Department of Health

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Annual Report and Accounts

2013-14

(For the period ended 31 March 2014)

Accounts presented to the House of Commons pursuant to Section 6(4) of the Government Resources and Accounts Act 2000

Secretary of State's annual report presented to Parliament pursuant to Section 247(D) of the NHS Act 2006

Annual Report presented to the House of Commons by Command of Her Majesty

Annual Report and Accounts presented to the House of Lords by Command of Her Majesty

Ordered by the House of Commons to be printed on 22 July 2014

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This is part of a series of departmental publications which along with the Main Estimates 2014-15 and the document Public Expenditure: Statistical Analyses 2014 present the Government's outturn for 2013-14 and planned expenditure for 2014-15.

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Annual Report and Management Commentary

Foreword

Una O'Brien, Permanent Secretary of the Department of Health

The purpose of this report is to give Parliament and the public an overview of the resources for which the Department of Health is responsible and how, in broad term, those resources have been used in fulfilling our statutory functions.

The report is divided into a number of sections, each with a specific purpose reflecting statutory duties and years of custom and practice. We have sought to include the right amount of detail, striking a balance between transparency and readability, ensuring the report meets technical requirements as well as being of use to the interested reader.

In addition, this year for the first time we are including within the Department's Annual Report, the Secretary of State's Annual Report. This originates from a duty placed on the Secretary of State in the Health and Social Care Act 2012 (S.53), to deliver an annual report on the performance of the health service in England, including an assessment of how well duties to improve the quality of services and reduce inequalities have been discharged.

2013-14 was a challenging year for the Department and the NHS given the context of austerity and growing demand for services, as well as being the first year of reforms to the management infrastructure of the NHS. Realistically, we recognise that the environment will continue to be challenging as we make plans for the next spending review in 2015.

The changes of Health and Care Reform Programme came into place during the year, with new organisations in the health and care system taking up their full responsibilities. The Department's role also changed so that it is now more explicitly steward of the health and care system overall, with a tighter focus on taking the perspective of patients, service users and the public, setting objectives and outcomes for different parts of the system, ensuring alignment and performance, and holding to account.

This report summarises key achievements: continuity of NHS services was sustained; key reforms to the care system were designed and passed by Parliament; and overall financial performance and budgetary control at the national level was delivered.

All these achievements have been possible thanks to the continued dedication, commitment and hard work of staff throughout the system, including those who work at national level in the new partner organisations of the Department of Health.

Strategic Report

Introduction

Our Role and Purpose

1. The Department of Health (DH) helps people stay in good health and live independent lives. We lead the health and care to ensure people experience a service that protects, and promotes health and provides safe, effective and compassionate care.

2. As steward of the health and care system, it is our job to ensure that the system as a whole delivers the best possible health and care outcomes for the people of England. We work with our partner organisations to develop policies that ensure that services continue to meet the expectations of patients, carers, users and the public on fairness, efficiency and quality.

3. The Department and our Arm's Length Bodies across the health and care system are accountable to Parliament for what we do. The Department sets the strategy and direction for the system as a whole and is responsible for creating and updating the policy and legislative frameworks in which this operates. The Department is also responsible for sponsoring individual national bodies by supporting them and holding them to account for carrying out their responsibilities, for which they may be accountable through the Department or directly to Parliament.

4. Most of the expertise in health and social care, and virtually all the mechanisms for its delivery, lie outside the Department in the wider system. The Department secures funds for health and care services which are then allocated to the most appropriate local level and accounts for those funds. It ensures that a robust system of regulation is in place for the professions and allied industries; ensures that systems are responsive to the needs of patients, users, carers and taxpayers; and creates and maintains the legislative and regulatory framework for those services. But people's care is in the hands of the professionals who look after them. This arrangement works well, and the Department of Health's role should rarely be visible to healthcare professionals, patients and users of services. However, that role is vital in securing high quality, efficient and fair services now and sustaining them in the future.

5. The account of our year presented in this report explains how we have done this. It explains that we have taken steps to reform the system that sustains services, increasingly working through strategic global alliances with our external delivery partners at national and local levels, as well as taking a global leadership role in tackling the issues that will have greatest impact in the future – such as dementia and anti-microbial resistance and how we are taking steps to maintain performance in important key services.

Who we are

6. The Department of Health is a Department of State which leads health and social care in England and has a number of responsibilities which span the whole of the UK. We are led by a ministerial team and a staff of Civil Servants. Our ministers and senior staff are advised by four Non-Executive Board Members, who are independent of the department and of government. We work with our partner organisations to ensure that services meet the expectations of patients, carers, users and the public.

Our Ministers

Earl Howe
Parliamentary Under Secretary of State for Quality (Lords)

Norman Lamb MP
Minister of State for Care and Support

Rt Hon Jeremy Hunt MP
Secretary of State for Health

Jane Ellison MP
Parliamentary Under Secretary of State for Public Health

Dr Daniel Poulter MP
Parliamentary Under Secretary of State for Health

Our Non-Executive Board Members

Chris Pilling

Catherine Bell

Peter Sands

Mike Wheeler

Department of Health Executive Leadership Team

Una O'Brien – Permanent Secretary

Overall Leadership of the Department. Sets priorities driving improvements and provides funding and accountability to reflect what people value most.
Department's Principal Accounting Officer, answerable to Parliament for ensuring DH runs efficiently and spends its money appropriately.

Professor Sally Davies - Chief Medical Officer and Director of Research and Development

Independent advisor to Secretary of State and the UK Government on all medical matters, and is also the Chief Scientific Advisor to the Department.
Supports the Government to ensure decisions on health and social care are based on the most up to date and reliable research evidence.
Enables research in the NHS to support economic growth

Richard Douglas - Director General Finance & NHS

Leads the development of NHS policy to support improved outcomes and financial sustainability.
Ensures delivery of NHS performance standards through sponsorship of NHS England, Monitor and the Trust Development Authority.
Allocates and oversees the management of resources voted by Parliament.
Improves the financial and commercial capability of the DH.

Felicity Harvey - Director General Public Health

Sets strategy, policy and outcomes for public health, sponsoring Public Health England and working with NHS England and ALBs to improve and protect the population's health.
Leads on international business, representing the Government overseas on health issues.
Provides professional leadership and advice on public health and community nursing. Lead for science and bioethics, including embryology and genetics.

Jon Rouse - Director General Social Care, Local Government and Care Partnerships

Sets strategy, policy and outcomes for dementia, older people, people with disabilities, mental health, children and families, health inequalities, offender health, military health and social exclusion.
Oversees social care finance and investment, equality and lead across government on carers.
Builds effective partnerships with local government, voluntary and community sectors to improve health and care outcomes.

Charlie Massey - Director General Strategy and External Relations

Sets strategy policy and outcomes to support patients and public, to improve quality, regulation and safety of healthcare and leading policy on pay, pensions, education and training.
Oversees the framework to improve engagement between us and the public, improving policy-making and outcomes.
Leads the implementation of our commitments set out in the Government's response to the Francis Enquiry.

Karen Wheeler – (until 31 March 2014) Director General Information and Group Operations

Leads the delivery of the Health and Social Care transition programme.
Builds our capabilities – people, systems, processes and estates and implementing the Civil Service Reform programme within the Department.
Oversees corporate governance, audit, assurance and sponsorship for DH and ALBs and the delivery of efficient, effective NHS estates and facilities.

How we are organised

7. The Department of Health is a government department led by Ministers and staffed by Civil Servants. The Department includes two Executive Agencies; Public Health England (PHE) and the Medicines and Healthcare products Regulatory Agency (MHRA) which operates as a trading fund:

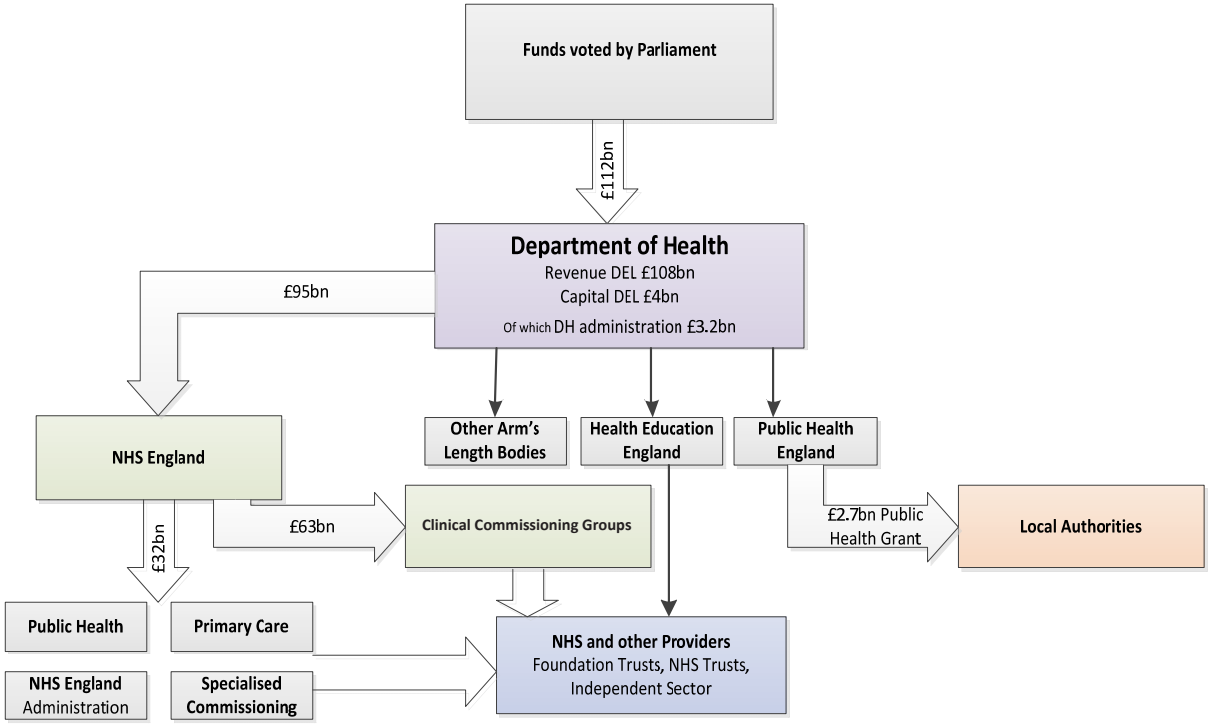
   - Public Health England provides national leadership and expert services to support locally-led public health initiatives and to respond to health protection emergencies. They work alongside local government, the NHS and other key partners, supporting the development of the public health workforce, jointly appointing local authority directors of public health, supporting excellence in public health practice and providing a national voice for the profession.

   - The MHRA's mission is to enhance and safeguard the health of the public by ensuring that medicines and medical devices work and are acceptably safe. It does this by protecting public health through regulation, promotion of public health and improving public health by encouraging and facilitating developments in products. The activities of the MHRA, as a trading fund, are not included in this annual report and accounts.

8. We are supported in our work by our arm's length bodies who commission, regulate and support providers of health and care services and products. Our Permanent Secretary is the Principal Accounting Officer for the Departmental Group, which includes our arm's length bodies, providers of health and social care owned by central government and some additional organisations such as NHS Property Services. These annual reports and accounts consolidate the activities of the group.

9. In the last financial year, across these bodies the Department has spent £108bn and invested a further £4bn in capital expenditure such as new hospitals and equipment. Figure 1 below shows how the money was spent based on budgeted position.

Figure 1 Flow of funding in Health Care Sector



This figure is based on budgeted position and is included as a representation of funding flow and may not reconcile directly with financial outturn.

Our Arm's Length Bodies

10. Our arm's length bodies (ALBs) are national organisations established to support the health and care system to provide efficient, high quality services that improve outcomes for everyone. These bodies are accountable to Parliament through the Department of Health. We set their strategic direction and hold them to account for delivery of a range of agreed objectives. The ALBs provide a range of diverse functions to support the Department in delivering its objectives, including:

    - delivering high quality care to reflect what patients and the public value most;
    - regulating the health and care system and workforce;
    - establishing national standards and protecting patients and the public, and
    - providing central services to the NHS.

    The activities of our arms length bodies, except for MHRA and NHSBT are incorporated into these accounts.

11. The Health and Social Care Act 2012, for the first time, conferred statutory functions on the Department's executive non-departmental public bodies (ENDPBs), rather than those functions being delegated by the Secretary of State. We remain responsible for the legislative framework of the system and the Secretary of State continues to be accountable to Parliament for the provision of the comprehensive health service in

England. To enable the system to work flexibly, the critical day-to-day operational decisions are made by the professionals working in provider organisations, supported by the strategic and regulatory functions carried out by our ALBs.

Figure 2 The Department of Health's Arm's Length Bodies

Executive Non-Departmental Public Bodies

NHS Commissioning Board (known as NHS England (NHSE))

NHS England sets the framework for commissioning of healthcare services in England. They fund Clinical Commissioning Groups (CCGs) who are responsible for commissioning services for their communities and assure that CCGs do this effectively. NHS England also commissions some services nationally. Working with leading health specialists, NHSE brings together expertise to ensure national standards are consistently in place across the country.

Monitor

Monitor regulates all providers of NHS-funded services. Their role is to promote value for money in the provision of healthcare for the benefit of patients, regulate NHS prices (alongside NHS England), and provide the licensing regime for providing NHS care in order to protect and promote patient's interests.

The Care Quality Commission (CQC)

The Care Quality Commission is the independent regulator of health and adult social care providers in England. They ensure that only providers who have made a legal declaration meet the 'essential standards of quality and safety' and satisfy the registration process are

allowed to provide care. Once services are registered, CQC monitor and inspect them against these essential standards.

The National Institute for Health and Care Excellence (NICE)

The National Institute for Health and Care Excellence provides guidance, standards and information to help health, public health and social care professionals deliver the best possible care based on the best available evidence.

Health and Social Care Information Centre (HSCIC)

The Health and Social Care Information Centre collects, analyses and publishes national data and statistical information as well as delivering the national IT systems and services to support the health and care system.

Human Fertilisation and Embryology Authority (HFEA)

The Human Fertilisation and Embryology Authority is the UK's independent regulator of treatment using gametes and embryos, and embryo research. They set standards for, and issues licences to, UK fertility clinics and all UK research involving human embryos. They determine the policy framework for fertility issues.

Human Tissue Authority (HTA)

The Human Tissue Authority regulates and ensures that human tissue is used safely and ethically with proper consent. They regulate organisations that remove, store and use tissue for a variety of purposes.

Special Health Authorities

NHS Trust Development Authority (NHS TDA)

The NHS Trust Development Authority (NHS TDA) supports NHS trusts to improve so that most can take advantage of the benefits of foundation trust status when they are ready, either on their own, by combining with another trust, or through some other organisational change. They oversee and support improvement in NHS trusts to secure sustainable, high quality services for the patients and communities they serve

Health Education England (HEE)

Health Education England is the national leadership organisation for ensuring that the education, training and development of the healthcare workforce supports the highest quality public health and patient outcomes.

The Health Research Authority (HRA)

The Health Research Authority protects and promotes the interests of patients and the public in health research. They protect patients from unethical research while enabling patients to benefit from participating in research by simplifying processes for ethical research.

NHS Business Services Authority (NHSBSA)

The NHS Business Services Authority provides a range of critical business support services to NHS organisations, NHS contractors, patients and the public. Their services include payments to community pharmacists and dentists for their NHS work, the administration of the NHS pension scheme, the management of NHS Supply Chain, as well as a range of other services.

NHS Litigation Authority (NHSLA)

The NHS Litigation Authority handles negligence claims, improves risk management practices and helps the NHS learn lessons from claims to improve patient and staff safety. They provide advice to the NHS on human rights and equality issues and have a role in primary care to resolve disputes between commissioners and providers.

Other Arm's Length Bodies

NHS Property Services (NHSPS)

NHS Property Services is a limited company wholly owned by the Secretary of State for Health, created to take over part of the Primary Care Trusts (PCTs) estate which did not transfer to NHS providers when PCTs and SHAs were abolished on 1 April 2013. NHSPS provides strategic and operational management of NHS estates, property and facilities.

Community Health Partnerships (CHP)

CHP is a limited company wholly owned by the Secretary of State for Health. It was established in 2001 to implement the NHS Local Improvement Finance Trusts (LIFT) programme. It inherited the LIFT shareholdings and property interests previously held by PCTs. From 1 April 2013 the company is included within the DH accounting boundary (having previously been held as an investment by DH). CHP facilitates public-private partnerships to deliver a wide range of health planning and estate services to support health providers and local authorities achieve improvements in the estate.

Other Bodies not included in this annual report and accounts

NHS Blood and Transplant (NHSBT)

NHS Blood and Transplant is responsible for the supply of blood, organs, tissues and stem cells. They manage the voluntary donation and processing of around 2 million units of blood a year as well as organ and tissue donations.

Medicines and Healthcare Products Regulatory Agency (MHRA)

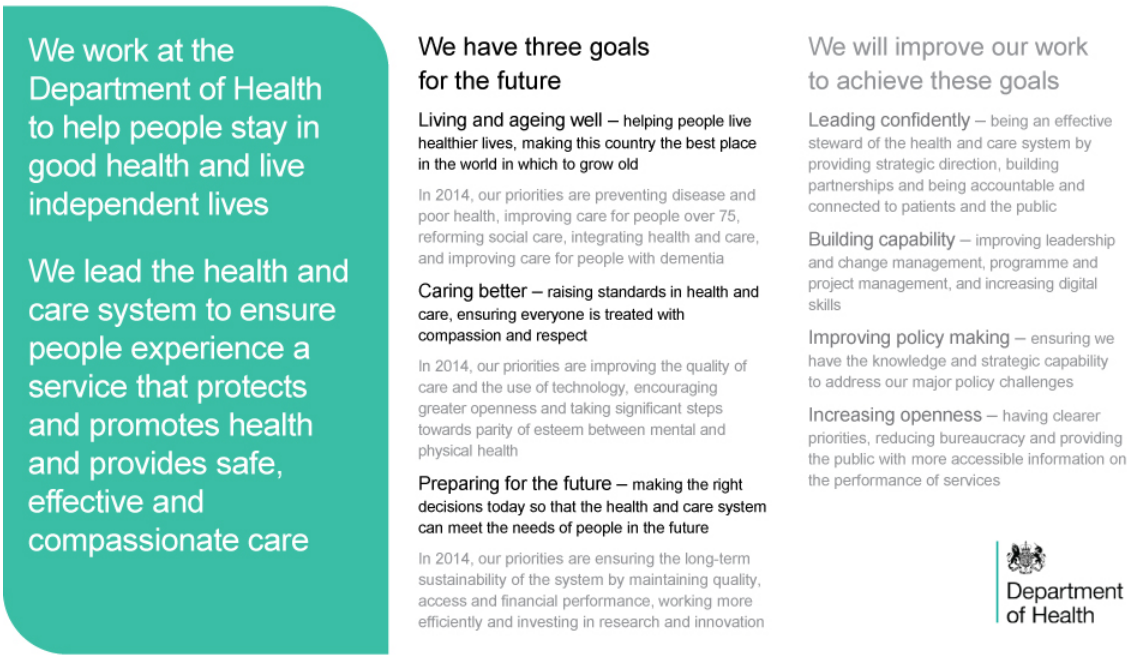
The MHRA protects and improves the health of millions of people every day through the effective regulation of medicines and medical devices underpinned by science and research and the investigation of harmful incidents.

Developing the Department

Our objectives for the future

12. We have been through the largest ever change to the Department of Health and the management infrastructure of the NHS and public health. The new structure has already enabled all parts of the system to work together more effectively. Our overwhelming priority for the year 2014-15, is to continue to work with our arm's length bodies to achieve the highest standards across the system. Our task is to improve patient safety and the quality of care while managing a financial situation that remains exceptionally tight.

Our Departmental Improvement Plan[1] sets out our objectives for the future.



13. To achieve these objectives, the Departmental Board is committed to implementing our improvement plan. These will enable us to continue to improve our core Department of State skills, as well as enable us to improve our leadership of the wider health and care system. We therefore need to continue to developing our knowledge about and understanding of the system, staying in touch with the current realities of health, need, illness and care, using this insight to develop policies that will enable the system to fulfil its purpose.

14. Details of how we will implement the improvements are set out within the plan and will be reviewed in the Departmental Annual Report for 2014-15.

[1] https://www.gov.uk/government/publications/department-of-health-improvement-plan-april-2014

Review of the Year

Introduction

15. This year was one of transition for the whole Health and Social Care system. New organisations, such as Public Health England and NHS England, came into being on 1 April, and this presented its own challenges in terms of ensuring continuity of services.

16. We published our Corporate Plan[2] in April 2013, outlining the Department's priorities for the year, grouped into six areas:

- Better Health & Wellbeing
- Better Care for All
- Better Value for All
- Deliver Successful Change
- Work with our partners
- Support UK Growth

17. We started the year with a new commissioning structure, led by NHS England and 211 new local Clinical Commissioning Groups along with new national organisations such as Public Health England and Health Education England. In overall terms we maintained the continuity of services in health and care.

18. The Department has led the health and social care system to implement new ways of working across the system that built on our existing system stewardship role. Through the Health and Care System Leaders' Forum of Chief Executives, we worked closely with the principal ALBs to ensure that the system carried on improving outcomes for the people whom we serve, and to whom we are accountable. We did not forget our responsibility towards the staff who provide frontline care and senior DH staff embraced a ground breaking programme in which they spent time at the front line getting to know and understand the system from the patient and carer perspective.

19. In addition to the work we planned to do, we also took action in-year to deal with emerging pressures in the system around planning for winter and action in response to the Sir Robert Francis inquiry into Mid-Staffordshire Foundation Trust and the Government's response, Hard Truths[3].

20. Our focus for this year was therefore primarily on:

- maintaining the stability and resilience of the system, for example in delivering key access targets;
- leading the new system to gear up to its new responsibilities, including for delivery of key Ministerial priorities;
- improving our own capabilities as a Department of State and as a Health Ministry;
- dealing with the remaining legacy issues arising from the transition.

[2] https://www.gov.uk/government/publications/department-of-health-corporate-plan-2013-14/department-of-health-2013-14-corporate-plan#contents
[3] https://www.gov.uk/government/publications/mid-staffordshire-nhs-ft-public-inquiry-government-response

21. We also prepared for the challenges of the future by facing head on the difficulties that face the system now and that will be pressing issues for the foreseeable future:

- demographic change, in particular the challenges of an ageing population;
- rising public expectations, particularly over the opportunities presented by new technologies;
- the fiscal challenge of reconciling rising demand within finite resources.

Our Achievements

Improving the quality of care

22. In November 2013, the Government issued a system-wide response to the report of the Inquiry led by Sir Robert Francis into Mid-Staffordshire NHS Foundation Trust. The Government's response, Hard Truths[4], dealt with each of the 290 recommendations made by Sir Robert Francis, and also built on a series of expert reviews into different aspects of the quality of care. Hard Truths set out a comprehensive response to the fundamental issues raised by Sir Robert Francis.

23. We have achieved a greater focus on openness and transparency around the quality of care at provider level through the appointment of the new Chief Inspector for Social Care; the Care Quality Commission's work to introduce a new inspection and single rating scheme; and the launch of online quality profiles on NHS Choices for all registered social care providers in England. The public can also easily compare the quality of local council's social care with Adult Social Care Outcomes Framework results being published online. Access to information and advice is a critical enabler for both consumers and commissioners to make appropriate choices and drive up quality of care and support. The Care Act placed a duty on local authorities to establish and maintain information and advice services on care and support for their local populations.

24. Local HealthWatch Boards are now playing a key role, representing the views of people who use services, carers and the public on Health and Wellbeing boards; providing a complaints advocacy service; and reporting concerns about the quality of health care to Healthwatch England, which can then recommend that the CQC take action.

25. We are introducing changes to the regulatory system overseen by CQC that will enable it to hold providers of poor care to account. This includes a major overhaul of the requirements for registration with CQC to include fundamental standards, and new statutory duty of candour and a fit and proper person requirement for directors of care providers.

26. The Cavendish Review[5], which reported in July 2013, made a number of recommendations on how the training and support of the over 1.3 million healthcare assistants and social care support workers can be improved to ensure they provide care to the highest standard. In response, Health Education England, Skills for Care and Skills for Health started developing the new "Care Certificate", which will help ensure that

[4] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/270368/34658_Cm_8777_Vol_1_accessible.pdf
[5] https://www.gov.uk/government/publications/review-of-healthcare-assistants-and-support-workers-in-nhs-and-social-care

healthcare assistants and social care support workers and their employers can deliver a consistent high quality standard of care.

27. To ensure that people who may lack capacity to make important decisions are empowered and protected, we have worked with system partners to improve implementation and awareness of the Mental Capacity Act (MCA) and Deprivation of Liberty Safeguards. A key achievement has been establishing a Mental Capacity Act Steering Group to bring together a forum of the major organisations with responsibility for implementation of the Act in health and social care. This group is committed to work together to achieve the 'culture change' that was promised by the MCA; we expect that it will play a central role in addressing the recommendations put forward by the House of Lords Select Committee report on the Mental Capacity Act.

Improving mental health

28. Mental ill health is the single largest cause of disability in the UK, contributing up to 23% of the total burden. At least one in four people will experience a mental health problem at some point in their life and one in six adults has a mental health problem at any one time. In 2013-14 we published Closing the Gap[6]. Priorities for essential change in mental health, which sets out our priorities for action: 25 areas where people can expect to see and experience the fastest changes. We stated that mental health must have equal priority with physical health, that discrimination associated with mental health problems must end and that everyone who needs mental health care should get the right support, at the right time. We made it clear that tackling premature mortality of people with mental health problems is a priority and we recognised that more must be done to prevent mental ill health and promote mental wellbeing. We also published a new national Crisis Care Concordat that sets out what kind of support people in mental health crisis should receive, no matter where they are in the country or which public service they turn to – or which service those who care for them turn to.

29. Time to Change[7] is England's biggest programme to end the stigma and discrimination faced by people with mental health problems. In January 2014, Time to Change published the results from its biggest ever survey of people in touch with its networks (almost 5,000 people). The survey showed that whilst over a third of people (34%) come up against stigma and discrimination on a monthly or weekly basis, 61% of people saying they now find it easier to talk about their mental illness compared to previous years, and over a third (34%) reporting that when they did finally tell someone, the response was better than they expected.

30. We published our first annual report on the Suicide Prevention Strategy, a consensus statement on information sharing and suicide prevention and launched our National Suicide Prevention Alliance which is facilitated by Samaritans and supported by grant funding from the Department of Health. We are also investing £1.5m over three years on six research projects on suicide and self- harm.

Integrating health and care services

31. Health services are commissioned by NHS Clinical Commissioning Groups and social care services by local authorities, with joint Health and Wellbeing Boards overseeing both. These services are often delivered by a variety of organisations, and therefore they need

[6] https://www.gov.uk/government/publications/mental-health-priorities-for-change
[7] http://www.time-to-change.org.uk/

to be integrated so that the patient-user receives seamless care centred on their needs and not organisational structures and boundaries. We therefore, worked with our partners in local government and in the Department for Communities and Local Government to establish a joint policy team, which developed the framework for the Better Care Fund.

32. The £3.8bn Better Care Fund is the largest ever financial incentive to integrate health and social care services. It will use pooled budgets to improve data-sharing between different health and social care providers and deliver a 7 day service with a single point of contact for the user. This will mean that more people can be treated at home or in the community and so will reduce pressure on hospitals caused by emergency admission that could be avoided. In each local area the Health and Wellbeing Board, Clinical Commissioning Groups and local authorities will agree a joint plan for integrating their services. They can also add extra funding to the Better Care Fund from their own budgets.

33. To support the Fund, we asked local areas to submit applications to become Integrated Care Pioneers. These areas already had some success in delivering integrated services. The 14 successful applicants became Integration Pioneers in November, and will now act as exemplars for others to learn from.

Tackling dementia

34. Dementia is a growing, global challenge. It is one of the most important health and care issues the world faces as the population ages. There are approximately 670,000 people in England living with dementia. This number will double in the next 30 years. Our ambition is to make England a world leader in dementia care and research. Key areas of progress for 2013-14 include:

- NHS England setting the first ever national ambition to improve diagnosis rates. By 2015, two-thirds of people should have a diagnosis, with appropriate post-diagnosis support;
- funding for GPs to adopt a new pro-active, case finding approach to the assessment of patients who may be showing the early signs of dementia;
- ensuring that over 100,000 staff have received foundation training in spotting the early symptoms of dementia;
- publishing the first ever state of the nation report on dementia care and support, and interactive maps enabling members of the public to look at the performance of dementia services within their area and across the country;
- appointing a national director for dementia research, and commissioning £20 million research on living well with dementia;
- leading the December 2013 G8 Dementia Summit and publishing the Declaration and Communique, setting out an international commitment to closer collaboration.

Reducing avoidable mortality

35. The Secretary of State's 2013 Call to Action for the health and care system set the health and care system an ambition to be amongst the best in Europe at reducing levels of premature mortality. That led to the publication of Living Well for Longer[8], which sets out the actions being taken across the national health and wellbeing partnership of

[8] https://www.gov.uk/government/publications/living-well-for-longer-a-call-to-action-to-reduce-avoidable-premature-mortality

Government, Public Health England (PHE) and NHS England to reduce premature avoidable mortality. It supports local actions and ambitions that each local authority and CCG will take across the country.

36. Living Well for Longer includes examples of good practice and help for local commissioning and service delivery. It is supported by our Living Longer website[9], which brings together our latest publications and news and provides an opportunity for open discussion between our partners and the public.

37. The Comorbidities framework[10], published April 2014, created a shared vision for professionals across the health, care and social systems in addressing the growing problem of patients with comorbidities. It defined the challenge and lays out a set of interconnected principles of public health that should be considered in any programme of project addressing comorbidities.

Improving health visiting

38. The Health Visitor Programme aims to increase the health visitor workforce by 4,200 by 2015, and to transform these services to improve health outcomes, reducing inequalities and improving experience and access for families and children. The Department has made substantial progress with its partners in delivering these aims, both in terms of workforce expansion and in service transformation.

39. The health visitor workforce has seen unprecedented growth of 25 per cent since the May 2010 baseline and this has involved reversing a steady decline in health visitor numbers. Latest published data shows that in January 2014, there were 10,124 full time equivalent health visitors employed in England. This is 2,032 full time equivalent health visitors more than May 2010. This year, (April 2013 – January 2014), the health visitor workforce has so far grown by 991 full time equivalents. The number of health visitors starting training in 2013 – 14 was 2,743. This means that since 2009-10, the numbers starting health visitor training has increased five-fold.

[9] https://www.gov.uk/government/publications/helping-people-live-well-for-longer
[10] https://www.gov.uk/government/publications/better-care-for-people-with-2-or-more-long-term-conditions

Changing the GP Contract to support those most in need

40. Changes to the 2014-15 GP contract will mean that all people aged 75 and over will have a named accountable GP with overall responsibility for their care from July 2014. Separately, a new enhanced service to the GP contract will lead to 800,000 people (of all ages) with the most complex needs being enrolled on the Proactive Care Programme. Patients on this programme will receive a proactive care and support plan, a named accountable GP, a named care coordinator responsible for ensuring that services work together effectively, and same day access to telephone consultations with a healthcare professional in their surgery in an emergency. To free up time for GPs to provide this more personalised care, we have reduced the number of indicators in the Quality and Outcomes Framework by more than a third. The contract changes are also intended to improve record sharing and to improve patient access, and require GP practices to introduce a range of new IT systems. In addition, we are taking a step towards fairer funding, by starting to phase out seniority payments and making a commitment to reviewing the funding formula so that it better reflects deprivation.

Reforming social care

41. The 2012 Care Act was a significant milestone in reforming adult social care in England to promote wellbeing, reduce or delay people's needs, protect access, improve quality and give people more control over their care. Our reforms will ensure that promoting people's wellbeing will be at the heart of every decision, put carers on the same footing as those they care for, create a new focus on preventing and delaying needs and building on the strengths of the local community, embed rights to choice, personalised care plans and personal budgets, and ensure a range of high quality services are available locally. It will improve access to support for carers by extending entitlements to carers' assessments and introducing new duties on councils to meet carers' eligible needs for support. In addition, the Government has committed to reform of social care funding in line with key recommendations of the independent commission, chaired by Andrew Dilnot. These reforms will strike a fairer balance between the responsibilities of individuals and the state in paying for care.

Delivering the transition

42. The Health and Care Reform Transition Programme closed on 31 March 2013, with the new organisations in the health and care system taking up their full responsibilities. The National Audit Office undertook a review 'Managing the transition to the reformed health system' which was published in July 2013, and the Cabinet Office Major Projects Review Group (MPRG), which has regularly assured the programme, conducted its final review in January 2014. Both found that good progress had been made in implementing the reforms, and that the next stage of benefit delivery would need to be undertaken by the new organisations, overseen by the Department. Following the MPRG review, arrangements are being made for this responsibility to transfer to the Assurance Director as part of business as usual arrangements.

43. 2013-14 was also the first year of the transformed public health system:
    - local authorities in England now have local leadership for improving the public's health, resourced through a ring-fenced grant. Local authorities' statutory duty to improve their local population's health fits with their wider role in improving the health and wellbeing of their populations;

- Local authorities are supported in this task by Public Health England (PHE), our new expert public health agency, providing public health expertise to help local authorities improve their population's health;
- PHE is also public health adviser to NHS England, which in 2013-14 commissioned over £2bn of public health services, including the vital national immunisation and screening programmes.

Supporting economic growth

44. We have maximised the contribution that research makes to the health, wellbeing, international competiveness and economic growth of the country by:

- speeding up the translation of leading-edge research into patient benefits;
- creating and harnessing world-class research infrastructure in the NHS and partner universities, which meets the needs of funders including the life sciences industry and charities;
- translating research into practice, focussing on the needs of patients, particularly targeted at chronic conditions and public health;
- setting up the National Institute Health Research (NIHR) Rare Diseases Translational Research Collaboration (TRC) to support Better Health and Wellbeing for all;
- launching the NIHR BioResource to provide a national cohort of patients and healthy volunteers who are interested in participating in experimental medicine studies and;
- investing £79.6million by life sciences companies via collaborations with NIHR Biomedical Research Centres and Units.

45. We updated the NHS Constitution to reflect the use of patient data to support research, to require use of such data in anonymised form, and in support of the Informed Choice agenda included the pledge that the NHS will inform patients about the research they are eligible to participate in. In addition, we improved the UK Clinical Trials Gateway (UKCTG), a digital service for the public to find clinical trials.

Pharmaceutical Price Regulation Scheme

46. The Department reached agreement with the Association of the British Pharmaceutical Industry on a new voluntary 5-year Pharmaceutical Price Regulation Scheme (PPRS). The 2014 PPRS, which came into effect from January 2014, introduces a fixed limit on NHS spend on the majority of branded medicines with all additional expenditure above this level paid for by the industry. This gives the NHS certainty over the amount it will spend on branded medicines over the next five years. The bill will stay flat over the next two years and will grow slowly after that, and it will help improve patients' ability to access the medicines they need. It also provides greater certainty for the UK pharmaceutical industry and includes a number of measures to encourage further innovation and growth.

Harnessing the potential of genomics

47. In December 2012, the Prime Minister announced a project to sequence 100,000 whole genomes of NHS patients by 2017. The potential of genomics is huge, leading to more precise diagnostics for earlier diagnosis, faster clinical trials, new drugs and treatments and potentially, in time, new cures. Based on expert scientific advice, the initial focus will

be on cancer and rare diseases. In July 2013, we set up Genomics England to deliver this project. Its main aims are to:

- create an ethical and transparent programme to bring benefit to patients;
- enable new scientific discovery and medical insights; and
- kick start the development of a UK genomics industry.

