For DHSC group bodies - applicable from 1 April 2022. Not yet adopted by the FReM.
IAS 16 Property, Plant and Equipment (amendments)	Amendments prohibiting entities from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use	Annual periods beginning on or after 1 January 2022. Not yet endorsed for use in the UK*.
IAS 37 Provisions, Contingent Liabilities and Contingent Assets (amendments)	Amendments regarding the costs to include when assessing whether a contract is onerous	Annual periods beginning on or after 1 January 2022. Not yet endorsed for use in the UK*.
IFRS 17 Insurance contracts	Original issue	Annual periods beginning on or after 1 January 2023. Not yet adopted for use in the UK*.
IAS 1 Disclosure of Accounting Policies (amendments)	Amendments regarding the classification of liabilities	Annual periods beginning on or after 1 January 2023. Not yet endorsed for use in the UK*.

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

Estimated impact of future standards

IFRS 16 Leases

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

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

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

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

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

For lessees, Note 9.2 in these accounts shows annual lease payments for operating leases of £752 million and future commitments under these contracts of £3.6 billion, giving an estimate of the scale of right of use assets and lease liabilities to be recognised on the statement of financial position. The corresponding impact on the statement of comprehensive income will be the replacement of lease charges with depreciation and finance costs. Due to the profiling of finance charges on lease liabilities, this will increase total expenditure in 2022/23. The impact of this is expected to be immaterial.

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

Other standards

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

Note 2 Operating segments

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 in regions. From 1 April 2019 the regional boundaries were redrawn and seven regions were created to replace the previous four. These seven regions are: North West, North East and Yorkshire, Midlands, East of England, South East, South West and London.

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

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

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

Analysis by type of trust

2019/20 excluding charities	**Community £m**	**Ambulance £m**	**Specialist £m**	**Mental Health £m**	**Acute £m**	**Total £m**
Income	2,555	2,875	4,276	13,891	70,784	**94,381**
Expenditure before depreciation and impairments	(2,451)	(2,748)	(3,988)	(13,266)	(68,781)	**(91,234)**
Depreciation and amortisation	(52)	(96)	(150)	(298)	(1,807)	**(2,403)**
Net finance costs	(17)	(17)	(71)	(242)	(1,378)	**(1,725)**
Other	-	1	9	36	28	**74**
Surplus / (deficit) before I&T	**35**	**15**	**76**	**121**	**(1,154)**	**(907)**
Impairments (net of reversals)	(23)	(17)	(24)	(360)	(500)	**(924)**
Transfers by absorption	(91)	-	-	16	61	**(14)**
Surplus / (deficit) for the year [1]	**(79)**	**(2)**	**52**	**(223)**	**(1,593)**	**(1,845)**

2018/19 excluding charities	**Community £m**	**Ambulance £m**	**Specialist £m**	**Mental Health £m**	**Acute £m**	**Total £m**
Income	2,568	2,587	4,054	12,731	65,006	**86,946**
Expenditure before depreciation and impairments	(2,436)	(2,462)	(3,646)	(11,924)	(63,519)	**(83,987)**
Depreciation and amortisation	(56)	(89)	(134)	(269)	(1,681)	**(2,229)**
Net finance costs	(20)	(16)	(70)	(237)	(1,366)	**(1,709)**
Other	-	2	5	115	283	**405**
Surplus / (deficit) before I&T	**56**	**22**	**209**	**416**	**(1,277)**	**(574)**
Impairments (net of reversals)	(11)	(3)	(71)	(195)	(773)	**(1,053)**
Transfers by absorption	(31)	-	-	24	2	**(5)**
Surplus / (deficit) for the year [1]	**14**	**19**	**138**	**245**	**(2,048)**	**(1,632)**

[1] These totals are after impairments and transfers but exclude consolidated charitable funds.

Analysis by region

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

2018/19 excluding charities restated*	North west £m	North East and Yorkshire £m	Midlands £m	East of England £m	South East £m	South West £m	London £m	Total £m
Income	12,375	13,370	15,030	7,945	11,649	7,810	18,767	**86,946**
Expenditure before depreciation and impairments	(11,923)	(12,750)	(14,675)	(8,014)	(11,141)	(7,478)	(18,006)	**(83,987)**
Depreciation and amortisation	(285)	(277)	(369)	(211)	(318)	(214)	(555)	**(2,229)**
Net finance costs	(204)	(226)	(303)	(146)	(229)	(153)	(448)	**(1,709)**
Other	14	100	9	-	85	12	185	**405**
Surplus / (deficit) before I&T	**(23)**	**217**	**(308)**	**(426)**	**46**	**(23)**	**(57)**	**(574)**
Impairments (net of reversals)	(292)	(278)	(123)	(21)	(85)	(23)	(231)	**(1,053)**
Gains/(losses) from transfers by absorption	(4)	(1)	(1)	-	1	-	-	**(5)**
(Deficit) for the year [1]	**(319)**	**(62)**	**(432)**	**(447)**	**(38)**	**(46)**	**(288)**	**(1,632)**

*The regional boundaries were redrawn on 1 April 2019 and as such the 2018/19 analysis by region has been restated to reflect these new boundaries. In 2018/19 there were only four regions: North, Midlands and East, South and London.

[1] 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[2]	Total before impairments & transfers	Impairments & transfers	Total per SOCI
2019/20	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Operating income	94,381	(2,414)	34	**92,001**	-	**92,001**
Operating expenditure excluding depreciation	(91,234)	2,414	(37)	**(88,857)**	(924)	**(89,781)**
Depreciation and amortisation	(2,403)	-	-	**(2,403)**	-	**(2,403)**
Operating expenditure total	(93,637)	2,414	(37)	**(91,260)**	(924)	**(92,184)**
Operating surplus / (deficit)	**744**	**-**	**(3)**	**741**	**(924)**	**(183)**
Net finance costs	(1,725)	-	6	**(1,719)**	-	**(1,719)**
Other items	74	-	(6)	**68**	(15)	**53**
Surplus / (deficit) for the year	**(907)**	**-**	**(3)**	**(910)**	**(939)**	**(1,849)**
2018/19						
Operating income	86,946	(2,298)	32	**84,680**	-	**84,680**
Operating expenditure excluding depreciation	(83,987)	2,298	(40)	**(81,729)**	(1,053)	**(82,782)**
Depreciation and amortisation	(2,229)	-	-	**(2,229)**	-	**(2,229)**
Operating expenditure total	(86,216)	2,298	(40)	**(83,958)**	(1,053)	**(85,011)**
Operating surplus / (deficit)	**730**	**-**	**(8)**	**722**	**(1,053)**	**(331)**
Net finance costs	(1,709)	-	6	**(1,703)**	-	**(1,703)**
Other items	405	-	1	**406**	(5)	**401**
Surplus / (deficit) for the year	**(574)**	**-**	**(1)**	**(575)**	**(1,058)**	**(1,633)**

[2] 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)

	2019/20 £m	2018/19 £m
Acute services		
Elective income	9,614	9,377
Non elective income	16,923	15,190
Outpatient income	8,804	8,272
A & E income	2,889	2,451
Other NHS clinical income (including high cost drugs income)	20,609	19,381
Mental health services		
Cost and volume contract income	494	535
Block contract income	8,234	7,524
Clinical partnerships providing mandatory services	218	206
Clinical income for the secondary commissioning of mandatory services	75	70
Other clinical income from mandatory services	285	283
Ambulance services		
A & E income	2,323	2,108
Patient transport service income	221	206
Other income	127	138
Community services		
Community services income from CCGs and NHS England	6,321	5,998
Community services income from other sources	1,311	1,343
All services		
Private patient income	684	659
AfC pay award central funding*	-	783
Additional pension contribution central funding**	2,324	
Other clinical income	882	646
Total income from activities	**82,338**	**75,170**

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

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

Note 3.2 Income from patient care activities (by source)