48. In January 2014, the pilot rare disease phase of the project commenced with a small number of samples being collected from consenting groups and sequenced through Cambridge University. Samples are now being collected from patients, and the sequencing will be scaled up.

49. Genomics England Ltd will also work closely with NHS England, Health Education England and Public Health England to deliver the project, with the aim of ensuring that there is a genomics service ready for adoption by the NHS when the project concludes.

Tackling anti-microbial resistance

50. Antimicrobial resistance (AMR) is a growing problem. The UK has been at the forefront of action internationally on AMR, working closely with other countries and international organisations. For example, working with Sweden, the UK has led the development of a new WHO resolution on AMR.

51. In September 2013 the Government published the UK Five Year Antimicrobial Resistance Strategy. The strategy takes an integrated approach setting out what needs to be done across human health, animal health and the environment. It recognises that AMR cannot be eradicated but can be managed to slow down its development and spread, and focuses on those areas that need to be addressed at a national and international level to help achieve this.

52. Other developments this year include a number of health and cross-government research initiatives including the establishment of an AMR Research Funders Forum to coordinate research.

Launching new immunisation programmes

53. In 2013-14 there have been a number of significant achievements for the UK's immunisation programme:

- we introduced a new vaccine to protect infants against rotavirus, the most common cause of gastroenteritis among children, and one which can lead to a significant number of young children being hospitalised. The vaccine had an immediate and dramatic effect upon the disease, bringing significant benefits to children and their families;
- the seasonal flu vaccination programme was extended to include all two and three year old children. Eventually, all children aged two to 16 years will be offered vaccination. The programme will protect children, their families, and those more vulnerable people with whom children come into contact;
- we continued the pertussis (whooping cough) vaccination programme for pregnant women. Babies are first vaccinated against pertussis at two months of age, but until

this point they are at most risk of serious disease. Vaccinating pregnant women saves babies' lives.

Improving children's health in the early years

54. The foundations of good physical and mental health throughout life are laid during pregnancy and childhood, especially from conception to age two. Our programmes address the needs of vulnerable children and young people, and therefore not only provide immediate health benefits, but can also help to reduce the burden of ill health, including poor mental health, and mortality over the whole life course. This not only reduces the cost of future interventions, it also helps boost economic growth and reduce health inequalities.

55. We are investing £54m in the Children and Young People's Improving Access to Psychological Therapies (CYP IAPT) programme. The CYP IAPT programme includes training for existing Child and Adolescent Mental Health Services working across the NHS, Local Authority and voluntary sectors in a range of NICE approved evidence based therapies. This includes parenting training for conduct problems (3-10 year olds). The Programme covers services available to 54 per cent of England's 0-19 population.

Improving the financing of migrant and visitor healthcare

56. To secure the sustainability of NHS finances, we need to ensure that visitors and migrants to England make a fair contribution to their NHS Healthcare costs. Following a public consultation in July and August 2013 on the future of charging, the Government published its response in December 2013. The research concluded that there was up to £500m a year of income that could be collected from overseas patients. The consultation response set out policy intentions to improve identification and cost recovery including improving current systems and processes, introducing a better NHS registration system to record chargeable status, and in the future, extending charging outside of secondary care services.

Better Regulation and the Red-Tape Challenge[11]

57. As part of the Government's challenge to reduce the red-tape burden on businesses and improve regulation, the Department identified that 128 of 555 regulations were not necessary and a further 252 could be improved. DH has undertaken a regulatory mapping exercise during the first half of 2014 to identify further opportunities to improve its regulatory impact in the area of opticians, dentists, care homes, therapists, nurses and medical practitioners. The Department aims to respond to the findings of this work by September 2014.

58. The Department has worked with its arm's length bodies (ALBs) largely through the Red Tape Challenge and Focus on Enforcement reviews to identify further opportunities to improve its regulatory footprint on business that do not require changes in legislations. These measures have included:
    - MHRA Accounting for Regulator Impact Success, which has resulted in: total savings for businesses of £30 million; a new process for coordinating assessment and processing of multiple licence applications from the same company with expected savings of £25 million per year; reducing the number of

[11] http://www.redtapechallenge.cabinetoffice.gov.uk/home/index/

instances where parallel imports licences require assessment; and consolidation of 1,000 pages of medicines legislation into 300 saving a further £0.9million per year and

- Initiative to reduce regulatory burden, by looking to share inspection schedules and undertake joint inspections with Local Authorities. CQC is also working with other bodies to align data and information requests.

59. The Department is working to meet the challenging 'One In, Two Out' target for reducing regulation across government, This means that for every £1m increase to the regulatory burden on the private and voluntary sectors, the government must find reductions in other regulations of £2m. The Department's One In, Two Out balance for regulations, as published in the Eighth Statement of New Regulation, which lists all measures to be introduced between July and December 2014, is a deficit of £1.8m.

60. In March 2012, the Better Regulation Executive (BRE) launched its Focus on Enforcement initiative – a cross Government programme of reviews of the impact of the regulatory systems on specific sectors undertaken from the perspective of the regulated. The focus on enforcement review covers all aspects of regulatory action, in its widest sense, and covers the operation of commissioning, supervisory and regulatory bodies. The BRE have completed two reviews in the health and care sector.

61. The first review examining the Care Homes sector was published in May 2014[12]. The second review, with MHRA as the lead regulator was undertaken in 2013. Each review is a short investigation of stakeholder experiences and involves gathered information to identify areas of good practice and those elements of the regulatory approach that stakeholders feel can be improved. The MHRA response to the findings of the review are due to be published in the summer.

62. The Department is responsible for transposing European Directives and Regulations into UK law, with regard to nutrition, smoking, and other health-related policies. DH is also responsible for implementing the International Health Regulations, as set by the World Health Organisation. In the Seventh Statement of New Regulation, this included the Health Protection Regulations (Ships and Aircraft) 2014. However, the relatively small number of DH regulations that have an impact on business are domestic in origin.

63. During 2013-14, the Department submitted 10 regulatory triage assessments (RTAs), low-cost or deregulatory measures, four consultation stage impact assessments (IAs), two final stage IAs, and two validation IAs (one of which was submitted twice) to the Regulatory Policy Committee (RPC). The RPC considered two RTAs, one final stage IA and the validation IA submitted twice to be 'not fit for purpose'.

[12] http://www.cqc.org.uk/content/focus-enforcement

Secretary of State for Health Annual Report for 2013-14

Introduction

64. The Secretary of State is required by section 247D[13] of the National Health Service Act 2006 to publish an annual report on the performance of the health service.

65. The Secretary of State for Health Annual Report for 2013-14 comments on services commissioned by the National Health Service Commissioning Board (now generally known as 'NHS England') and Clinical Commissioning Groups (CCGs), as well as those public health services for which the Secretary of State and Local Authorities are responsible[14]. The report includes an assessment of how effectively the Secretary of State has discharged his duties under sections 1A (duty as to improvement in quality of services) and 1C (duty as to reducing inequalities) of the 2006 Act[15]. The contents of this report must be seen in a wider context of increasing demand upon the health and care system from an ageing population, where the NHS performed well against its national standards and major changes to the way in which care is delivered following the publication of the Francis Inquiry Report in February 2013 with a stronger focus on quality and safety than ever before. Measures taken during 2013-14 to secure improvements to services are improve quality of care also explained within the main body of this document, in the Our Achievement's section.

66. The Secretary of State for Health must assess how effectively he has discharged his duty to act with a view to securing continuous improvement in the quality of services provided to individuals, in particular with a view to securing continuous improvement in the outcomes achieved, having regard to quality standards prepared by the National Institute for Health and Care Excellence (NICE). The Secretary of State must also assess how effectively he has discharged his duty, in exercising his functions to reduce inequalities between people as to the benefits they get from the health service. The assessments are set out below.

Outcomes Frameworks

67. The Department of Health leads the health and care system in delivering improved outcomes. Focusing on outcomes, rather than on top down targets, supports innovation, increases the safety and effectiveness of services, and improves patient and user experience. The right information, focused on what matters to people, supports commissioners and providers of care to drive up standards. It supports them to identify local priorities for care and support, and allows them to measure how quickly improvements are being made towards those priorities.

68. There are three outcomes frameworks, one each for the NHS, public health and adult social care. The frameworks set common goals for the health and care system as well as providing an overview of how the system is performing.

69. They enable the Secretary of State to hold the system to account and set out national areas for improvement and how that improvement will be measured. These national

[13] Secretary of State for Health Annual Report on the performance of the health service in England is presented to the House of Commons pursuant to section 247D subsection (3).
[14] Social care is not a health service but is covered for completeness.
[15] The assessment is required under section 247D (2) of the National Health Service Act 2006 H

priorities exist alongside local priorities. Together the outcomes frameworks mean that common challenges are highlighted at the local level across the health and care system. They inform local priorities and joint action while reflecting the different ways that services are held accountable. Data from the three outcomes frameworks is published online for the public to hold their local services to account. This is part of the Government and Department's wider drive to increase the transparency and accountability of public services.

The Departmental Improvement Plan

70. Measures from the frameworks will be used to assess our progress in becoming a better health department through improving our formulation of strategic policy and ensuring accountability. These commitments are set out in the Departmental Improvement Plan 2014[16].

Progress against outcomes[17]

The Adult Social Care Outcomes Framework

71. The Adult Social Care Outcomes Framework fosters greater transparency in the delivery of adult social care, supporting local people to hold their council to account for the quality of the services they provide. The Adult Social Care Outcomes Framework measures cover the quality of life of carers and people who use care services, people's experience of the care and support they receive, how safe they feel, the effectiveness of care services in supporting people to stay independent for as long as possible, and empower people with greater choice and control over their daily lives.

72. Keeping older people well and out of hospital and supporting them to regain their independence after a period of support is a vital part of supporting older people to live full lives and to play an active role in their communities. In 2012-13 over 80% of older people who received reablement/rehabilitation support schemes were able to return and live in their own home following a stay in hospital. This has remained broadly stable when compared with previous years. A key objective of the drive to make care and support more personalised is giving people genuine choice and control over their care through personal budgets. 56.2% of users of community based services and carers received a personal budget in 2012-13, compared to 29.2% in 2010-11, highlighting the continuing progress of councils in delivering personalised care.

The Public Health Outcomes Framework

73. The Public Health Outcomes Framework sets the strategic vision for public health and concentrates on two high-level outcomes we want to achieve across the public health system:
    - Increased healthy life expectancy – This is about not only on how long we live – our life expectancy, but also on how well we live – our healthy life expectancy at all stages of the life course. In 2009-11, healthy life expectancy at birth for males in England was 63.2 years and for females it was 64.2 years.

[16] https://www.gov.uk/government/publications/department-of-health-improvement-plan-april-2014

[17] Data cited in the 'Progress against outcomes' section is the latest available finalised data. Subsequent provisional data on some indicators within the *Adult Social Care Outcomes Framework* is due for publication during July, but was not published at the time of going to print.

- Reduced differences in life expectancy and healthy life expectancy between communities. In 2010-12, there was a 9.2 year difference in life expectancy at birth for males across the social gradient from the most to the least deprived areas in England. The corresponding difference in life expectancy across the social gradient for females was 6.9 years.

74. For most indicators, the trends for England as a whole are mostly as expected, being either broadly constant or moving in a positive direction, though there is variation across local authorities.

75. In general, the wider determinants of health are stable or moving in a favourable direction. In 2012-13, there was an increase (from 54.6% in 2011-12 to 58.5% in 2012-13) in the proportion of adults aged 18-69 years receiving secondary mental health services recorded as living independently at the time of their most recent assessment, formal review or care planning meeting. The percentage of adult social care users who have as much social contact as they would like has increased from 41.9% in 2010-11 to 43.2% in 2012-13. One of the wider determinants of health that is performing less well and requiring further improvement is the number of households in temporary accommodation which has risen from 2.22 households per 1,000 households in 2010-11 to 2.44 households in 2012-13.

76. In general, health improvement indicators are generally moving in a favourable direction. Smoking prevalence in adults (aged 18 years and over) has decreased from 20.8% in 2010 to 19.5% in 2012. There has also been a slight decline (2.3%) in alcohol related admissions to hospital from 2010-11.

77. Under health protection the coverage figures for the routine childhood vaccination programme (MMR, Hib/Meningitis C, pneumococcal conjugate vaccine (PCV)) remain high and show an increase at national level. The data for HPV vaccination coverage, flu vaccination coverage for over 65s and flu vaccination coverage for at risk individuals suggests that the coverage is slightly higher than 2010-11. There has been a slight decline in pneumococcal polysaccharide vaccine (PPV) coverage for over 65s.

78. All indicators for preventable ill health and preventing premature mortality are moving in a favourable direction. In 2012-13, there was a 2.0% decrease on the baseline year, in age-sex standardised rate of emergency hospital admissions for hip fractures among people aged 65 years and over. The estimated diagnosis rate for people with dementia has increased from 42.6% in 2010-11 to 48.7% in 2012-13.

The NHS Outcomes Framework

79. The Secretary of State's Mandate to NHS England outlines the specific objectives the NHS should achieve that year. A central part of the Mandate is the NHS Outcomes Framework. This sets out the outcomes that will be used to assess whether NHS England has achieved its objectives.

80. For mortality, outcomes are improving, with continued improvement in patients surviving cancer and reductions in infant mortality, neonatal mortality and still births in the latest period (2012). A joint Public Health/NHS Outcomes Framework indicator, for long-term conditions, the estimated diagnosis rate for people with dementia continued to improve (increasing from 46% in 2011-12 to almost 49% in 2012-13). The total health gain for

elective procedures is largely showing an improvement across the four areas (hip replacement, knee replacement, groin hernia, varicose veins) and regarding patient safety outcomes, rates of infections (MRSA and Clostridium Difficile) continue to decline.

81. However, there is still improvement to be made in some areas. Excess mortality for those with serious mental illness remains high and life expectancy at 75 for females has recently dropped for the first time since 2003. Taken together, emergency admissions for acute and long-term ambulatory care sensitive conditions have increased, as have emergency admissions for lower respiratory tract infections. The employment gap for people with long-term conditions and mental illness respectively are showing a diverse picture – the gap for the former is increasing, while the latter is reducing. There is a worsening in data for the indicators measuring recovery from fragility fractures and recovery following discharge from hospital and rehabilitation.

82. Where data for patient experience has been released in 2013-14, results have diverged across services. The principal in-hospital indicator is showing a slight improvement relative to 2011-12, as are the indicators for NHS dental services and care for people in the last three months of life. There is adverse movement in the indicators for GP, out-of-hours, A&E and mental health services, although at this time there have not been a sufficient number of data points published to comment on the overarching trend of the movement.

83. In terms of patient safety, the difficulty of measuring harm, coupled with patients underreporting makes it difficult to report accurate conclusions. The development of a new measure of reporting in 2014-15 on hospital deaths attributable to problems in care should address this issue.

International comparisons

84. We are able to make direct international comparisons around preventing people from dying prematurely, as most developed countries have robust measures of mortality by cause. Comparisons of patient experience are made annually by the Commonwealth Fund based on its annual Health Policy survey of 11 countries (Australia, Canada, France, Germany, the Netherlands, New Zealand, Norway, Sweden, Switzerland, and the United Kingdom). However, for most other areas, including Adult Social Care and Public Health, it is not yet possible to make international comparisons.

85. Premature mortality in England from Cardio Vascular Disease (CVD), Cancer and respiratory disease have continued to improve over the last 10 years, but while England's premature cancer mortality rate is about the same as the EU-15 average, the premature mortality rate for CVD is worse (but the gap is closing) and for respiratory disease, mortality outcomes are considerably worse than the EU-15 average. Cancer survival rates in England also tend to be lower than in other developed countries. Premature mortality from liver disease has been increasing against a declining trend in the other EU-15 countries.

86. Like England, most EU-15 countries, as well as Norway and Switzerland, experienced a drop between 2011 and 2012 in Life Expectancy at 75, for females. For males it was less marked. We are monitoring this closely to see if it is a fluctuation (as in 2003) or whether

it heralds an underlying change. Studies have suggested the change in direction was due to a combination of cold weather and influenza[18].

87. The 2013 Commonwealth Fund survey of patient experience found that overall and on dimensions of quality care, access and efficiency the United Kingdom ranks first, followed closely by Switzerland[19]. The United States ranks last overall.

Alignment

88. To improve outcomes, the three frameworks must have shared aims and a shared understanding of what the health and care system is trying to achieve. Each of the outcomes frameworks contains shared and complementary indicators to provide a focus for efforts to improve outcomes across different parts of the system. The Department is committed to increasing the alignment of the outcomes frameworks, where appropriate, to encourage integration, joint working and the coordination of local services.

NICE quality standards

89. The Health and Social Care Act 2012 established NICE with a remit extended to social care. Its remit now spans the NHS, public health and social care, bringing real potential to support integration across the system. The Act also makes provision for NICE to develop quality standards. NICE quality standards distil robust, authoritative best practice guidance into a concise description of a high quality service for a particular group of patients or in a particular area. Between April 2013 and March 2014, NICE published over 30 quality standards covering a broad range of topics including supporting people to live well with dementia, smoking cessation and autism.

90. The Government's response to the Francis inquiry, Hard Truths, published in November 2013 recognised the key role of NICE quality standards in driving quality improvement locally. The response set out the role of quality standards in describing enhanced and aspirational levels of care above and beyond the fundamental standards of safety and quality that must be met. The response also stated that they will incorporate developmental statements where emergent evidence-based technologies have potential to drive widespread improvements. The CQC will use NICE quality standards to inform its provider quality ratings. The Department of Health and NICE consulted on future social care topics for referral to NICE last year, which led to the referral of a number of new social care topics to NICE for quality standard development. NICE quality standards will play a critical role in driving quality improvement in social care locally. To support this, the Department has introduced a mechanism whereby providers of social care are able to add flags to their individual NHS Choices Provider Quality Profile (PQP) to show they have adopted recognised quality schemes such as NICE social care quality standards.

91. NICE has recently consulted on future public health topics for referral to NICE for quality standard development. The Department of Health is working with Public Health England and NHS England to analyse the responses and finalise topics for referral to NICE.

Health Inequalities

92. Health inequalities are a long-standing health challenge and deeply rooted in our society, with differences in Healthy Life Expectancy at birth between the most and least deprived

[18] http://www.eurosurveillance.org/ViewArticle.aspx?ArticleId=20138
[19] http://www.commonwealthfund.org/publications/fund-reports/2014/jun/mirror-mirror

areas of 19 years for men and 20 years for women (2009-11). Health inequalities result in preventable early deaths and illness which bring misery to families, affecting every community in the country and the nation as a whole.

93. The Government wants to see health inequalities become a thing of the past, and to help address this challenge passed into law, for the first time, duties for the Secretary of State for Health, NHS England and Clinical Commissioning Groups to have regard to the need to reduce health inequalities, along with planning, assessment and reporting requirements. These took effect from 1 April 2013. There are also provisions for Monitor.

94. The Government has taken steps to embed action on inequalities across the reformed system and ensure it is soundly established to meet the new duties. The Secretary of State wrote to leaders across the health system[20] setting out that health inequalities should be addressed strategically with appropriate governance and leadership, supported by evidence, monitoring and assurance as well as effective partnerships and is using standard accountability mechanisms so that action on health inequalities is part of core business. In addition, the Government has included the need to address health inequalities in the NHS Constitution and NHS Mandate, and set out that the purpose of Joint Strategic Needs Assessments and Joint Health and Wellbeing Strategies is to improve the health and wellbeing of the local community and reduce inequalities for all ages. Health inequalities are also embedded within the NHS Outcomes Framework and Public Health Outcomes Framework, giving a clear basis for measuring progress.

95. The Government recognises that health inequalities are complex and highly challenging. The Secretary of State's assessment of how well his duty to have regard to the need to reduce health inequalities between the people of England has been discharged is that good progress has been made in 2013-14 to embed action on inequalities across the system, particularly within important mechanisms such as the NHS Constitution, NHS Mandate, Joint Strategic Needs Assessment, Joint Health and Wellbeing Strategies and the outcomes frameworks. Across the system, we now need to build on this early progress, broadening our knowledge and understanding, and supporting effective action across all communities.

New Health and Care System

96. The Department has overseen the Health and Care Reform Transition Programme, ending on 31 March 2013, with the new organisations in the health and care system taking up their full responsibilities from April 2013. The Department now acts as the system steward, sponsoring the work of our key partners such as NHS England, the NHS Trust Development Authority and Monitor. This includes supporting these organisations to grow into their remit, whilst also holding them to account for their performance. Local Authorities are now responsible for taking appropriate steps to improve the health of their local population. They have received a ring-fenced grant to help tackle public health issues and are required to have regard to reducing health inequalities as a condition of the grant.

[20] Letter from Secretary of State for Health to the heads of a number of health bodies, available at the following weblink https://www.gov.uk/government/publications/reducing-health-inequalities

Summary of Financial Performance

Introduction

97. In 2010, the Coalition Government made a commitment to increase the level of Health expenditure in real terms in each year of this Parliament. This commitment is measured against the Department's Total Departmental Expenditure Limit (TDEL), an expenditure control consistent with the HM Treasury's presentation of departmental expenditure in its publications.

98. These financial statements show how the Department's activities have been funded and its resources deployed during the 2013-14 financial year. The Department has two primary sources of funding: Parliamentary (Supply) funding and National Insurance Contributions. Whilst National Insurance Contributions reduced to £17.5 billion (2012-13 £18.1 billion), HM Treasury (HMT) sets the Department's budgets independently from the level of National Insurance Contributions and therefore this did not affect the total resources allocated.

Total DEL

99. TDEL is calculated as the total of Revenue Departmental Expenditure Limit (RDEL) *plus* Capital Departmental Expenditure Limit (CDEL) *less* depreciation. Table 1 below sets out TDEL expenditure from 2010-11 onwards. This details how in 2013-14, TDEL spending is 2.6% higher in real terms than in 2012-13 (prior year) and cumulatively 3.9% higher in real terms than 2010-11.

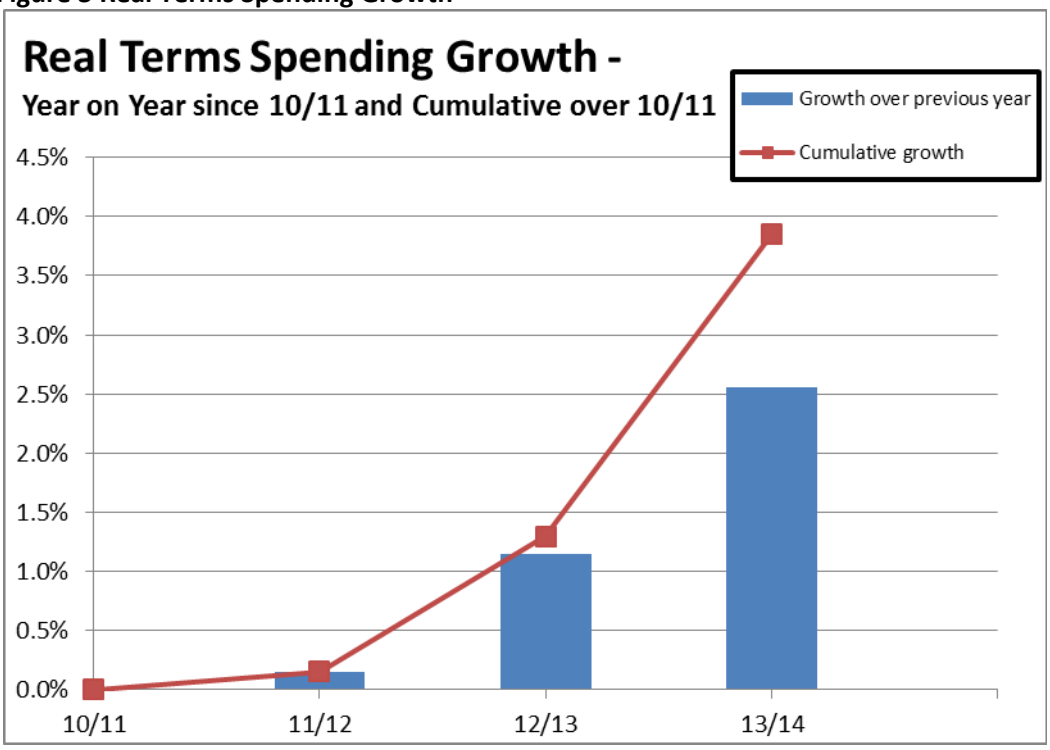
Table 1 Total Departmental Expenditure Limit Spending

	2010-11 Final Outturn £m	**2011-12** Final Outturn £m	**2012-13** Final Outturn £m	**2013-14** Final Outturn £m
TDEL spending	**100,418**	**102,844**	**105,221**	**109,774**
Growth Nominal (£)		*2,426*	*2,377*	*4,553*
Growth Nominal (%)		*2.4%*	*2.3%*	*4.3%*
TDEL spending in 13/14 prices	**105,588**	**105,747**	**107,035**	**109,774**
Growth Real (£)		*159*	*1,289*	*2,739*
Growth Real (%)		*0.2%*	*1.2%*	*2.6%*
Cumulative growth over 10/11 -				
Growth Real (£)		*159*	*1,448*	*4,186*
Growth Real (%)		*0.2%*	*1.4%*	*3.9%*

1. Total spending figures are presented in nominal (cash) terms
2. 2013-14 prices are calculated using GDP deflators at 1 July 2014.
3. Numbers may not sum due to roundings

100. Figure 3 below shows the trend of year-on-year spending from 2010-11. The commitment to increase spending in real terms every year has again been achieved in every year since 2010-11.

Figure 3 Real Terms Spending Growth



101. At a more granular level, the Department is required to contain expenditure within a series of sub-controls operated by both HMT and Parliament:

- The **Revenue Departmental Expenditure Limit (RDEL)** is the control total for which 'current' revenue expenditure, net of income, must be contained (see Table 2); Expenditure for depreciation and impairments scoring in DEL are within a ring-fenced part of the RDEL budget, whilst all other expenditure scores to the non-ring fenced element of RDEL;
- The Department's **Administration limit** is a subset of the RDEL control and sets a ceiling for the costs associated with the administration of the department and its arm's length bodies (ALBs), rather than the delivery of frontline services (see Table 4);
- The **Capital Departmental Expenditure Limit (CDEL)** is the control for which expenditure can be incurred on items, where there is reasonable probability they will deliver future economic benefit (i.e. valuable service) over more than one year (in most cases many years) e.g. the acquisition of new fixed assets (Table 5 details);
- **Annually Managed Expenditure (AME)** limit represents a budgeting control for items that HM Treasury have deemed to be demand-led or exceptionally volatile. For the Department, this includes certain impairments, provisions and Credit Guarantee Finance (Table 7 details).

Revenue DEL (RDEL)

102. The Department's RDEL expenditure in 2013-14 was £106,495 million, which represents an underspend of £305 million (0.3%) against the RDEL control.

Table 2 Revenue DEL

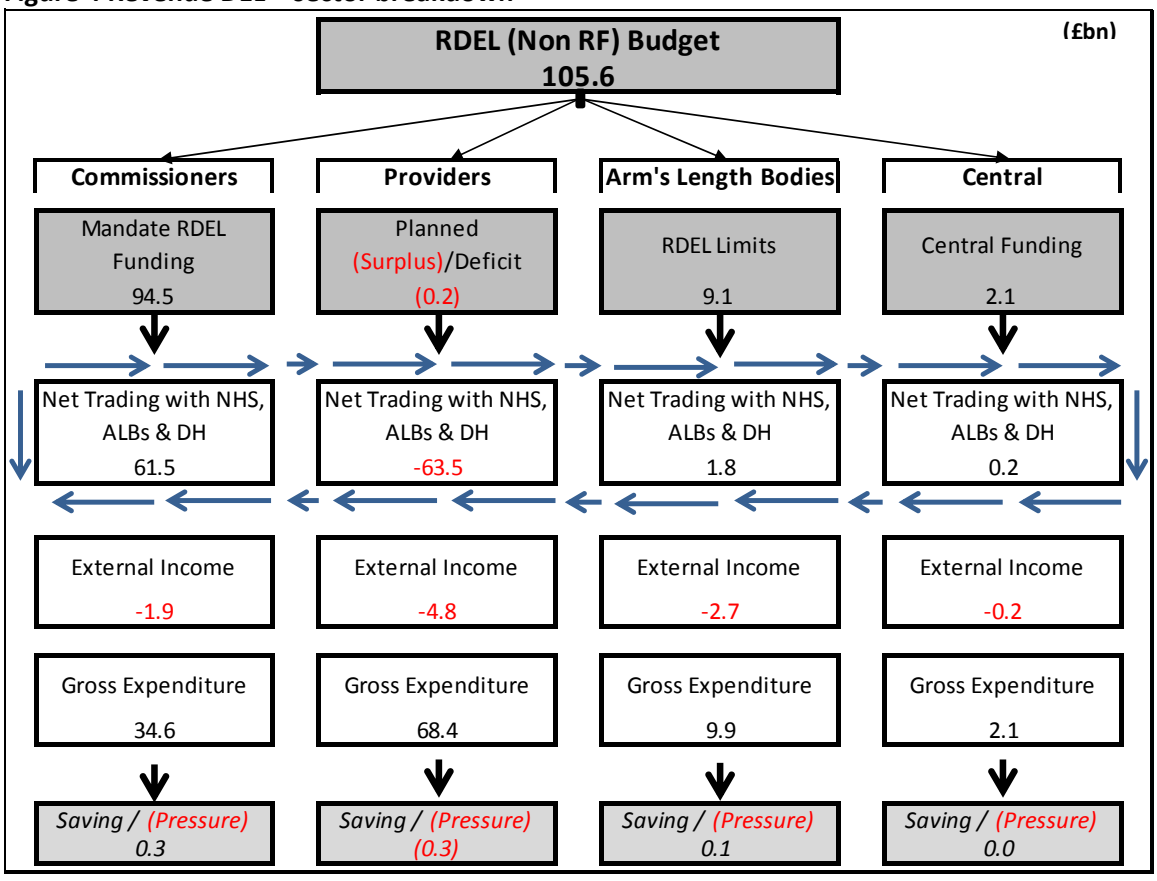
	2010-11 Final Outturn £m	2011-12 Final Outturn £m	2012-13 Final Outturn £m	2013-14 Final Outturn £m
RDEL Budget	98,567	101,092	104,097	106,801
RDEL Spending Outturn	97,469	100,266	102,570	106,495
Underspends (£m)	*1,098*	*826*	*1,527*	*305*
Underspends (%)	*1.1%*	*0.8%*	*1.5%*	*0.3%*

1. *2010-11, 2011-12 & 2012-13 figs have been adjusted to exclude both Personal Social Services Grant and Learning Disability Grants, responsibility for which transferred to DCLG as part of a machinery of government change in 2013-14.*

103. The total 2013-14 spending outturn of £106,495 million is the consolidated spending of all bodies within the departmental group, of which £1,070 million relates to ring-fenced depreciation costs, whilst £105,425 million is other non ring-fenced revenue spending.

104. Figure 4 below provides an illustrative breakdown of the non ring-fenced RDEL spending with the DH group, split by main sector.

Figure 4 Revenue DEL – sector breakdown



105. The £305 million underspend against the RDEL control is the net of various under and over spends against the agreed plans across the DH group, as shown in Table 3 below.

Table 3 Revenue DEL - sector analysis

	Plan £m	Outturn £m	*Variance £m*
RDEL Non Ring-fenced Spending -			
NHS England	94,531	94,206	*325*
NHS Trusts - Deficit	76	241	*(165)*
Foundation Trusts - Surplus	(259)	(133)	*(126)*
Arm's Length Bodies	6,461	6,365	*96*
Local Authority Grants	2,662	2,705	*(43)*
DH/Central	2,105	2,041	*64*
SubTotal Non RF	**105,577**	**105,425**	***151***
RDEL Depreciation Ring-fence	1,224	1,070	*154*
Total RDEL	**106,801**	**106,495**	***305***

Numbers may not sum due to roundings

RDEL Administration

106. The Administration limit includes costs within the core department, commissioning sector (NHS England and Clinical Commissioning Groups) and all of the Department's arm's length bodies.

107. The 2010 Spending Review also set out the challenge for the Department to reduce total system administration costs by one-third across the Spending Review period, against an agreed baseline year (2010-11). In September 2011, a lower baseline and the subsequent trajectory was set out in the revised impact assessment for the Health and Social Care Bill (now the Health and Social Care Act 2012).

108. Table 4 below provides a comparison of the 2013-14 administration outturn against the revised impact assessment for the Health and Social Care Act 2012.

Table 4 DH Administration

	2010-11 Baseline £m	**2011-12 Outturn** £m	**2012-13 Outturn** £m	**2013-14 Outturn** £m
Administration Total per Trajectory	4,500	3,969	3,811	3,553
Administration Outturn		3,307	3,502	3,036
Under / (Over) Spend		**662**	**309**	**517**

1. Administration figures do not include depreciation.

109. Administration costs in 2013-14 are £517 million lower than forecast in the Impact Assessment because:
- The Health and Social Care Act 2012 reforms continue to deliver faster administration reductions allowing for more spending on direct frontline services;
- Transition/reform related costs in 2013-14 were lower than originally forecast; and
- Contingencies factored into the Impact Assessment for potential classification issues between administration and programme expenditure were not needed.

110. The Department remains on track to deliver the one-third real-terms reduction to total administration costs as per the original request in the 2010 Spending Review.

Capital DEL (CDEL)

111. The Department's CDEL expenditure in 2013-14 was £4,349 million, which represents an underspend of £95 million (2.1%) against the CDEL control and an increase in spend of £566 million on 2012-13.

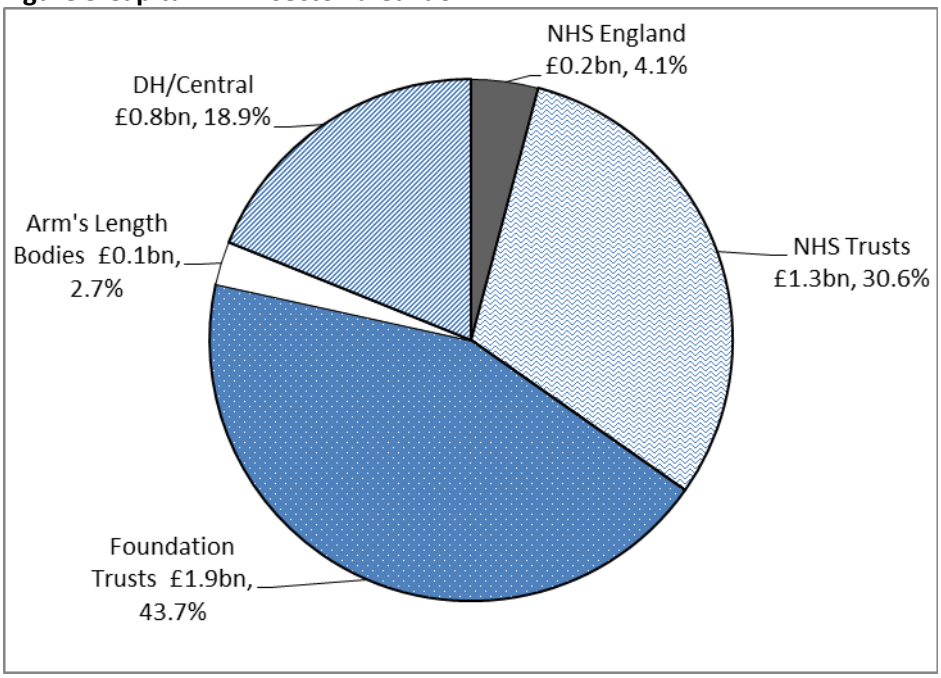
Table 5 Capital DEL Disposition

	2010-11 Final Outturn £m	2011-12 Final Outturn £m	2012-13 Final Outturn £m	2013-14 Final Outturn £m
CDEL Budget	4,897	4,353	4,495	4,444
CDEL Spending Outturn	4,159	3,771	3,783	4,349
CDEL Underspend	*738*	*581*	*713*	*95*
CDEL Underspend %	*15.1%*	*13.4%*	*15.9%*	*2.1%*

Numbers may not sum due to roundings

112. The total 2013-14 capital spending outturn of £4,349 million is the consolidated spending of all bodies within the departmental group, illustrated in Figure 5 below by main sector.

Figure 5 Capital DEL – sector breakdown



113. In 2013-14, the £95 million underspend is the net of all under and over spends against the agreed plans across the DH group, detailed further in table 6 below.

Table 6 Capital DEL plans, outturns and under/over spends – sector breakdown

	Plan £m	Outturn £m	*Variance £m*
NHS England	200	180	*20*
NHS Trusts[1]	1,559	1,330	*229*
Foundation Trusts[1]	2,252	1,901	*351*
Arm's Length Bodies	149	116	*33*
DH/Central	941	822	*119*
SubTotal	**5,101**	**4,349**	***752***
Assumed Provider Slippage[2]	(657)		*(657)*
Total	**4,444**	**4,349**	***95***

1. NHS Provider plans are consolidated local plans for each sector.
2. These plan forecasts were significantly higher than final spending outturns in previous years and therefore DH assumed slippage in Provider capital spending in line with prior years.
3. Numbers may not sum due to roundings

Annually Managed Expenditure (AME)

114. Details of the 2013-14 AME budget and expenditure are set out in table 7 below, which shows the Department underspent by £1,241 million (23%) against its final Revenue AME budget in 2013-14 and by £190 million against the final Capital AME budget.

Table 7 Annually Managed Expenditure plans, outturns and under/over spends

	2010-11 Final Outturn £m	**2011-12** Final Outturn £m	**2012-13** Final Outturn £m	**2013-14** Final Outturn £m
Revenue AME Budget	4,844	3,943	5,868	5,502
AME Outturn	3,207	3,193	5,775	4,261
Revenue AME Underspends	*1,637*	*750*	*93*	*1,241*
Revenue AME Underspends %	*33.8%*	*19.0%*	*1.6%*	*22.6%*
Capital AME Budget	*4*	-	-	120
Capital AME Outturn	*8*	-	-	(70)
Capital AME Underspends	*(4)*	-	-	*190*
Capital AME Underspends %	*-122.5%*	-	-	*158.2%*

Numbers may not sum due to roundings

115. The predominant driver of AME expenditure for the Department arose with the NHS Litigation Authority (NHSLA) incurring over £3 billion of new provisions offset by the utilisation of prior year provisions in respect of clinical negligence that score to AME rather than DEL in HMT budgeting classification.

116. Overall, the 2013-14 Revenue AME underspend can be attributed to three key areas:
- The expected net provision position for NHS Litigation claims was not as high as anticipated;
- The level of NHS Provider impairments was below the Department's most prudent estimates; and

- The levels of net new provisions resulting from legacy liabilities inherited by the Department were not as material as expected.

117. For the first time since 2010-11, the DH set a Capital AME budget in 2013-14 for the sale of Plasma Resources UK, against which a £190 million under-spend arose. This under-spend occurred due to discussions regarding the exact budgeting classification taking place during the financial year.

118. The Department's Revenue and Capital AME provision is set annually outside the Spending Review, and the outturn (and underspend) reported against the AME control does not affect the spending available to the NHS, nor does it have a fiscal impact on the taxpayer.

NHS Financial Performance – Commissioning

119. The total revenue budget (including depreciation) allocated to NHS England for 2013-14 was £95,213 million. This budget is inclusive of £1,184 million of historical surpluses carried forward, of which NHS England were expected to utilise up to £650 million to support spending non-recurrently, leaving a minimum cumulative surplus at 31st March 2014 of £534 million. Financial performance against these budgets is summarised in table 8 below.

Table 8 NHS England RDEL outturn

	Plan			**Outturn**			***Variance***		
	RF £m	**Non RF** £m	**RDEL** £m	**RF** £m	**Non RF** £m	**RDEL** £m	***RF*** *£m*	***Non RF*** *£m*	***RDEL*** *£m*
Mandate Funding	148	95,065	**95,213**	148	95,065	**95,213**	*0*	*0*	***0***
Surplus	0	-534	**-534**	-85	-859	**-944**	*85*	*325*	***410***
Total	**148**	**94,531**	**94,679**	**63**	**94,206**	**94,269**	***85***	***325***	***410***

120. As agreed within Spending Review 2013, an extra £250 million was provided to NHS England in 2013-14 to allow the early release of funding to the NHS to help ease financial pressures associated with Winter. NHS England was also able to utilise an additional £250 million from carried forward surplus to manage a number of PCT pressures generated late in 2012-13. In addition, NHS England received £200 million for spending on capital projects, against which the spending outturn was £180 million.

121. Further commentary together with the consolidated accounts of the NHS England group are published on NHS England's website.

NHS Financial Performance – NHS Providers

122. Detailed commentary on the financial performance of NHS Trusts and NHS Foundation Trusts are published on NHS Trust Development Authority's and Monitor's websites respectively.

123. At the financial year end, there were 102 NHS Trusts and 147 Foundation Trusts, each of which produced their own financial accounts. The two NHS Trusts who became Foundation Trusts during the year produced part-year accounts.

124. In addition to the two NHS Trusts who became Foundation Trusts, during the 2013-14 financial year:
    - South London Healthcare NHS Trust was dissolved and it's services transferred to another NHS Trust and two Foundation Trusts; and
    - The NHS Direct Trust closed.

Revenue DEL

125. Over the 2013-14 financial year, an analysis of revenue shows:
    - NHS Trusts generated total revenues of £30.1 billion, a decrease of £0.4 billion compared with £30.5 billion in 2012-13 caused in part by a number of NHS Trusts that merged with or became NHS Foundation Trusts during the year, and the full year effect of those that merged with or became FTs last year; and
    - NHS Foundation Trusts generated total revenues of £41.2 billion, which compares to £38.9 billion in the full year 2012-13.

126. Table 9 below details that during 2013-14, before the impact of non-current asset impairments and HM Treasury technical budgeting adjustments:
    - NHS Trusts (including NHS Direct) reported a net operating deficit of £241 million, which compares to a planned net deficit of £76 million at the start of the financial year; and
    - NHS Foundation Trusts reported a surplus of £133 million, which compares with £487 million in 2012-13.

Table 9 Summary of NHS Provider Outturn

Organisations	2013-14 outturn					
	Deficits		Surpluses		Net	
	number	£m	number	£m	number	£m
NHS Trusts	24	(435)	77	220	**101**	**(216)**
NHS Direct	1	(25)	0	0	**1**	**(25)**
Foundation Trusts	40	(307)	107	440	**147**	**133**
Total	**65**	**(767)**	**184**	**660**	**249**	**(108)**

Numbers may not sum due to roundings

127. Despite the unprecedented financial pressure faced by the NHS Trust sector in 2013-14, there were 77 NHS Trusts (75% of all NHS Trusts) and 107 NHS Foundation Trusts (73% of all Foundation Trusts) that demonstrated good financial control and delivered breakeven position or surplus. However, a total of 25 NHS Trusts (including NHS Direct) and 40 Foundation Trusts delivered a financial deficit in 2013-14.

128. The Department is clear that deficits are unacceptable and NHS Trust Development Authority (NTDA) and Monitor have robust processes for ensuring Trusts with deficits put a plan in place to recover their position, but it is acknowledged that in some instances this will only be achieved in the medium term.

Capital DEL

129. Total spending on Capital by NHS Providers in 2013-14 was £3,231 million. The following table provides a breakdown of this spending.

Table 10 NHS Trust Capital DEL spending breakdown

	Plan	Outturn	*Variance*
	£m	£m	*£m*
NHS Trusts - local capex	1,287	1,109	*178*
FTs - local capex	2,093	1,624	*469*
Major building schemes	127	130	*(3)*
DH-led spending initiatives	305	291	*14*
NHS Charities	0	78	*(78)*
Total Capital DEL	**3,812**	**3,231**	***581***
DH central assumption	(657)		*(657)*
Total Capital DEL	**3,155**	**3,231**	***(76)***

130. As with previous years, the NHS Provider sector underspent materially against local plans. However, the Department prudently assumed a level of slippage (£657 million, as above) against the 2013-14 planned capital expenditure based upon historical trend analysis as per plan figures in Table 10 above. A central reserve was held to protect against any potential overspends resulting from inaccurate slippage analysis.

131. Whilst NHS Trusts and Foundation Trusts Boards are responsible for planning and controlling this aspect of capital spending, the Department does have direct input into a relatively small proportion of NHS Providers' capital spending, which in 2013-14 included:
- Major building schemes such as the redevelopment of hospitals in North Cumbria, East and North Hertfordshire and North Middlesex NHS Trusts; and
- Centrally Led Spending initiatives, summarised in Table 11 below.

Table 11 DH-led Provider capital spending initiatives

	NHS Trusts	**FTs**	**Total**
	£m	£m	£m
Improving Birthing Environments	7	9	**15**
Dementia Friendly Environments	10	14	**24**
Energy Efficiency	16	34	**49**
Nursing Technology Fund	12	17	**29**
Safer Hospitals Technology Fund	18	31	**50**
Winter Pressures Fund	68	44	**112**
Other	4	7	**11**
Total Capital DEL	**135**	**155**	**291**

Numbers may not sum due to roundings

132. At 31st March 2014, an analysis of net assets showed:
- NHS Trusts' net assets totalled £12.6 billion, compared with £11.3 billion at 31st March 2013. The increase is primarily due to additions of property, plant and equipment. NHS Trusts total cash balances amounted to £1.3 billion at 31 March 2014 (2012-13: £1.4 billion), a decrease of £78.4 million; and
- NHS Foundation Trusts' net assets totalled £19.6 billion, compared with £18.0 billion at 31st March 2013. Of this, £0.7 billion of net assets transferred from NHS Trusts on 1st April 2013 as a result of the reorganisation of the NHS arising from the Health and Social Care Act 2012 reforms. Foundation Trusts total cash balances amounted to £4.2 billion at 31st March 2014 (March 2013: £4.5 billion).

Arm's Length Bodies Financial Performance

133. The summarised DEL financial performance for the Department's arm's length bodies is shown in Table 12 below.

Table 12 Summarised Financial Position for DH's Arm's Length Bodies in 2013-14

	Plan £m	Outturn £m	Variance *£m*
RDEL Non Ring-fenced Spending -			
Public Health England	812	753	*59*
Public Health Local Authority Grants	2,662	2,663	*(1)*
Health Education England	4,883	4,877	*6*
Special Health Authorities	386	384	*2*
NDPBs	380	352	*28*
SubTotal Non RF	**9,123**	**9,028**	***94***
RDEL depreciation ring-fence	81	92	*(11)*
Total RDEL	**9,204**	**9,120**	***83***

1. *Table excludes NHS England*
2. *As a large proportion of Special Health Authority DEL expenditure relates to the distribution of workforce funding by Health Education England (HEE) this is detailed in the table separately.*
3. *Numbers may not sum due to roundings*

Department of Health Financial Performance

134. After committing to provide an additional £500m to NHS England to enable effective management of additional NHS Winter pressures and deferred PCT commissioning pressures, the DH has delivered the required £500 million of savings through effective financial management of those centrally managed budgets, such as Informatics and the European Economic Area (EEA) budgets.

135. This savings figure also includes the release of a small number of centrally held contingency funds, which the Department manage on behalf of the wider system to allow effective risk pooling.

Other Financial Performance Information

Government Core Tables

136. Government Core Tables are a common set of tables included in Annual Reports by all Government Departments, showing total departmental spending, plan and outturn on the Department's public spending totals, total capital employed and total administration budget.

137. The Government Core tables for the Department can be found within Annex B.

Departmental Workforce and Policy Information

138. Information regarding Departmental Staff Costs, Employment & Retention Policies, wellbeing of staff, expenditure on off-payroll and temporary workers can be found within Annex C.

Sustainability of the Department

139. The Sustainability Report can be found within the Director's Report.

Sign off Strategic Report

Una O'Brien
10 July 2014
Permanent Secretary
Department of Health
Richmond House
79 Whitehall
London SW1A 2NS

Directors' Report

The Directors' Report is a requirement of the Companies Act and requires disclosure of those having authority or responsibility for directing or controlling the Department as well as details of remuneration and pension liabilities. Information for these requirements can be found in the following sections.

Departmental Board Structure and Governance

140. The outline of the Department's Board and members including Ministers who have had responsibility for the Department during 2013-14, can be found within the Governance Statement. Salary information including pensions is included within the Remuneration Report.

141. Information regarding pension liabilities can be found within the Remuneration Report and note 1.6 to the accounts.

Business Review

142. The review of the Department's performance is in included in the Strategic Report and Review of the Year.

Departmental Workforce and Policy Information

143. Information regarding departmental staff, employment conditions including employment of disabled persons and wellbeing of staff, can be found within Annex C

Sustainability Report

Introduction

144. The Department is committed to long-term sustainable development, and must ensure that, by delivering better care and wellbeing for the nation in 2014, it is also contributing to a strong, healthy and sustainable society for the generations of the future. This fundamental principle underpins the Department's health and social care vision.

145. The Government believes that it should set a good example to the country as a whole, by managing its own estate and activities in a way that is compatible with the principles and objectives of sustainability. All central Government Departments are required to report their progress in terms of reducing the environmental impacts of their operations. This is achieved through the Greening Government Commitments (GGC)[21].

Bodies consolidated in the Department's Sustainability Report

146. The ALBs included in the sustainability report are NHS Business Services Authority, Care Quality Commission, Monitor, Health and Social Care Information Centre, Public Health England, and National Institute for Health and Care Excellence. MHRA and NHS Blood and Transplant are excluded as they are categorized as Public Corporations and outside this annual report and account. The activities of the Human Tissue Authority, Human Fertilization and Embryology Authority, NHS Litigation Authority and Health Research Authority are excluded due to their size.

Greenhouse Gas Emissions Performance Commentary

Table 13 Greenhouse Gas Emissions Baseline 2010-11 to 2013-14

GREENHOUSE GAS EMISSIONS		2010-11	2011-12	2012-13	2013-14
Non Financial Indicators (CO2 tonnes)	Total Gross Emissions for Scope 1	16,500	14,387	13,802	10,003
	Total Gross Emissions for Scope 2	32,919	28,500	27,981	21,342
	Total Gross Emissions for Scope 3	7,662	6,400	6,317	6,514
	Total Gross Emissions	57,081	49,287	48,099	37,858
Related Energy Consumption (mWh)	Electricity renewable	14,164	15,219	10,606	32,503
	Electricity non-renewable	55,527	48,924	50,219	15,404
	Gas	75,343	56,872	64,645	43,804
	Gas Oil	3,400	3,853	4,594	4,748
	Total inc other	149,018	126,283	131,328	97,370
Financial Indicators (£k)	Expenditure on energy	8,433	7,592	7,993	7,014
	Carbon ofsetting costs	352	440	458	147
	Expenditure on offical business travel	21,593	17,996	18,040	18,618

Notes:

1. For sustainability reports for individual organisations, please see their own annual report and accounts.

2.The core Department does not report on Quarry House for energy, waste and water. This is included in the sustainability reporting for Department of Work and Pensions.

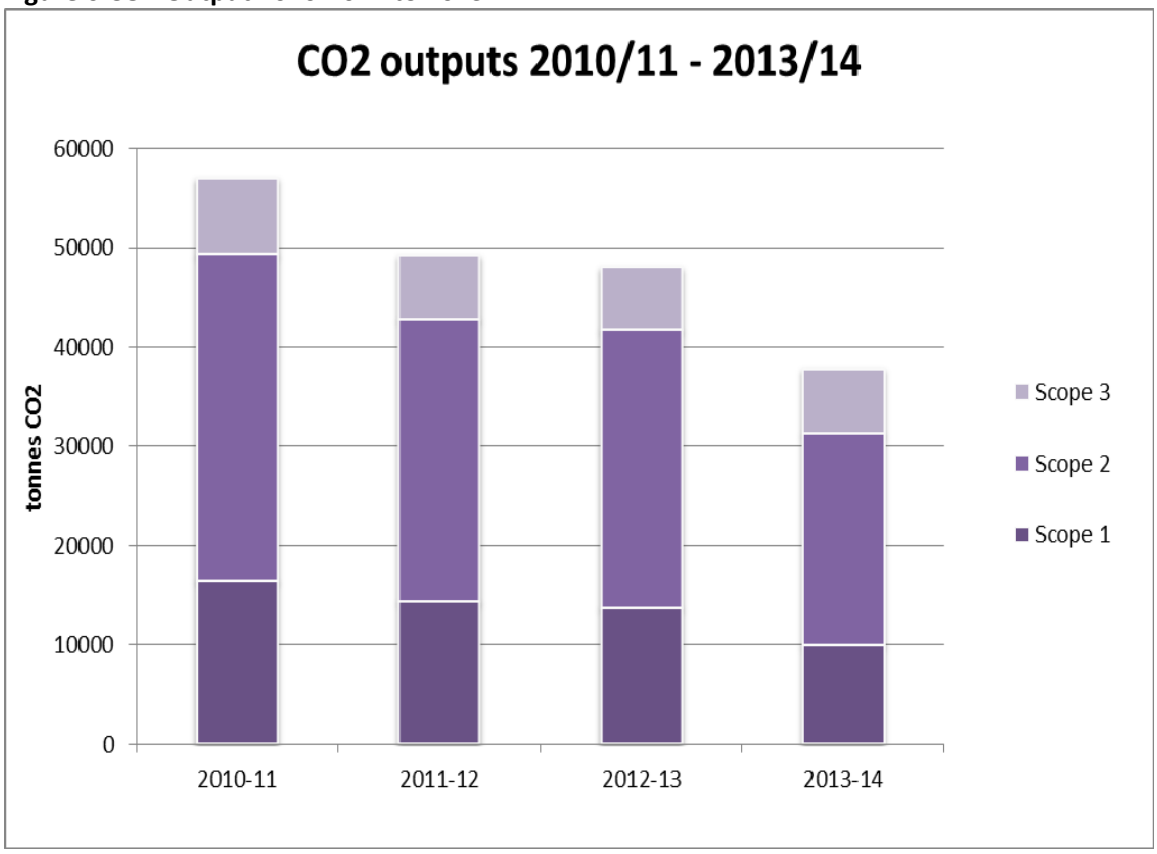
3. The Department has amended the way it reports on Greenhouse Gas Emissions in line with GGC Guidance

4. The year on year data has been amended to reflect the year end GGC submissions to DEFRA. This is to address a recommendation in an internal audit report.

Numbers may not sum due to roundings

[21] http://sd.defra.gov.uk/gov/green-government/commitments/

Figure 6 CO2 Output 2010-2011 to 2013-14



147. The results presented in Table 13 indicate that DH continues to show a reduction in 2013-14 in its carbon emissions and taking into account figures from the baseline year of 2009-10, we are well on target to meeting the 25% reduction by 2015. We continue to implement initiatives to continue to reduce our carbon footprint, which have included the deployment of energy efficient IT, consolidation of estate, tighter controls and improved IT file storage facilities.

148. The data has changed slightly from last year's accounts as we focus on ensuring the improving quality of the data, reporting on areas where we were unable to report previously and taking on board recommendations from Internal Audit reports.

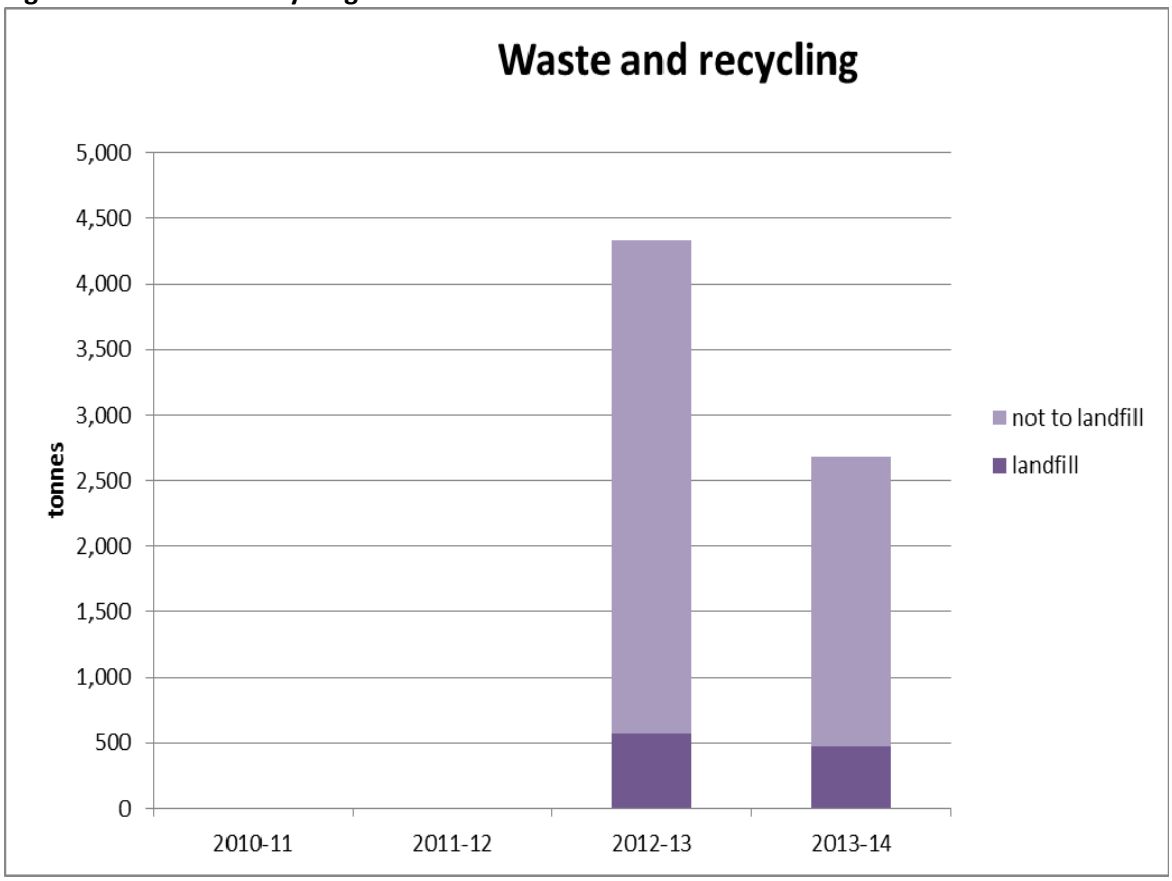
149. DH continues to work towards ensuring a consistent decrease in recorded emissions from business travel. The main impact of this decrease has been enabled by the provision of additional video conferencing facilities across the estate and increased teleconferencing.

Waste

Table 14 Waste – Financial and Non-Financial Indicators

WASTE			2010-11	2011-12	2012-13	2013-14
Non Financial Indicators (tonnes)	Total Waste		4,022	2,841	4,337	2,679
		Landfill			573	473
		Not to landfill			3,764	2,207
		Incinerated/energy from waste			259	328
		Incinerated/energy not recovered			378	334
Financial Indicators (£k)	Total Disposal cost (minimum requirement)		927	672	561	868
	Hazardous Waste - total disposal cost		348	228	244	499
	Non-hazardous waste - total disposal cost		578	445	561	369
Notes:						
1. Breakdown of waste data between landfill and non landfill not collected for 2010-11 and 2011-12.						

Figure 7 Waste and Recycling



150. Total waste figures for 2013-14 have decreased since the 2009-10 baseline, despite the significant increase in 2012-13. This was due to the extensive refurbishment programmes that had been taking place as part of transition to the new Health and Social Care system. Paper waste in particular saw a sharp spike. The proportion of waste recycled across the DH/ALB estate in comparison to landfill remains high with 79% of total waste recycled, 11.6% incinerated with energy recovery and 17.6% to landfill.

151. The core Department disposes of its ICT waste either by arranging the reuse of ICT units or recycling ICT materials. 288 units were sent for reuse and 95% of ICT materials were recycled in 2013-14.

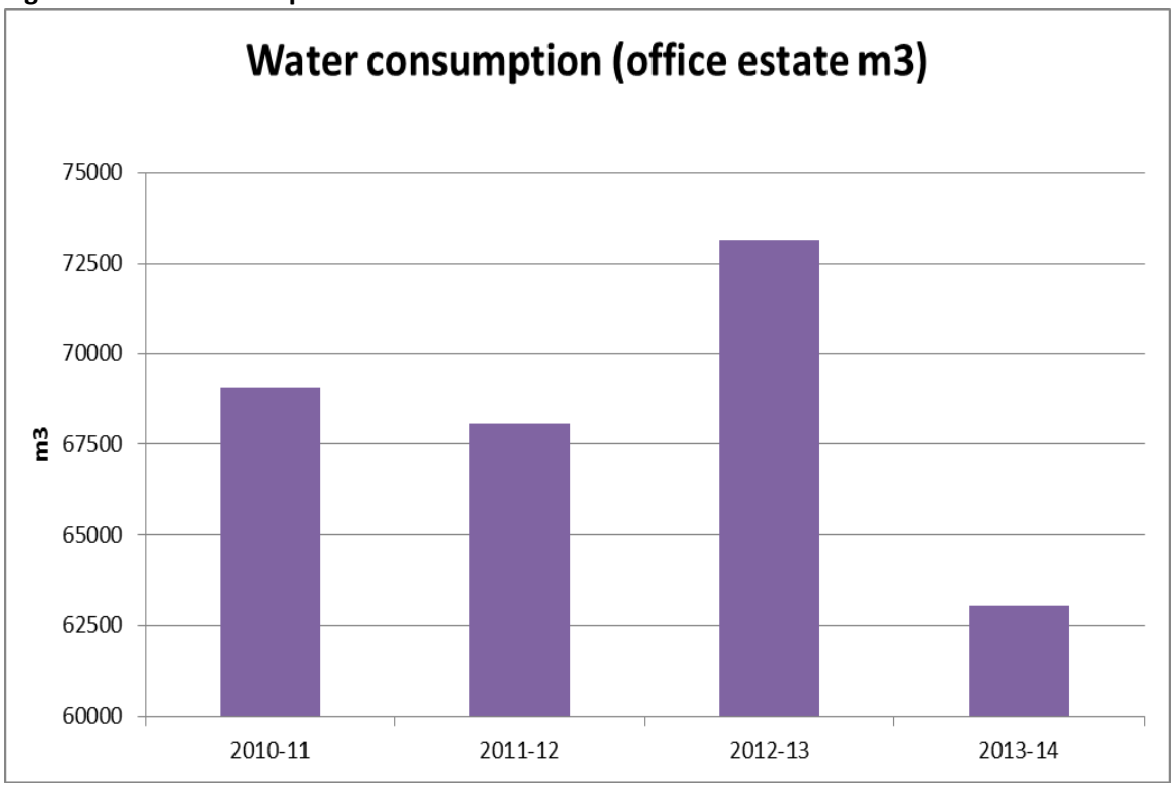
152. The Department is fully engaged with the Closed Loop Recycling initiative, launched by the Cabinet Office to provide for the recycling, production, delivery and collection of paper, and is developing an implementation strategy with HMRC, arm's length bodies and the new paper supplier.

Water

Table 15 Water Consumption – Financial and Non-Financial Indicators

FINITE RESOURCE CONSUMPTION - WATER			2010-11	2011-12	2012-13	2013-14
Non Financial Indicators (m3)	Water Consumption	Office	69,051	68,077	73,132	63,067
		Whole estate	254,719	239,426	297,384	235,336
		m3 per FTE/office estate	7.6	7.5	7.6	6.8
Financial Indicators (£k)	Water supply costs		338	302	347	364

Figure 8 Water Consumption Office Estate



153. As Table 15 indicates, the Department and its arm's length bodies' water consumption has decreased during the year. The benchmark for water consumption is now on consumption (of water) per person on a Full Time Equivalent basis. Our performance has improved marginally from the baseline from 7.9m^3 per FTE to 6.9m^3 per FTE. However, the Department will be consulting with its facilities suppliers on how to reduce its water consumption to meet the best practice target of less than 4 m^3 per FTE.

Sustainable Procurement

154. The Department has continued to maintain a good level of compliance with Government Buying Standards. Work continues under the facilities management contract to support energy efficiency and carbon reduction. A new ICT contract has also been implemented that will also help to support energy efficiency and carbon reduction.

155. The Department and its arm's length bodies have implemented the CAESAR sustainability collection product during 2013-14. The Department has been working closely with NQC and are expecting a range of sustainability data for its suppliers by the end of May 2014. Indirect spend with Small to Medium enterprises is also being collected through this tool.

Climate Change Adaptation

156. In March 2010, the Department published its Climate Change Plan[22]. This sets out the detail of how DH will ensure that climate change issues are addressed as an integral part of both policies and operations.

157. The 2012 DH Public Health Outcomes Framework[23] for England 2013 – 2016, has a specific indicator (3.06) for public sector organisations to have a Sustainable Development Management Plan (approved annually at Board level) in place for their organisation, and be able to demonstrate that sustainable development is embedded within governance, policy making, and all operational and clinical activities. All organisations currently delivering NHS services report on this, and the ambition is to expand this to encompass the wider health and social care system.

158. In view of the 2010 Climate Change Plan and the 2012 Public Health Outcomes Framework we will be looking at how to best take our DH sustainable development and climate change work forward.

159. In addition, the Department in conjunction with the Department of Environment, Food and Rural Affairs has produced a National Adaptation Programme[24], which sets out what government, businesses and society are doing to become more climate ready. In particular, Chapter four looks at 'Healthy and Resilient Communities', which includes actions to climate-proof public health protection plans, improve resilience of health and social care facilities, for example, mapping flood risks to Health and Social Care assets.

160. The Department of Health is also involved in the preparation of plans to protect public health from the effects of extreme weather and climate change which will lead to an increase in the severity of these extreme weather health impacts. For example, DH has worked closely with Public Health England, NHS England and the Local Government Association to produce the Heatwave Plan for England. The Heatwave Plan for 2014 is due to be published in May 2014 and will be available alongside the 2013 plan[25].

[22] https://www.gov.uk/government/organisations/department-of-health
[23] http://www.phoutcomes.info/
[24] https://www.gov.uk/government/publications/adapting-to-climate-change-national-adaptation-programme
[25] https://www.gov.uk/government/publications/heatwave-plan-for-england-2013

161. It is a key part of the Department's national adaptation planning to reduce the health impacts of climate change as highlighted in the first Climate Change Risk Assessment which was laid before Parliament in January 2012[26].

Biodiversity and Natural Environment

162. The Department is not required to have a biodiversity action plan as the majority of sites are based in city centres or street faced buildings.

Procurement of Food and Catering Services

163. DEFRA are actively encouraging central Government Departments and the wider public sector to support Hospitality and Food Sector Voluntary Agreements. The Department is ensuring that this is included in its future commercial agreements and is committed to reducing waste and environment.

164. The Department's current catering suppliers are already committed to sustainable sourcing, which includes providing full traceability of products and suppliers within their supply chain to ensure sustainability, ethical and safety standards are built in. DH is also committed to working with clients, suppliers and distributors to reduce the impact of their business on the environment.

Sustainable Construction

165. During 2012-13 and 2013-14, we have undertaken estates rationalisation and refurbishment in order to co-locate a number of the new arm's length bodies within Departmental estate. While undertaking the refurbishments, we have included works to improve the operational efficiency of our buildings.

Rural Proofing

166. The Department has been working with Defra colleagues to develop and promote the Rural Health Proofing tool, designed to share good practice on health and health services in rural areas. It has also been collaborating with Defra colleagues and NHS England about the Lord Cameron's rural proofing review, which is currently in progress and sharing developments with Defra colleagues about relevant NHS policy developments, such as the GP's minimum practice income guarantee (MPIG).

Governance

167. The Department has a dedicated team in place to deal with all Greening Government Commitments. This team reports to the Department's Property Asset Management Board. These financial statements contain core Department, arm's length body and Special Health Authority data in respect of progress against Greening Government commitments. All other health bodies fall outside the scope of the Greening Government requirements, and, therefore sustainability reporting, unless they wish to report on a voluntary basis.

[26] http://www.defra.gov.uk/environment/climate/government/risk-assessment/

Sustainable Development Unit

168. The Department of Health works closely across Government (i.e. Defra, DECC) and, at health and social care level, supports the Sustainable Development Unit (SDU). The Unit assists the health and social care system in developing Sustainable Development Management Plans and making the links between sustainability and health care improvement. The SDU is now working in partnership across NHS England and Public Health England to support the system to reduce carbon emissions, adapt to climate change and to be more sustainable in all its operations and functions. In January 2014, SDU launched The Sustainable Development Strategy for the Health, Public Health and Social Care System 2014-2020. The strategy describes the vision for a sustainable health and care system by reducing carbon emissions, protecting natural resources, preparing communities for extreme weather events and promoting health Lifestyles and environments[27].

[27] http://www.sduhealth.org.uk/documents/publications/2014%20strategy%20and%20modulesNewFolder/Strategy_FINAL_Jan2014.pdf

Governance Statement

Scope of Responsibility and Preamble

169. This Governance Statement covers the Department of Health Group as described in the Resource Accounts. As Principal Accounting Officer for the Departmental Group, I have responsibility for maintaining a sound system of internal control that supports the achievement of our policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money. This statement sets out how the Department complies with the provisions of the Corporate Governance Code that relate to Ministerial Departments published by HM Treasury and the Cabinet Office.

170. The Departmental Group consists of the Department itself and one of its Executive Agencies (Public Health England), Executive Non-Departmental Public Bodies, Special Health Authorities, Clinical Commissioning Groups, NHS Trusts and NHS Foundation Trusts and their controlled Charities. It also includes some companies and other entities. Each of these bodies has its own constitution and the formal relationship with the Department varies. The nature of control in the Department of Health group is consequently substantially different from the concept of a group in the commercial sector. As steward of the system overall, the Department is responsible for providing oversight and direction and retains overall accountability for the use of resources and delivery of objectives, we do not however, directly control every aspect of the departmental group.

171. Whilst I am personally accountable for the resources provided to the Department and ensuring that there is a high standard of financial management across the departmental group, I am supported by an Accounting or Accountable Officer who has been appointed to each of the arm's length bodies (ALBs), Clinical Commissioning Groups (CCGs), NHS Trusts and NHS Foundation Trusts. The appointment of these Accounting and Accountable Officers is set out in the relevant legislation and guidance.

172. The Department relies on its local bodies to provide effective governance and control. I discharge my responsibility for the governance and control of the Department through the civil service staff based in the Department. Each year I issue formal, written delegations of responsibility to my Directors General and other staff. As part of this delegation I appoint a Senior Departmental Sponsor for each of our Arm's Length Bodies. They, in turn, issue formal, written delegations to these bodies. At regular intervals these bodies and my Directors General provide me with formal, written confirmations of how they have discharged their responsibilities and any issues which have arisen.