Income from patient care activities received from:	2019/20 £m	2018/19 £m
CCGs and NHS England	78,526	70,611
Local authorities	2,030	2,081
Department of Health and Social Care	33	794
NHS other	177	160
Non-NHS: private patients	671	648
Non-NHS: overseas patients (chargeable to patient)	93	91
Injury cost recovery scheme	210	209
Non NHS: other	598	576
Total income from activities	**82,338**	**75,170**

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

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

	2019/20	2018/19
	£m	£m
Income recognised this year	93	91
Cash payments received in-year	39	35
Amounts added to provision for impairment of receivables	36	39
Amounts written off in-year	41	30

Note 4 Other operating income

	2019/20			2018/19		
	Contract income	Non-contract income	Total	Contract income	Non-contract income	Total
	£m	£m	£m	£m	£m	£m
Research and development	937	79	**1,016**	870	105	**975**
Education and training	2,819	60	**2,879**	2,766	22	**2,788**
Receipt of capital grants and donations		129	**129**		128	**128**
Gain recognised on receipt of part-constructed PFI assets **			**-**		256	**256**
Charitable and other contributions to expenditure		85	**85**		107	**107**
Non-patient care services to other bodies	761		**761**	691		**691**
Provider Sustainability Fund (PSF) *	1,013		**1,013**	2,431		**2,431**
Financial Recovery Fund (FRF) *	1,148		**1,148**			**-**
Marginal Rate Emergency Tariff funding (MRET)	435		**435**			**-**
Support from the Department of Health and Social Care for mergers		27	**27**		60	**60**
Rental revenue from finance leases		-	**-**		-	**-**
Rental revenue from operating leases		97	**97**		89	**89**
Income in respect of staff costs where accounted on gross basis	218		**218**	206		**206**
Incoming resources excluding investment income, relating to NHS charitable funds		76	**76**		72	**72**
PFI support income	99		**99**	100		**100**
Car parking	263		**263**	255		**255**
Pharmacy sales	140		**140**	143		**143**
Clinical excellence awards	88		**88**	92		**92**
Catering	117		**117**	109		**109**
Other	1,019	53	**1,072**	951	57	**1,008**
Total other operating income	**9,057**	**606**	**9,663**	**8,614**	**896**	**9,510**

* 219 NHS providers received income from the Provider Sustainability Fund (PSF) in 2019/20 (2018/19: 203). 125 NHS providers received income from the Financial recovery fund (FRF) in 2019/20.

** Following the liquidation of Carillion PLC in 2018, the ownership of two part-constructed PFI assets at The Royal Liverpool and Broadgreen University Hospitals NHS Trust and Sandwell and West Birmingham Hospitals NHS Trust transferred to the public sector during 2018/19. The certified construction cost amount for works completed on site was in both cases greater than the capital prepayments made by the trusts. This difference was treated as a part-donated asset. Initial recognition of the assets was at cost, in line with IAS 16. The cash price equivalent for cost, as required by the Standard, includes the part donated element up to the amount in the construction cost certificate. In applying the HM Treasury Financial Reporting Manual, the donated element results in a gain being recognised in income. Given the exceptional nature of this, the figure was separately disclosed from the rest of 'capital grants and donations' to aid comparability between years.

Note 5.1 Operating expenses

	2019/20	2018/19
	£m	£m
Purchase of healthcare from NHS and DHSC bodies	83	82
Purchase of healthcare from non-NHS and non-DHSC bodies	1,492	1,326
Purchase of social care	196	183
Employee expenses - staff (including executive directors)	60,046	54,198
Non-executive directors	30	28
Supplies and services - clinical	6,674	6,521
Supplies and services - general	1,452	1,431
Drug costs	7,640	7,211
Inventories written down	12	11
Consultancy costs	199	227
Establishment	981	920
Premises	3,428	3,181
Transport (including patient travel)	742	699
Depreciation on property, plant and equipment	2,163	2,012
Amortisation on intangible assets	240	217
Net Impairments	924	1,053
Movement in credit loss allowance: contract receivables/assets	111	79
Movement in credit loss allowance: all other receivables & financial assets	(11)	20
Increase in other provisions	28	40
Change in provisions discount rate(s)	25	(7)
Fees payable to the external auditor *		
audit services- statutory audit	17	16
other auditor remuneration (external auditor only)	2	3
Internal audit costs, including local counter fraud services	20	20
Clinical negligence	1,952	1,996
Legal fees	94	87
Insurance	59	60
Research and development	603	611
Education and training	523	454
Rentals under operating leases	752	715
Early retirements	2	3
Redundancy	35	32
Charges to operating expenditure for on-SoFP IFRIC 12 schemes (e.g. PFI / LIFT) **	1,001	948
Charges to operating expenditure for off-SoFP PFI / LIFT schemes	6	5
Car parking & security	52	43
Hospitality	7	7
Losses, ex gratia & special payments	17	18
Grossing up consortium arrangements	10	11
Other services, eg external payroll	72	71
Other	472	443
NHS charitable funds: Other resources expended	33	36
Total	**92,184**	**85,011**

* These are the audit fees disclosed by NHS providers and do not include the audit fee payable to the National Audit Office in respect of these consolidated accounts. This fee is accounted for within the NHS TDA's own accounts which are prepared separately. This fee is £110,000 (2018/19: £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

	2019/20 £m	2018/19 £m
Other remuneration paid to the external auditor is made up as follows:		
1. Audit of accounts of any associate of the provider	0.2	0.2
2. Audit-related assurance services *	0.8	1.5
3. Taxation compliance services	-	-
4. All taxation advisory services not falling within item 3 above	-	0.1
5. Internal audit services	-	-
6. All assurance services not falling within items 1 to 5	0.4	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	0.3	0.6
Total	**1.7**	**2.9**

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

Note 5.3 Limitation on auditors' liability

Liability caps are standard under most public sector frameworks.177 (2018/19: 167) NHS providers disclosed a clause in their engagement letter with their auditors which states that the liability of the auditor (whether in contract, negligence or otherwise) shall in no circumstances exceed a fixed amount. The amount of that limit in 2019/20 ranges between £0.14 million to £5 million (2018/19 £0.2 million to £5 million).

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

Note 6.1 Employee benefits

	Permanent £m	Other £m	2019/20 Total £m	2018/19 Total £m
Salaries and wages	43,730	1,414	**45,144**	42,304
Social security costs	4,347	82	**4,429**	4,128
Apprenticeship levy	224	2	**226**	205
Employers' contributions to NHS pensions*	7,477	99	**7,576**	4,963
Pension cost - other	21	3	**24**	16
Other employment benefits	-	3	**3**	2
Termination benefits	18	1	**19**	19
Temporary staff (including agency)	-	3,521	**3,521**	3,377
NHS charitable funds staff	4	-	**4**	4
Total gross staff costs	**55,821**	**5,125**	**60,946**	**55,018**
Recoveries in respect of seconded staff	(93)	(3)	**(96)**	(84)
Total staff costs	**55,728**	**5,122**	**60,850**	**54,934**
Included within:				
Costs capitalised as part of assets	202	27	**229**	202

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

Staff costs here and in note 5.1 differ as note 6.1 also includes redundancy and early retirements costs and the costs of staff involved in research & development, education & training and internal audit services.

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

Note 6.2 Average number of employees (WTE basis)

	Permanent Number	Other Number	2019/20 Total Number	2018/19 Total Number
Medical and dental	113,051	19,418	**132,469**	126,524
Ambulance staff	30,174	273	**30,447**	30,388
Administration and estates	242,140	14,374	**256,514**	246,606
Healthcare assistants and other support staff	214,834	27,234	**242,068**	227,968
Nursing, midwifery and health visiting staff	341,674	39,766	**381,440**	373,538
Nursing, midwifery and health visiting learners	7,915	1,047	**8,962**	8,010
Scientific, therapeutic and technical staff	135,212	7,186	**142,398**	139,412
Healthcare science staff	24,872	659	**25,531**	25,157
Social care staff	1,560	182	**1,742**	2,196
Other	2,675	596	**3,271**	3,649
Total average numbers	**1,114,107**	**110,735**	**1,224,842**	**1,183,448**
Of which:				
Number of employees (WTE) engaged on capital projects	3,647	563	**4,210**	3,555

Note 6.3 Early retirements due to ill-health

During 2019/20 there were 524 early retirements on the grounds of ill-health (2018/19: 772). The estimated additional pension liability (calculated on an average basis and borne by the NHS Pension Scheme) is £29 million (2018/19: £43 million).