173. Since 2010 the Department has published three Outcomes Frameworks relating to adult social care, public health and the NHS. The frameworks are updated on a regular basis and provide a set of common goals and outcomes for the health and care system, as well as providing an overview of how the system is performing through a set of indicators. A summary of performance against these Frameworks is included in the Secretary of State report of this Annual Report and Accounts.

Departmental Governance

174. The membership of the Departmental Board is shown in table 16, is chaired by the Secretary of State and includes Non-Executives from outside government. This brings together Ministerial and civil service leadership with Non-Executives who can provide independent support and challenge. On 1 April 2013 the system of boards and committees was changed to reflect the Department's revised role in the health and care system.

175. The Board[28] provides the collective leadership of the Department. It advises on strategic and operational issues affecting the Department's performance, as well as scrutinising and challenging Departmental policies and performance. It has particular responsibilities for:
    - supporting Ministers and the Department on strategic issues linked to the development and implementation of the Government's objectives for the health and social care system;
    - horizon scanning, ensuring that any strategic decisions are based on a collective understanding of evidence, insight and international experience;
    - setting the overall strategic direction for DH, in the light of Ministerial priorities, the spending round settlement and the business plan;
    - ensuring there is strategic alignment across the bodies accountable to DH for the health and care system;
    - overseeing the sound financial management of the Department, in the context of the business plan;
    - overseeing the management of risks within the Department and its sponsored bodies, including consideration of the Department's risk register;
    - overseeing the Department's portfolio of major programmes and projects; and
    - monitoring performance against key metrics, including efficiency metrics, corporate risks and seeking assurance over performance of the Department's sponsored bodies.

176. The Departmental Board met on ten occasions in 2013-14, with an additional informal all-day meeting in October. Four meetings discussed Departmental operational and financial performance and the remainder considered wider strategic issues. The Secretary of State chaired (for all or in part) three of the four performance meetings.

[28] Departmental Board membership was expanded to include all the Department's Directors General in late September 2013, and Dr Felicity Harvey, Charlie Massey and Karen Wheeler therefore joined the Board from the beginning of October.

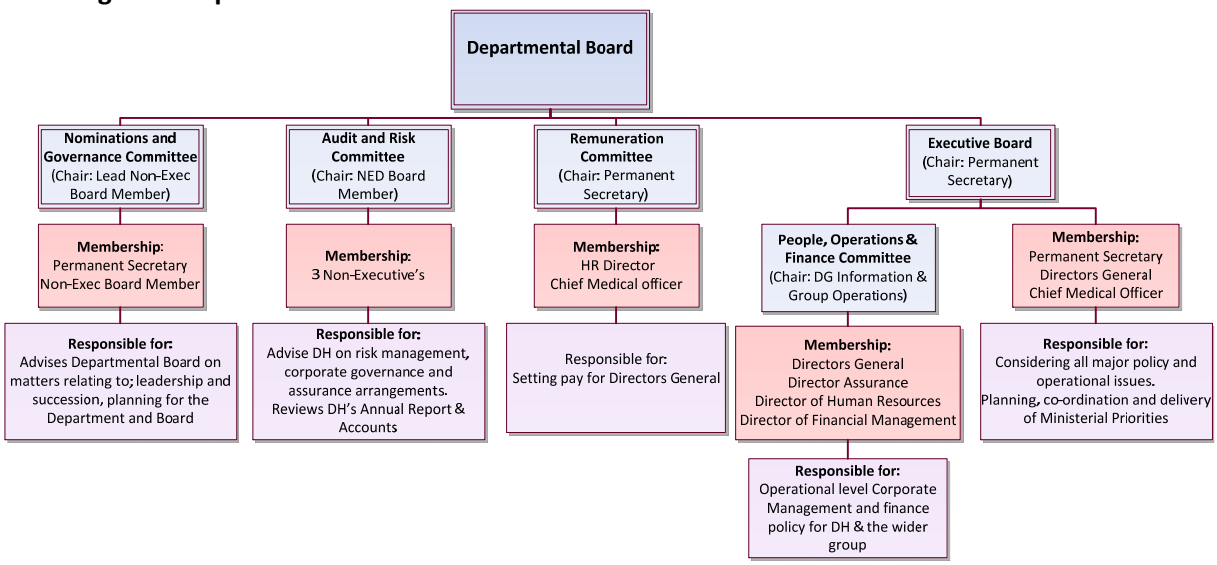
Table 16 Departmental Board Attendance

Member		No of performance meetings attended	No of strategy meetings attended	Meetings held during term
Ministers				
Rt Hon Jeremy Hunt MP	Secretary of State for Health	3	1	10
Norman Lamb MP	Minister of State for Care Services	3	0	10
Anna Soubury MP (until October 2013)	Parliamentary Under Secretary of State for Public Health[29]	2	1	10
Jane Ellison MP (from October 2013)				
Dr Daniel Poulter MP	Parliamentary Under Secretary of State for Health	2	1	10
Earl Frederick Howe	Parliamentary Under Secretary of State for Quality (Lords)	3	3	10
Executive Board Members				
Una O'Brien CB,	Permanent Secretary	4	6	10
Professor Dame Sally Davies DBE	Chief Medical Officer	2	4	10
Richard Douglas CB	Director General for Finance & NHS	4	4	10
Jonathan Rouse	Director General for Social Care, Local Government & Care Partnerships	4	5	10
Dr Felicity Harvey CBE	Director General for Public Health	2	3	5
Charles Massey	Director General for Strategy & External Relations	2	3	5
Karen Wheeler CBE	Director General for Information & Group Operations	2	3	5
Non-Executive Board Members				
Peter Sands	Lead Non-Executive Board Member	4	5	10
Mike Wheeler	Non-Executive Board Member	3	5	10
Catherine Bell	Non-Executive Board Member	3	6	10
Chris Pilling	Non-Executive Board Member	4	5	10
Professor David Heymann [30]	Non-Executive Board Member	1	3	4

[29] Anna Soubry MP was Parliamentary Under Secretary of State for Public Health until October 2013 and was followed in this post by Jane Ellison MP.

177. The Departmental Board is supported by:

Figure 9 Departmental Board Structure



178. As well as these formal boards and committees, the Department has established three system oversight groups to support its role as steward of the system: the NHS Policy Co-Ordination and Oversight Group, chaired by Director General of NHS Policy Group, the DH and Local Government Strategic Forum and the Public Health System Group. These forums oversee performance across the whole health and care system. They bring together colleagues from across the Department with an interest in these delivery systems to identify, share and address cross-cutting issues and risks.

179. In addition, the Health and Care System Leaders' Forum (HCSLF), meets monthly. The HCSLF, which I chair, is a meeting of key system ALB Chief Executives and representatives from the Department who together provide national leadership to the system. The forum comprises NHS England, Monitor, the NHS Trust Development Authority, the Care Quality Commission, Health Education England, NICE, Public Health England and the Health and Social Care Information Centre. As well as providing a mechanism for responding speedily to emerging issues, the forum allows for development of shared context and direction. It also oversees and assures progress in other joint, cross-cutting groups on workforce, informatics, quality and finance.

180. The Departmental Board last reviewed its effectiveness in November 2013. It concluded that the Board had no significant departures from the requirements of the Corporate Governance Code and had improved the effectiveness of the Department's governance. For 2014-15 the Board plans to focus more on the wider health and care system, develop its relationships with arm's length bodies and collaborate more with wider Government agendas.

[30] David Heymann's fixed term appointment ended in July 2013

Assurance Framework, Risk Management and control issues

Core Department

181. The Department operates an accountability process based on compliance with a set of core assurance standards, including risk management. Each DG receives a budget accountability letter at the start of the financial year setting out their responsibilities for identifying, assessing, communicating, managing and escalating risk in their directorates. DGs are required to identify and record in directorate risk registers the key risks to successful delivery of their business plans and also report on their risks as part of Quarterly Core Accountability Reviews, to which all Senior Civil Servants contribute. These reviews, introduced this year are designed to strengthen individual accountability within DH for the stewardship of resources and ensure the delivery of corporate objectives. Senior Responsible Officers (SROs) are accountable for the effective management and escalation of risks within their programmes. A Group-wide approach to ensuring the delivery of major projects and programmes has also been introduced.

182. The Audit and Risk Committee (ARC) was involved throughout 2013-14 in the way the Department managed risk. A regular feature of its ten meetings over the year was challenging DGs on specific aspects of the Department's risk register. The ARC also supported the Board in ensuring there was an effective system in place for internal control, governance and risk management. The Chair of the ARC provides frequent updates to the Departmental Board, of which he is a member of. In addition, the Department's ARC regularly challenges sponsors of ALBs on risk and accountability in respect of our ALBs, particularly the newly established organisations.

183. My governance team have prepared a summary report of the governance and control system in the core Department of Health. The report provided information on the key issues for each Directorate and was drawn from material supplied for Quarterly Core Accountability Reviews and DGs' assessments of internal control. The report confirmed that the Department has adequate and effective systems of control in place, and that where issues have arisen during the year assurance arrangements were in place to validate that weaknesses were addressed. No significant control issues were noted.

Role of Internal Audit

184. The Department's Internal Audit Service (IAS) plays a crucial role in the review of the effectiveness of risk management, controls and governance by:
    - focusing audit activity on the key business risks;
    - being available to guide managers and staff through improvements in internal controls;
    - auditing the application of risk management and control as part of Internal Audit reviews of key systems and processes; and
    - providing advice to management on internal control implications of proposed and emerging changes.

185. The Department's Internal Auditors operate in accordance with Government Internal Audit Standards and to an Internal Audit Plan. Internal Audit updates the plan to reflect changes in risk profile and the revised plan is reviewed and approved by the Audit and Risk Committee. The Internal Audit Service submits regular reports on the adequacy and

effectiveness of the Department's systems of internal control and the management of key business risks, together with recommendations for improvement. These recommendations have been accepted by management including an agreed timetable for implementation. The status of Internal Audit recommendations and the collection of evidence to verify their implementation are reported to the Audit and Risk Committee. The Head of Internal Audit has direct access to the Permanent Secretary and they meet periodically to review lessons arising from Internal Audit reports. In the new health and care system the Department's internal audit service operates on a Group basis by providing services to ALBs with the exception of NHS England which has procured its own internal audit service.

Internal Audit Opinion

186. Following completion of the planned audit work for 2013-14 for the Department, the Head of Internal Audit issued an independent and objective opinion on the adequacy and effectiveness of the Department's system of risk management, governance and internal control. This opinion concluded that Internal Audit can give satisfactory assurance that the Department had adequate and effective systems of control, governance and risk management in place for the reporting year 2013-14.

Arm's Length Bodies

187. Each Arm's Length Body (ALB) has a Senior Departmental Sponsor (at Director General level). Each ALB has quarterly accountability meetings with their sponsor which focus on operational delivery, financial performance, the significant risks for the ALB and how these are being managed. NHS England, Monitor and the NHS Trust Development Authority also have Ministerial meetings. Chairs of all ALBs have access to Ministers. The Governance Statement for each ALB is published within its annual report and accounts. In addition the ALB's Accounting or Accountable Officer provides the Sponsor with a formal, written Annual Governance Statement. These risks are considered by the Senior Departmental Sponsor and will also be referenced as appropriate in the overall Departmental Risk Register. In addition, there are a number of other organisations which feature in oversight arrangements provided by a Director General, such as Community Health Partnerships and NHS Property Services who produce their own annual Governance Statements.

188. In relation to NHS England, the Health and Social Care Act 2012 requires the Department to formally set out in a 'Mandate' the ambitions for the health service to be delivered in that financial year. The most recent version was published on the 12 November 2013 and came into effect on 1 April 2014. The Mandate is the formal accountability mechanism for holding NHS England to account for the money it spends and the outcomes it achieves. This is particularly important given £63bn is allocated to CCGs for which NHS England is accountable. Ministers and the Department continue to be accountable overall for the health service as a whole.

189. The Governance Statements from each of the Arm's Length Bodies have been reviewed, relevant issues are reported below:

NHS

190. Within the NHS, NHS Commissioners, NHS Trusts and NHS Foundation Trusts are required to operate risk management procedures. For NHS Commissioners, these processes are set and managed by NHS England and further details are included in the Governance Statement relating to NHS England and published in their annual report and accounts. For NHS Trusts the processes are set by the NHS Trust Development Authority (and details of this system are published in their annual report and accounts). NHS Foundation Trusts are required, under the terms of their establishment, to maintain adequate systems of internal control and report these in their annual report and accounts.

191. The Department, through its sponsorship discussions with NHS England, and the NHS Trust Development Authority assess the risks and issues which emerge and they are considered for inclusion in the overall Departmental risk register. NHS Foundation Trusts are regulated by Monitor. The Department and Monitor regularly discuss those organisations where there are significant risks and these are then considered for inclusion in the departmental risk register.

192. Overall, the NHS operated within the expenditure controls set by HMT and voted by Parliament. In 2013-14, however the financial position of a number of NHS providers deteriorated in the financial year. This is discussed further below.

Key Governance Issues

Transition to the new health and care system

193. On 1 April 2013 the commencement of most of the provisions of the Health and Social Care Act 2012 led to a major re-organisation of the health and social care system. To meet this challenge the Department developed a detailed governance and decision making process to ensure the change was made as effectively and efficiently as possible. In its report, published on 10 July 2013, on the transition[31] the National Audit Office stated that:

"The transition to the reformed health system was successfully implemented in that the new organisations were ready to start functioning on 1 April 2013, although not all were operating as intended. It is a considerable achievement that the new organisations were ready to start work on time. This could not have been accomplished without the commitment and effort of many NHS staff. However much needs to be done to complete the transition. Some parts of the system were less ready than others, and each organisation now needs to reach a stable footing. This will be particularly challenging at a time when the NHS is having to make significant efficiency savings. The reformed health system is complex and the Department, NHS England and Public Health England must take a lead in helping to knit together the various components, so that the intended benefits for patients are secured."

194. Over the past year we have been working to address these issues and, as expected with a change of this magnitude there were some areas where delivery was not as planned. Particular issues have included:

[31] http://www.nao.org.uk/report/managing-the-transition-to-the-reformed-health-system/#

- completing the financial closure of Primary Care Trusts and Strategic Health Authorities, ensuring their assets and liabilities were transferred to the appropriate successor organisation, where there were some immaterial losses of information to support the transferring balances;
- this mostly went very well but there were some immaterial losses of information to support the transferring balances;
- completing other transfers of assets and liabilities to other organisations, in particular of NHS informatics assets from 'Connecting for Health' to the Health and Social Care Information Centre, where there were some areas where supporting documentation was not as good as it could have been;
- dealing with the other issues arising from the transition, including overseeing the proper use of public funds in settling redundancy and other claims, where there were some redundancy claims and tribunal cases which had not been fully identified at the point of transition; and
- for some newly established organisations, the internal control processes which would be expected in a mature, stable organisation were not all fully in place on 1 April 2013. Although no adverse consequences have been identified, a process of refining and improving and embedding effective controls will continue during 2014-15, as these new organisations move towards a steady state

Financial Risk and Sustainability

195. Some NHS providers (both NHS Foundation Trusts and NHS Trusts) have experienced financial difficulties in 2013-14. In 92 instances during 2013-14, additional revenue based public dividend capital was issued by the Department to 35 separate NHS Providers. The Department is working closely with Monitor and the NHS Trust Development Authority (TDA) to continue to keep the position under regular review. The NHS budget has increased in real terms in 2013-14, and will continue to do so, during every year of the current spending review period. Financial pressures, however, remain as challenges for the NHS as a whole.

196. Where NHS Trusts are experiencing difficulties, the NHS Trust Development Authority and Monitor, along with health professionals are working closely with them to help these providers get back on track and continue to provide quality care to patients. Monitor is continuing to work with NHS England and commissioners to identify how we might support organisations to address those issues. For 2014-15 the NHS Trust Development Authority, NHS England, and Monitor are providing a package of joint support and challenge to the 11 local health economies (LHEs) with the worst financial performance. This work will be done in advance of the relevant health organisations within those localities submitted their five year plans in July. This will be based on the approach of Monitor's Contingency Planning Team, who considered the viable long term solutions for providing services to patients in Mid Staffordshire.

Specific Governance and Control Issues

Care.data

197. Care.Data is a programme which plans to offer the ability to link existing data collected across the Health and Care System in England securely and safely to produce information that can save lives, quickly find new treatments and cures, and support research to

benefit all. The programme will enable the NHS to be alerted when standards drop and enable it to take prompt action, help staff understand at a population level what happens to people, especially those with long term conditions, who are cared for away from hospital, and provide vital information needed to assist and support research into new medicines, prevention and better treatment of disease.

198. The original plan was for the programme to start aggregating data from early in 2014. However, following wide discussion with partners, delivery organisations, interest groups and the public, NHS England, who are leading this project, concluded that more time was needed so that further consultations could happen and be used to build confidence and understanding of the programme. I fully support NHS England's decision to re-schedule the start of the programme. Ministers are asking to ensure that concerns which have arisen are properly considered and the public concerns over the care.data programme are addressed and assurance provided, and have initiated legislation to provide assurance to patients that their personal data is safe.

NHS 111 and urgent care

199. NHS 111 is now available nationally and covers 100% of the population. Over one million patients used NHS 111 in December 2013, showing that the service is becoming a core part of local out of hours urgent care systems. £15 million was also provided to help pay for extra capacity for NHS 111, in order to reduce pressure on Accident & Emergency services over Winter 2013-14. Roll-out took longer than had been anticipated when the programme was originally announced.

200. NHS England worked with CCGs, the NHS Trust Development Authority and NHS Direct to oversee the smooth transfers of NHS 111 contracts from NHS Direct to interim providers, predominantly Ambulance Trusts. The transfers took place over October and November 2013. NHS England is now working with local commissioners to redefine and improve the design of the future NHS 111 service, building on the developments and insights outlined in the Keogh review into urgent and emergency care led by NHS England[32].

201. The review will provide a long-term view of the system required for 2015-16 that can effectively treat people with urgent and emergency care needs by:
    - improving access to primary and community care (to treat people with urgent care needs and care for people leaving hospital) and
    - developing emergency care centres to treat people with emergency care needs.

202. Work is also underway to improve out of hospital services through the Better Care Fund, the integration pioneers and the work outlined in Transforming Primary Care: Safe, proactive, personalised care for those who need it most[33], all of which is aimed at providing alternatives to emergency care, improving discharge from hospital and reducing demand on emergency services. The new GP contract will start to transform out of hospital care by bringing back the link between GPs and their elderly patients through the new GP contract with a named GP being provided for every person over 75 years of age.

[32] http://www.england.nhs.uk/2013/11/13/keogh-urgent-emergency/
[33] https://www.gov.uk/government/publications/plans-to-improve-primary-care

NHS Informatics and the Informatics Governance Review

203. On 31st March 2013 NHS Connecting for Health closed and its IT delivery functions were transferred to the Health and Social Care Information Centre. These functions include the programmes in the former National Programme for IT (NPfIT). The Public Accounts Committee held a hearing in June 2013 on the former NPfIT and published its report in September of that year.

204. In late 2013, the Department undertook a review of the governance of informatics overseen by the NED Chairs of the Audit Committees of the Department, NHS England and the HSCIC. The main recommendation of the review was to align statutory duties and accountability more closely. As a result statutory duties and accountability has been more closely aligned. The cumulative effect of these changes is to strengthen the Department's accountability and oversight, in line with HM Treasury and Cabinet Office wishes. They require DH to significantly increase technical and delivery capability in order to take on a more hands on leadership and assurance role.

205. As planned, there are a number of national legacy contracts that continue to deliver services and incur costs. Responsibility for the national Local Service Provider contracts is with the Department of Health. Senior Responsible Officers are accountable for the delivery of the non-LSP elements including Picture Archiving and Communications Systems (PACS), Choose and Book, NHSmail, N3 NHS Network and NHS Spine. Other business critical IT systems such as NHS Choices, cancer screening services and information systems for GP practices are managed by NHS England. All of these functions are overseen by a newly appointed Informatics Accounting Officer (IAO) whose role was developed after the review of Governance of the whole health and care informatics programme. The IAO has direct accountability to me and will act as steward of the health and care system in matters related to informatics.

Other Governance Disclosures

206. I confirm a number of other matters as set out below.

Information Risk

207. The department has not identified any major information risk control issues in the year.

208. We have recorded one instance of mismanagement of personal data during 2013-14, in which recruitment information intended for distribution to individuals who had expressed interest in a career as a health visitor was wrongly addressed, following a mismatch of name and address details in the database of expressions of interest. In this case, no sensitive information was put at risk. The Department ensured that corrective action was undertaken involving those affected, reviewing internal processes and updating them where necessary. There were no incidents whose severity required a report to the Information Commissioner. NHS organisations and Department of Health arm's length bodies record data loss incidents in their individual published accounts.

209. On 3rd February 2014, users of NHS Choices (a website operated by the Health & Social Care Information Centre) were re-directed to an advertisement or a page containing

malware which was subsequently targeted by hackers. The cause was identified and the Health and Social Care Information Centre took immediate action to correct the error and to check the whole site for any adverse impact or caching of information. The HSCIC also reviewed and implemented additional measures to prevent a recurrence and to further strengthen testing. No patient data was compromised during this error. The Department and partners has performed work to strengthen our position against cyber risk.

Fraud, including prescription charge fraud

210. From April 2013 NHS England assumed responsibility for tackling prescription fraud at a local level, including relevant negotiations with community pharmacy contractors and agreement of work programmes with the NHS Business Services Authority. It is considering what cost effective action it should take forward, including how best to replace the system of fraud checks previously undertaken by Primary Care Trusts. The Department of Health remains responsible for policy on prescription charges, and for the content of the prescription form itself. NHS Protect is the unit in the NHS which leads work to counter-act fraud, bribery and corruption for the NHS. We have also put in place a Cost Recovery programme to make sure that we get the money for the world-class treatment visitors and migrants receive on our NHS. In June 2014, we announced financial incentives for hospitals to better identify, report and support central recovery of costs for EEA patients from their home countries. However, we know we need to do more and in conjunction with NHS England we will be looking carefully at this issue over the coming months. Further support to the NHS will be published in an implementation plan and toolbox in 2014.

211. Investigation of DH fraud cases was managed by DH Internal Audit (where Secretary of State is able to do so, some DH cases are delegated to NHS Protect - the NHS unit that leads on work to tackle crime in the NHS, including suspected fraud and financial crime). All NHS anti-fraud work was led by NHS Protect, with investigation of cases carried out by that unit or more locally with NHS Protect guidance and assistance.

Compliance with Equality and Human Rights Legislation

212. From 1 April 2013, DH implemented a new Equality Assurance Framework. This is a systematic approach to building equality into policy, decision-making and business processes; outcomes based, focusing on what policies aim to deliver for people with protected characteristics rather than being a tick-box exercise; broad in scope, seeking to eliminate discrimination and advance equality in all DH policy development and business planning; and provides a platform for constructive challenge and clear leadership for equality and diversity issues.

213. DH has a statutory duty to publish explicit equality objectives and our corporate equality objectives are in place and are due to be refreshed in 2014. The DH senior leadership team has decided to embed this process into corporate business planning in order to meet our goal of embedding equality into all aspects of the Department's activities, including sponsorship of our Arm's Length Bodies.

214. Progress on the Memorandum of Co-operation (MOC) between DH and the Equality and Human Rights Commission (EHRC) is formally reviewed by DH and EHRC on a quarterly basis**.** The MoC is due to be reviewed and refreshed later in 2014.

Macpherson Review and Quality Assurance

215. The Macpherson Review[34] made a number of recommendations to ensure that analytical models used in critical areas of our activity are subject to appropriate quality assurance. We have implemented a comprehensive framework of assurance across the Department and its Arm's-length bodies to do this. This is guided by an oversight committee to maintain systematic on-going processes to regularly update our list of business critical models and to ensure that risks are identified, managed and escalated as necessary. This year, the oversight committee has carried out a full review of assurance for all existing business critical models, has clarified roles and responsibilities and is in the process of arranging workshops and guidance to strengthen assurance skills for analytical staff.

Conclusion

216. The Audit and Risk Committee have advised me that there is no reason of which it was aware that I should not sign this statement

Una O'Brien

10 July 2014
Permanent Secretary
Department of Health
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[34] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/206946/review_of_qa_of_govt_analytical_models_final_report_040313.pdf

Lead Non-Executive Board Member's Report

Performance and priorities

217. Over the last year the Department of Health has dealt with considerable change and challenge while maintaining focus on delivery. Following the transition to a new commissioning model, the Department has embedded new governance and operating systems to support the delivery of high quality care. The Department has transitioned to a 'stewardship' role, steering the health and care system as a whole - while continuing to respond to longer term, strategic issues such as the UK's changing demographics, society's changing expectations and the continued pressure on public finances.

218. The Board has an important role to support - and also to challenge - the Department as it executes against a complex array of implementation and service delivery objectives. Non-Executive members bring their experience in the public, charitable and private sectors, and their expertise in areas such as customer service and organisational development, to help officials develop practical proposals for improving the Department's role as steward of the health and care system. Non-Executive members have provided independent perspectives on strategic issues such as financial sustainability, identification and management of critical risks, the roles of innovation and technology and the balance between acute care and community health care provision. They have also helped steer the implementation of important organisational initiatives, such as connecting with the front line and the Departmental Improvement Plan.

219. The Board met ten times in 2013-14. Four of the meetings (June, September, December and March) considered the quarterly performance report, financial information and risk management; whilst the other meetings discussed a broad range of strategic issues. Board agendas were planned around the Department's key responsibilities: balancing oversight of current performance with discussion of the issues facing the Department and the wider health and care system, including risks and strategic priorities. Given the pressure on public finances, the Board continued to maintain a close watch on the Department's (and thus the system's) finances. This has enabled the Board to help the Department operate within its limits as well as to inform strategic choices as the next spending review approaches.

220. Topics the Board devoted particular attention to include:

- Maintaining oversight of the performance of the system, ensuring that outcomes and patient care are at the core of what the Department does. Following the publication of Sir Robert Francis's report on wider lessons to be learnt from his earlier inquiry into Mid Staffordshire NHS Foundation Trust, the Board has reinforced the focus on frontline delivery. The Board visited Clinical Commissioning Groups, GP practices and hospitals to gain deeper understanding of the impact of the reforms, the new system and recommendations from the Francis review. Two Non-Executives participated in devising the practical steps to enable staff in the Department to gain a closer connection to the day-to-day realities of health and care, patients and service users. The resulting 'Connecting to patients and people who use services' programme has made a significant impact on staff in the Department, challenging preconceptions of officials and civil servants and

improving the connectivity between the Department and the rest of the health and care system.

- Responding to pressures on the Department's budget while also considering the longer term affordability of the overall system. The Board has discussed performance every quarter, reviewing both financial and outcome metrics. The Board has been particularly focussed on how sustainable productivity improvements can be made across the NHS, discussing opportunities in non-drug procurement, deployment of technology and sharing of services. The Board has also explored potential responses to the longer term challenges to financial sustainability, with a focus on creating a joined up system with the right balance between preventative, primary and acute care. For example, the Board has considered how out of hospital care could be developed to play a more important role in ensuring the future sustainability of the overall health and care system.

- Ensuring that the transition's benefits are realised, with a particular focus on reinforcing the links between social care, the health care system, and on the public health agenda. The Board has also focussed on ensuring that the risks arising from the transition are adequately managed. The Department's strategic risk register has been kept under continuous review, and Non-Executives have offered advice in both the Departmental Board itself and via the Audit and Risk Committee. Discussions about risk have covered broad themes, such as staff and financial preparedness, as well as specific topics, such as pandemic management and winter planning.

- Continuing progress in improving management information and risk management processes. Non-Executives have put particular emphasis on continued improvement in the performance data provided to the Board, both financial information and outcomes metrics, to ensure it becomes more precise, insightful and timely. Whilst there has been considerable improvement, there is more to do to increase the alignment and assurance of information across the whole system The Board has discussed the deployment of technology to enhance system efficiency and effectiveness. This has included a deep-dive on the major project portfolio to scrutinise the robustness of project delivery and alignment with the Department's strategy. The whole arena of "informatics" will continue to be a particular focus for the Non-Executives, given its importance to achieving significant productivity improvements and advances in quality of care. While most of the focus has been on the potential gains from deployment of technology, the Board has also identified cyber-security as a specific issue requiring further, more detailed, discussion.

- Supporting the development of better understanding and more collaborative working relationships across the entire health and care system. The arm's length bodies should operate with high quality and independent corporate governance according to their mandates. However, they also need to work together to achieve mutually agreed goals for the overall health and care system. This demands a different and more sophisticated approach to the way in which relationships with the ALBs have traditionally been managed by the Department. Events such as an inaugural (now annual) ALB conference for all ALB Chairs and Non-Executives have helped create a sense of common purpose across the system as a whole, underpinned by a better understanding of respective roles. The first conference

focussed particularly on risk, and led to a series of events covering topics such as Board effectiveness, productivity and remuneration which will continue into 2014. Similarly, the Department's Audit and Risk Committee Chair holds an annual event with Audit Committee chairs from across the ALBs to discuss common risks and issues. This allows audit chairs to come to a shared understanding of challenges facing the system, and the way the different parts of the system need to work together to address them. The 2013 theme was 'Effective financial and risk management across the health sector' and included discussions on implementing the spending review and risk management. Ensuring that across the system there is a shared commitment to a common purpose - anchored around patient needs - continues to be a priority for the Board.

- Developing a clear strategy for the Board and Department. The Board has regularly reviewed the development of strategic plans, ensuring there is a longer term view and overarching narrative to the Department's programme that sets out the context and why changes may be needed, as well as what needs to be done. Ensuring there is a clear vision on the priorities for the evolution of the overall health and care system and a clear roadmap for delivering these will continue to be a key area of focus for the Board.

- Overseeing the Departmental Improvement Plan. The Board played a critical role in overseeing the Department's Improvement Plan, challenging the Department's assessment of the current status and helping determine actions which are measurable and which will have a real impact on efficiency and system wide outcomes. The Departmental Improvement Plan is crucial to ensuring the capabilities and focus of the Department are aligned to the strategy. Non-Executives ensured that the plan reflected the Department's changed role: providing more visible leadership and stewardship across the wider health and care system.

Actions from the Board effectiveness review

221. In 2013, the Board undertook its second effectiveness review, through a survey and interviews with individual Board members. This was a useful exercise which built on the data and actions from the first review in 2012 and demonstrated that the Board is making good progress in its core objective of improving the governance of the Department of Health. Given the substantial change in composition and remit of the Board arising from the transition, it was agreed with the Cabinet Office that the next review should take place later in the year than usual, so implementing the resultant action plan is in the early stages.

222. The evaluation identified some areas for improvement. The Department has a responsibility for setting the strategic direction of the system, and therefore the Board should be in a position to assure Parliament and the public that the Department performs this role adequately. Consequently, the Board should focus more on the wider health and social care system that spans public health, the NHS and social care. The Board needs to further develop bilateral and multilateral relationships with key service delivery and regulatory ALBs. The Board needs to be able to assure itself that the wider system is working as well as it should in delivering improved health and wellbeing outcomes, and in

collaborating on wider Government agendas, at the same time as not cutting across other key bodies' own governance and accountability arrangements.

223. The evaluation process identified seven overarching objectives for the Board in order to enhance its effectiveness and help deliver against its goals:

- More clearly articulate the vision and strategic purpose of the Board;
- Maintain focus on long term issues and priorities (at least the next ten years and longer where relevant), whilst recognizing short term pressures;
- Lead the shift in emphasis from “curing illness” to “sustaining good health”;
- Focus more time on how the health and care system can achieve continuous and structural improvements in productivity;
- Continue to reinforce the Board and Department’s oversight of risk identification and management;
- Continue to develop the Department’s approach as ‘steward’ of the overall health and care system; and
- Build on the good work already done around composition, succession and logistics to ensure the Board continues to support the work of the Department in the most effective way.

224. Progress towards these objectives has already been made, with the Board spending more time addressing the strategic issues affecting the longer term shape, performance and sustainability of the health and care system, discussing the risk management frameworks, and putting greater focus on outcomes for the Department and the system as a whole. Whilst there has been progress on succession planning this continues to be an area of focus for 2014 across the Executive and Non-Executive members of the Board.

Forward look

225. The challenges that the Board will help the Department respond to in the course of the next year or so include:

- Ensuring sustainability – given the pressures on the Department’s budget and challenges to the longer term affordability of the overall system;
- Continuing to reinforce the links between social care, the health care system, and the public health agenda;
- Maintaining oversight of system performance, with ever increasing focus on outcomes and patient care;
- Continuing to drive improvements in quality and timeliness of management information and risk management processes and more generally, on the role of technology and innovation to deliver a more effective system; and
- Supporting the development of better understanding and more collaborative working relationships across the entire health and care system, including consideration of the capability needed for effective delivery.

Changes to Non-Executive personnel in 2013-14 and Committees of the Board

226. David Heymann left the Board in July 2013. In light of the transition, some time was taken to consider the ideal make up on Non-Executive Directors and recruitment for a replacement began in 2013. Comprehensive succession planning is now in place.

227. On the executive side, Felicity Harvey (DG for Public Health), Charlie Massey (DG for Strategy & External Relations and Karen Wheeler (DG for Information & Group Operations) joined the Board in October 2013, to ensure the totality of the Department's business was represented. From a Non-Executive perspective this is welcome as it allows for depth of expertise across all items likely to be discussed at a Board and for more immediate action to be taken.

The Departmental Board has three committees which are detailed within the Governance Statement.

Statement of Principal Accounting Officer's Responsibilities

228. Under the Government Resources and Accounts Act 2000, the Department of Health is required to prepare Resource Accounts for each financial year, in conformity with a HM Treasury direction, which details the resources acquired, held or disposed of, and the use of resources by the Department, during the year.

229. The Resource Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Department, the net resource outturn, resources applied to objectives, changes in taxpayer's equity and cash flows for the financial year.

230. HM Treasury has appointed the Permanent Secretary of the Department as Principal Accounting Officer of the Department with overall responsibility for preparing the Department's accounts and for transmitting them to the Comptroller and Auditor General. In preparing the accounts, the Principal Accounting Officer is required to comply with the Financial Reporting Manual, prepared by HM Treasury, and in particular to:

- observe the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards, as set out in the Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts; and
- prepare the accounts on a going concern basis.

231. In addition, HM Treasury has appointed:

- a separate Accounting Officer to be accountable for the NHS Pension Scheme and NHS compensation for premature retirement scheme Resource Account. These are produced and published as a separate account.

232. The NHS Act 2006 designated Chief Executives of NHS Foundation Trusts as their Accounting Officers for each of their organisations. They produce and publish separate annual accounts and Monitor (the independent regulator of NHS Foundation Trusts) prepares and publishes a consolidated account.

233. These appointments do not detract from the Permanent Secretary's overall responsibility as Principal Accounting Officer for the Department's accounts, and the group Resource Accounts. The Principal Accounting Officer draws assurance from the audits of the NHS Foundation Trusts accounts, in preparing the Department's group Resource Account.

234. The responsibilities of an Accounting Officer, including responsibility for regularity and accounting accurately for their organisation's financial position and transactions are set out by HM Treasury in Managing Public Money.

235. The Department's Resource Accounts have been prepared under a direction issued by HM Treasury in accordance with the Government Resources and Accounts Act 2000 and are subject to audit by the Comptroller and Auditor General. Notes 4 and 5 to the accounts disclose the audit, and where applicable the non-audit fees for the Department and the consolidated group bodies. The Department's audit fee is notional and is shown as a non-cash item in Note 4.

236. As far as the Principal Accounting Officer is aware, there is no relevant audit information of which the Department's auditors are unaware, and the Accounting Officer has taken all the steps necessary to make herself aware of any relevant audit information and to establish that the Department's auditors are aware of that information.

Relationship between Accounting Officers in the Department of Health, its Agencies and the NHS

The Permanent Secretary of the Department of Health is Principal Accounting Officer for the Department of Health. This section sets out the nature of the relationship between Accounting Officers in the Department of Health, its Arm's Length Bodies, the NHS and Foundation Trusts.

The responsibilities of the Accounting Officer are set out in the Treasury guidance Managing Public Money, but in summary are:

- to ensure that all the expenditure of DH, its arm's length bodies and the NHS (including NHS Trusts and NHS Foundation trusts) is contained within the overall budget – the Departmental Expenditure Limit (DEL);
- to assure that the individual organisations within the system are performing their functions and duties effectively and have the necessary governance and controls to ensure regularity, propriety and value for money; and
- to ensure that Ministers are appropriately advised on all matters of financial propriety and regularity, and value for money, across the systems for which the Department is responsible.

The Department's Accounting Officer is responsible for the three services that DH oversees in England: the NHS, public health, and adult care and support.

Following the reforms to the health and social care system in April 2013, the NHS, public health and adult care and support have different mechanisms for accountability and are all now covered by a consistent set of outcome frameworks, describing the outcomes that need to be achieved. Collectively, these outcome frameworks provide a way of holding the Secretary of State and the Department to account for the results DH is achieving with its resources, working with and through the health and care delivery system.

The Department of Health as 'System Steward'

The Department of Health, on behalf of the Secretary of State, acts as 'system steward.' The Department is the only body with oversight of the whole heath and care system and is responsible for creating and updating the policy and legislative frameworks within which the health and care system operates. Secretary of State retains ministerial responsibility to Parliament for the provision of the health service in England.

Accountability for the NHS

The DH Accounting Officer as Principal Accounting Officer has sole Accounting Officer responsibility in Government for the proper and effective use of resources voted by Parliament for the health service. The majority of resources are now allocated directly to NHS England (known in statute as the NHS Commissioning Board) via the mandate, and its Chief Executive as Accounting Officer is responsible for the effective use of these resources.

The Mandate is published by Secretary of State for Health outlining what the Government expects from NHS England, it sets outcome based objectives for NHSE to achieve within a set time period. The Mandate (and reporting against it) is one of the key ways in which Secretary of State discharges his accountability to Parliament and in which NHSE demonstrates its accountability to the Secretary of State and the Department's Accounting Office for the funding it receives.

Most day-to-day operational management in the NHS takes place at arm's length from the Department. With the exception of the remaining special health authorities, all organisations in the NHS have their own statutory functions conferred by legislation, rather than delegated to them by the Secretary of State.

However, the Secretary of State (and thereby the Department) does have an explicit duty to keep under review the performance of NHS England and all of DH's other ALBs. In the event of a significant failure by any ALB to perform its functions properly or in a manner that the Secretary of State considers to be consistent with the interests of the health service, the Secretary of State has powers to intervene by issuing a direction. If the body fails to comply, the Secretary of State may discharge that function directly or arrange for another organisation to do so.

There is a robust system to allow the Accounting Officer to discharge their responsibilities, by providing assurance about:

- the commissioning of NHS care; and
- the provision and regulation of services.

Commissioning

Unlike other ALBs, whose Accounting Officers are appointed by the Department's Accounting Officer, the Health and Social Care Act explicitly designates the chief executive of NHS England as its Accounting Officer.

The DH allocates budgets for commissioning NHS services to NHS England. The Accounting Officer of NHS England is accountable both for the direct actions of NHS England itself and for the proper functioning of the whole commissioning system. NHS England in turn appoints and holds to account the Accountable Officer of each Clinical Commissioning Group and allocates budget to each CCG to enable it to carry out its' function. Accountable Officers are responsible for the stewardship of resources within each CCG, ensuring that the organisation complies with its duty to exercise its functions effectively, efficiently and economically.

This framework of Accounting Officers and Accountable Officers provides a line of sight from DH to the commissioning system. As NHS England's Accounting Officer is accountable for the entire NHS commissioning budget, he prepares a set of annual accounts which consolidates the accounts of NHS England itself with the individual accounts of all CCGs. This is accompanied by a governance statement. Both the accounts and the governance statement are consolidated into the Department's annual report and accounts, which are signed off by the DH Accounting Officer. NHS England's consolidated Annual Report and Accounts is audited by the National Audit Office, like the Department and other ALBs.

Accountability for all providers

All providers are primarily accountable to their patients, their Boards or Partnerships and to Commissioners, who hold them to account via their contracts. In addition there is a system of independent regulation for providers, which has been further extended by the Health and Social Care Act 2012.

- All providers of health and social care are regulated by the Care Quality Commission. The CQC ensures that providers meet essential requirements for safety and quality

- Monitor is a sector wide regulator whose main duty is to protect and promote the interests of service users by promoting value for money in the provision of healthcare services.

Accountability of providers to DH therefore comes through commissioners through the combination of regulation by CQC and Monitor, which are arm's length bodies of the Department and are held to account by DH for their performance. The DH Accounting Officer appoints the Accounting Officers of those bodies. The Department already has power to intervene in the event of failure by CQC, and the Act created equivalent intervention powers for Monitor.

Accountability for public sector providers

The Department retains specific responsibilities for public sector providers – NHS Foundation Trusts and NHS Trusts. As public bodies, their expenditure counts against and must be contained within the Department's budget. Their accounts, like those of DH's ALBs, are consolidated into DH's annual accounts.

The DH Accounting Officer is not accountable for NHS Trusts' individual decisions or for the clinical care they provide (which are a matter for trusts, their boards and their Accounting Officers or Accountable Officers and the regulators). DH must ensure that there is a system of regulation and oversight which promotes quality, regularity, propriety and value for money, and provides assurance that the care provided by trusts in aggregate can be managed within the Department's budget.

The NHS Trust Development Agency (NTDA) is responsible for leading, supporting and developing NHS Trusts. The DH Accounting Officer appoints the chief executive as the Accounting Officer of the NHS TDA. He is responsible for the appointment of Accountable Officers for each remaining NHS Trust.

The Department has no power of direction or intervention in Foundation Trusts (other than in an emergency, where the Health and Social Care Act 2012 gave the Secretary of State powers of direction over all providers of NHS services).

Although DH does have powers to direct NHS trusts, the Government's policy is that the Department should not intervene in day-to-day operational management.

NHS Foundation Trusts are not directly accountable to DH. However, there are a series of mechanisms that provide assurance about the foundation trust sector. Each FT has an Accounting Officer, with responsibilities for ensuring regularity, propriety and value for money, including signing the trust's accounts, governance statement and annual report. As with NHS England, Foundation Trusts' chief executives are designated as Accounting Officers by legislation.

Accountability for the Department's ALBs

Accountability for the Department's ALB's falls into three main categories:

- Executive agencies – legally part of the Department, but with greater operational independence than a division within DH itself;
- Special health authorities – NHS bodies which can be created by order and are subject to the direction of the Secretary of State. The Health and Social Care Act states any new special health authority must have a time-limited life of three years or less

(though this period may be extended further with the active approval of Parliament); and

- Executive non-departmental public bodies, which are established by primary legislation and have their own statutory functions. Their precise relationship with the Department is defined in legislation, and some NDPBs (particularly the regulators) have greater independence than others.

Irrespective of their legal status, the Department has a consistent approach for holding ALBs to account and gaining assurance that they are carrying out their functions properly. This will be underpinned by a new duty to keep ALBs' performance under review. DH's levers will include:

- power for the Secretary of State to appoint and remove ALBs' chairs and Non-Executive board members;
- accountability from the Accounting Officer of each ALB, who holds the primary responsibility for ensuring that the organisation discharges its responsibilities properly and uses its resources in accordance with the requirements of 'Managing Public Money'. This includes preparing the governance statement, which forms part of the organisation's annual accounts;
- framework agreements between the Department and each ALB, setting out the relationship between ALB and the Department, lines of accountability;
- the way in which the ALB will provide assurance to the Department on its performance, core financial requirements the ALB must comply with, and the relationships between the ALB and other bodies in the system. The framework agreements will set out how the Department will hold the ALB to account for the delivery of its objectives and outcomes, and for the use of public money.

Public Health

Public Health England, an executive agency of DH, is a dedicated public health organisation, providing national leadership, advice and support across the three domains of public health. PHE provides a line of sight from Secretary of State to the front line in health protection matters. Like DH's other arm's-length bodies, PHE has a framework agreement that sets out its relationship with the Department, and the Department holds it to account for its performance. The agency's chief executive is its Accounting Officer; the Accounting Officer is accountable to DH and to the Secretary of State for the proper use of public funds allocated to PHE, and for producing an annual report and accounts, which are consolidated into DH's accounts.

Director's Report

Sign off of the Directors' Report

Una O'Brien

10 July 2014

Permanent Secretary
Department of Health
Richmond House
79 Whitehall
London

Remuneration Report

Remuneration Policy

237. This Remuneration Report covers Ministers, Non-Executive Directors and Directors General (DGs) in the Department of Health and is compliant with EPN 380 guidance. The following elements of the Remuneration Report are subject to audit:
    - Salaries (including non-consolidated performance pay) and allowances;
    - Compensation for loss of office;
    - Non-cash benefits;
    - Pension increases and values;
    - Cash Equivalent Transfer Values (CETV) and increases;
    - Amounts payable to third parties for the services of senior managers.

238. Civil Service appointments are made in accordance with the Civil Service Commissioners' Recruitment Code[35], which requires appointment to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

239. Unless otherwise stated below, the officials covered by this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme[36].

240. The framework for remuneration of Senior Civil Servants (SCS) is set by the Prime Minister following independent advice from the Senior Salaries Review Body (SSRB).

241. The Review Body also advises the Prime Minister from time to time on the pay and pensions of Members of Parliament and their allowances; on Peers' allowances; and on the pay, pensions and allowances of Ministers and others whose pay is determined by the Ministerial and Other Salaries Act 1975.

242. In reaching its recommendations, the Review Body has regard to the following considerations:
    - the need to recruit, retain and motivate suitably able and qualified people to exercise their different responsibilities;
    - regional/local variations in labour markets and their effects on the recruitment and retention of staff;
    - Government policies for improving the public services including the requirement on Departments to meet the output targets for delivery of Departmental services;
    - the funds available to Departments as set out in the Government's Departmental expenditure limits; and
    - the Government's inflation target.

243. The Review Body takes account of the evidence it receives about wider economic considerations and the affordability of its recommendations[37].

[35] http://civilservicecommission.independent.gov.uk/civil-service-recruitment
[36] www.civilservice.gov.uk.
[37] www.ome.uk.com

244. The remuneration of the Permanent Secretary and the Chief Medical Officer is set by the Prime Minister on the recommendation of the Permanent Secretaries' Remuneration Committee.

245. Departments are given discretion in some areas to adapt the pay system for Senior Civil Servants to local needs, under the auspices of a Departmental Senior Pay Strategy Committee and to produce an annual senior pay strategy agreed by the committee. The strategy document sets out how the system operates in the Department.

246. In 2013, Una O'Brien (Permanent Secretary) and Catherine Bell (Non-Executive Director) approved the Senior Pay Strategy along with Kent Woods (Chief Executive MHRA) and Duncan Selbie (Chief Executive Public Health England).

247. The remuneration of Directors General is determined by a pay committee in accordance with the rules set out in the Civil Service Management Code[38] (Chapter 7.1, Annex A). In 2013 the relevant committee was chaired by Una O'Brien (Permanent Secretary). The other members were Dame Sally Davies (Chief Medical Officer) and Shirley Pointer (HR Director).

248. From 1 April 2013 the Senior Civil Service (SCS) received a consolidated pay increase limited to an average award of 1% excluding those in the bottom 10% performance group. This was paid as a cash sum rather than a percentage increase differentiated by SCS pay bands. For Directors General (SCS3 pay band) the consolidated pay increase was £1,100.

Remuneration of Officials on the Departmental Board and Directors General

249. The following table details the dates of appointment, and where appropriate, departure, of officials sitting on the Departmental Board. All 5 Directors General held permanent Senior Civil Service contracts during this period and the Chief Medical Officer is on a fixed term appointment.

250. Dame Sally Davies, Richard Douglas, Una O'Brien and Jon Rouse were members for the Departmental Board alongside the Ministers and the Non-Executive Directors. From 1 October, the other Directors General became members of the Departmental Board.

Table 17 Officials on Departmental Board

Individual	Position	Date of Appointment to Grade/Departure
SCS Contract		
Richard Douglas	Director General of Finance and NHS	1 May 2001
Dr Felicity Harvey	Director General of Public Health	1 April 2012
Charles Massey	Director General of External Relations	1 May 2012
Una O'Brien	Permanent Secretary	1 November 2010
Jonathan Rouse	Director General of Social Care, Local Government & Care Partnerships	11 March 2013
Karen Wheeler	Director General of Information and Group Operations	1 April 2012 – 31st March 2014
Fixed Term Appointments		
Professor Dame Sally Davies	Chief Medical Officer	1 June 2011[39]

[38] http://civilservicecommission.independent.gov.uk/civil-service-code/
[39] Chief Medical Officer from 3 March 2011 to 31 May 2011 whilst on secondment from North West London Hospital NHS Trust

251. Table 18 provides details of remuneration interests of the officials on the Departmental Board and Directors General for the years 2012-13 and 2013-14.

Table 18 Remuneration of officials on the Departmental Board and Directors General 2013-14

	Salary (£'000)		Non Consolidated Performance Related Pay (£'000)		Gross Benefits in Kind (to nearest £100) (£)		Pension Benefits to nearest (£'000)		Total to nearest (£'000)	
Officials	**2013-2014**	**2012-2013**	**2013-2014 [1]**	**2012-2013 [2]**	**2013-2014**	**2012-2013**	**2013-2014 [4]**	**2012-2013 [3]**	**2013-2014**	**2012-13**
Professor Dame Sally Davies	200-205	200-205	Nil	Nil	14,200	13,400	79	80	295-300	295-300
Richard Douglas [15]	140-145	140-145	10-15	5-10	Nil	Nil	(89)	61	65-70	210-215
Felicity Harvey [16]	130-135	130-135	Nil	-	Nil	Nil	8	121	140-145	250-255
Charles Massey [14]	130-135	120-125	Nil	Nil	Nil	Nil	22	75	150-155	195-200
Una O'Brien	160-165	160-165	Nil	Nil	Nil	Nil	31	68	190-195	225-230
Jonathan Rouse [13, 17]	140-145	5-10	Nil	Nil	Nil	Nil	55	3	195-200	10-15
Karen Wheeler	140-145	140-145	10-15	5-10	Nil	Nil	42	71	200-205	220-225
Dame Christine Beasley [8,19]	-	30-35	-	Nil	-	Nil	-	Nil	-	-
David Behan [9,19]	-	60-65	-	5-10	-	Nil	-	Nil	-	-
Katie Davis [10,19]	-	55-60	-	Nil	-	Nil	-	Nil	-	-
David Flory [11,19,]	-	50-55	-	10-15	-	7,300	-	Nil	-	-
Shaun Gallagher [12,19]	-	65-70	-	5-10	-	Nil	-	Nil	-	-
Professor Sir Bruce Keogh [18,19]	-	115-120	-	Nil	-	8,400	-	Nil	-	-
Sir David Nicholson [5,6, 7]	-	125-130	-	15-20	-	25,000	-	78	-	230-235

Footnotes

1. Non Consolidated Performance Related Pay is paid in arrears and disclosed on an accruals basis. Therefore the Non Consolidated Performance Pay paid in 2013-14 relates to the 2012-13 performance year.

2. Non Consolidated Performance Related Pay is paid in arrears and disclosed on an accruals basis. Therefore the Non Consolidated Performance Pay paid in 2012-13 relates to the 2011-12 performance year.

3. The value of pension benefits accrued during 2012-13 is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

4. The value of pension benefits accrued during 2013-14 is calculated in a slightly more detailed way compared with 2012-13 as follows "Closing pension – (opening pension + PI x 20 + Closing lump sum where applicable) – (opening lump sum + PI) – contributions for 2013-2014. The formula has additional factors taken into consideration when the calculations are used for part-year and if members are over pension age.

5. Sir David Nicholson went on full time secondment to the NHS Commissioning Board (known as NHS England) during 2013-14 and his remuneration details will be disclosed in their annual accounts for 2013-14.

6. Sir David Nicholson was seconded to NHS England for two days (40%)per week from 1/11/2011 to 31/3/2013. He was paid a total salary of £210-215k in 2012-13 in respect of his employment for the year . The amount shown in the table under "Salary" represents the cost to the Department for carrying out his duties in the DH role.

7. Sir David Nicholson's 'total pension benefit' for 2012-13 was £130,000. This has been apportioned in the table above to reflect the reckonable pension service in relation to his DH role only . In addition the CETV figure previously reported for 2012-13 has since been recalculated by the Pension Provider reducing it from £2,163k to £1,521k . This has resulted in a pension debit being applied to his pension benefit in 2013-14 and the full pension benefit entitlement for that year was £39,000.

8. Dame Christine Beasley took partial retirement from 1 April 2011 and left the Department on 30th June 2012. The 2012-13 salary includes payment in lieu of untaken annual leave.

9. David Behan left the Department on 26/7/ 2012. The 2012-13 salary includes payment in lieu of untaken annual leave.

10. Katie Davies was on loan from the Cabinet Office from 1/7/2011- 31/8/2012.

11. David Flory's secondment ceased on 31 May 2012 and worked on a part-time basis on a NHS IMAS Placement from 1/6/2012 - 31/3/2013. He was paid a total salary of £205-210k for his employment for the year. The amount shown in table 18 represents the cost to the Department for carrying out his duties in the DH role.

12. Shaun Gallagher was Acting Director General of Social Care , Local Government and Care Partnerships from 16/6/2012 to 7/3/2013.

13. Jonathan Rouse was appointed on 11 March 2013 , the 2012-13 total remuneration represents the costs to the department for carrying out his duties from 11/3/2013 -31/3/2013.

14. Charlie Massey was appointed on 1/5/ 2012 , the 2012-13 total remuneration represents the costs to the department for carrying out his duties from 1/5/ 2012 -31/3/2013.

15. Richard Douglas's pensionable earnings used to calculate the benefit in 2013-14 is lower than the earnings used in 2012-13. Under Classic scheme rules, the best year of pensionable earnings is calculated as being the highest amount of basic pay plus any pensionable allowances received in a 12-month period over the last 3 years of reckonable service. For 2012-2013, the best year included a salary based on temporary promotion for a 3 month period in 2010-11. However, for 2013-2014, this higher salary was no longer eligible to be included in the annual calculation. Therefore the pension benefit reduced for 2013-14, resulting in a negative increase for this period.

16. Felicity Harvey was promoted in 2012-13 and received an increase in her salary from 1/4/ 2012 which resulted in an increase in the real pension value for 2012-13 compared with 2013-14.

17. Jonathan Rouse's pension benefit for 2012-13 reflects the period of reckonable pension service with the Department from 11/3/2013 -31/3/ 2013.

18. Sir Bruce Keogh worked for NHS England for two days (40%) per week from 10/12/2011 to 31/3/2013. He was paid a total salary of £190-195k in 2012-13 in respect of his employment for the year . The amount shown in the table under "Salary" represents the cost to the Department for carrying out his duties in the DH role.

19. Pension Benefits for 2012-13 were not required to be collected at the time and has been calculated retrospectively. Where officials have either left the Department or were not in post at that time this data was requested, the Department cannot retrospectively collect the data under the Data Protection Act. As a result we have not provided 2012-13 totals for some former officials as it is not possible to do so in a meaningful way.

Median Earnings

252. Departments are required to disclose the relationship between the salary of the most highly paid individual in their organisation and the median earnings of the organisation's workforce.

253. The table below details median earnings for the Core Department and the Department of Health and our Executive Agencies. Staff from the Department's Executive Agency, MHRA, are not included in the calculation because their staff costs are not included in the core Departmental accounts.

Table 19 Median Earnings

Median Earnings 2012-2013 and 2013-2014				
	Core Department		**Department & Executive Agencies Combined [1,2]**	
	2013-2014	**2012-2013**	**2013-2014**	**2012-2013**
Band of Highest Paid Director's Total remuneration (£000)	215 -220	235-240	215-220	-
Median Total Remuneration	£39,932	£40,887	£37,175	-
Ratio	5.4	5.8	5.8	-

Footnotes

1. Public Health England was established as an agency on 1 April 2013 and therefore comparison data is not available for 2012-13.

2.The Medicines and Healthcare Products Regulatory Agency under the terms of its incorporation is not within scope and therefore is not included in determining the median earnings calculation for either year

3.Salaries for senior management are disclosed in bands of £5,000, in accordance with EPN380 guidance

254. Total remuneration includes salary, non-consolidated performance related pay and benefits-in-kind. It does not include employer pension contributions, severance payments and the cash equivalent transfer value of pensions.

255. The reductions in the median salary for core Department occurred because a number of senior roles transferred outside the department as a result of reorganisations required by the Health and Social Care Act.

256. However, when this is combined with Public Health England, who employ staff on the lowest civil services grade (AA) compared with the core Department, this has an impact on reducing the median total remuneration further and increasing the ratio between the highest and the median salary.

Remuneration of Ministers

257. Ministers are political appointments made by the Prime Minister; they do not have contracts of employment. Consequently notice periods and termination periods do not apply.

258. The following Ministers were in post during the 2013-14 financial year. As part of the Cabinet reshuffle in October 2013, Anna Soubry left her ministerial post on 6 October

2013 for an appointment in the Ministry of Defence and Jane Ellison was appointed Parliamentary Under Secretary on the 7 October 2013.

Table 20 Ministers of the Department

Minister	Position	Date Appointed
Rt Hon Jeremy Hunt MP	Secretary of State	04 September 2012
Mr Norman Lamb MP	Minister of State	05 September 2012
Dr Daniel Poulter MP	Parliamentary Under Secretary	05 September 2012
Ms Jane Ellison	Parliamentary Under Secretary	07 October 2013
Earl Howe	Parliamentary Under Secretary	14 May 2010
Ms Anna Soubry MP	Parliamentary Under Secretary	05 September 2012

Table 21 Remuneration Interests of Ministers

	Salary (£)		Benefits in Kind (to nearest £100)		Pension Benefits (to nearest £1,000)[12]		Total (to nearest £1000)	
Minister	2013-2014	2012-2013	2013-2014	2012-2013	2013-2014	2012-2013	2013-14	2012-2013
Jeremy Hunt [6, 11]	68,169	34,413	-	-	25,000	11,000	93,000	45,000
Norman Lamb [8, 11]	32,344	16,501	-	-	12,000	6,000	44,000	23,000
Daniel Poulter [7,11]	23,039	13,692	-	-	10,000	4,000	33,000	18,000
Jane Ellison [9, 11]	11,148	-	-	-	4,000	-	15,000	-
Earl Howe [1,2]	86,893	86,893	-	-	22,000	21,000	109,000	108,000
Anna Soubry [7, 10,11]	13,439	13,692	-	-	5,000	5,000	18,000	19,000
Andrew Lansley [1,3,13,]	-	31,727	-	-	-	-	-	-
Simon Burns [1,4,13,]	-	16,501	-	-	-	-	-	-
Paul Burstow[1,5,13,]	-	22,369	-	-	-	-	-	-
Anne Milton [1,4,13,]	-	11,514	-	-	-	-	-	-

Footnotes

1. There was no increase for 2012-13 with salary's remaining at the entitled rate as at 31 March 2008.

2. Earl Howe's salary includes the Lords Ministers Night Subsistence Allowance. He is entitled to the full allowance of £36,366. However, he only claimed 50% of his entitlement which amounted to £18,183 in 2012-13 and 2013-14. His ministerial salary is £68,710.

3 Secretary of State until 3/9/2012 on payroll until 30/09/2012 then transferred to Cabinet Office payroll.

4. Ministers in post until 4 /9/ 2012 .

5. Minister in post until 4/9/2012 and salary includes compensation for loss of office of £8,251.

6. Secretary of State started on payroll from 01/10/2012, paid by DCMS for September.

7. Minister joined Department on 5/9/2012, includes £65.83 overpaid and recovered salary.

8. Minister joined Department on 1/10/2012 and £627.03 pay arrears not included. Paid by BIS for September.

9. Minister joined Department on 7/10/2013.

10. Minister in post until 6/10/2013. Salary paid up to 31/10/2013; salary for non-DH service 7/10/2013-31/10/13 of £1548.32 to be reclaimed from the Ministry of Defence.

11. Government Ministers accepted an overall salary remuneration (Ministerial and MP salary elements taken together) that is five percent lower than the equivalent Minister in the former Government was getting. A one percent increase was implemented to MP salaries from 1 April 2013, the Ministerial salary element has been reduced by the same amount as the increase.

12. The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increases or decreases due to a transfer of pension rights.

13. Pension Benefits for 2012-13 were not required to be collected at the time and has been calculated retrospectively. Where Ministers have either left the Department or were not in post at that time this data was requested, the Department cannot retrospectively collect the data under the Data Protection Act.

Salary

259. 'Salary' includes gross salary; performance pay or non-consolidated performance pay; overtime; reserved rights to London Weighting or London allowances; and any other allowance to the extent that it is subject to UK taxation.

260. In respect of Ministers in the House of Commons, Departments bear only the cost of the additional ministerial remuneration; the salary for their services as an MP (£66,396 from

1st April 2013) and various allowances to which they are entitled are borne centrally. The Department does pay legitimate expenses for Ministers which are not a part of the salary or a benefit in kind.

261. However, the arrangement for Ministers in the House of Lords is different, in that they do not receive a salary but rather an additional remuneration which cannot be quantified separately from their Ministerial salaries. This total remuneration, as well as the allowances to which they are entitled, is paid by the Department and is therefore shown in full in Table 21.

Non-Consolidated Performance Pay

262. The performance management and reward policy for members of the Senior Civil Service (SCS), including board members, is managed within a central framework set by the Cabinet Office. The framework allows for non-consolidated performance-related awards to be paid to a maximum of 25% of members of the SCS. The Senior Civil Service Performance Management and Reward principles include explanations of how non-consolidated performance awards are determined[40].

263. SCS non-consolidated performance pay is agreed each year following SSRB recommendations, and is expressed as a percentage of the Department's total base pay for the SCS. Pay Committees are responsible for assessing the relative contribution of individual SCS members and making the final pay decisions. Non-consolidated performance pay is awarded in arrears.

264. The non-consolidated performance pay included in the 2012-13 figures in Table 18 relates to awards made in respect of the 2011-12 performance year but paid in financial year 2012-13. Non-consolidated performance pay for 2012-13 was paid to the top 25% performers. The awards were differentiated by grade, for SCS 3 the award was £15,000 and was paid in 2013-14.

265. Similarly non-consolidated performance pay for 2013-14 will also be awarded to the top 25% performers and differentiated by grade. The level of award for SCS 3 will be £15,000 and this will be paid in the financial year 2014-15.

Benefits in Kind

266. The monetary value of benefits in kind covers any payments or other benefits provided by the Department which are treated by HM Revenue & Customs as a taxable emolument. For its direct employees, the Department pays the individual a net sum and pays tax directly to HMRC.

267. Dame Sally Davies has occasional use of an official car for the journey between her home and office. The benefit in kind amounted to £14,218 (gross) in 2013-14.

[40] www.civilservice.gov.uk

Civil Service Pensions

268. Pension benefits are provided through the Civil Service pension arrangements. From 30th July 2007, civil servants may be in one of four defined benefit schemes; either a "final salary" scheme (Classic, Premium or Classic Plus); or a "whole career" scheme (Nuvos). These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under Classic, Premium, Classic Plus and Nuvos are increased annually in line with Pensions Increase legislation. Members joining from October 2002 may opt for either the appropriate defined benefit arrangement or a 'money purchase' stakeholder pension with an employer contribution (partnership pension account).

269. Employee contributions are salary-related and range between 1.5% and 6.25% of pensionable earnings for Classic and 3.5% and 8.25% for Premium, Classic Plus and Nuvos. Increases to employee contributions will apply from 1 April 2014. Benefits in Classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For Premium, benefits accrue at the rate of 1/60th of final pensionable earnings for each year of service. Unlike Classic, there is no automatic lump sum. Classic Plus is essentially a hybrid with benefits in respect of service before 1 October 2002 calculated broadly as per Classic and benefits for service from October 2002 calculated as in Premium. In Nuvos a member builds up a pension based on his/her pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March) the member's earned pension account is credited with 2.3% of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. In all cases, members may opt to give up (commute) pension for lump sum up to the limits set by the Finance Act 2004.

270. The Partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 3% and 12.5% (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of three providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3% of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.8% of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

    The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is currently 60 for members of Classic, Premium and Classic Plus and 65 for members of Nuvos. Further details about the Civil Service pension arrangements can be found at the website www.civilservice-pensions.gov.uk.

Ministerial pensions

271. Pension benefits for Ministers are provided by the Parliamentary Contributory Pension Fund (PCPF). The scheme is statutorily-based, made under Statutory Instrument SI 1993 No 3253, as amended.

272. Those Ministers who are Members of Parliament may also accrue an MP's pension under the PCPF (details of which are not included in this report). The arrangements for Ministers provide benefits on an 'average salary' basis, taking account of all service as a Minister. The accrual rate has been 1/40th since 15 July 2002 (or 5 July 2001 for those that chose to backdate the change) but Ministers, in common with all other members of the PCPF, can opt for a 1/50th accrual rate and the lower rate of employee contribution. An additional 1/60th accrual rate option (backdated to 1 April 2008) was introduced from 1 January 2010.

273. Benefits for Ministers are payable at the same time that MPs' benefits become payable under the PCPF or, in the case of those who are not MPs, on retirement from Ministerial office, from age 65. Pensions are re-valued annually in line with changed Pension Increase legislation. From 1 April 2013, members pay contributions of 7.9% and 16.7% depending on their level of seniority and chosen accrual rate. The contribution rates will increase in April 2014, subject to consultation.

274. The accrued pension quoted is the pension the Minister is entitled to receive upon reaching 65, or immediately on ceasing to be an active member of the scheme if they are already 65.

275. In line with reforms to other public service pension schemes, it is intended to reform the Ministerial Pension Scheme in 2015.

276. Tables 22 and 23 provide the details of the pensions interests for the Department's Officials and Ministers for 2012-13 and 2013 -14

Table 22 Pension Information of officials on the Departmental Board and Directors General

		Accrued pension at pension age as at 31/03/14 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV	Employer contribution to partnership pension account
		£'000	£ '000	£ '000	£ '000	£'000	Nearest £100
Professor Dame Sally Davies	Chief Medical Officer	10-15	2.5-5	240	149	67	N/A
Richard Douglas [1]	Director General of Finance & NHS	60-65 plus lump sum of 185-190	(2.5-5) plus lump sum of (10-12.5)	1,341	1,337	(82)	N/A
Dr Felicity Harvey	Director General of Public Health	55-60 plus lump sum of 170-175	0-2.5 plus lump sum of 2.5-5	1,212	1,127	6	N/A
Charles Massey	Director General of External Relationships	30-35 plus lump sum of 100-105	0-2.5 plus lump sum of 2.5-5	487	443	10	N/A
Una O'Brien	Permanent Secretary	45-50 plus lump sum of 140-145	0-2.5 plus lump sum 5-7.5	965	878	27	N/A
Jonathan Rouse	Director General of Social Care, Local Government and Care Partnerships	0-5	2.5-5	36	2	23	N/A
Karen Wheeler	Director General of Information and Group Operations	40-45	2.5-5	809	705	36	N/A

Footnotes

1. Richard Douglas's pensionable earnings used to calculate the benefit in 2013-14 is lower than the earnings used in 2012-13. Under Classic scheme rules, the best year of pensionable earnings is calculated as being the highest amount of basic pay plus any pensionable allowances received in a 12-month period over the last 3 years of reckonable service. For 2012-2013, the best year included a salary based on temporary promotion for a 3 month period in 2010-11. However, for 2013-2014, this higher salary was no longer eligible to be included in the annual calculation. Therefore the pension benefit reduced for 2013-14, resulting in a negative real increase in the CETV and the real increase in the pension and related lump sum at pension age.

Table 23 Pension Interests of Ministers

	Accrued pension at 65 as at 31/03/14	Real increase in pension at age 65	CETV at 31/03/14	CETV at 31/03/13	Real increase in CETV
	(£ '000)	(£ '000)	(£ '000)	(£ '000)	(£ '000)
Jeremy Hunt	5-10	0-2.5	76	53	11
Norman Lamb	0-5	0-2.5	41	28	8
Daniel Poulter	0-5	0-2.5	8	2	3
Jane Ellison	0-5	0-2.5	3	-	2
Earl Howe	15-20	0-2.5	292	258	19
Anna Soubry	0-5	0-2.5	9	5	3

Cash Equivalent Transfer Values

277. A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown for the Senior Managements, relate to the benefits that the individual has accrued as a consequence of their total membership of the Civil Service pension scheme, not just their service in a senior capacity to which disclosure applies.

278. The figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension benefits at their own cost.

279. Similarly, for Ministers, the pension figures shown relate to the benefits that the individual has accrued as a consequence of their total Ministerial service, not just their current appointment as a Minister.

280. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulation 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are drawn.

Real Increase in CETV

281. This reflects the increase in CETV that is funded by the employer or Exchequer, in the case of Ministers. It does not include the increase in accrued pension due to inflation or contributions paid by the employee or Minister (including the value of any benefits transferred from another pension scheme or arrangement). It does rely on common market valuation factors for the start and end of the period. Table 22 and 23 above include the CETV increases.

Non-Executive Directors

282. In line with Cabinet Office guidance, the Departmental Board has four non-executive board members. Non-Executive board members are not employees of the Department. They are appointed for a fixed term of three years initially, with the possibility of extension. They are appointed primarily to attend and contribute to Departmental Board meetings, which involve an estimated time commitment of eleven three-hour meetings, and occasional overnight events per year. One of the Non-Executive members chairs the Department's Audit Committee (4-5 meetings per year). The lead Non-Executive Board Member chairs the Department's Nominations and Governance Committee, which has an additional Non-Executive Member. The Non-Executive members also make a significant contribution to Departmental business by working through Committees and with senior officials.

283. Either party may terminate the contract for any reason before the expiry of the fixed period by giving one month's notice in writing. There is no provision for compensation for early termination.

284. Catherine Bell was appointed on a 3 year fixed-term contract from 1st January 2011 until 31 December 2013. This has been extended until 31 May 2016. She was also appointed a member of the Executive Board from 23 May 2013 until 22 May 2016. She received an annual fee of £30,000 per annum (£15,000 for the Departmental Board and £15,000 for the Executive Board). She also claimed expenses between 1 April 2013 & 31 March 2014 amounting to £607.35.

285. David Heymann was appointed on a fixed-term contract for the period January 2011 until the end of July 2013. He was reimbursed for his expenses only but made no claims in 2013-2014.

286. Chris Pilling and Peter Sands were both appointed on 3 year contracts; Peter Sands from 1 May 2011 until 30 April 2014 and Chris Pilling from 1 April 2011 until 31 March 2014. Both waived their fees and are reimbursed for their expenses only. They have not made any expense claims for 2013-14.

287. Mike Wheeler was appointed on a 3 year fixed term contract from 1 July 2011 on an annual fee of £20,000 (£15,000 as a Board member and £5,000 as Chair of the Audit and Risk Committee). He has not made any expense claims for 2013-14.