Note 6.4 Reporting of compensation schemes - exit packages

Redundancy and other departure costs have been paid in accordance with the provisions of the 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 6.5 provides further analysis of the 'other departures' disclosed below.

2019/20	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
Exit package cost band (including any special payment element)			
<£10,000	200	1,692	**1,892**
£10,000 - £25,000	188	283	**471**
£25,001 - 50,000	207	134	**341**
£50,001 - £100,000	130	68	**198**
£100,001 - £150,000	44	13	**57**
£150,001 - £200,000	19	4	**23**
>£200,000	4	2	**6**
Total number of exit packages by type	**792**	**2,196**	**2,988**
Total resource cost (£m)	30	23	**53**

2018/19	Number of compulsory redundancies Number	Number of other departures agreed Number	Total number of exit packages Number
<£10,000	218	1,611	**1,829**
£10,000 - £25,000	239	283	**522**
£25,001 - 50,000	196	136	**332**
£50,001 - £100,000	122	55	**177**
£100,001 - £150,000	33	10	**43**
£150,001 - £200,000	17	5	**22**
>£200,000	6	4	**10**
Total number of exit packages by type	**831**	**2,104**	**2,935**
Total resource cost (£m)	29	22	**51**

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

	2019/20		2018/19	
	Payments agreed Number	Total value of agreements £m	Payments agreed Number	Total value of agreements £m
Voluntary redundancies including early retirement contractual costs	103	3	104	3
Mutually agreed resignations (MARS) contractual costs	223	7	331	8
Early retirements in the efficiency of the service contractual costs	31	1	10	-
Contractual payments in lieu of notice	1,762	9	1,654	8
Exit payments following employment tribunals or court orders	83	2	52	2
Non-contractual payments requiring HM Treasury approval*	11	1	21	1
Total	**2,213**	**23**	**2,172**	**22**

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

In 2019/20 there were 3 non-contractual payment requiring HM Treasury approval made that were in excess of the individuals' salary (2018/19: none).

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

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

Note 6.6 Staff sickness absence

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

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

Note 7 Pension costs

All NHS 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 2019/20, the employer contribution rate was 20.6% (2018/19: 14.3%). 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 Impairment of non-current assets

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

			2019/20	2018/19
	Impairments	Reversals	Net impairments	Net impairments
Net impairments charged to operating surplus / deficit resulting from:	£m	£m	£m	£m
Loss or damage from normal operations	6	-	**6**	94
Over specification of assets	-	-	**-**	(1)
Abandonment of assets in course of construction	9	-	**9**	11
Unforeseen obsolescence	43	-	**43**	67
Changes in market price	1,162	(418)	**744**	565
Other causes	136	(14)	**122**	317
Total net impairments charged to operating surplus / deficit	**1,356**	**(432)**	**924**	**1,053**
Impairments charged to the revaluation reserve	742	(130)	**612**	**695**
Total net impairments	**2,098**	**(562)**	**1,536**	**1,748**

Net impairments taken to operating surplus / deficit relate to property, plant and equipment (£893 million), intangible assets (£25 million), investments in joint ventures and associates (£3 million) and assets held for sale (£3 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 £1,013 million (2018/19: £623 million), as can be seen in the Statement of Changes in Equity.

Note 9 Operating leases

Note 9.1 Operating lease income

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

	2019/20 £m	2018/19 £m
Operating lease revenue		
Minimum lease receipts	94	83
Contingent rent	2	3
Other	1	3
Total	**97**	**89**

	31 March 2020 £m	31 March 2019 £m
Future minimum lease receipts due:		
- not later than one year;	74	68
- later than one year and not later than five years;	169	153
- later than five years.	537	514
Total	**780**	**735**

Note 9.2 Operating lease expense

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

	2019/20 £m	2018/19 £m
Operating lease expense		
Minimum lease payments	755	718
Contingent rents	2	1
Less sublease receipts received	(5)	(4)
Total	**752**	**715**

	31 March 2020 £m	31 March 2019 £m
Future minimum lease payments due:		
On leases of land expiring		
- not later than one year;	26	6
- later than one year and not later than five years;	13	6
- later than five years.	21	16
On leases of buildings expiring		
- not later than one year;	443	408
- later than one year and not later than five years;	1,130	865
- later than five years.	1,384	1,088
On other leases expiring		
- not later than one year;	194	193
- later than one year and not later than five years;	371	321
- later than five years.	65	63
Total	**3,647**	**2,966**
Future minimum sublease receipts to be received	(49)	(50)

Note 10 Finance expenditure

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

	2019/20 £m	2018/19 £m
Interest incurred on:		
Loans from the Department of Health and Social Care	352	290
Other loans	8	7
Finance leases	17	14
Interest on late payment of commercial debt	1	1
Main finance costs on PFI and LIFT schemes obligations	468	494
Contingent finance costs on PFI and LIFT scheme obligations	317	301
Other finance costs	8	3
Total finance expenditure - financial liabilities	**1,171**	**1,110**
Finance expense - unwinding of discount on provisions	2	2
Total finance expenditure	**1,173**	**1,112**

Note 11 Other gains and losses

	2019/20 £m	2018/19 £m
Gains/losses on disposal/derecognition of non-current assets		
Profit on disposal of non-current assets	51	343
Loss on disposal of non-current assets	(15)	(13)
Other gains/losses		
Fair value gains/(losses) on investment property and other financial assets	15	9
Other gains/(losses)	-	60
Fair value gains/(losses) on charitable fund investment property and other financial assets	(6)	1
Total other gains/(losses)	**45**	**400**

Note 12.1 Intangible assets - 2019/20

	Software licences	Licences & trademarks	Information technology	Development expenditure	Intangible assets under construction	Other	Total
	£m	£m	£m	£m	£m	£m	£m
Valuation/gross cost at 1 April 2019 - brought forward	**1,453**	**32**	**505**	**219**	**194**	**3**	**2,406**
Adjustments to prior period accounted for in-year	(2)	-	1	-	-	-	**(1)**
Additions	173	3	36	12	160	1	**385**
Impairments	(1)	-	(2)	(5)	(1)	-	**(9)**
Reclassifications	102	(1)	52	5	(132)	-	**26**
Revaluations	(12)	-	-	-	-	-	**(12)**
Disposals / derecognition	(25)	(4)	(18)	(5)	-	-	**(52)**
Valuation/gross cost at 31 March 2020	**1,688**	**30**	**574**	**226**	**221**	**4**	**2,743**
Amortisation at 1 April 2019 - brought forward	**826**	**16**	**269**	**94**	**-**	**-**	**1,205**
Adjustments to prior period accounted for in-year	(1)	-	-	-	-	-	**(1)**
Provided during the year	159	4	49	28	-	-	**240**
Impairments	17	-	(1)	-	-	-	**16**
Reclassifications	4	(2)	(2)	-	-	-	**-**
Revaluations	(12)	-	-	-	-	-	**(12)**
Disposals / derecognition	(22)	(4)	(11)	(5)	-	-	**(42)**
Amortisation at 31 March 2020	**971**	**14**	**304**	**117**	**-**	**-**	**1,406**
Net book value at 31 March 2020	**717**	**16**	**270**	**109**	**221**	**4**	**1,337**
Net book value at 1 April 2019	**627**	**16**	**236**	**125**	**194**	**3**	**1,201**