288. Non-Executive Directors fees are not pensionable.

Compensation for Loss of Office

289. There have been no payments made for loss of office during 2013-14.

Una O'Brien

10 July 2014
Permanent Secretary
Department of Health

The Certificate of the Comptroller and Auditor General to the House of Commons

I certify that I have audited the financial statements of the Department of Health and of its Departmental Group for the year ended 31 March 2014 under the Government Resources and Accounts Act 2000. The Department consists of the core Department and its agency. The Departmental Group consists of the Department and the bodies designated for inclusion under the Government Resources and Accounts Act 2000 (Estimates and Accounts) Order 2013. The financial statements comprise: the Department's and Departmental Group's Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. I have also audited the Statement of Parliamentary Supply and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The National Audit Office operates a secondment programme involving, in some circumstances, NAO staff being loaned for a period of time to a central government entity. This programme aims to develop wider sector knowledge among NAO staff and support central government in developing their capabilities. For a part of the year ended 31 March 2014 one senior member of NAO staff was seconded to a financial management role within the Department. Additional safeguards were put in place to protect my and the NAO team's objectivity throughout the audit. The secondment ended in December 2013.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Department's and the Departmental Group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Accounting Officer; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement. I am also required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2014 and shows that those totals have not been exceeded; and
- the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Department's and the Departmental Group's affairs as at 31 March 2014 and of the Department's total net operating cost and Departmental Group's total net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of Matter – Provision for Clinical Negligence Scheme for Trusts

Without qualifying my opinion, I draw attention to the disclosures made in note 18 to the financial statements concerning the uncertainties inherent in the incurred but not reported (IBNR) claims provision for the Clinical Negligence Scheme for Trusts. As set out in note 18, given the long-term nature of the liabilities and the number and nature of the assumptions on which the estimate of the provision is based, a considerable degree of uncertainty remains over the value of the liability recorded by the NHS Litigation Authority. Significant changes to the liability could occur as a result of subsequent information and events which are different from the current assumptions adopted by the NHS Litigation Authority.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- the information given in the Strategic Report, Review of the Year and Directors' Report for the financial year for which the financial statements are prepared is consistent with the 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 financial statements and the part of the Remuneration Report to be audited 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 Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse **Date 15 July 2014**

Comptroller and Auditor General

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

Accounting Schedules

Accounting & Legislative Framework

290. The Department's Annual Report and Accounts form an essential part of the Department's accountability to both Parliament and the public for financial performance and the use of resources. These accounts also provide details of the high-level management and governance of the Department, and summarise performance, policy and financial achievements for the year just ended.

291. In addition to the Annual Report and Accounts, the other key elements of financial accountability published during the year are as follows:
    - **Parliamentary Estimates** – Estimates are the Government's requests for resources from Parliament, presented annually in a cycle prescribed by the Treasury[41].
    - **Main Supply Estimates** start the supply procedure and are presented at the beginning of the financial year to which they relate.
    - **One Supplementary Estimate** is permitted and for 2013-14 this was voted in February 2014 and represented the final changes to supply and funding required by the Department for the year.
    - **Public Expenditure Statistical Analyses –** The Government regularly publishes information on departmental and other government spending in the Public Expenditure Statistical Analyses (PESA). This analysis covers both spending plans and outturn expressed in terms of budgeting aggregates, and functional spending based on the Total Expenditure on Services framework (TES), which broadly represents the total revenue and capital spending of the public sector.

Account Structure and Resource Account Boundary

292. The Accounts relate to the financial year 1 April 2013 to 31 March 2014. They have been prepared in accordance with a direction issued by HM Treasury under section 7 of the Government Resources and Accounts Act 2000[42].

293. The Department's Annual Report & Accounts consolidates the financial information of organisations within the Department's Resource Accounting Boundary. The entities included are designated by secondary legislation and include:

    - 8 Executive Non-Departmental Public Bodies,
    - 102 NHS Trusts (including 1(South London Healthcare) dissolved during the year),
    - 147 NHS Foundation Trusts (FTs)
    - 5 Special Health Authorities
    - NHS England (including 211 CCGs)
    - 4 other bodies
    - NHS charities.

294. NHS charities are designated as central government bodies, and are consequently recognised within the Department's group resource account. Note 22 to the accounts provides details of their combined balance sheets and statements of financial activities.

[41] www.hm-treasury.gov.uk
[42] www.hm-treasury.gov.uk

295. The standards for preparing the accounts in each financial year are set in the Government Financial Reporting Manual (FReM)[43]. The Manual is given the force of law by an accounts direction issued by HM Treasury under section 5(2) of the Government Resources and Accounts Act 2000.

296. NHS bodies and NHS Foundation Trusts are required to follow the FReM guidance except where a divergence has been formally agreed between the Department or Monitor and HM Treasury. HM Treasury have agreed that in relation to transferring balances from organisations that were abolished at 1 April 2013 that modified absorption accounting applies. In summary, this means that the balancing entry for the receipt of net assets/liabilities is to the General Fund, rather than to the Statement of Comprehensive Net Expenditure. NHS Foundation Trusts also have agreed a further departure relating to the discounting of future cash flows to measure fair value. Her Majesty's Treasury (HMT) have agreed that NHS Foundation Trusts should use a market rate to measure value, rather than the higher of either the rate intrinsic to the financial instrument or the real discount rate set by Treasury.

297. The financial statements consist of five primary statements (which provide summary information) and accompanying notes. The primary statements are:

- **Statement of Parliamentary Supply:** This is the prime Parliamentary accountability statement. It provides a comparison of outturn against the Supply Estimate voted by Parliament and a summary of the cash required to finance expenditure.
- **Consolidated Statement of Comprehensive Net Expenditure (CSCNE):** This reports net resources (administration costs, programme costs and income) consumed by organisations within the Resource Accounting Boundary in the year.
- **Consolidated Statement of Financial Position:** This shows the current and non-current assets, liabilities and taxpayers' equity of organisations within the Resource Accounting Boundary at the beginning and end of the financial year.
- **Consolidated Statement of Cash Flows:** This shows how cash has been used during the year on operating, investing and financing activities.
- **Consolidated Statement of Changes in Taxpayers Equity:** This shows the changes in the General Fund and reserves in the year.

298. The Comptroller and Auditor General audits these financial statements and gives an opinion as to whether they provide a true and fair view. His opinion is provided with these accounts.

Public Dividend Capital

299. Public Dividend Capital (PDC) represents the Government's investment in NHS Trusts and NHS Foundation Trusts. PDC is recorded on the Statement of Financial Position of NHS Trusts and NHS Foundation Trusts, and is an asset of the Consolidated Fund.

300. The rules governing PDC for NHS Trusts and NHS Foundation Trusts are provided in the NHS Act 2006. This allows for the use of PDC as originating capital for NHS Trusts, and initial PDC for NHS Foundation Trusts. The Act also sets out the Secretary of State's

[43] https://www.gov.uk/government/publications/government-financial-reporting-manual-2013-to-2014

powers in determining the conditions under which PDC can be issued. Consequently, with the consent of the Treasury, the Secretary of State may determine, in respect of an NHS Trust:

- The dividend which is payable at any time on any PDC issued, or treated as issued, to an NHS Trust or NHS Foundation Trust under the 2006 Act;
- The amount of any such PDC which must be repaid at any time; and
- Any other terms on which any PDC is issued, or treated as issued.

301. Under the financial regime currently operating in the provider sector, both NHS Trusts and NHS Foundation Trusts are required to pay a PDC dividend to the Department. This is currently set at 3.5% of the average net relevant assets of each NHS Trust and NHS Foundation Trust.

302. A total of £545.360 million of PDC was transferred to 4 other organisations in 2013-14, originating from one dissolved Trust.

Disclosures in Underlying Accounts

303. Given the range and number of individual accounts consolidated into the Group Accounts, it is not practical for the local disclosures to be summarised in this report. However they are disclosed, and therefore publicly available, in the Annual Reports and Accounts of the individual underlying organisations.

Una O'Brien

10 July 2014

Permanent Secretary and Principal Accounting Officer
Department of Health
Richmond House
79 Whitehall
London SW1A 2NS

Resource Accounts

Statement of Parliamentary Supply

For the year ended 31 March 2014

Summary of Resource and Capital Outturn 2013-14

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires the Department to prepare a Statement of Parliamentary Supply and supporting notes to show resource outturn against the Supply Estimate presented to Parliament, in respect of each budgetary control limit.

		2013-14							Restated 2012-13
		Estimate			Outturn				Outturn
	Note	Voted £'000	Non-Voted £'000	Total £'000	Voted £'000	Non-Voted £'000	Total £'000	Voted outturn compared with Estimate: saving/ (excess) £'000	Total £'000
Departmental Expenditure Limit									
- Resource[3]	SOPS 2.1	89,319,525	17,481,222	106,800,747	89,014,104	17,481,222	106,495,326	305,421	102,569,865
- Capital		4,444,379	-	4,444,379	4,348,909	-	4,348,909	95,470	3,782,882
Annually Managed Expenditure									
- Resource	SOPS 2.1	5,502,000	-	5,502,000	4,261,086	-	4,261,086	1,240,914	5,775,114
- Capital		120,000	-	120,000	(69,813)	-	(69,813)	189,813	-
Total Budget		99,385,904	17,481,222	116,867,126	97,554,286	17,481,222	115,035,508	1,831,618	112,127,861
Non-Budget									
- Resource	SOPS 2.1	-	-	-	-	-	-	-	-
Total		**99,385,904**	**17,481,222**	**116,867,126**	**97,554,286**	**17,481,222**	**115,035,508**	**1,831,618**	**112,127,861**
Total Resource[3]		94,821,525	17,481,222	112,302,747	93,275,190	17,481,222	110,756,412	1,546,335	108,344,979
Total Capital		4,564,379	-	4,564,379	4,279,096	-	4,279,096	285,283	3,782,882
Total		**99,385,904**	**17,481,222**	**116,867,126**	**97,554,286**	**17,481,222**	**115,035,508**	**1,831,618**	**112,127,861**

Net cash requirement 2013-14

		2013-14	2013-14		2012-13
		Estimate £'000	Outturn £'000	Outturn compared with Estimate: saving/ (excess) £'000	Outturn £'000
Net cash requirement	SOPS 4	92,010,433	90,138,582	1,871,851	87,268,029

Administration Costs 2013-14

	2013-14 Estimate £'000	2013-14 Outturn £'000	2012-13 Outturn £'000
Administration Costs	4,114,103	3,121,751	3,670,048

Footnote

1. Figures in the areas outlined in bold are voted totals or other totals subject to Parliamentary control.
2. Explanations of variances between Estimate and outturn are given in the Strategic Report.
3. The 2012-13 Statement of Parliamentary Supply has been restated to incorporate the effect of the £1,378,364,000 Machinery of Government Transfer of the Learning Disability and Health Reform Grant to the Department for Communities and Local Government (DCLG).

The notes on pages 102 - 179 form part of these accounts.

NOTES TO THE DEPARTMENTS ANNUAL REPORT AND ACCOUNTS (STATEMENT OF PARLIAMENTARY SUPPLY)

PS1.Statement of accounting policies

The Statement of Parliamentary Supply (SOPS) and supporting notes have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The FReM requires that the accounting policies for this statement are consistent with the requirements set out in the 2013-14 Consolidated Budgeting Guidance and Supply Estimates Guidance Manual.

S1.1 Accounting convention

The Statement of Parliamentary Supply and related notes present the expenditure of the department on a basis consistent with the aggregate estimate figures presented in the Parliamentary Supply Estimates and in 'National Accounts'. These aggregate figures are prepared in accordance with the internationally agreed framework 'European System of Accounts' (ESA95). ESA95 is in turn consistent with the System of National Accounts (SNA93), which is prepared under the auspices of the United Nations.

The Statement of Parliamentary Supply and related notes have different objectives to IFRS-based accounts. The Statement reports departmental expenditure in a way which supports the achievement of macro-economic stability by ensuring that public expenditure is controlled, with relevant Parliamentary authority, in support of the Government's fiscal framework. The system provides incentives to departments to manage spending well, so as to provide high quality public services that offer value for money to the taxpayer.

The Government's objectives for fiscal policy are set out in the Charter for Budget Responsibility. These are to:

- ensure sustainable public finances that support confidence in the economy, promote intergenerational fairness, and ensure the effectiveness of wider government policy; and
- support and improve the effectiveness of monetary policy in stabilising economic fluctuations.

S1.2 Departmental Expenditure Limit (DEL) and Annually Managed Expenditure (AME)

The Statement of Parliamentary Supply is analysed between DEL and AME, as defined by HM Treasury. DELs are agreed with HM Treasury during Spending Reviews, with the associated income and expenditure deemed to be within the department's direct control. All income and expenditure is classified as DEL unless the Chief Secretary to the Treasury has determined that the programme to which it relates should be classified as AME. AME income and expenditure is generally demand-led or exceptionally volatile in a way that could not be controlled by the department. Alternatively, a programme may be classified as AME if it is so large that the department could not be expected to absorb the effects of any related volatilities within its DEL, or for other reasons the programmes are not suitable for inclusion in firm four year spending plans set during Spending Reviews.

S1.3 Comparison with IFRS-based accounts

Most transactions are treated in the same way in National Accounts and IFRS-based accounts, but there are some differences. The Department of Health Departmental Group undertakes the following transaction types which are accounted for differently between the Statement of Parliamentary Supply and IFRS-based accounts.

S1.aa PFI and other Service Concession arrangements

National Accounts account for service concession arrangements by assessing which of the contracting parties retains most of the risks and rewards of owning the assets within the scheme. This is very similar to the approach taken within Departmental Accounts prior to the adoption of IFRS. IFRS based accounts account for these contracts by considering who controls the assets within the scheme. As a result there are some schemes where the relevant assets are capitalised under national accounts, but not under IFRS based accounts and vice-versa. In these statements service concession assets are more likely to be capitalised under IFRS than under National Accounts.

S1.ab Capital Grants

Grants made by the Departmental Group which are for capital purposes are treated as capital (CDEL) items in the Statement of Parliamentary Supply. Under IFRS, as applied by the FReM, there is no distinction between capital grants and other grants, and they score as an item of expenditure in the Consolidated Statement of Comprehensive Net Expenditure.

S1.ac Prior Period Adjustments (PPAs)

Occasionally errors are discovered in accounts after they have been issued. Where these occur, Parliamentary protocol requires that they are included in Supply Estimates in the year they are discovered and included in the request for funding votes on by Parliament. A similar treatment is required where the department chooses to adjust an accounting policy. Parliamentary approval is not required for accounting policy changes resulting from a change in accounting standard which is made by bodies external to the department. Within IFRS based accounts any material items arising from identification of errors from previous years or accounting policy changes require a restatement of the comparative figures for prior years.

S1.ad Receipts in excess of HM Treasury agreement

HM Treasury may limit the income which the department may retain to fund its expenditure. Any excess is returned to the Consolidated Fund and is not accounted for within the Statement of Parliamentary Supply. IFRS-based accounts will record all of the income, regardless of the budgetary limit. In these accounts this may occur as (i) profit/loss on disposal of assets; (ii) income generation above department Spending Review settlements; and (iii) income received above other control total (netting-off agreements)

S1.ae Provisions - Administration and Programme expenditure

IFRS based accounts require an entity to recognise expenditure as a provision where there is a liability of uncertain timing or amount. For National Accounts, expenditure is recognised at a later point, when expenditure meets the IFRS definition of an accrual or creditor, or when cash leaves the departmental group. The SOPS includes a reconciliation which adjusts the expenditure within the IFRS based accounts to comply with National Accounts requirements. The same adjustments are made to administration costs reporting in the SOPS.

SOPS2. Net Outturn

SOPS2.1 Analysis of net resource outturn by section

	Outturn							Estimate			
	Administration			Programme			Total	Net Total	Net total compared to Estimate Savings /(excess)	Net total compared to Estimate, adjusted for virements	Total
	Gross	Income	Net	Gross	Income	Net					
Spending in Departmental Expenditure Limits (DEL)											
Voted:											
NHS England net expenditure	1,792,720	-	1,792,720	13,507,716	-	13,507,716	15,300,436	16,388,160	1,087,724	202,667	46,562
NHS Trusts net expenditure	-	-	-	26,860,770	-	26,860,770	26,860,770	27,634,467	773,697	(0)	27,329,415
NHS Foundation Trusts net expenditure	-	-	-	36,162,930	-	36,162,930	36,162,930	34,504,176	(1,658,754)	-	33,772,148
DH Programme and Administration expenditure	454,194	(34,632)	419,562	3,446,291	(530,024)	2,916,267	3,335,829	3,490,397	154,568	13,937	3,492,931
Local Authorities	237,000	-	237,000	2,467,972	-	2,467,972	2,704,972	2,661,650	(43,322)	-	-
Public Health England (Executive Agency)	198,075	(43,482)	154,593	781,445	(120,145)	661,300	815,893	922,325	106,432	51,926	-
Health Education England	78,796	(1,773)	77,023	1,853,860	(9,454)	1,844,406	1,921,429	1,426,855	(494,574)	5,972	-
Special Health Authorities expenditure	164,255	(11,648)	152,607	1,362,134	(11,926)	1,350,208	1,502,815	1,836,390	333,575	-	2,163,356
Non Departmental Public Bodies net expenditure	288,246	-	288,246	120,784	-	120,784	409,030	455,105	46,075	30,919	336,073
PCT & SHA expenditure	-	-	-	-	-	-	-	-	-	-	17,344,759
Non-voted:											
NHS England expenditure financed by NI Contributions	-	-	-	17,481,222	-	17,481,222	17,481,222	17,481,222	-	-	18,084,621
	3,213,286	**(91,535)**	**3,121,751**	**104,045,124**	**(671,549)**	**103,373,575**	**106,495,326**	**106,800,747**	**305,421**	**305,421**	**102,569,865**
Annually Managed Expenditure (AME)											
Voted:											
NHS England net expenditure	-	-	-	158,822	-	158,822	158,822	300,000	141,178	141,178	31
NHS Trusts net expenditure	-	-	-	484,288	-	484,288	484,288	700,000	215,712	215,712	508,969
NHS Foundation Trusts net expenditure	-	-	-	462,522	-	462,522	462,522	800,000	337,478	337,478	559,159
DH Programme and Administration expenditure	-	-	-	52,002	(41,986)	10,016	10,016	121,624	111,608	102,715	34,646
Local Authorities	-	-	-	-	-	-	-	-	-	-	-
Public Health England (Executive Agency)	-	-	-	5,371	-	5,371	5,371	-	(5,371)	-	-
Health Education England	-	-	-	(658)	-	(658)	(658)	-	658	658	-
Special Health Authorities expenditure	-	-	-	3,137,203	-	3,137,203	3,137,203	3,580,376	443,173	443,173	4,085,467
Non Departmental Public Bodies net expenditure	-	-	-	3,522	-	3,522	3,522	-	(3,522)	-	(4,224)
PCT & SHA expenditure	-	-	-	-	-	-	-	-	-	-	591,066
	-	**-**	**-**	**4,303,072**	**(41,986)**	**4,261,086**	**4,261,086**	**5,502,000**	**1,240,914**	**1,240,914**	**5,775,114**
Total	**3,213,286**	**(91,535)**	**3,121,751**	**108,348,196**	**(713,535)**	**107,634,661**	**110,756,412**	**112,302,747**	**1,546,335**	**1,546,335**	**108,344,979**
Reconciliation to Statement of Comprehensive Net Expenditure											
Net gain/(loss) on transfers by absorption	-	-	-	(205)	-	(205)	(205)				(9)
Capital Grants	60,954	-	60,954	434,002	-	434,002	494,956				375,796
Income from Consolidated Fund Extra Receipts	-	-	-	-	-	-	-				(10)
Utilisation of provisions	(6,484)	-	(6,484)	6,484	-	6,484	-				(1)
IFRIC 12 adjustments	-	-	-	355,654	(283,452)	72,202	72,202				221,906
Donated asset/government granted income	-	-	-	-	(138,124)	(138,124)	(138,124)				(76,646)
Expenditure presented on net basis[1]	152,305	(152,305)	-	6,889,993	(6,889,993)	-	-				-
Other adjustments	-	-	-	-	-	-	-				7,280
Net operating cost	**3,420,061**	**(243,840)**	**3,176,221**	**116,034,124**	**(8,025,104)**	**108,009,020**	**111,185,241**				**108,873,295**

Footnote

1. Under Parliamentary reporting requirements, expenditure for NHS England Group, NDPBs, NHS Trusts and Foundation Trusts is shown net of income. This differs from the treatment in the Consolidated Statement of Comprehensive Net Expenditure, where income and expenditure are reported separately on a gross basis.
2. The structure of the Department's 2013-14 Estimate reflects the new health and social care system and as such the subheads (rows) against which the Departmental Group reports its financial performance differ from those in the prior year. The 2012-13 outturn figures have been reclassified between subheads to ensure comparability with 2013-14. These reclassifications have no bottom line impact and as such the sole difference between the 2012-13 net resource outturn above and that reported in the prior year published account is the £1,378 million restatement for the transfer of the Learning Disability and Health Reform Grant to DCLG (see Note 1.1 for further details).

SOPS2.2 Analysis of net capital outturn by section

	2013-14 £'000						2012-13 £'000
	Outturn			Estimate			Outturn
	Gross	Income	Net Total	Net Total	Net total compared to Estimate Savings /(excess)	Net total compared to Estimate adjusted for virements	Net Total
Spending in Departmental Expenditure Limits (DEL)							
Voted:							
NHS England net expenditure	180,177	-	180,177	200,000	19,823	19,823	3,233
NHS Trusts net expenditure	1,330,475	-	1,330,475	1,322,678	(7,797)	-	1,117,538
NHS Foundation Trusts net expenditure	1,900,930	-	1,900,930	1,832,813	(68,117)	-	1,518,070
DH Programme and Administration expenditure	761,361	(68,809)	692,552	810,219	117,667	41,753	410,218
Local Authorities	129,059	-	129,059	129,755	696	696	126,590
Public Health England (Executive Agency)	148,649	(81,136)	67,513	98,283	30,770	30,770	-
Health Education England	1,841	-	1,841	2,425	584	584	-
Special Health Authorities expenditure	22,344	(1,505)	20,839	22,431	1,592	1,592	38,487
Non Departmental Public Bodies net expenditure	25,523	-	25,523	25,775	252	252	40,833
PCT & SHA expenditure	-	-	-	-	-	-	527,913
	4,500,359	**(151,450)**	**4,348,909**	**4,444,379**	**95,470**	**95,470**	**3,782,882**
Annually Managed Expenditure (AME)							
Voted:							
NHS England net expenditure	-	-	-	-	-	-	-
NHS Trusts net expenditure	-	-	-	-	-	-	-
NHS Foundation Trusts net expenditure	-	-	-	-	-	-	-
DH Programme and Administration expenditure	114,187	(184,000)	(69,813)	120,000	189,813	189,813	-
Local Authorities	-	-	-	-	-	-	-
Public Health England (Executive Agency)	-	-	-	-	-	-	-
Health Education England	-	-	-	-	-	-	-
Special Health Authorities expenditure	-	-	-	-	-	-	-
Non Departmental Public Bodies net expenditure	-	-	-	-	-	-	-
	114,187	**(184,000)**	**(69,813)**	**120,000**	**189,813**	**189,813**	**-**
Total	**4,614,546**	**(335,450)**	**4,279,096**	**4,564,379**	**285,283**	**285,283**	**3,782,882**

Footnote

1. The structure of the Department's 2013-14 Estimate reflects the new health and social care system and as such the subheads (rows) against which the Departmental Group reports its financial performance differ from those in the prior year. The 2012-13 outturn figures have been reclassified between subheads to ensure comparability with 2013-14.
2. Explanations of variances between Estimate and outturn are given in the Strategic Report section of the Annual Report

SOPS3. Reconciliation of outturn to net operating cost and against Administration Budget

SOPS3.1 Reconciliation of net resource outturn to net operating cost

		Note	2013-14 £'000 Outturn	Restated 2012-13 £'000 Outturn
Total resource outturn in Statement of Parliamentary Supply				
	Budget	SOPS 2.1	110,756,412	108,344,979
	Non-Budget	SOPS 2.1	-	-
			110,756,412	108,344,979
Add:	Capital Grants		494,956	375,796
	PFI/LIFT expenditure under IFRS		1,864,846	1,839,667
	PFI/LIFT income under IFRS		(283,452)	-
	Gain on transfers by absorption		-	255,843
	Other		-	7,280
			2,076,350	2,478,585
Less:	Income payable to the Consolidated Fund	SOPS 5.1	-	(10)
	Donated asset/government granted income		(138,124)	(76,646)
	PFI/LIFT expenditure under UK GAAP		(1,509,192)	(1,617,761)
	Loss on transfers by absorption		(205)	(255,852)
	Prior period adjustments		-	-
	Other		-	-
			(1,647,521)	(1,950,269)
Net Operating Cost in Consolidated Statement of Comprehensive Net Expenditure			**111,185,241**	**108,873,295**

SOPS3.2 Outturn against final Administration Budget and Administration net operating cost

	2013-14 £'000 Outturn	2012-13 £'000 Outturn
Estimate - Administration costs limit	4,114,103	4,170,662
Outturn - Gross Administration Costs	3,213,286	3,830,099
Outturn - Gross income relating to administration costs	(91,535)	(160,052)
Outturn - Net administration costs	**3,121,751**	**3,670,047**
Reconciliation to operating costs:		
Add: Capital Grants	60,954	1,321
Add: PFI/LIFT expenditure under IFRS	-	48,803
Add: PFI/LIFT income under IFRS	-	-
Add: Gain on transfers by absorption	-	16,564
Less: provisions utilised (transfer from Programme)	(6,484)	(164,504)
Less: PFI/LIFT expenditure under UK GAAP	-	(44,330)
Less: Loss on transfers by absorption	-	(28,321)
Less: Income payable to the Consolidated Fund	-	-
Less: other	-	-
Administration Net Operating Costs	**3,176,221**	**3,499,580**

SOPS4. Reconciliation of net resource outturn to net cash requirement

	Note	2013-14 £'000 Estimate	Outturn	Net total outturn compared with Estimate: Savings/(excess)
Resource Outturn	SOPS 2.1	112,302,747	110,756,412	1,546,335
Capital Outturn	SOPS 2.2	4,564,379	4,279,096	285,283
Accruals to cash adjustments:				
Adjustments to remove non-cash items:				
Depreciation		(1,024,124)	(628,965)	(395,159)
New provisions and adjustments to previous provisions		(5,595,000)	(5,175,878)	(419,122)
Departmental Unallocated Provision			-	-
Supported capital expenditure (revenue)			-	-
Prior period adjustments			-	-
Finance leased asset additions			(25,055)	25,055
IFRIC12 revenue adjustments			30,269	(30,269)
IFRIC12 capital adjustments			-	-
Adjustment for stockpiled goods			50,488	(50,488)
Net gain/loss on transfers by absorption			7,002	(7,002)
Other non-cash items		-	(4,328,096)	4,328,096
Adjustments for NDPBs, NHS Trusts, Foundation Trusts, Charities and Other bodies:				
Remove voted resource and capital		(84,163,174)	(84,120,218)	(42,956)
Add cash grant-in-aid, PDC, loans and share capital from Core Department, and expenditure financed by Parliamentary Funding		81,238,827	80,423,204	815,623
Adjustments to reflect movements in working balances:				
Increase/(decrease) in inventory			4,489	(4,489)
less transfers from non-current assets			(20,144)	20,144
Increase/(decrease) in receivables			(148,662)	148,662
less movement in Consolidated Fund receivables			1	(1)
less movement in PFI and other service concession arrangement prepayments			5,838	(5,838)
less movement in current financial assets			(389,935)	389,935
add PFI prepayments outward cash payments			-	-
Increase/(decrease) in payables		251,000	8,408,216	(8,157,216)
less movement in overdraft			(113)	113
less movement in payables to the Consolidated Fund			(805,267)	805,267
less movement in finance lease/PFI payables			(2,465,350)	2,465,350
add capital element of finance lease/PFI payables			3,724	(3,724)
Use of provisions		1,917,000	1,948,911	(31,911)
		109,491,655	107,809,967	1,681,688
Removal of non-voted budget items:				
Consolidated Fund Standing Services			-	-
National Insurance contributions		(17,481,222)	(17,481,222)	-
Other adjustments				
Net cash transferred under absorption accounting			19,227	(19,227)
Other cashflow adjustments			(209,391)	209,391
Net cash requirement		**92,010,433**	**90,138,581**	**1,871,852**

SOPS5. Income payable to the Consolidated Fund

SOPS5.1 Analysis of income payable to the Consolidated Fund

In addition to income retained by the Department, the following income relates to the Department and is payable to the Consolidated Fund (cash receipts being shown in italics).

	Outturn 2013-14 £'000		Outturn 2012-13 £'000	
	Income	*Receipts*	Income	*Receipts*
Operating income outside the ambit of the Estimate	-	*1*	10	*20,008*
Excess cash surrenderable to the Consolidated Fund	-	-	-	-
Total income payable to the Consolidated Fund	**-**	***1***	**10**	***20,008***

SOPS5.2 Consolidated Fund Income

There were no amounts collected by the Department in cases where it was acting as an agent of the Consolidated Fund.

Consolidated Statement of Comprehensive Net Expenditure

This account summarises the expenditure incurred and income generated and on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

For the year ended 31 March 2014

		2013-14			Restated 2012-13	
	Notes	Core Department £'000	Core Dept & Agencies £'000	Departmental Group £'000	Core Department £'000	Departmental Group £'000
Administration Costs:						
Staff costs	3	172,026	291,687	1,927,159	251,079	1,983,107
Other costs	4	166,912	468,037	1,492,902	192,619	1,739,250
Income	6.1	(15,483)	(58,999)	(243,840)	(25,210)	(222,776)
Grant in Aid to NDPBs	4	2,334,748	2,334,748	-	227,053	-
Funding to Group Bodies	4	368,547	177,893	-	2,801,544	-
Programme Costs						
Staff costs	3	3,280	169,073	46,074,621	1,290	44,929,955
Other costs[3]	5	4,028,274	7,152,318	69,624,356	4,300,754	66,950,980
Income	6.2	(1,343,725)	(1,512,551)	(7,679,620)	(1,106,623)	(6,406,439)
Grant in Aid to NDPBs[5]	5	91,470,599	91,470,599	-	103,776	-
Funding to Group Bodies	5	8,362,137	4,972,172	-	96,984,770	-
Resources expended by NHS charities	22.1	-	-	335,147	-	203,815
Income received by NHS charities	22.1	-	-	(345,484)	-	(304,595)
Net Operating Costs for the year ended 31 March 2014		**105,547,315**	**105,464,977**	**111,185,241**	**103,731,052**	**108,873,297**
Total operating expenditure		106,906,523	107,036,527	119,454,185	104,862,885	115,807,107
Total operating income		(1,359,208)	(1,571,550)	(8,268,944)	(1,131,833)	(6,933,810)
Net Operating Costs for the year ended 31 March 2014		**105,547,315**	**105,464,977**	**111,185,241**	**103,731,052**	**108,873,297**
Net (gain)/loss on transfers by absorption[4]		818,018	(9,875)	205	13,349	9
Total Net Expenditure for the year ended 31 March 2014		**106,365,333**	**105,455,102**	**111,185,446**	**103,744,401**	**108,873,306**
Other Comprehensive Net Expenditure						
Items that will not be reclassified to net operating costs:						
Net (gain)/loss on:						
- revaluation of property, plant and equipment		(3,460)	(4,297)	(1,405,964)	(4,620)	(607,060)
- revaluation of intangibles		(179,125)	(179,125)	(178,765)	20,853	18,435
- revaluation of investments		-	-	-	101	75
- revaluation of charitable assets		-	-	(152,808)	-	(47,569)
- impairments and reversals taken to revaluation reserve		32,195	32,195	367,125	25	786,484
- transfers by modified absorption		1,297	(194,722)	87,711	-	-
Actuarial (gains)/losses on defined benefit pension schemes		-	-	(12,260)	-	(1,743)
Other pensions remeasurements		-	-	(1,023)	-	-
Other (gains) and losses		-	-	(5,204)	-	2,393
Items that may be reclassified subsequently to net operating costs:						
Net (gain)/loss on:						
- revaluation of available for sale financial assets		50	50	50	-	-
Reclassification adjustment on disposal of available for sale financial assets		-	-	5,050	-	2,281
Total Comprehensive Expenditure for the year ended 31 March 2014		**106,216,290**	**105,109,203**	**109,889,358**	**103,760,760**	**109,026,602**

Footnotes

1. The Department's sole agency consolidated in the group accounts, Public Health England, was established on 1st April 2013. Consolidated Statement of Comprehensive Net Expenditure (CSCNE) information is disclosed in separate columns which relate to the Core Department, the Core Department and its Executive Agencies, and the Departmental Group as a whole. As the Department of Health had no Executive Agencies in 2012-13, all prior year information presented in relation to the Core Department and its Agencies would be identical to information presented for the Core Department only. Consequently, the prior year CSCNE includes two columns only, one relating to the Core Department, and the other relating to the Departmental Group.
2. In all material respects, the income and expenditure disclosed in the Consolidated Statement of Comprehensive Net Expenditure relates to activities that are continuing.
3. The 2012-13 CSCNE has been restated to incorporate the effect of the £1,378.4 million Machinery of Government Transfer of the Learning Disability and Health Reform Grant to the Department for Communities and Local Government (DCLG).
4. The Core Department net loss on transfers by absorption has resulted from; a) The transfer of a £826.3 million net asset to Public Health England; b) The transfer of a £16.4 million net asset to the Health and Social Care Information Centre; c) The transfer of £0.5 million of net assets to Health Education England, partially offset by; d) The transfer of a £23.4 million net liability to NHS England; and e) The transfer of a £1.8 million net liability to NHS Litigation Authority. All absorption transfers are within the Departmental Group and therefore net out upon consolidation.
5. The year on year increase in "Grant in Aid to NDPBs" is due to the establishment of NHS England and Clinical Commissioning Groups (CCGs) as the primary commissioners of health care within the NHS. NHS England and CCGs receive grant in aid funding from the Department, whereas Primary Care Trusts (PCTs), the primary commissioners in 2012-13, received parliamentary funding.

The notes on pages 102 - 179 form part of these accounts.

Consolidated Statement of Financial Position

This statement presents the financial position of the Department. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

As at 31 March 2014

		2014 £'000			2013 £'000	
	Note	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Non-current assets						
Property plant and equipment	7	391,467	1,319,058	48,865,305	1,168,349	47,522,789
Investment Property	7.1	260	260	75,745	260	67,599
Intangible assets	8	1,304,196	1,310,607	1,897,540	1,314,345	1,796,585
Charitable non-current assets	22.2	-	-	281,087	-	158,974
Financial assets- Investments	12	27,598,311	27,598,311	1,165,461	25,981,057	1,118,926
Charitable investments	22.3	-	-	1,898,767	-	1,611,121
Other non-current assets	16	172,054	172,146	621,326	125,395	548,471
Total non-current assets		**29,466,288**	**30,400,382**	**54,805,231**	**28,589,406**	**52,824,465**
Current assets						
Assets classified as held for sale	13	8,527	8,527	157,896	198,759	425,721
Inventories	14	1	131,720	982,232	125,904	968,911
Trade and other receivables	16	183,130	201,435	1,561,467	147,414	1,319,830
Other current assets	16	299,579	318,525	1,323,688	234,263	1,050,793
Charitable other current assets	22.2	-	-	210,588	-	161,267
Other financial assets	16	596,398	596,398	10,691	206,463	56,631
Cash and cash equivalents	15	460,017	589,447	6,965,179	1,206,560	7,421,705
Charitable cash	22.2	-	-	289,094	-	303,054
Total current assets		**1,547,652**	**1,846,052**	**11,500,835**	**2,119,363**	**11,707,912**
Total assets		**31,013,940**	**32,246,434**	**66,306,066**	**30,708,769**	**64,532,377**
Current liabilities						
Trade and other payables	17	(217,152)	(244,361)	(4,869,993)	(143,946)	(5,857,689)
Other liabilities	17	(1,561,757)	(1,650,944)	(9,572,056)	(2,326,519)	(8,012,700)
Charitable liabilities	22.2	-	-	(279,938)	-	(166,731)
Provisions	18	(278,808)	(284,030)	(2,590,518)	(279,274)	(2,709,816)
Total current liabilities		**(2,057,717)**	**(2,179,335)**	**(17,312,505)**	**(2,749,739)**	**(16,746,936)**
Non-current assets plus/less net current assets/liabilities		**28,956,223**	**30,067,099**	**48,993,561**	**27,959,030**	**47,785,441**
Non-current liabilities						
Other payables	17	(180,821)	(180,821)	(579,335)	(310,610)	(636,189)
Charitable liabilities	22.2	-	-	(118,195)	-	(74,531)
Provisions	18	(1,495,285)	(1,497,882)	(27,431,302)	(1,431,087)	(24,145,258)
Net pension asset/(liability)	18.1	-	-	(62,495)	-	(70,099)
Financial liabilities	17	(6,658)	(6,658)	(11,801,278)	(44,989)	(11,703,573)
Total non-current liabilities		**(1,682,764)**	**(1,685,361)**	**(39,992,605)**	**(1,786,686)**	**(36,629,650)**
Total assets less liabilities		**27,273,459**	**28,381,738**	**9,000,956**	**26,172,344**	**11,155,791**
Taxpayers' equity and other reserves						
General fund		26,308,969	27,383,636	(3,737,020)	25,265,749	(531,734)
Revaluation reserve		964,490	998,102	10,318,334	906,595	9,512,622
Other Reserves		-	-	138,239	-	181,746
Total Taxpayers' Equity		**27,273,459**	**28,381,738**	**6,719,553**	**26,172,344**	**9,162,634**
Charitable funds[1]	22.2	-	-	2,281,403	-	1,993,157
Total Reserves		**27,273,459**	**28,381,738**	**9,000,956**	**26,172,344**	**11,155,791**

Footnotes

1. The closing balance of the charitable funds reserve comprised £1,222 million of restricted funds and £1,059 million of unrestricted funds.

Una O'Brien

Permanent Secretary and Principal Accounting Officer

10 July 2014

The notes on pages 102 - 179 form part of these accounts

Consolidated Statement of Cash Flows

The Statement of Cash Flows shows the changes in cash and cash equivalents of the Department during the reporting period. The statement shows how the Department generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by the Department. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to the Departments' future public service delivery. Cash flows arising from financing activities include Parliamentary Supply and other cash flows, including borrowing.

As at 31 March 2014

	Note	2013-14 £'000		Restated 2012-13 £'000	
		Core Dept & Agencies	Departmental Group	Core Dept & Agencies	Departmental Group
Net cashflow from operating activities					
Net Operating Cost[2]	CSCNE	(105,464,977)	(111,185,241)	(103,731,051)	(108,873,295)
Adjustments for non-cash transactions[2]	4b	1,385,385	9,664,348	5,374	10,397,440
Adjustments for charities		-	42,381	-	33,305
Other non-cash movements in Statement of Financial Position items		(238,411)	(233,379)	-	-
(Increase)/decrease in trade and other receivables	16	(574,969)	(541,447)	(7,540)	55,538
less movements in receivables relating to items not passing through the CSCNE	16	389,935	6,375	(25,491)	76,311
(Increase)/decrease in inventories	14	(5,816)	(13,321)	(17,943)	(37,024)
less transfers to inventories from non-current assets	14	20,144	20,144	761	761
Increase/(decrease) in trade and other payables	17	(743,280)	612,511	761,658	1,045,414
less movements in payables relating to items not passing through the CSCNE	17	779,101	474,481	(748,456)	(734,772)
Use of provisions	18	(146,909)	(1,713,132)	(136,911)	(2,029,018)
Transfer of provisions to payables	18	(555,135)	(581,715)	(559,657)	(591,286)
Cash payments in respect of pensions	18.1	-	(6,145)	-	(6,770)
Other operating cashflows[1]		123,218	145,648	-	-
Net cash outflow from operating activities		**(105,031,714)**	**(103,308,492)**	**(104,459,256)**	**(100,663,396)**
Cash flows from investing activities					
Purchase of property, plant and equipment & investment properties	7, 17	(179,772)	(3,649,328)	(93,554)	(3,395,498)
Purchase of intangible assets	8, 17	(313,367)	(536,998)	(314,965)	(485,834)
Proceeds of disposal of property, plant and equipment		28,067	117,066	8,382	134,076
Proceeds of disposal of intangibles		266	1,623	2,738	4,715
Proceeds of disposal of assets held for sale[3]		197,325	341,192	1,925	164,241
Purchase of investments	12	(3,006,347)	(367,510)	(1,083,344)	(61,997)
Proceeds of disposal of investments	12, 16	622,722	302,172	333,426	75,173
Other investing cashflows[1]		72,609	76,560	145,855	-
Net cash outflow from investing activities		**(2,578,497)**	**(3,715,223)**	**(999,537)**	**(3,565,124)**
Cash flows from financing activities					
From the Consolidated Fund (Supply) - current year		89,353,321	89,353,321	88,100,000	88,100,000
From the Consolidated Fund (Non-Supply)		-	-	-	-
Financing from the National Insurance Fund		17,481,222	17,481,222	18,084,621	18,084,621
Movement in loans received from DH and Other Bodies		-	107,442	-	5,720
Cash inflows to newly authorised Foundation Trusts		-	16,098	-	-
Net cash transferred under absorption accounting		168,209	(27,147)	-	(2,701)
Capital element of payments in respect of finance leases and on-SOFP PFI/LIFT contracts		(3,724)	(315,359)	(909)	(283,939)
Other financing cashflows[1]		14,078	(26,308)	(38,413)	(18,013)
Net financing		**107,013,106**	**106,589,269**	**106,145,299**	**105,885,688**
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**(597,105)**	**(434,446)**	**686,506**	**1,657,167**
Payment of amounts due to the Consolidated Fund		(20,008)	(20,008)	(95)	(95)
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**(617,113)**	**(454,454)**	**686,411**	**1,657,072**
Cash and cash equivalents at the beginning of the period		1,206,560	7,698,360	520,149	6,041,288
Cash and cash equivalents at the end of the period	15	**589,447**	**7,243,906**	**1,206,560**	**7,698,360**

Footnotes

1. The "Other" lines within the Consolidated Statement of Cash Flows include cash flow items recorded by underlying NHS bodies not separately identified within the Resource Account format. This includes an immaterial adjustment to ensure the internal consistency of the Resource Account Consolidated Statement of Cash Flows.
2. The 2012-13 Consolidated Statement of Cash Flows has been restated to incorporate the effect of the £1,378.4 million Machinery of Government transfer of the Learning Disability and Health Reform Grant to the Department for Communities and Local Government (DCLG). Net operating cost has decreased to reflect the removal of this expenditure from the Department's account. The corresponding increase is seen in the adjustments for non-cash transactions line, reflecting the associated debit to the general fund.
3. The "Proceeds of disposal of assets held for sale" line in the cashflows from investing activities section above contains the £197.3 million of proceeds from the sale of the Department's investment in Plasma Resources UK Limited. The sale proceeds comprise a variety of cash and non-cash elements as the overall consideration included investments in addition to cash. As such the "Purchase of investments" line contains the corresponding non-cash element of this transaction.

The notes on pages 102- 179 form part of these accounts.

Consolidated Statement of Changes in Taxpayers' Equity

This statement shows the movement in the year on the different reserves held by the Department, analysed into 'general fund reserves' (i.e. those reserves that reflect a contribution from the Consolidated Fund). Financing and the balance from the provision of services are recorded here. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. Other earmarked reserves are shown separately where there are statutory restrictions of their use.

for the year ended 31 March 2014

		Core Department & Agencies			Departmental Group					
		General Fund	Revaluation Reserve	**Taxpayers' Equity**	General Fund	Revaluation Reserve	Other Reserves	**Taxpayers' Equity**	Charitable Funds	**Total Reserves**
	Note	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 1 April 2013		25,265,749	906,595	26,172,344	(531,734)	9,512,622	181,746	9,162,634	1,993,157	11,155,791
Prior period adjustments in local accounts		-	-	-	3,790	(61,403)	(38,387)	(96,000)	175,615	79,615
Net parliamentary funding - drawn down		89,353,321		89,353,321	89,353,321			89,353,321		89,353,321
Net parliamentary funding - deemed		1,436,066		1,436,066	1,436,066			1,436,066		1,436,066
Consolidated fund standing services		-		-	-			-		-
National Insurance contributions		17,481,222		17,481,222	17,481,222			17,481,222		17,481,222
Net finances from the contingencies fund		-		-	-			-		-
Supply (payable)/receivable adjustment	17.1	(650,807)		(650,807)	(650,807)			(650,807)		(650,807)
Excess Vote - Prior Year		-		-	-			-		-
CFERs and other amounts payable to the Consolidated Fund	17.1	-		-	-			-		-
PDC investment adjustment		(303,574)		(303,574)	(303,574)			(303,574)		(303,574)
Comprehensive Net Expenditure for the Year[1]		(105,455,102)		(105,455,102)	(111,129,105)			(111,129,105)	(56,341)	(111,185,446)
Non-cash adjustments:										
Non cash charges - auditor's remuneration	4, 5	957		957	1,047			1,047		1,047
Movements in Reserves										
Recognised in Statement of Comprehensive Expenditure										
Net gain/(loss) on revaluation of non-current assets			183,372	183,372		1,584,679	-	1,584,679	-	1,584,679
Net gain/(loss) on revaluation of charitable assets				-				-	152,808	152,808
Reclassification adjustment on disposal of available for sale financial assets			-	-		(5,050)	-	(5,050)		(5,050)
Impairments and reversals			(32,195)	(32,195)		(367,125)		(367,125)	-	(367,125)
Net Actuarial Gain/(Loss) on Defined Benefit Pension Scheme		-		-	13,161		(901)	12,260		12,260
Net gain/(loss) on transfers by modified absorption		194,722		194,722	(87,711)			(87,711)		(87,711)
Other pensions remeasurements		-		-	(103)		1,126	1,023		1,023
Other gains and losses		-		-	513		4,691	5,204		5,204
Reserves eliminated on dissolution		-	-	-	380,024	(3,906)	-	376,118		376,118
Transfers between reserves		60,630	(60,630)	-	337,761	(335,565)	(2,196)	-	-	-
Other movements		22	960	982	(42,018)	(5,221)	(7,840)	(55,079)	14,030	(41,049)
Other transfers		430	-	430	1,127	(697)	-	430	2,134	2,564
Balance at 31 March 2014		**27,383,636**	**998,102**	**28,381,738**	**(3,737,020)**	**10,318,334**	**138,239**	**6,719,553**	**2,281,403**	**9,000,956**

Footnote

1. The 'Comprehensive net expenditure for the year' figures for the General Fund and Charitable Fund exclude the elimination of intercompany trading between NHS Charities and NHS Trusts/Foundation Trusts. This ensures the closing Charitable Fund balance reflects the actual reserves held by the NHS Charities sector. There is no overall impact on the total closing reserve balance of the Departmental Group.
2. The General Fund is used in public sector accounting to reflect the total assets less liabilities of an entity, which are not assigned to another special purpose fund.
3. The Revaluation Reserve is a capital reserve used when an asset has been revalued but for which no cash benefit is received. Revaluations are completed periodically to reflect the fair value of an asset owned by an organisation.
4. Other Reserves are used in NHS bodies to account for a difference between the value of non-current assets taken over by them at establishment and the corresponding figure in the opening capital debt. This could arise where opening capital debt is set on estimated values, or where there has been an error. Additionally, they may arise to reflect pension assets/liabilities in respect of staff in non-NHS defined benefit pension schemes.
5. Charitable Funds are the reserves associated with NHS Charities consolidated into the Department's Resource Account. They include both restricted and unrestricted funds.

Prior year: for the year ended 31 March 2013

		Core Department & Agencies			Restated Departmental Group					
		General Fund	Revaluation Reserve	**Taxpayers' Equity**	General Fund	Revaluation Reserve	Other Reserves	**Taxpayers' Equity**	Charitable Funds	**Total Reserves**
	Note	£'000	£'000	**£'000**	£'000	£'000	£'000	**£'000**	£'000	**£'000**
Balance at 31 March 2012		25,381,019	952,677	26,333,696	3,846,803	10,223,592	164,134	14,234,529	1,915,374	16,149,903
Changes in accounting policy		-	-	-	-	-	-	-	-	-
Restated balance at 1 April 2012		25,381,019	952,677	26,333,696	3,846,803	10,223,592	164,134	14,234,529	1,915,374	16,149,903
Prior period adjustments in local accounts		-	-	-	25,777	(16,474)	22,636	31,939	-	31,939
Net parliamentary funding - drawn down		88,100,000		88,100,000	88,100,000			88,100,000		88,100,000
Net parliamentary funding - deemed		604,095		604,095	604,095			604,095		604,095
Consolidated fund standing services		-		-	-			-		-
National Insurance contributions		18,084,621		18,084,621	18,084,621			18,084,621		18,084,621
Net finances from the contingencies fund		-		-	-			-		-
Supply (payable)/receivable adjustment	17.1	(1,436,066)		(1,436,066)	(1,436,066)			(1,436,066)		(1,436,066)
Excess Vote - Prior Year		-		-	-			-		-
CFERs and other amounts payable to the Consolidated Fund	17.1	7,270		7,270	7,270			7,270		7,270
PDC investment adjustment		(383,022)		(383,022)	-			-		-
Comprehensive Net Expenditure for the Year[1]		(103,744,401)		(103,744,401)	(108,886,217)			(108,886,217)	12,911	(108,873,306)
Non-cash adjustments:										
Non cash charges - auditor's remuneration	4, 5	807		807	897			897		897
Movements in Reserves										
Recognised in Statement of Comprehensive Expenditure										
Net gain/(loss) on revaluation of non-current assets			(16,334)	(16,334)		588,550	-	588,550	-	588,550
Net gain/(loss) on revaluation of charitable assets				-				-	47,569	47,569
Reclassification adjustment on disposal of available for sale financial assets			-	-		(2,281)	-	(2,281)		(2,281)
Impairments and reversals			(25)	(25)		(786,484)		(786,484)	-	(786,484)
Net Actuarial Gain/(Loss) on Defined Benefit Pension Scheme		-		-	5,817		(4,074)	1,743		1,743
Other pensions remeasurements		-		-	-		-	-		-
Other gains and losses		-		-	(1,717)		(675)	(2,392)		(2,392)
Reserves eliminated on dissolution		-	-	-	-	-	-	-		-
Transfers between reserves		29,724	(29,724)	-	268,246	(267,788)	(264)	194	-	194
Other movements		66	1	67	227,104	(226,493)	(10)	601	17,303	17,904
Other transfers		(1,378,364)	-	(1,378,364)	(1,378,364)	-	-	(1,378,364)	-	(1,378,364)
Balance at 31 March 2013		**25,265,749**	**906,595**	**26,172,344**	**(531,734)**	**9,512,622**	**181,746**	**9,162,634**	**1,993,157**	**11,155,791**

1. The 2012-13 Consolidated Statement of Taxpayers' Equity has been restated to incorporate the effect of the £1,378.4 million Machinery of Government transfer of the Learning Disability and Health Reform Grant to the Department for Communities and Local Government (DCLG).

Notes to the Department's Annual Report and Accounts

1. Statement of accounting policies

These financial statements have been prepared in accordance with the 2013-14 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Department of Health for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Department of Health are described below. They have been applied consistently in dealing with items considered material to the accounts.

In addition to primary statements prepared under IFRS, the FReM also requires the Department to prepare a *Statement of Parliamentary Supply* and supporting notes show outturn against Estimate in terms of the net resource requirement and net cash requirement.

The 2013-14 Annual Report and Accounts includes three departures from the FReM which have been agreed with HM Treasury:

- Public Dividend Capital issued by the Department on the creation of new NHS Trusts, or written-off on the dissolution of NHS Trusts, is debited or credited, as appropriate, to the General Fund rather than to the Consolidated Statement of Comprehensive Net Expenditure.
- Receipts of National Insurance Contributions from the National Insurance Fund are recognised on a cash basis.
- Transfer of assets and liabilities from organisations which closed on 1 April 2013, as a result of their abolition under the Health and Social Care Act 2012, have been made using a modified form of Absorption Accounting, under which the net gain or loss on absorption is debited or credited to the General Fund rather than to the Consolidated Statement of Comprehensive Net Expenditure.

1.1 Prior period restatement

From 1 April 2013 responsibility for the Learning Disability and Health Reform Grant transferred from the Department of Health to the Department for Communities and Local Government (DCLG). The Department has accounted for this Machinery of Government transfer using merger accounting as required by the FReM. Prior year figures have been restated to remove the £1,378 million of programme expenditure incurred under this grant, and the Department has taken the decision to provide only two Statements of Financial Position (rather than the three usually presented in a year of accounts restatement), as the restatement, being a credit to programme expenditure and a debit to the General Fund, has nil impact on the Department's prior period Consolidated Statement of Financial Position.

In line with the HM Treasury initiative on simplifying and streamlining central government annual report and accounts, the Department has taken the opportunity to simplify the format of its 2013-14 accounts to enhance clarity and understandability. As a result a number of immaterial figures present in the 2012-13 published account have been aggregated into new lines to ensure consistency of format between years. The overall figures reported are unaffected by this presentational change.

1.2 Operating segments

Income, expenditure, depreciation and other material items are analysed in the Statement of Operating Costs by Operating Segment (Note 2) and are reported in line with management information used within the Department.

1.3 Accounting convention

These accounts have been prepared under the historical cost convention, modified to account for the revaluation to fair value of investment property, property, plant and equipment, intangible assets, certain financial assets and financial liabilities and stockpiled goods.

1.4 Basis of consolidation

These accounts comprise a consolidation of the Core Department, its departmental agency and those other bodies, including arm's length bodies, NHS Trusts, NHS Foundation Trusts, Clinical Commissioning Groups, NHS Charities and certain limited companies, which fall within the departmental boundary as defined by the FReM and make up the "Departmental Group". The Departmental Group includes all entities designated for inclusion by HM Treasury which in broad terms equate to those bodies which are classified by the Office of National Statistics to the Central Government sector. Transactions between entities included in the consolidated are eliminated. A list of all those entities within the departmental boundary is given at note 24.

1.5 Going Concern

The Department of Health's Annual Report and Accounts are produced on a going concern basis. The Department is supply financed and thus draws the majority of its funding from the Consolidated Fund. Parliament has demonstrated its commitment to fund the Department for the foreseeable future, via the latest Spending Review and the passing of the Health and Social Care Act 2012, and it is therefore considered appropriate to adopt the going concern basis for the preparation of these accounts.

1.6 Employee Benefits

Recognition of short-term benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. Where material non-consolidated performance pay and annual leave earned but not taken by the year end are recognised on an accruals basis in the financial statements.

Retirement benefit costs:

Principal Civil Service Pension Scheme

Past and present employees of the Department are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS) which is described at Note 3.3. The defined benefit schemes are unfunded and are non-contributory except in respect of dependents' benefits. The Department recognises the expected costs of these elements on a systematic and rational basis over the period during which it benefits from the employees' services, by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS. In respect of the defined contribution schemes, the Department recognises the contributions payable for the year.

The Department recognises the full cost of benefits paid under the Civil Service Compensation Scheme, including the early payment of pensions.

NHS Pension Scheme

Past and present employees of the NHS are covered by the provisions of the NHS Pensions Scheme. Details of the benefits payable under these provisions can be found on the NHS Pensions website at www.nhsbsa.nhs.uk/pensions

This scheme is an unfunded, defined benefit scheme which covers NHS employers, General Practices and other bodies allowed under the direction of the Secretary of State, 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 if it were a defined contribution scheme: the cost to the NHS body of participating in the scheme is taken as being equal to the contributions payable to the scheme for the accounting period.

For early retirements other than those due to ill health, the additional pension liabilities are not funded by the scheme. The full amount of the liability for the additional costs is charged to expenditure at the time the organisation commits itself to the retirement, regardless of the method of payment.

The scheme is subject to a full actuarial valuation every four years (until 2004, every five years) and an accounting valuation every year. More details can be found in Note 3.3.

1.7 Administration and programme costs

The Consolidated Statement of Comprehensive Net Expenditure (CSCNE) is analysed between administration and programme costs, as defined by HM Treasury. In addition to the costs of running the Core Department, administration costs include the running costs associated with arm's length bodies, and the commissioning functions of Clinical Commissioning Groups. As such, administration costs reflect the costs of running the Department and other non-provider NHS organisations, and do not directly relate to the provision of front-line services.

Programme costs reflect non-administration costs, including payments of grants and other disbursements by the Department, as well as certain staff costs where they relate directly to, or support, front-line service delivery. Expenditure on the direct provision of healthcare by NHS provider organisations (NHS Trusts, NHS Foundation Trusts and NHS Charities), including the running costs of those bodies, is also classified as programme.

1.8 Grants payable

Grants made by the Department are recognised as expenditure in the period in which they are paid, as grant funding is not intended to be directly related to activity undertaken by a grant recipient in a specific period.

1.9 Audit costs

A charge reflecting the cost of audit is included in expenditure. The Department of Health is audited by the Comptroller and Auditor General. No cash charge is made for this service but a notional charge representing the cost of the audit is included in the accounts. This charge covers the audit costs in respect of the Department's Annual Report and Accounts. With the exception of NHS Foundation Trusts, certain Limited Companies and NHS Charities, other consolidated bodies are audited by the Comptroller and Auditor General or an Audit Commission appointed auditor and include expenditure in respect of audit fees in their individual accounts. The accounts of NHS Foundation Trusts are audited by auditors appointed by their board of governors and also include expenditure in respect of audit fees. (Note 5 to the accounts refers).

1.10 Value added tax

Most of the activities of the Department are outside the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT.

1.11 Income

Income principally comprises fees and charges for services provided on a full cost basis, investment income and public repayment work. It includes income Voted during the Estimates process and Consolidated Fund Extra Receipts (CFERs) which fall outside the Ambit of the Vote and must therefore be returned to HM Treasury. Income in respect of services provided is recognised when the service is rendered and the stage of completion of the transaction at the end of the reporting period can be measured reliably, and it is probable that economic benefit associated with the transaction will flow to the Department. Income is measured at fair value of the consideration receivable. Where income is received for a specific activity which is to be delivered in the following financial year, that income is deferred.

National Insurance Contributions are classified as funding rather than income, and are therefore credited to the General Fund upon receipt.

1.12 Property, plant and equipment

Recognition

Property, plant and equipment is capitalised if:

- 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 will be supplied to, the Department;
- it is expected to be used for more than one financial year;
- the cost of the item can be measured reliably; and either
- the item cost at least £5,000; or
- collectively, a number of items have a total cost of at least £5,000 and individually have a cost of more than £250, where the assets are functionally interdependent, they had broadly simultaneous purchase dates, are anticipated to have simultaneous disposal dates and are under single managerial control.

Where an asset includes a number of components with significantly different asset lives, the components are treated as separate assets and depreciated over their individual useful economic lives.

Expenditure incurred on DH Informatics programmes has been split between capital and revenue using a financial model that analyses contractor costs over the life of the project.

Valuation of property, plant and equipment (excluding assets relating to DH Informatics programmes)

All property, plant and equipment is measured initially at cost, representing the cost 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. All assets are measured subsequently at fair value. Revaluations of property, plant and equipment are performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Fair values are determined as follows:

- Land and non-specialised buildings – market value for existing use.

- Specialised buildings – depreciated replacement cost, modern equivalent asset basis.

Where an asset has been revalued, the accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Properties in the course of construction for service or administration purposes are carried at cost, less any impairment loss. Cost includes professional fees but not borrowing costs, which are recognised as expenses immediately, as allowed by IAS 23 for assets held at fair value. Assets are revalued and depreciation commences when they 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 as a proxy for fair value. This is in accordance with FReM requirements as these assets have short useful lives or low values or both.

An increase arising on revaluation is taken to the revaluation reserve except when it reverses an impairment for the same asset previously recognised in expenditure, in which case it is credited to expenditure to the extent of the decrease previously charged there. A revaluation decrease is only recognised as an impairment charged to the revaluation reserve when it does not result from a loss in the economic value or service potential to the extent that there is a balance on the reserve for the asset and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Gains and losses recognised in the revaluation reserve are reported in the Consolidated Statement of Changes in Taxpayers' Equity.

Subsequent expenditure

Where subsequent expenditure enhances an asset beyond its original specification, the directly attributable cost is capitalised. Where subsequent expenditure restores the asset to its original specification, the expenditure is capitalised and any existing carrying value of the item replaced is written-out and charged to operating expenses.

1.13 Intangible non current assets

Intangible non-current assets are non-monetary assets without physical substance, which are capable of sale separately from the rest of the Department's business or which arise from contractual or other legal rights. They are recognised only when it is probable that future economic benefits will flow to, or service potential be provided to, the Department; where the cost of the asset can be measured reliably; and where the cost is at least £5,000.

Intangible non-current assets acquired separately are initially recognised at fair value. Software that is integral to the operation of hardware is capitalised as part of the relevant item of property, plant and equipment. Software that is not integral to the operation of hardware is capitalised as an intangible asset.

Following initial recognition, intangible assets are carried at fair value by reference to an active market, or, where no active market exists, at replacement cost if the asset is not yet available for use or amortised replacement cost if it is, as a proxy for fair value.

Recognition and Valuation of intangible assets relating to DH Informatics programmes

Informatics, formerly known collectively as NHS Connecting for Health, contains a collection of large infrastructure IT Programmes that are used across the NHS to enable a move towards a

single, electronic care record for patients and to connect General Practitioners to hospitals, providing secure and audited access to these records by authorised health professionals.

Since 2006 the Department has used a financial model to apportion expenditure on the Local Service IT Provider contracts for the South, London and North, Midlands and East. The model is reviewed regularly, with the latest such review being carried out in March 2014. Applying the financial models, DH Informatics programme assets are capitalised by reference to the three contracts and not individual assets. In terms of valuing these Local Service Provider assets, the financial model output alone is used.

No Local Service capital expenditure is apportioned between tangible and intangible non-current assets. The Department therefore makes a judgement that, unless the tangible element is significant, all the non-current IT assets should be accounted for as intangible, as it concludes that the intangible element is more significant.

The intangible assets relating to DH Informatics programmes, are held at depreciated replacement cost which is calculated by indexing the historic cost of the assets by the movement in the Retail Price Index (RPI) between the month of purchase and the Consolidated Statement of Financial Position date. The modified historic cost accounting methodology is used to apply these indexation adjustments. RPI is considered by the Department to be the most appropriate measure of indexation to use with this group of assets, as no other indexation factor is available that (i) more accurately reflects the commercial environment in the computer services sector or (ii) would not be compromised by the very high value of this group of assets. This valuation method is reviewed each year by the Department to determine whether it remains the most appropriate index to use.

1.14 Research and development

Expenditure on research is not capitalised: it is recognised as an operating expense in the period in which it is incurred.

Internally-generated assets are recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use;
- the intention to complete the intangible asset and use it;
- the ability to sell or use the intangible asset;
- how the intangible asset will generate probable future economic benefits or service potential;
- the availability of adequate technical, financial and other resources to complete the intangible asset and sell or use it; and
- the ability to reliably measure the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the criteria for recognition are initially met. Where no internally-generated intangible asset can be recognised, the expenditure is recognised in the period in which it is incurred.

1.15 Depreciation, amortisation and impairments

Freehold land, assets under construction or development, investment properties, stockpiled goods and assets held for sale are not depreciated/amortised.

Otherwise, depreciation or amortisation, as appropriate, is charged to write off the costs or valuation of property, plant and equipment and intangible non-current assets, less any residual value, on a straight-line basis over their estimated remaining useful lives. The estimated useful life of an asset is the period over which the Department expects to obtain economic benefits or service potential from the asset. Estimated useful lives and residual values are reviewed each year end, with the effect of any changes recognised on a prospective basis. Assets held under finance leases are depreciated over the shorter of the lease term and the estimated useful life.

At each financial year-end, the Department determines whether there is any indication that its property, plant and equipment or intangible non-current assets have suffered an impairment loss. If there is an indication of such an impairment, the recoverable amount of the asset is estimated to determine whether there has been a loss and, if so, its amount. Intangible assets not yet available for use are tested for impairment annually at the financial year-end.

A revaluation decrease that does not result from a loss of economic value or service potential is recognised as an impairment charged to the revaluation reserve to the extent that there is a balance on the reserve for the asset being impaired and, thereafter, to expenditure. Impairment losses that arise from a clear consumption of economic benefit are taken to expenditure. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of the recoverable amount but capped at the amount that would have been determined had there been no initial impairment loss. The reversal of the impairment loss is credited to expenditure to the extent of the decrease previously charged there and thereafter to the revaluation reserve.

1.16 Donated assets

Donated non-current assets are capitalised at their fair value on receipt, with a matching credit to income. They are valued, depreciated and impaired as described above for purchased assets. Gains and losses on revaluations, impairments and sales are treated in the same way as purchased assets. Deferred income is recognised only where conditions attached to the donation preclude immediate recognition of the gain.

1.17 Government grants

Government grant funded assets are capitalised at their fair value on receipt, with a matching credit to income. Deferred income is recognised only where conditions attached to the grant preclude immediate recognition of the gain.

1.18 Non-current assets held for sale

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is satisfied once all of the following criteria are met:

- the asset is available for immediate sale in its present condition subject only to terms which are usual and customary for such sales;
- the sale is highly probable.

Non-current assets held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell. Fair value is open market value including alternative uses.

The profit or loss arising on disposal of an asset is the difference between the sale proceeds and the carrying amount and is recognised in the Consolidated Statement of Comprehensive Net Expenditure. On disposal, the balance for the asset in the revaluation reserve is transferred to retained earnings.

Property, plant and equipment that is to be scrapped or demolished does not qualify for recognition as held for sale. Instead, it is retained as an operational asset and its economic life is adjusted. The asset is de-recognised when it is scrapped or demolished.

1.19 Leases

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases.

Property, plant and equipment held under finance leases are initially recognised at the inception of the lease at fair value or, if lower, at the present value of the minimum lease payments, with a matching liability for the lease obligation to the lessor. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the CSCNE.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight-line basis over the lease term.

Contingent rentals are recognised as an expense in the period in which they are incurred.

Where a lease is for land and buildings, the land and building components are separated and individually assessed as to whether they are operating or finance leases.

1.20 Private Finance Initiative (PFI) and NHS Local Improvement Finance Trust (LIFT) transactions

HM Treasury has determined that Government bodies shall account for infrastructure PFI and NHS LIFT schemes, where the Government body controls the use of the infrastructure and the residual interest in the infrastructure at the end of the arrangement, as service concession arrangements, following the principles set out in IFRIC 12. Consolidated bodies therefore recognise the PFI/LIFT asset as an item of property, plant and equipment, together with a liability to pay for it, on their Statement of Financial Position.

The annual unitary payment is separated into the following component parts, using appropriate estimation techniques where necessary:

- Payment for the fair value of services received;
- Payment for the PFI asset, including finance costs; and
- Payment for the replacement of components of the asset during the contract 'lifecycle replacement'.

a) Services received

The fair value of services received in the year is recorded under the relevant expenditure headings within 'operating expenses'.

b) PFI and LIFT assets, liabilities, and finance costs

The PFI assets are recognised as property, plant and equipment when they come into use. They are measured initially at fair value in accordance with the principles of IAS 17. Subsequent measurement is carried at fair value in accordance with IAS 16. A PFI/LIFT liability is recognised at the same time as the assets are recognised. It is measured initially at the same amount as the fair value of the assets and is subsequently measured as a finance lease liability in accordance with IAS 17.

An annual finance cost is calculated by applying the implicit interest rate in the lease to the opening lease liability for the period, and is charged to the CSCNE.

The element of the annual unitary payment that is allocated as a finance lease rental is applied to meet the annual finance cost and to repay the lease liability over the contract term.

An element of the annual unitary payment increase due to cumulative indexation is treated as contingent rent and is expensed as incurred.

c) Lifecycle replacement
Components of the asset replaced by the operator during the contract ('lifecycle replacement') are capitalised where they meet the consolidated bodies' criteria for capital expenditure. They are capitalised at the time they are provided by the operator and are measured initially at their fair value.

The element of the annual unitary payment allocated to lifecycle replacement is pre-determined for each year of the contract from the operator's planned programme of lifecycle replacement. Where the lifecycle component is provided earlier or later than expected, a short-term finance lease liability or prepayment is recognised respectively.

Where the fair value of the lifecycle component is less than the amount determined in the contract, the difference is recognised as an expense when the replacement is provided. If the fair value is greater than the amount determined in the contract, the difference is treated as a 'free' asset and a deferred income balance is recognised. The deferred income is released to the operating income over the shorter of the remaining contract period or the useful economic life of the replacement component.

Assets contributed by consolidated bodies to the operator for use in the scheme
Assets contributed for use in the scheme continue to be recognised as items of property, plant and equipment.

Other assets contributed by consolidated bodies to the operator
Other assets contributed (e.g. cash payments, surplus property) by the consolidated bodies to the operator before the asset is brought into use, where these are intended to defray the operator's capital costs, are recognised initially as prepayments during the construction phase of the contract. When the asset is made available to the consolidated body, the prepayment is treated as an initial payment towards the finance lease liability and is set against the carrying value of the liability.

1.21 Inventories and stockpiled goods

Inventories are valued at the lower of cost and net realisable value. Stockpiled goods are held at fair value.

Strategic goods held for use in national emergencies (stockpiled goods) are held as non-current assets within property, plant and equipment. These stocks are maintained at minimum capability levels by replenishment to offset write-offs and so are not depreciated, as agreed with HM Treasury.

1.22 Cash and cash equivalents

Cash is cash in hand and deposits with any financial institution repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and which are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated 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 cash management. Cash, bank and overdraft balances are recorded at current values.

1.23 Provisions

Provisions are recognised when the Department has a present legal or constructive obligation as a result of a past event, it is probable that the Department will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties. Where a provision is measured using the cash flows estimated to settle the obligation, its carrying amount is the present value of those cash flows using HM Treasury's discount rates.

Early retirement provisions are discounted using HM Treasury's pension discount rate of 1.80% (2012-13: 2.35%) in real terms. All other provisions (general provisions) are subject to three separate discount rates according to the expected timing of cashflows. A short term rate of -1.90% (2012-13: -1.80%) is applied to expected cash flows in a time boundary of between 0 and up to and including 5 years from the Consolidated Statement of Financial Position date. A medium term rate of -0.65% (2012-13: -1.00%) is applied to the time boundary of after 5 and up to and including 10 years and a long-term rate of 2.20% (2012-13: 2.20%) is applied to expected cashflows exceeding 10 years (all percentages are in real terms).