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

Note 12.2 Intangible assets - 2018/19

	Software licences £m	Licences & trademarks £m	Information technology £m	Development expenditure £m	Intangible assets under construction £m	Other £m	Total £m
Valuation/gross cost at 1 April 2018	**1,293**	**29**	**426**	**184**	**147**	**2**	**2,081**
Previous prior period adjustments accounted for in 2018/19	-	-	-	-	7	-	**7**
Additions	132	2	45	29	148	1	**357**
Impairments	(1)	-	-	-	(18)	-	**(19)**
Reclassifications	61	1	40	3	(79)	-	**26**
Revaluations	-	-	(5)	10	(9)	-	**(4)**
Transfers to/ from assets held for sale	-	-	-	-	-	-	**-**
Disposals / derecognition	(32)	-	(1)	(7)	(2)	-	**(42)**
Valuation/gross cost at 31 March 2019	**1,453**	**32**	**505**	**219**	**194**	**3**	**2,406**
Amortisation at 1 April 2018	**718**	**13**	**224**	**77**	**-**	**-**	**1,032**
Provided during the year	139	3	51	24	-	-	**217**
Impairments	1	-	-	-	-	-	**1**
Reclassifications	1	-	-	-	-	-	**1**
Revaluations	(3)	-	(5)	-	-	-	**(8)**
Disposals / derecognition	(30)	-	(1)	(7)	-	-	**(38)**
Amortisation at 31 March 2019	**826**	**16**	**269**	**94**	**-**	**-**	**1,205**
Net book value at 31 March 2019	**627**	**16**	**236**	**125**	**194**	**3**	**1,201**
Net book value at 1 April 2018	**575**	**16**	**202**	**107**	**147**	**2**	**1,049**

Note 13.1 Property, plant and equipment - 2019/20

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under construction £m	Plant & machinery £m	Transport equipment £m	Information technology £m	Furniture & fittings £m	NHS charitable fund assets £m	Total £m
Valuation/gross cost at 1 April 2019 - brought forward	**4,517**	**34,383**	**363**	**3,068**	**9,311**	**476**	**3,726**	**586**	**8**	**56,438**
Transfers by absorption	1	5	-	-	-	-	-	-	-	**6**
Prior period adjustments recorded in-year	-	(127)	(3)	(1)	(4)	-	(3)	-	-	**(138)**
Additions	14	968	2	2,160	708	30	428	25	(4)	**4,331**
Impairments	(279)	(1,368)	(11)	(39)	(10)	-	(22)	-	-	**(1,729)**
Reversals of impairments	30	267	2	-	-	-	-	-	-	**299**
Reclassifications	2	1,302	4	(1,818)	189	38	182	28	1	**(72)**
Revaluations	37	(343)	-	-	1	-	(3)	(3)	-	**(311)**
Transfers to/ from assets held for sale	(29)	(23)	(3)	-	(3)	(16)	(1)	-	-	**(75)**
Disposals / derecognition	(11)	(18)	(1)	(3)	(332)	(29)	(177)	(24)	(1)	**(596)**
Valuation/gross cost at 31 March 2020	**4,282**	**35,046**	**353**	**3,367**	**9,860**	**499**	**4,130**	**612**	**4**	**58,153**
Accumulated depreciation at 1 April 2019 - brought forward	**28**	**1,759**	**33**	**8**	**6,367**	**277**	**2,521**	**422**	**1**	**11,416**
Transfers by absorption	-	1	-	-	-	-	-	-	-	**1**
Prior period adjustments recorded in-year	(2)	(152)	(5)	-	-	-	(4)	-	-	**(163)**
Provided during the year	-	1,091	10	(1)	609	50	370	35	(1)	**2,163**
Impairments	29	305	(1)	1	-	1	1	-	-	**336**
Reversals of impairments	(4)	(256)	(1)	-	-	-	-	-	-	**(261)**
Reclassifications	-	(40)	(1)	-	-	-	(1)	-	-	**(42)**
Revaluations	(43)	(1,269)	(8)	-	-	-	(3)	(1)	-	**(1,324)**
Transfers to/ from assets held for sale	-	(10)	(1)	-	(3)	(16)	(1)	-	-	**(31)**
Disposals / derecognition	-	(3)	-	-	(322)	(28)	(174)	(24)	-	**(551)**
Accumulated depreciation at 31 March 2020	**8**	**1,426**	**26**	**8**	**6,651**	**284**	**2,709**	**432**	**-**	**11,544**
Net book value at 31 March 2020	**4,274**	**33,620**	**327**	**3,359**	**3,209**	**215**	**1,421**	**180**	**4**	**46,609**
Net book value at 1 April 2019	**4,489**	**32,624**	**330**	**3,060**	**2,944**	**199**	**1,205**	**164**	**7**	**45,022**

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

Of the total net impairments of £1,505 million shown in this note, £893 million was charged to operating expenses and £612 million to the revaluation reserve.

Note 1.25 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 - 2018/19

	Land	Buildings excluding dwellings	Dwellings	Assets under construction	Plant & machinery	Transport equipment	Information technology	Furniture & fittings	NHS charitable fund assets	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Valuation/gross cost at 1 April 2018	**4,604**	**34,505**	**354**	**2,298**	**8,958**	**462**	**3,408**	**581**	**15**	**55,185**
Transfers by absorption	-	1	-	-	-	-	-	-	-	**1**
Previous prior period adjustments accounted for in 2018/19	(21)	(287)	(6)	(7)	(2)	-	(5)	(3)	(7)	**(338)**
Additions	26	868	22	2,256	546	29	344	19	-	**4,110**
Impairments	(183)	(1,570)	(11)	(109)	(5)	-	(4)	-	-	**(1,882)**
Reversals of impairments	44	253	5	1	1	-	-	-	-	**304**
Reclassifications	4	965	8	(1,366)	158	43	120	10	-	**(58)**
Revaluations	99	(270)	(3)	(3)	(15)	-	(6)	(3)	-	**(201)**
Transfers to/ from assets held for sale	(10)	(7)	-	-	(9)	(12)	-	-	-	**(38)**
Disposals / derecognition	(46)	(75)	(6)	(2)	(321)	(46)	(131)	(18)	-	**(645)**
Valuation/gross cost at 31 March 2019	**4,517**	**34,383**	**363**	**3,068**	**9,311**	**476**	**3,726**	**586**	**8**	**56,438**
Accumulated depreciation at 1 April 2018	**38**	**1,764**	**37**	**9**	**6,120**	**289**	**2,323**	**409**	**3**	**10,992**
Previous prior period adjustments accounted for in 2018/19	(21)	(295)	(5)	-	(3)	-	(3)	(3)	(2)	**(332)**
Provided during the year	-	992	10	-	588	45	340	37	-	**2,012**
Impairments	22	238	8	3	-	-	-	-	-	**271**
Reversals of impairments	(2)	(117)	(1)	(1)	-	-	-	-	-	**(121)**
Reclassifications	-	(30)	-	-	(1)	-	(1)	(1)	-	**(33)**
Revaluations	(9)	(771)	(15)	(2)	(17)	-	(6)	(2)	-	**(822)**
Transfers to/ from assets held for sale	-	-	-	-	(9)	(12)	-	-	-	**(21)**
Disposals / derecognition	-	(22)	(1)	(1)	(311)	(45)	(132)	(18)	-	**(530)**
Accumulated depreciation at 31 March 2019	**28**	**1,759**	**33**	**8**	**6,367**	**277**	**2,521**	**422**	**1**	**11,416**
Net book value at 31 March 2019	**4,489**	**32,624**	**330**	**3,060**	**2,944**	**199**	**1,205**	**164**	**7**	**45,022**
Net book value at 1 April 2018	**4,566**	**32,741**	**317**	**2,289**	**2,838**	**173**	**1,085**	**172**	**12**	**44,193**

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

Of the total net impairments of £1,728 million shown in this note, £1,033 million was charged to operating expenses and £695 million to the revaluation reserve.

Note 13.3 Property, plant and equipment financing - 2019/20

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under construction £m	Plant & machinery £m	Transport equipment £m	Information technology £m	Furniture & fittings £m	NHS charitable fund assets £m	Total £m
Net book value at 31 March 2020										
Owned - purchased	4,136	23,707	251	3,038	2,652	213	1,368	158	4	**35,527**
Finance leased	28	173	11	15	142	1	31	6	-	**407**
On-SoFP PFI contracts and other service concession arrangements	31	8,501	50	2	135	-	7	-	-	**8,726**
PFI residual interests	-	-	2	-	-	-	-	-	-	**2**
Owned - government granted	-	48	-	3	2	-	1	-	-	**54**
Owned - donated	79	1,191	13	301	278	1	14	16	-	**1,893**
NBV total at 31 March 2020	**4,274**	**33,620**	**327**	**3,359**	**3,209**	**215**	**1,421**	**180**	**4**	**46,609**

Note 13.4 Property, plant and equipment financing - 2018/19

	Land £m	Buildings excluding dwellings £m	Dwellings £m	Assets under construction £m	Plant & machinery £m	Transport equipment £m	Information technology £m	Furniture & fittings £m	NHS charitable fund assets £m	Total £m
Net book value at 31 March 2019										
Owned - purchased	4,324	23,009	249	2,621	2,375	196	1,161	148	7	**34,090**
Finance leased	38	194	18	19	149	1	26	1	-	**446**
On-SoFP PFI contracts and other service concession arrangements	29	8,185	48	127	148	-	7	-	-	**8,544**
PFI residual interests	-	-	2	-	-	-	-	-	-	**2**
Owned - government granted	-	50	-	4	3	-	1	-	-	**58**
Owned - donated	98	1,186	13	289	269	2	10	15	-	**1,882**
NBV total at 31 March 2019	**4,489**	**32,624**	**330**	**3,060**	**2,944**	**199**	**1,205**	**164**	**7**	**45,022**

Note 14.1 Investment property

	2019/20	2018/19
	£m	£m
Carrying value at 1 April	**201**	**272**
Adjustments to prior period accounted for in-year	-	(67)
Acquisitions in year	1	3
Movement in fair value	16	(1)
Reclassifications to/from PPE	4	-
Transfers to/from assets held for sale	(2)	-
Disposals	(4)	(6)
Carrying value at 31 March	**216**	**201**
Held by:		
NHS providers excluding charitable funds	216	200
NHS charitable funds	-	1

Note 14.2 Investment property income and expenses

	2019/20	2018/19
	£m	£m
Direct operating expense arising from investment property which generated rental income in the period	3	2
Direct operating expense arising from investment property which did not generate rental income in the period	-	-
Total investment property expenses	**3**	**2**
Investment property income	(7)	(9)

Note 14.3 Investments in joint ventures and associates

	2019/20	2018/19
	£m	£m
Carrying value at 1 April	**75**	**79**
Acquisitions in year	15	-
Share of profit/(loss)	22	10
Impairments	(3)	-
Disbursements / dividends received	(16)	(8)
Disposals	(2)	(6)
Carrying value at 31 March	**91**	**75**

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

Note 14.4 Other financial assets (non-current)

	2019/20 £m	2018/19 £m
Carrying value at 1 April	**214**	**244**
Transfers by absorption	(9)	-
Adjustments to prior period accounted for in-year	6	(66)
Acquisitions in year	28	45
Movements in fair value through income and expenditure	(7)	11
Movements in fair value through other comprehensive income	(22)	6
Current portion of loans receivable transferred to current financial assets	-	(1)
Disposals	(39)	(25)
Carrying value at 31 March	**171**	**214**
Held by:		
NHS providers excluding charitable funds	12	34
NHS charitable funds	159	180

Note 14.5 Other financial assets (current)

	2019/20 £m	2018/19 £m
Loans receivable within 12 months transferred from non-current financial assets	-	1
Deposits with the National Loans Fund	10	20
Other current financial assets	29	24
Total current financial assets at 31 March	**39**	**45**

Note 15 Inventories

	31 March 2020 £m	31 March 2019 £m
Drugs	433	366
Work in progress	2	1
Consumables	674	655
Energy	14	14
Other	46	50
Total inventories	**1,169**	**1,086**
Of which:		
Held at fair value less costs to sell	-	-

Inventories recognised in expenses for the year were £10,404 million (2018/19 £9,675 million). Write-downs of inventories recognised as expenses for the year were £12 million (2018/19: £11 million).

The UK Government's response to COVID-19 included a lockdown period coinciding with the 31 March 2020 year end. For inventory balances, where performance of a year end inventory count was not possible, NHS providers were able to employ a variety of procedures to assure themselves of the material accuracy of inventory balances at the year end. Where inventory is material to a provider, international standards on auditing prescribe that the auditor must attend one or more inventory counts. This was not possible given the Government's restrictions on movement, and audits being performed remotely. This limitation of the auditor's scope led to a corresponding qualified audit opinion at 29 providers. The total inventory balance at these providers is £279 million. This is not material to these consolidated provider accounts.

Note 16.1 Receivables

	31 March 2020 £m	31 March 2019 £m
Current		
Contract receivables*	5,609	5,734
Contract assets	24	95
Capital receivables	72	70
Allowance for impaired contract receivables / assets	(535)	(508)
Allowance for other impaired receivables	(22)	(35)
Deposits and advances	5	5
Prepayments	906	823
Interest receivable	1	1
Finance lease receivables	1	3
PDC dividend receivable	52	54
VAT receivable	270	288
Corporation tax receivable	1	-
Other receivables	170	133
NHS charitable funds receivables	10	8
Total current receivables	**6,564**	**6,671**
Non-current		
Contract receivables	243	220
Contract assets	5	4
Capital receivables	45	38
Allowance for impaired contract receivables / assets	(24)	(20)
Allowance for other impaired receivables	(2)	(3)
Deposits and advances	5	5
Prepayments	272	252
Finance lease receivables	6	5
VAT receivable	4	8
Corporation tax receivable	1	-
Other receivables	120	29
NHS charitable funds receivables	1	1
Total non-current receivables	**676**	**539**
Of which receivable from NHS and DHSC group bodies		
Current	3,792	4,128
Non-current	91	2

* Current contract receivables include £934 million of accrued income from the Provider Sustainability and Financial Recovery Funds (2018/19: £1,721 million).

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

Note 16.2 Allowances for credit losses

	2019/20		2018/19	
	Contract receivables and contract assets	All other receivables	Contract receivables and contract assets	All other receivables
	£m	£m	£m	£m
Allowances as at 1 April 2019 - brought forward	**528**	**38**	**-**	**544**
Impact of implementing IFRS 9 (and IFRS 15) on 1 April 2018*	-	-	522	(540)
Adjustments to prior period accounted for in-year	(6)	-	-	14
New allowances arising	199	9	163	17
Changes in existing allowances	2	(1)	(3)	6
Reversals of allowances	(91)	(18)	(81)	(3)
Utilisation of allowances (write offs)	(74)	(3)	(73)	-
Foreign exchange and other changes	1	(1)	-	-
Allowances as at 31 March 2020	**559**	**24**	**528**	**38**

*IFRS 9 and IFRS 15 were adopted without restatement at the start of 2018/19; therefore the credit loss allowance relating to contract receivables and contract assets is reallocated from 'all other receivables' as a 1 April 2018 transition adjustment.

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.

	2019/20	2018/19
	£m	£m
At 1 April	**5,840**	**4,875**
Adjustments to prior period accounted for in-year	2	(5)
Transfers by absorption	(1)	-
Net change in year	991	970
At 31 March	**6,832**	**5,840**
Broken down into:		
Cash at commercial banks and in hand (excluding charitable funds)	119	119
Cash with the Government Banking Service (excluding charitable funds)	6,417	5,265
Deposits with the National Loans Fund (excluding charitable funds)	130	317
Other current investments (excluding charitable funds)	10	3
NHS charitable funds cash and cash equivalents	156	136
Total cash and cash equivalents as in SoFP	**6,832**	**5,840**
Bank overdrafts	(13)	(16)
Total cash and cash equivalents as in SoCF	**6,819**	**5,824**

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 2020 was £37 million (31 March 2019: £35 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 2020 £m	31 March 2019 £m
Current		
Trade payables	2,346	2,381
Capital payables	1,038	771
Accruals	4,015	3,477
Receipts in advance	71	74
Social security costs	680	623
VAT payable	12	14
Other taxes payable	466	471
PDC dividend payable	14	6
Other payables	903	820
NHS charitable funds trade and other payables	6	8
Total current trade and other payables	**9,551**	**8,645**
Non-current		
Trade payables	8	2
Capital payables	10	3
Accruals	4	3
Receipts in advance	3	2
Other payables	10	15
Total non-current trade and other payables	**35**	**25**
Of which payable to NHS and DHSC group bodies		
Current	580	542
Non-current	-	-

Note 19 Other liabilities

	31 March 2020 £m	31 March 2019 £m
Current		
Deferred income: contract liability	871	747
Deferred grants	12	33
Deferred PFI income/credits	5	5
Lease incentives	7	7
Deferred income: other	19	22
Total other current liabilities	**914**	**814**
Non-current		
Deferred income: contract liability	84	70
Deferred grants	3	6
Deferred PFI income/credits	49	52
Lease incentives	10	11
Deferred income: other	1	4
Net pension scheme liability	44	52
Total other non-current liabilities	**191**	**195**

Note 20 Borrowings

	31 March 2020 £m	31 March 2019 £m
Current		
Bank overdrafts	13	16
Loans from the Department of Health and Social Care*	13,779	3,607
Other loans	50	23
Obligations under finance leases	62	57
Obligations under PFI, LIFT or other service concession contracts (finance lease element)	298	280
Total current borrowings	**14,202**	**3,983**
Non-current		
Loans from the Department of Health and Social Care*	2,705	10,429
Other loans	296	295
Obligations under finance leases	262	248
Obligations under PFI, LIFT or other service concession contracts (finance lease element)	8,305	8,614
Total non-current borrowings	**11,568**	**19,586**

*On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of public dividend capital (PDC) to allow the repayment. Outstanding interim loans totalling £13.5 billion have been classified as current borrowings within these accounts, of which £6.7 billion would otherwise have been non-current but are now repayable within 12 months.

Note 20.1 Finance lease obligations

Obligations under finance leases where NHS providers are the lessees:	31 March 2020 £m	31 March 2019 £m
Gross lease liabilities	**477**	**452**
Of which liabilities are due:		
- not later than one year;	76	69
- later than one year and not later than five years;	192	175
- later than five years.	209	208
Finance charges allocated to future periods	(153)	(147)
Net lease liabilities	**324**	**305**
Of which payable:		
- not later than one year;	62	57
- later than one year and not later than five years;	151	137
- later than five years.	111	111
Total of future minimum sublease payments to be received at the reporting date	-	-

Note 20.2 Reconciliation of liabilities arising from financing activities - 2019/20

	Loans from DHSC £m	Other loans £m	Finance leases £m	PFI and LIFT schemes £m	Total £m
Carrying value at 1 April 2019	**14,036**	**318**	**305**	**8,894**	**23,553**
Cash movements:					
Financing cash flows - payments and receipts of principal	2,439	28	(60)	(279)	**2,128**
Financing cash flows - payments of interest	(343)	(10)	(16)	(469)	**(838)**
Non-cash movements:					
Adjustments to prior year accounted for in-year	-	-	-	(25)	**(25)**
Additions	-	-	81	16	**97**
Application of effective interest rate	352	10	16	468	**846**
Other changes	-	-	(2)	(2)	**(4)**
Carrying value at 31 March 2020	**16,484**	**346**	**324**	**8,603**	**25,757**

Note 20.3 Reconciliation of liabilities arising from financing activities - 2018/19

	Loans from DHSC £m	Other loans £m	Finance leases £m	PFI and LIFT schemes £m	Total £m
Carrying value at 1 April 2018	**11,015**	**218**	**252**	**9,204**	**20,689**
Impact of implementing IFRS 9 on 1 April 2018	40	4	-	-	**44**
Cash movements:					
Financing cash flows - payments and receipts of principal	2,963	101	(59)	(276)	**2,729**
Financing cash flows - payments of interest	(273)	(14)	(14)	(498)	**(799)**
Non-cash movements:					
Adjustments to prior year accounted for in-year	-	-	-	4	**4**
Additions	-	-	114	26	**140**
Application of effective interest rate	291	9	13	494	**807**
Early terminations	-	-	-	(59)	**(59)**
Other changes	-	-	(1)	(1)	**(2)**
Carrying value at 31 March 2019	**14,036**	**318**	**305**	**8,894**	**23,553**

Note 21.1 Provisions for liabilities and charges

	31 March 2020		31 March 2019	
	Current	Non-current	Current	Non-current
	£m	£m	£m	£m
Pensions	39	409	36	397
Other legal claims	58	8	61	7
Restructurings	6	7	12	4
Equal Pay	5	-	6	-
Redundancy	30	2	44	1
Other	315	155	273	54
Total	**453**	**581**	**432**	**463**

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
At 1 April 2019	**433**	**68**	**16**	**6**	**45**	**327**	**895**
Adjustments to prior period accounted for in-year	2	(13)	-	-	-	-	**(11)**
Change in the discount rate	25	-	-	-	-	-	**25**
Arising during the year	33	39	8	(1)	22	275	**376**
Utilised during the year	(38)	(12)	(4)	-	(9)	(50)	**(113)**
Reversed unused	(9)	(16)	(7)	-	(26)	(82)	**(140)**
Unwinding of discount	2	-	-	-	-	-	**2**
At 31 March 2020	**448**	**66**	**13**	**5**	**32**	**470**	**1,034**
Expected timing of cash flows:							
- not later than one year;	39	58	6	5	30	315	**453**
- later than one year and not later than five years;	148	4	5	-	1	77	**235**
- later than five years.	261	4	2	-	1	78	**346**
Total	**448**	**66**	**13**	**5**	**32**	**470**	**1,034**

Other provisions includes £105 million relating to the clinicians' annual allowance pensions tax scheme. Where a clinician receives an 'annual allowance' tax bill, they can elect to use the 'Scheme Pays' option, where the tax bill is paid by the NHS Pension Scheme with a corresponding reduction in future pension benefits. Under the 2019/20 annual allowance pension tax scheme, where Scheme Pays is used, NHS England will make a payment equivalent to the lost pension benefits from the NHS Pension Scheme arising from a pension tax charge for 2019/20. Payments will be made when clinicians start to draw benefits from the NHS Pension Scheme. The commitment to make these payments is being made by the employing Trust, with an equivalent commitment from NHS England to fund this obligation. This NHS policy for 2019/20 is consistent with a Direction from the Secretary of State for Health and Social Care.

Providers have used local estimates of take-up of the scheme and recorded provisions, with a corresponding receivable given the provision amount is reimbursable by NHS England. The sum of these amounts is included within 'other provisions' above and is not material to these consolidated accounts.

- 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 2020, NHS Resolution held provisions for clinical negligence liabilities totalling £31,986 million for CNST (2018/19: £30,592 million) and £986 million for ELS (2018/19: £1,168 million) on behalf of NHS providers.

Note 22 Contingent assets and liabilities

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

	31 March 2020 £m	31 March 2019 £m
Value of contingent liabilities		
NHS Resolution legal claims	(7)	(16)
Employment tribunal and other employee related litigation	(4)	(2)
Other	(41)	(75)
Gross value of contingent liabilities	**(52)**	**(93)**
Amounts recoverable against liabilities	1	9
Net value of contingent liabilities	**(51)**	**(84)**
Net value of contingent assets	17	20

Note 23.1 Contractual capital commitments

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

	31 March 2020 £m	31 March 2019 £m
Property, plant and equipment	1,742	1,216
Intangible assets	78	94
Total	**1,820**	**1,310**

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 2020	31 March 2019
Payments falling due:	£m	£m
- not later than 1 year	176	169
- after 1 year and not later than 5 years	207	215
- thereafter	16	73
Total	**399**	**457**

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 2020	31 March 2019
	£m	£m
Gross PFI, LIFT or other service concession liabilities	**16,214**	**16,976**
Of which liabilities are due		
- not later than one year;	838	840
- later than one year and not later than five years;	3,314	3,332
- later than five years.	12,062	12,804
Finance charges allocated to future periods	(7,611)	(8,082)
Net PFI, LIFT or other service concession arrangement obligation	**8,603**	**8,894**
- not later than one year;	298	280
- later than one year and not later than five years;	1,317	1,259
- later than five years.	6,988	7,355

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 2020	31 March 2019
	£m	£m
Total future payments due in:		
- not later than one year;	2,181	2,139
- later than one year and not later than five years;	9,083	8,964
- later than five years.	39,368	41,268
Total	**50,632**	**52,371**
	Number	**Number**
Total number of PFI, LIFT and other service concession schemes accounted for on-SoFP at 31 March	157	156
Of which schemes with total future commitment in excess of £500 million	26	26

Note 24.3 Analysis of amounts paid to service concession operators

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

	2019/20 £m	2018/19 £m
Unitary payment paid to service concession operator	**2,178**	**2,107**
Consisting of:		
- Interest charge	468	494
- Repayment of balance sheet obligation	278	277
- Service element	949	895
- Capital lifecycle maintenance	94	77
- Revenue lifecycle maintenance	16	16
- Contingent rent	317	301
- Addition to lifecycle prepayment	56	47

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 2020 £m	31 March 2019 £m
Charge in respect of the off SoFP PFI, LIFT or other service concession arrangement for the period	6	5
Commitments in respect of off-SoFP PFI, LIFT or other service concession arrangements payable in:		
- not later than one year;	6	6
- later than one year and not later than five years;	23	24
- later than five years.	20	30
Total	**49**	**60**

Note 26 Financial instruments

Note 26.1 Financial assets - 2019/20

Carrying values of financial assets as at 31 March 2020	**Financial assets at amortised cost £m**	**Financial assets at fair value through I&E £m**	**Financial assets at fair value through OCI* £m**	**Total £m**
Receivables excluding non-financial assets	5,622	-	-	**5,622**
Financial assets / investments	67	2	8	**77**
Cash and cash equivalents at bank and in hand**	6,676	-	-	**6,676**
NHS charitable funds financial assets	199	90	39	**328**
Total at 31 March 2020	**12,564**	**92**	**47**	**12,703**

* Financial assets at fair value through other comprehensive income include £38 million (2018/19: £51 million) of investments in equity instruments designated as held at fair value through other comprehensive income on initial recognition.

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

Note 26.2 Financial assets - 2018/19

Carrying values of financial assets as at 31 March 2019	Financial assets at amortised cost £m	Financial assets at fair value through I&E £m	Financial assets at fair value through OCI* £m	Total £m
Receivables excluding non-financial assets	5,680	-	-	**5,680**
Financial assets / investments	74	8	23	**105**
Cash and cash equivalents at bank and in hand**	5,704	-	-	**5,704**
NHS charitable funds financial assets	220	68	38	**326**
Total at 31 March 2019	**11,678**	**76**	**61**	**11,815**

See note 26.1 for explanation of asterisks.

Note 26.3 Financial liabilities

	31 March 2020 £m	31 March 2019 £m
Carrying values of financial liabilities		
Loans from the Department of Health and Social Care	16,484	14,036
Obligations under PFI, LIFT and other service concession contracts	8,603	8,894
Obligations under finance leases	324	305
Other borrowings	359	335
Trade and other payables excluding non-financial liabilities	7,985	7,212
Other financial liabilities	3	3
Provisions under contract	283	241
NHS charitable funds financial liabilities	4	7
Total financial liabilities	**34,045**	**31,033**

All financial liabilities are held at amortised cost.

Note 26.4 Maturity of financial liabilities

	31 March 2020 £m	31 March 2019 £m
Financial liabilities fall due in:		
In one year or less	22,292	11,295
In more than one year but not more than two years	809	4,396
In more than two years but not more than five years	1,835	5,145
In more than five years	9,109	10,197
Total financial liabilities	**34,045**	**31,033**

Note 26.5 Fair values of financial instruments

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

Note 26.6 Financial risk management

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

Liquidity risk

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

Under section 63 of the National Health Service Act 2006, NHS providers are required to carry out their functions effectively, efficiently and economically and under their licence conditions, they are required to have systems and processes in place to ensure they comply with that duty and to ensure they are able to continue as a going concern as defined by generally accepted accounting practice. NHS Improvement supervises the risk of individual NHS providers breaching these and other licence conditions relating to finance by reviewing a range of financial information and categorising each trust according to our Single Oversight Framework. It may provide mandated support to providers where required.

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

On 2 April 2020, the Department of Health and Social Care (DHSC) announced reforms to the cash regime (see note 32 for more details). As a consequence, £13.5 billion of DHSC interim loans are classified as current in these accounts and are repayable in 2020/21. As this repayment will be facilitated through the issue of public dividend capital, this does not represent an increased liquidity risk for NHS providers.

As disclosed within the accounting policies at Note 1.24, the auditors of 57 NHS providers have included a material uncertainty paragraph within their audit opinions to draw attention to the going concern disclosure included within those accounts (2018/19: 78). In the NHS sector, the focus is on the continuity of services and NHS Improvement's oversight regime is established to ensure that provision of commissioner requested services is maintained. As such, it is deemed that there is not a risk that the wider sector would fail to meet its liabilities as they fall due.

Credit risk

The vast majority of the NHS 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 0.93% of total income from patient care activities generated in the year to 31 March 2020 (2018/19: 0.98%). 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, £6.5 billion is held with the Government Banking Service and National Loans Fund. Individual providers have confirmed that they do not consider these deposits to be exposed to significant credit risk. The maximum exposures as at 31 March 2020 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 2020 £m	31 March 2019 £m
Restricted funds:		
Endowment funds	10	13
Other restricted income funds	99	110
Unrestricted funds:		
Unrestricted income funds	193	188
Revaluation reserve	2	4
Other reserves	1	1
Total	**305**	**316**

NHS charitable funds are consolidated by 48 NHS providers where the trust determines they have control (2018/19: 47) 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

	2019/20		2018/19	
	Number of cases	Total value of cases £m	Number of cases	Total value of cases £m
Losses				
Cash losses	3,283	3.0	3,636	3.8
Fruitless payments	584	8.6	547	2.6
Bad debts and claims abandoned	38,160	56.6	32,839	47.0
Stores losses and damage to property	11,588	15.7	12,196	14.7
Total losses	**53,615**	**83.9**	**49,218**	**68.1**
Special payments				
Extra-contractual payments	7	-	26	0.8
Extra-statutory and extra-regulatory payments	21	0.5	4	-
Compensation payments under court order or legally binding arbitration award	400	3.4	449	3.5
Special severance payments	11	0.5	21	0.7
Ex-gratia payments	7,198	14.1	7,773	14.0
Total special payments	**7,637**	**18.5**	**8,273**	**19.0**
Total losses and special payments	**61,252**	**102.4**	**57,491**	**87.1**
Compensation payments received to recover losses		0.5		2.0

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

Note 28.2 Losses and special payments in excess of £300,000

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

In 2019/20 6 individual trusts reported losses or special payments in excess of £0.3 million:

- The following two trusts have recorded pharmacy losses totalling £0.986 million:-
  - Buckinghamshire Healthcare NHS Trust
  - Royal Surrey County Hospital NHS Foundation Trust
- Croydon Health Services NHS Trust recorded a special payment of £0.907 million relating to an employment tribunal case.
- Sandwell And West Birmingham Hospitals NHS Trust recorded losses of £1.861 million for bad debt.
- Essex Partnership University NHS Foundation Trust recorded losses of £0.726 million relating to contract exit fee.
- University Hospitals Plymouth NHS Trust recorded losses of £6.994 million as a consequence of unforeseen obsolescence in IT equipment and projects.

In 2018/19, 14 individual losses and special payments were reported in excess of £0.3 million totalled £6.952 million:

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

Note 28.3 Gifts

NHS providers granted 39 gifts with total value of £12,000 (2018/19: 18 gifts, £18,000). HM Treasury requires additional disclosure of gifts individually in excess of £300,000. No individual gift was in excess of £300,000.

Note 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 2020	31 March 2019 restated*	31 March 2020	31 March 2019 restated*
	£m	£m	£m	£m
Value of balances with board members and key staff (excluding salaries)	-	-	-	-
Value of balances with other related parties:				
Non-consolidated NHS charitable funds	28	19	3	1
Subsidiaries / Associates / Joint ventures	21	17	10	5
Other	61	39	51	32
Value of allowances for expected credit losses held against related party balances	(2)	(2)	-	-
Total	**108**	**73**	**64**	**38**
Value of balances with related parties written off in year	-	-	-	-

	Income		Expenditure	
	2019/20	2018/19 restated*	2019/20	2018/19 restated*
	£m	£m	£m	£m
Value of transactions with board members and key staff (excluding salaries)	-	-	4	6
Value of transactions with other related parties:				
NHS charitable funds	110	128	14	7
Subsidiaries / Associates / Joint Ventures	29	22	158	161
Other	140	127	231	217
Total	**279**	**277**	**407**	**391**

* Prior year comparatives have been restated to remove balances and transactions with entities under government control included in 2018/19 in error.

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: 2019/20

The following absorption transfers occurred within the NHS provider sector during 2019/20 and so the accounting entries have been eliminated within these consolidated accounts:

Receiving body	Divesting body	Date of transfer	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets	PDC transfer
			£m	£m	£m	£m	£m	£m
South Tyneside and Sunderland NHS Foundation Trust	City Hospitals Sunderland NHS Foundation Trust	1 April 2019	151	51	(50)	(54)	**98**	97
South Tyneside and Sunderland NHS Foundation Trust	South Tyneside NHS Foundation Trust	1 April 2019	88	34	(30)	(28)	**64**	46
Gloucestershire Health and Care NHS Foundation Trust	Gloucestershire Care Services NHS Trust	1 October 2019	63	28	(12)	(1)	**78**	79
North Cumbria Integrated Care NHS Foundation Trust	North Cumbria University Hospitals NHS Trust	1 October 2019	216	58	(284)	(49)	**(59)**	-
Liverpool University Hospitals NHS Foundation Trust	Royal Liverpool and Broadgreen University Hospitals NHS Trust	1 October 2019	427	106	(92)	(148)	**293**	292
Wrightington, Wigan and Leigh NHS Foundation Trust	Bridgewater Community Healthcare NHS Foundation Trust	1 April 2019	8	-	-	-	**8**	-
Central London Community Healthcare NHS Trust	Hertfordshire Community NHS Trust	1 October 2019	18	-	-	-	**18**	-
Lancashire Care NHS Foundation Trust	North Cumbria Integrated Care NHS Foundation Trust	1 October 2019	8	-	-	-	**8**	-

Receiving body	Divesting body	Date of transfer	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets	PDC transfer
			£m	£m	£m	£m	£m	£m
Cumbria, Northumberland, Tyne and Wear NHS Foundation Trust	North Cumbria Integrated Care NHS Foundation Trust	1 October 2019	19	-	-	-	**19**	-
Manchester University NHS Foundation Trust	Pennine Care NHS Foundation Trust	1 October 2019	1	-	-	-	**1**	-
Manchester University NHS Foundation Trust	Liverpool Women's NHS Foundation Trust	1 August 2019	1	(1)	-	-	**-**	-
University Hospitals of Morecambe Bay NHS Foundation Trust	North Cumbria Integrated Care NHS Foundation Trust	1 April 2019	2	-	-	-	**2**	-

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

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

Details	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets
	£m	£m	£m	£m	£m
Transfer to NHS Property Services	(5)	-	-	-	**(5)**
Transfers from NHS Property Services (modified absorption)	10	-	-	-	**10**
Transfer of Royal Liverpool & Broadgreen University Hospitals NHS Trust Charitable Funds	(10)	(1)	1	-	**(10)**
Totals	**(5)**	**(1)**	**1**	**-**	**(5)**

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

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

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

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

Transactions accounted for under absorption accounting: 2018/19

The following absorption transfers occurred within the NHS provider sector during 2018/19 and so the accounting entries have been eliminated within these consolidated accounts:

Receiving NHS provider	Divesting body	Date of transfer	Non-current assets	Current assets	Current liabilities	Non-current liabilities	Total net assets	PDC transfer
			£m	£m	£m	£m	£m	£m
Mersey Care NHS Foundation Trust	Liverpool Community Health NHS Trust	1 April 2018	10	18	(9)	(1)	**18**	-
University Hospitals Birmingham NHS Foundation Trust	Heart of England NHS Foundation Trust	1 April 2018	275	54	(119)	(44)	**166**	165
Midlands Partnership NHS Foundation Trust	Staffordshire and Stoke on Trent Partnership NHS Trust	1 June 2018	86	30	(29)	(74)	**13**	1
University Hospitals of Derby and Burton NHS Foundation Trust	Burton Hospitals NHS Foundation Trust	1 July 2018	107	24	(52)	(28)	**51**	51
East Suffolk and North Essex NHS Foundation Trust	Ipswich Hospital NHS Trust	1 July 2018	142	35	(53)	(83)	**41**	41

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

The following absorption transactions occurred between NHS providers and other government bodies during 2018/19 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 Public Health England	1	-	-	-	**1**
Transfers from local authorities	-	-	-	(5)	**(5)**
Transfers to local authorities	-	-	-	(1)	**(1)**
Totals	**1**	**-**	**-**	**(6)**	**(5)**

Transfers from Public Health England relate to the transfer of services to University Hospital Southampton NHS Foundation Trust. Transfers from local authorities are local government pension scheme obligations relating to staff transferring to Cheshire and Wirral Partnership NHS Foundation Trust. Transfers to local authorities are local government pension scheme obligations relating to staff transferring from North Staffordshire Combined Healthcare NHS 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 2019/20, 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

Following the restructure of NHS England and NHS Improvement to enable joint working and more integrated support for NHS organisations, the regional boundaries were redrawn moving from four to seven regions. To provide comparability, comparative information in the regional analysis in Note 2 Operating segments has been restated across seven regions.

Comparatives in Note 29 Related parties have been restated to remove balances and transactions with entities under government control included in 2018/19 in error.

Note 32 Events after the reporting date

As at 31 March 2020 there were 223 NHS providers. On 1 April 2020, all services previously provided by the following providers transferred to successor bodies and the divesting providers were dissolved.

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

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

On 1 October 2020 the following two providers merged to form a new foundation trust and both predecessor organisations were dissolved.

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

The above transactions will eliminate and therefore have no impact on the 2019/20 consolidated NHS provider accounts. As at the date of authorisation of these accounts, there are 217 NHS providers.

On 2 April 2020, the Department of Health and Social Care (DHSC) and NHS England and NHS Improvement announced reforms to the NHS cash regime for the 2020/21 financial year. During 2020/21 existing DHSC interim revenue and capital loans as at 31 March 2020 will be extinguished and replaced with the issue of Public Dividend Capital (PDC) to allow the repayment. Given this relates to liabilities that existed at 31 March 2020, DHSC has updated its Group Accounting Manual to advise this is considered an adjusting event after the reporting period for providers. Outstanding interim loans totalling £13.5 billion as at 31 March 2020 in these financial statements have been classified as current as they will be repayable within 12 months.

The transition period following the United Kingdom's departure from the European Union ended on 31 December 2020. The Minister of State for Health has written to the health and social care sector1 regarding the impact of the UK and EU Trade and Co-operation Agreement on the health and care system from 1 January 2021. The letter includes details on continuity of supply, reciprocal healthcare, health security and professional qualifications.

The letter from the Minister of State for Health is available at: https://www.gov.uk/government/publications/letter-to-the-health-and-care-sector-about-the-uk-eu-trade-and-co-operation-agreement

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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