1.24 Clinical and non-clinical negligence costs

Clinical and non-clinical negligence costs are managed through schemes run by the NHS Litigation Authority (NHSLA). The Existing Liability and Ex-Regional Health Authority schemes are funded by the Department of Health, whilst the Clinical Negligence Scheme for Trusts, Liability to Third Parties and Property Expenses Schemes are funded from Trust contributions. The accounts for the schemes are prepared by the NHSLA in accordance with IAS 37. A provision for these schemes, disclosed in Note 18, is calculated in accordance with IAS 37 by discounting the gross value of all claims received.

Calculation of the provision for each scheme is made using:

- probability factors. The probability of a claim having to be settled is assessed between 10% and 94%. This probability is applied to the gross value to give the probable cost of each claim; and
- a discount factor calculated using HM Treasury's real discount rates noted in Note 1.23 above (i.e. short term -1.90%, medium term -0.65% and long term 2.20%), RPI of 3% and claims inflation (varying between schemes) of between 5% and 10%, is applied to the probable cost to take into account the likely time to settlement.

The difference between the gross value of claims and the amount of the provision calculated above is also discounted, taking into account the likely time to settlement, and is included in contingent liabilities as set out in Note 19.

Existing Liabilities Scheme (ELS) and Ex-Regional Health Authorities (Ex-RHA) Scheme
Claims are included in the ELS provision on the basis that the incident ocurred on or before 31st March 1995. Qualifying claims under the Ex-RHA scheme are those which were brought against the former Regional Health Authorities whose clinical negligence liabilities passed to the NHS Litigation Authority with effect from 1st April 1996.

The NHS (Residual Liabilities) Act 1996 requires the Secretary of State to exercise his/her statutory powers to deal with the liabilities of a Special Health Authority, if it ceases to exist. This would include the liabilities assumed by the NHS Litigation Authority in respect of these schemes.

Clinical Negligence Scheme for Trusts (CNST)
A provision for this scheme is calculated in accordance with IAS 37 by discounting the gross value of all claims received relating to incidents that occurred on or before 31 March 2014 and after 1 April 1995.

Claims are included in the provision on the basis that the CNST members have assessed:-

- the probable cost and time to settlement in accordance with scheme guidelines;
- that they are qualifying incidents; and
- that the Trust remains a member of the scheme.

As at 31st March 2002 all outstanding claims for incidents post 1st April 1995 became the direct responsibility of the NHSLA. This 'call in' of CNST claims effectively means that member Trusts are no longer reponsible for accounting for claims made against them although they do remain the legal defendant.

The NHS (Residual Liabilities) Act 1996 requires the Secretary of State to exercise his/her statutory powers to deal with the liabilities of a Special Health Authority, if it ceases to exist. This would include the liabilities assumed by the NHSLA in respect of this scheme.

Property Expenses Scheme and Liability to Third Parties Scheme
These schemes are managed and funded via the same mechanisms as CNST except that specific excesses exist for some types of claims. The provisions for these schemes are calculated in accordance with IAS 37 but relate only to the organisation's proportion of each claim.

Incidents Incurred but not reported (IBNR)
IAS 37 requires the inclusion of liabilities in respect of incidents which have been incurred but not reported to the NHS Litigation Authority as at 31 March 2014 where the following can be reasonably forecast:

- that an adverse incident has occurred;
- that a transfer of economic benefit will occur; and
- that a reasonable estimate of the likely value can be made.

The NHSLA uses actuaries, Lane, Clark & Peacock, to assess the potential value of IBNRs against each of the schemes it operates. The actuaries review existing claims records, and using an appropriate model, calculate values in respect of IBNRs for all schemes. The provisions and contingent liabilities arising are shown in notes 18 and 19 respectively. The sums concerned are accounting estimates, and, although determined on the basis of information currently available, the ultimate liabilities may vary as a result of subsequent developments.

1.25 Contingent liabilities and contingent assets

A contingent liability is:

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Department, or
- a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation or the amount of the obligation cannot be measured sufficiently reliably.

A contingent liability is disclosed unless the possibility of a payment is remote.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Department. A contingent asset is disclosed where an inflow of economic benefits is probable.

In addition to contingent liabilities disclosed in accordance with IAS 37, the Department discloses for Parliamentary reporting and accountability purposes certain statutory and non-statutory contingent liabilities where the likelihood of a transfer of economic benefit is remote, but which have been reported to Parliament in accordance with the requirements of Managing Public Money. These comprise:

- items over £100,000 (or lower, where required by specific statute) that do not arise in the normal course of business and which are reported to Parliament by Departmental Minute prior to the Department entering into the arrangement;
- all items (whether or not they arise in the normal course of business) over £100,000 (or lower, where required by specific statute or where material in the context of the Annual Report and Accounts) which are required by the Financial Reporting Manual to be noted in the Annual Report and Accounts.

Where the time value of money is material, contingent liabilities which are required to be disclosed under IAS 37 are stated at discounted amounts and the amount reported to Parliament is separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported to Parliament.

1.26 Financial instruments

The Department of Health mainly relies on Parliamentary voted funding and receipt of a proportion of National Insurance Contributions to finance its operations. The Department holds investments in private limited companies and other items such as trade receivables and payables that arise from its operations and cash resources. It does not enter into speculative transactions such as interest rate swaps. The Department enters into forward contracts where a specific amount of foreign currency is required at a particular date in the future.

The Department's investment in NHS Trusts, NHS Foundation Trusts and the Medicines & Healthcare Products Regulatory Agency is represented by Public Dividend Capital (PDC) which, being issued under statutory authority, is not classed as being a financial instrument.

Foreign currency forward purchase contracts are measured at fair value with movements in fair value being charged or credited to the Consolidated Statement of Comprehensive Net Expenditure. The fair value is measured as the difference between the currency's closing mid-market rate at the date of valuation (representing the spot rate) and the rate stipulated in the contract, multiplied by the number of contracted units of currency. The Department obtains the

closing mid-market rate from the Bank of England. The forward contracts will only have a fair value up to their date of settlement. Once each contract has been settled, it is removed from the Department's Consolidated Statement of Financial Position. Any forward contracts are purchased from the Bank of England. As at 31 March 2014 the Department had no foreign currency forward purchase contracts in place.

1.27 Financial assets

Financial assets are recognised on the Consolidated Statement of Financial Position when the Department becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are de-recognised when the contractual rights have expired or the asset has been transferred. Financial assets are initially recognised at fair value. Fair value is determined by reference to quoted market prices where possible, otherwise by valuation techniques.

As available for sale financial assets, the Department's investments are measured at fair value. With the exception of impairment losses, changes in value are taken to the revaluation reserve. Accumulated gains or losses are recycled to the CSCNE on de-recognition.

Where the Department has a formal investment in another public sector entity that does not meet the criteria for consolidation (for example its investment in the Medicines and Healthcare Products Regulatory Agency) the investment is measured at historic cost, less any impairment, as required by the FReM.

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not quoted in an active market. After initial recognition, they are measured at amortised cost using the effective interest method, less any impairment. Interest is recognised using the effective interest method. This is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Derivatives are measured at fair value with changes in value recognised in the CSCNE.

At the Consolidated Statement of Financial Position date, the Department assesses whether any financial assets are impaired. Financial assets are impaired, and impairment losses recognised, if there is objective evidence of impairment as a result of one or more events which occurred after the initial recognition of the asset and which have an impact on the estimated future cash flows of the asset. For financial assets carried at amortised cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the revised future cash flows discounted at the asset's original effective interest rate. The loss is recognised in the CSCNE.

1.28 Financial liabilities

Financial liabilities are recognised in the Consolidated Statement of Financial Position when the Department becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Note that the Core Department sets the following de minimis threshold levels for the raising of manual accruals: £2,499 for accruals relating to administration budgets and £9,999 for accruals relating to central programme budgets. Financial liabilities are de-recognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are initially recognised at fair value.

Derivatives are measured at fair value with changes in value recognised in the CSCNE.

After initial recognition, financial liabilities are measured at amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments through the life of the asset to the net carrying amount of the financial liability. Interest is recognised using the effective interest method.

1.29 Foreign exchange

The functional and presentational currencies of all consolidated bodies are pounds sterling and figures are expressed in thousands of pounds unless expressly stated otherwise.

The large majority of the Department's foreign currency transactions relate to European Economic Area (EEA) medical costs. Due to delays in submission of medical cost claims by member states, the Department estimates annual medical costs and adjusts future years' expenditure when actual costs are claimed. Estimated costs are converted into sterling at average rates calculated using EU published rates. Payments made are valued at prevailing exchange rates and the Department enters into forward contracts for the purchase of Euros for this purpose. Amounts in the Consolidated Statement of Financial Position at year-end are converted at the exchange rate ruling at the Consolidated Statement of Financial Position date. Exchange rate gains or losses are calculated in accordance with accepted accounting practice.

1.30 Losses and Special Payments

Losses and special payments are items that Parliament would not have contemplated when it agreed funds for the Department or passed legislation. By their nature they are items that ideally should 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 each individual case is handled. Futher information can be found on the HM Treasury website: www.hm-treasury.gov.uk. Losses and special payments are disclosed in Note 20.

Losses and special payments are charged to the relevant functional headings, including losses which would have been made good through insurance cover had the Department not been bearing its own risks.

1.31 NHS Charities

Following the inclusion of NHS Charities (as defined by section 43 of the Charities Act 1993 as amended) in the 2012 Designation Order, the Department consolidates NHS Charities into the Consolidated Annual Report and Accounts. The transactions and balances associated with NHS Charities are reported as separate items within the consolidated financial statements (e.g "Charitable income", "Charitable cash" etc) due to the unique nature of the transactions and as the majority of those transactions are immaterial in the context of the Group account.

1.32 Transfer of Functions

As public sector bodies are deemed to operate under common control, business reconfigurations within the Group are outside the scope of IFRS 3 Business Combinations. When functions transfer between two public sector bodies (except for Department to Department transfers) the FReM requires the application of "absorption accounting". Absorption accounting requires that entities account for their transactions in the period in which those transactions took place. Where assets and liabilities transfer, the gain or loss resulting is recognised in the CSCNE, and is disclosed separately from operating costs. For transfers between bodies within

the Departmental Group, no net impact arises in the consolidated Resource Account as a consequence of the application of absorption accounting as gains and losses are eliminated on consolidation. A non-eliminating net gain or loss is recognised where transfers involve a non-Departmental counter-party that is within the public sector but outside the DH Group.

In the course of 2013-14, certain functions were transferred to or from entities consolidated in this account, the counter parties being other public sector entities. The majority of the transfers were driven by the Health and Social Care Act 2012, the most significant of which involved the abolition of Strategic Health Authorities and Primary Care Trusts on 1 April 2013, and their replacement with Clinical Commissioning Groups. Functions were therefore transferred between the abolished bodies and the new bodies, with some functions also transferring to and between NHS England, the Department of Health, Public Health England, NHS Property Services Ltd, Community Health Partnerships Ltd, NHS Trusts, NHS Foundation Trusts, other DH-group arm's length bodies, and Local Authorities.

As outlined in Note 1, assets and liabilities transferred from organisations closed on 1 April 2013, as a result of their abolition under the Health and Social Care Act 2012, have applied a modified form of absorption accounting, with corresponding gains or losses debiting or crediting as appropriate the General Fund rather than the Consolidated Statement of Comprehensive Net Expenditure. This treatment represents an HM Treasury agreed FReM departure, with all other transfers being accounted for in line with the FReM.

From 1 April 2013 responsibility for the Learning Disability and Health Reform Grant transferred from the Department of Health to the Department for Communities and Local Government (DCLG). As this Machinery of Government transfer is between two government departments the FReM requires that merger accounting be applied, under which prior period figures are restated as if the function had always been the responsibility of the new recipiant. The prior period figures in this account have been restated accordingly to remove the £1,378 million of programme expenditure incurred under this grant. Three Consolidated Statements of Financial Position are not presented as the restatement, being a credit to programme expenditure and a debit to the General Fund, has nil impact on the Department's prior period Consolidated Statement of Financial Position.

1.33 Accounting standards that have been issued but have not yet been adopted

The Treasury FReM does not require the following Standards and Interpretations to be applied in 2013-14. The application of the Standards as revised would not have a material impact on the accounts in 2013-14, were they applied in that year:

- IAS 27 Separate Financial Statements – expected to be effective in 2014-15
- IAS 28 Investments in Associates and Joint Ventures – expected to be effective in 2014-15
- IFRS 9 Financial Instruments - subject to consultation
- IFRS 10 Consolidated Financial Statements - expected to be effective in 2014-15
- IFRS 11 Joint Arrangements - expected to be effective in 2014-15
- IFRS 12 Disclosure of Interests in Other Entities - expected to be effective in 2014-15
- IFRS 13 Fair Value Measurement - subject to consultation
- IPSAS 32 Service Concession Arrangement - subject to consultation
- IAS32 Financial Instruments – Presentation – expected to be effective in 2014-15

Significant Accounting Policies and material judgements

Estimates and the underlying assumptions are reviewed on a regular basis by the Department's senior management. Areas of significant judgement made by management are:-

IAS37 Provisions - judgement is made on the best estimate that can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the expenditure required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties.

IAS38 Intangible Assets - Accounting note 8 shows the Department's consolidated position of Intangible Assets. Recognition and measurement of Intangible Assets is in line with IAS38. Management have made judgement to use the Retail Price Index as the most appropriate index for use in valuing the assets relating to DH Informatics programmes. The RPI has been used as it is the Department's consideration that, given the size of the assets relating to DH Informatics programmes, any IT specific index would be skewed by the programme itself.

IAS36 Impairments - Management make judgement on whether there are any indications of impairments to the carrying amounts of the Departments Assets.

2. Statement of Operating Costs by Operating Segment

The reportable segments disclosed within this note reflect the current structure of the Departmental Group as defined in legislation, with the activities of each reportable segment thus reflecting the statutory remit of those bodies. These operating segments are reported to the Department of Health Departmental Board for financial management purposes. They cover the Core Department of Health (which includes Informatics programmes), Public Health England (the Department's executive agency), the NHS (both the NHS commissioning sector and NHS Trusts and NHS Foundation Trusts as providers of healthcare), and all arm's length bodies (both Special Health Authorities and Executive non-Departmental Public Bodies). Other Group Bodies include NHS Property Services Ltd, Community Health Partnerships Ltd and Skipton Fund Ltd.

Where appropriate, total net expenditure has been categorised into either administration or programme types. Net expenditure by operating segment is regularly reported on this basis to the Departmental Board. The information provided to the Departmental Board is presented on a budgeting basis and therefore mirrors the Statement of Parliamentary Supply but can be reconciled to the Consolidated Statement of Comprehensive Net Expenditure as shown in the table below. Multiple transactions take place between reportable segments; primarily between commissioning and provider bodies within the NHS. All intercompany transactions are eliminated upon consolidation as shown in the "Intercompany Eliminations" column of the table below. Information on total assets and liabilities and net assets and liabilities is not separately reported to the Chief Operating Decision Maker and thus, in accordance with IFRS 8, does not form part of this disclosure.

2.1 Departmental Group Summary

		2013-14									
		DH Core £000	Public Health England £000	Special Health Authorities £000	NHS Providers £000	NHS England Group £000	Non-Departmental Public Bodies £000	Other Group Bodies £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Administration gross expenditure		3,042,233	435,599	246,841	-	2,089,681	297,141	125,133	-	(2,816,567)	3,420,061
Administration income		(15,483)	(58,329)	(16,003)	-	(138,059)	(4,591)	(124,647)	-	113,272	(243,840)
Administration net expenditure		**3,026,750**	**377,270**	**230,838**	**-**	**1,951,622**	**292,550**	**486**	**-**	**(2,703,295)**	**3,176,221**
Programme gross expenditure		103,864,290	3,294,239	9,398,990	71,556,873	94,260,626	237,712	1,148,426	401,825	(168,128,857)	116,034,124
Programme income		(1,343,725)	(173,228)	(1,223,627)	(70,384,953)	(1,705,308)	(154,383)	(990,517)	(345,484)	68,296,121	(8,025,104)
Programme net expenditure		**102,520,565**	**3,121,011**	**8,175,363**	**1,171,920**	**92,555,318**	**83,329**	**157,909**	**56,341**	**(99,832,736)**	**108,009,020**
Total net expenditure (per CSCNE)		**105,547,315**	**3,498,281**	**8,406,201**	**1,171,920**	**94,506,940**	**375,879**	**158,395**	**56,341**	**(102,536,031)**	**111,185,241**
Budgeting adjustments per SoPS3											
Capital Grants		(387,800)	(15,032)	-	-	(92,154)	-	-	-	30	(494,956)
Prior period adjustments		-	-	-	-	-	-	-	-	-	-
Other		787,749	(827,893)	2,873	50,534	94,856	(16,829)	(25,163)	-	-	66,127
Total adjustments		**399,949**	**(842,925)**	**2,873**	**50,534**	**2,702**	**(16,829)**	**(25,163)**	**-**	**30**	**(428,829)**
Budget outturn per SoPS2, of which:		**105,947,264**	**2,655,356**	**8,409,074**	**1,222,454**	**94,509,642**	**359,050**	**133,232**	**56,341**	**(102,536,001)**	**110,756,412**
	RDEL	106,061,341	2,649,985	5,272,529	275,644	94,350,820	355,528	9,139	56,341	(102,536,001)	106,495,326
	RAME	(114,077)	5,371	3,136,545	946,810	158,822	3,522	124,093	-	-	4,261,086

										Restated 2012-13
		DH Core £000	PCT £000	SHA £000	NHS Providers £000	ALBs (SpHA) £000	ALBs (ENDPB) £000	Other Group Bodies £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Administration gross expenditure		3,472,294	2,371,984	386,011	-	299,806	275,361	728	-	(3,083,828)	3,722,356
Administration income		(25,210)	(130,340)	(23,290)	-	(24,432)	(74,497)	(236)	-	55,229	(222,776)
Administration net expenditure		**3,447,084**	**2,241,644**	**362,721**	**-**	**275,374**	**200,864**	**492**	**-**	**(3,028,599)**	**3,499,580**
Programme gross expenditure		101,390,589	94,243,136	5,531,812	69,324,740	6,041,001	319,584	18,333	291,685	(165,076,130)	112,084,750
Programme income		(1,106,622)	(2,782,728)	(28,916)	(68,629,068)	(1,620,503)	(208,819)	(17,368)	(304,596)	67,987,585	(6,711,035)
Programme net expenditure		**100,283,967**	**91,460,408**	**5,502,896**	**695,672**	**4,420,498**	**110,765**	**965**	**(12,911)**	**(97,088,541)**	**105,373,715**
Total net expenditure (per CSCNE)		**103,731,051**	**93,702,052**	**5,865,617**	**695,672**	**4,695,872**	**311,629**	**1,457**	**(12,911)**	**(100,117,144)**	**108,873,295**
Budgeting adjustments per Note 3											
Capital Grants		(286,804)	(88,992)	-	-	-	-	-	-	-	(375,796)
Prior period adjustments		-	-	-	-	-	-	-	-	-	-
Other		(19,997)	(58,642)	-	(60,536)	(10,758)	(2,587)	-	-	1	(152,520)
Total adjustments		**(306,801)**	**(147,633)**	**-**	**(60,536)**	**(10,758)**	**(2,587)**	**-**	**-**	**1**	**(528,316)**
Budget outturn per note 2, of which:		**103,424,250**	**93,554,418**	**5,865,617**	**635,136**	**4,685,114**	**309,042**	**1,457**	**(12,911)**	**(100,117,140)**	**108,344,979**
	RDEL	103,389,604	92,958,684	5,870,285	(432,992)	599,647	313,235	1,457	(12,911)	(100,117,137)	102,569,865
	RAME	34,646	595,734	(4,668)	1,068,128	4,085,467	(4,193)	-	-	-	5,775,114

1. The structure of the Statement of Operating Costs by Operating Segment reflects the new health and social care system and as such the reportable segments (columns) against which the Departmental Group reports differ from those in the prior year. The 2012-13 figures have been reclassified between reportable segments (columns) to ensure comparability with 2013-14. These reclassifications have no bottom line impact and as such the sole difference between the 2012-13 reportable segments and that reported in the prior year published account is the £1,378.4 million restatement for the transfer of the Learning Disability and Health Reform Grant to DCLG (see Note 1.1 for further details).

2.2 Departmental Group Detail – Expenditure

	2013-14									
	DH Core £000	Public Health England £000	Special Health Authorities £000	NHS Providers £000	NHS England Group £000	Non-Departmental Public Bodies £000	Other Group Bodies £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Total net expenditure (per CSCNE)	**105,547,315**	**3,498,281**	**8,406,201**	**1,171,920**	**94,506,940**	**375,879**	**158,395**	**56,341**	**(102,536,031)**	**111,185,241**
Material Expenditure Items										
Staff costs	175,306	285,454	238,886	45,348,113	1,529,067	327,520	101,573	-	(4,139)	48,001,780
Purchase of Healthcare from Non-NHS bodies	-	-	-	645,452	9,373,429	-	-	-	-	10,018,881
Social Care from Independent Providers	-	-	-	-	858,993	-	-	-	-	858,993
Expenditure on Drugs Action Teams	-	-	-	-	9,019	-	-	-	-	9,019
Non-GMS Services from GPs	-	-	-	-	-	-	-	-	-	-
General Dental Services (GDS) and Personal Dental Services (PDS)	-	-	-	-	3,079,683	-	-	-	(339,631)	2,740,052
Consultancy Services	588	10,868	2,020	412,989	128,917	28,946	4,271	-	(3,890)	584,709
Establishment	14,119	7,110	39,396	898,620	339,365	25,881	20,703	-	(68,074)	1,277,120
Transport	(1)	9,095	1,710	362,090	19,634	4,261	3,139	-	(11,820)	388,108
Premises	21,074	26,303	44,958	3,082,615	148,193	8,897	388,871	-	(417,635)	3,303,276
NHS CIO major contract costs	353,321	-	-	-	-	-	-	-	-	353,321
Clinical Negligence Costs	-	-	-	985,723	304	-	-	-	(985,989)	38
Education, Training & Conferences	3,020	4,398	1,606	285,728	135,313	3,450	649	-	(15,727)	418,437
MPET	-	-	4,770,615	-	-	-	-	-	(3,071,836)	1,698,779
Prescribing Costs	-	-	-	-	8,029,603	-	-	-	(14,364)	8,015,239
G/PMS	-	-	-	-	7,590,085	-	-	-	(33,984)	7,556,101
Pharmaceutical Services	-	-	-	-	2,101,665	-	-	-	(1,892)	2,099,773
General Ophthalmic Services	-	-	-	-	523,237	-	-	-	(30)	523,207
Supplies and Services - Clinical	-	-	124	3,796,044	174,677	-	984	-	(73,071)	3,898,758
Supplies and Services - General	-	248,655	1,563	1,272,986	565,785	58,491	47,084	-	(341,684)	1,852,880
Current Grants to Other Bodies	189,760	-	-	-	633	-	-	-	(96,164)	94,229
Current Grants to Local Authorities	50,912	2,662,919	-	-	-	-	-	-	-	2,713,831
Capital Grants	387,800	15,032	-	-	92,154	-	-	-	(30)	494,956
Impairment of Receivables	3	29	-	118,445	16,229	327	23,735	-	(1,104)	157,664
Inventories consumed	-	323,009	-	7,217,206	2,730	-	-	-	-	7,542,945
Dividends Payable on Public Dividend Capital (PDC)	-	-	-	778,604	-	-	-	-	(778,604)	-
Rentals under operating leases	15,001	15,009	4,538	610,799	368,376	15,179	191,820	-	(435,327)	785,395
Interest charges	927	-	-	782,416	58	-	172,925	-	(66,367)	889,959
Research and Development Expenditure	1,036,773	1,630	-	179,923	13,065	334	-	-	(732,268)	499,457
Depreciation	70,211	19,680	4,914	2,037,851	43,319	7,301	111,875	-	-	2,295,151
Amortisation	520,239	3,695	10,226	101,989	1,878	13,875	-	-	-	651,902
Impairments and reversals	53,674	25,775	(6,116)	1,057,737	118,405	682	5,802	-	-	1,255,959
Provisions provided for in year	632,416	5,509	4,537,953	181,691	113,778	1,030	117,385	-	-	5,589,762
Non-cash expenditure from movement in pension liability	-	-	-	4,206	-	8,613	-	-	-	12,819
Grant in Aid	93,805,347	-	-	-	-	-	-	-	(93,805,347)	-
Funding to Group Bodies	8,730,684	-	-	-	-	-	-	-	(8,730,684)	-
Provisions - Change in discount rate	(3,429)	-	(110,067)	16,230	-	(27)	-	-	-	(97,293)
Other	845,077	1,206	145,936	1,107,065	40,179	24,643	60,246	-	177,983	2,402,335
Resources expended by NHS charities	-	-	-	-	-	-	-	401,825	(66,678)	335,147
Non material expenditure categories after inter company eliminations	3,701	64,462	(42,431)	272,351	60,932,534	5,450	22,497	-	(61,027,068)	231,496
Total Expenditure	**106,906,523**	**3,729,838**	**9,645,831**	**71,556,873**	**96,350,307**	**534,853**	**1,273,559**	**401,825**	**(170,945,424)**	**119,454,185**

Inter company trading between bodies within the Departmental Group is eliminated upon consolidation. Where immaterial differences exist between the inter company income and expenditure reported by Group bodies the Department equalises the amounts via central consolidation adjustments to ensure the net operating cost reported by the Departmental Group remains unaffected. The immaterial differences giving rise to these consolidation adjustments may be present in several income and expenditure categories, however the consolidation adjustments are made solely to the "Other" category to ensure all other income and expenditure categories are presented exactly as reported by Group bodies. This may result in the "Inter Company Eliminations" figure for the "Other" expenditure and income categories appearing as a positive figure within this note. Further information about expenditure can be found in notes 4 and 5 to these accounts.

										Restated 2012-13
	DH Core £000	PCT £000	SHA £000	NHS Providers £000	ALBs (SpHA) £000	ALBs (ENDPB) £000	Other Group Bodies £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Total net expenditure (per CSCNE)	**103,731,051**	**93,702,052**	**5,865,617**	**695,672**	**4,695,872**	**311,629**	**1,457**	**(12,911)**	**(100,117,144)**	**108,873,295**
Material Expenditure Items										
Staff costs	252,368	1,938,770	263,438	43,960,024	172,079	348,834	-	-	(22,453)	46,913,060
Purchase of Healthcare from Non-NHS bodies	-	8,970,172	-	220,628	-	-	-	-	(29)	9,190,771
Social Care from Independent Providers	-	139,966	-	-	-	-	-	-	-	139,966
Expenditure on Drugs Action Teams	-	458,101	-	-	-	-	-	-	(54,541)	403,560
Non-GMS Services from GPs	-	180,418	-	-	-	-	-	-	1	180,419
General Dental Services (GDS) and Personal Dental Services (PDS)	-	2,893,806	-	-	-	-	-	-	(50,115)	2,843,691
Consultancy Services	27,508	172,945	25,056	365,472	671	16,460	-	-	(922)	607,190
Establishment	150,955	222,530	33,232	973,247	15,519	18,650	-	-	(42,545)	1,371,588
Transport	64	14,488	269	495,962	4,846	6,541	-	-	(3,165)	519,005
Premises	18,462	718,805	31,081	3,318,641	22,880	35,240	-	-	(421,527)	3,723,582
NHS CIO major contract costs	412,866	-	-	-	-	-	-	-	-	412,866
Clinical Negligence Costs	-	8,055	-	970,079	-	-	-	-	(918,646)	59,488
Education, Training & Conferences	1,615	137,392	-	274,888	1,910	2,833	-	-	(25,562)	393,076
MPET	-	-	4,692,628	-	-	-	-	-	(3,529,384)	1,163,244
Prescribing Costs	-	7,898,231	-	-	-	-	-	-	(11,258)	7,886,973
G/PMS	-	7,669,213	-	-	-	-	-	-	(117,457)	7,551,756
Pharmaceutical Services	-	2,183,801	-	-	-	-	-	-	-	2,183,801
General Ophthalmic Services	-	492,565	-	-	-	-	-	-	-	492,565
Supplies and Services - Clinical	-	189,906	-	4,785,538	4	431	-	-	(234,951)	4,740,928
Supplies and Services - General	-	86,912	-	1,338,443	16,870	110,519	-	-	(48,922)	1,503,822
Current Grants to Other Bodies	211,200	113,870	-	-	-	-	-	-	-	325,070
Current Grants to Local Authorities	4,988	-	-	-	-	-	-	-	-	4,988
Capital Grants	286,804	88,992	-	-	-	-	-	-	-	375,796
Impairment of Receivables	(109)	8,030	51	54,692	6	36	-	-	(9,180)	53,526
Inventories consumed	187,873	7,581	-	6,509,502	-	-	-	-	-	6,704,956
Dividends Payable on Public Dividend Capital (PDC)	-	-	-	807,984	-	-	-	-	(807,984)	-
Rentals under operating leases	19,960	256,762	11,632	652,840	6,445	11,336	-	-	(125,786)	833,189
Interest charges	2,892	194,392	-	755,842	-	-	-	-	(60,596)	892,530
Research and Development Expenditure	943,671	15,810	-	193,651	1,926	180	-	-	(12,526)	1,142,712
Depreciation	62,193	362,933	1,485	2,064,317	5,630	25,482	5	-	-	2,522,045
Amortisation	481,191	9,751	146	89,705	15,468	13,286	-	-	-	609,547
Impairments and reversals	37,085	235,998	3,322	1,088,790	(2,286)	(229)	-	-	-	1,362,680
Provisions provided for in year	566,849	694,210	3,075	382,139	3,970,618	(456)	-	-	-	5,616,435
Non-cash expenditure from movement in pension liability	-	-	-	-	-	-	-	-	-	-
Grant in Aid	330,829	-	-	-	-	-	-	-	(330,829)	-
Funding to Group Bodies	99,786,314	-	-	-	-	-	-	-	(99,786,314)	-
Provisions - Change in discount rate	146,693	1,198	-	13,438	1,411,694	(813)	-	-	-	1,572,210
Other	836,903	259,757	850,093	(278,586)	674,513	1,006	19,040	-	(1,466,657)	896,069
Resources expended by NHS charities	-	-	-	-	-	-	-	291,685	(87,870)	203,815
Non material expenditure categories after inter company eliminations	93,709	59,989,760	2,315	287,504	22,014	5,609	16	-	(59,990,741)	410,186
Total Expenditure	**104,862,883**	**96,615,120**	**5,917,823**	**69,324,740**	**6,340,807**	**594,945**	**19,061**	**291,685**	**(168,159,959)**	**115,807,105**

2.3 Departmental Group Detail – Income

										2013-14
	DH Core £000	Public Health England £000	Special Health Authorities £000	NHS Providers £000	NHS England Group £000	Non-Departmental Public Bodies £000	Other Group Bodies £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Material Income Items										
Income from Local authorities	-	-	-	(1,817,812)	-	-	-	-	-	(1,817,812)
Income from Private patients	-	-	-	(501,708)	-	-	-	-	-	(501,708)
Interest revenue	(96,444)	(18)	-	(22,471)	-	(7)	(12,913)	-	66,489	(65,364)
Prescription Pricing Regulation Scheme	(156,799)	-	-	-	-	-	-	-	-	(156,799)
Prescription Fees and Charges	-	-	-	-	(470,682)	-	-	-	-	(470,682)
Dental Fees and Charges	-	-	-	-	(683,583)	-	-	-	-	(683,583)
Other Fees and Charges	-	(229,911)	(1,150,043)	(183,400)	-	(108,676)	-	-	1,265,429	(406,601)
PDC Dividend Received	(778,604)	-	-	-	-	-	-	-	778,604	-
Education, training and research	-	(1,628)	(78,047)	(3,713,286)	(299,335)	-	-	-	3,777,150	(315,146)
Income from Injury costs recovery	-	-	-	(201,857)	-	-	-	-	-	(201,857)
Charitable and other contributions to expenditure	-	-	-	(95,156)	(2,067)	-	-	-	39,201	(58,022)
Other income	(243,666)	-	(276)	(1,494,143)	(147,618)	(8,056)	(419,146)	-	646,121	(1,666,784)
Income received by NHS charities	-	-	-	-	-	-	-	(345,484)	-	(345,484)
Non-material income categories after inter company eliminations	(83,695)	-	(11,264)	(62,355,120)	(240,082)	(42,235)	(683,105)	-	61,836,399	(1,579,102)
Total Income	**(1,359,208)**	**(231,557)**	**(1,239,630)**	**(70,384,953)**	**(1,843,367)**	**(158,974)**	**(1,115,164)**	**(345,484)**	**68,409,393**	**(8,268,944)**
Total net expenditure (per CSCNE)	**105,547,315**	**3,498,281**	**8,406,201**	**1,171,920**	**94,506,940**	**375,879**	**158,395**	**56,341**	**(102,536,031)**	**111,185,241**

										2012-13
	DH Core £000	PCT £000	SHA £000	NHS Providers £000	ALBs (SpHA) £000	ALBs (ENDPB) £000	Other Group Bodies £000	NHS Charities £000	Inter company Eliminations £000	Departmental Group £000
Material Income Items										
Income from Local authorities	-	(298,911)	-	(389,632)	-	-	-	-	-	(688,543)
Income from Private patients	-	(112)	-	(478,649)	-	-	-	-	-	(478,761)
Interest revenue	(81,776)	(8,084)	-	(40,045)	-	(20)	-	-	59,442	(70,483)
Prescription Pricing Regulation Scheme	(76,212)	-	-	-	-	-	-	-	-	(76,212)
Prescription Fees and Charges	-	(449,550)	-	-	-	-	-	-	-	(449,550)
Dental Fees and Charges	-	(653,006)	-	-	-	-	-	-	-	(653,006)
Other Fees and Charges	-	(9,462)	(18,566)	(178,296)	(618,854)	(277,967)	-	-	733,748	(369,397)
PDC Dividend Received	(805,837)	-	-	-	-	-	-	-	805,837	-
Education, training and research	-	(177,085)	-	(3,654,758)	(12)	(1,031)	-	-	3,492,853	(340,033)
Income from Injury costs recovery	-	(412)	-	(208,610)	-	-	-	-	-	(209,022)
Charitable and other contributions to expenditure	-	(2,097)	-	(108,000)	-	-	-	-	33,900	(76,197)
Other income	(104,759)	(173,216)	(20,255)	(1,785,945)	(7,480)	(189)	(17,604)	-	740,638	(1,368,810)
Income received by NHS charities	-	-	-	-	-	-	-	(304,595)	(1)	(304,596)
Non-material income categories after inter company eliminations	(63,249)	(1,141,133)	(13,385)	(61,785,133)	(1,018,589)	(4,109)	-	-	62,176,398	(1,849,200)
Total Income	**(1,131,833)**	**(2,913,068)**	**(52,206)**	**(68,629,068)**	**(1,644,935)**	**(283,316)**	**(17,604)**	**(304,595)**	**68,042,815**	**(6,933,810)**
Total net expenditure (per CSCNE)	**103,731,051**	**93,702,052**	**5,865,617**	**695,672**	**4,695,872**	**311,629**	**1,457**	**(12,911)**	**(100,117,142)**	**108,873,295**

3. Staff numbers and related costs

3.1 Staff costs comprise:

					2013-14 £'000	2012-13 £'000
	Total	Permanently employed staff	Others	Ministers	Special advisors	Total
Salaries and wages	40,711,302	35,973,234	4,737,686	217	165	39,490,401
Social Security costs	2,955,879	2,769,981	185,855	23	20	2,946,589
NHS Pension	4,376,163	4,076,732	299,431	-	-	4,153,709
Other pension costs	58,212	33,851	24,324	-	37	75,317
Termination benefits	96,290	83,634	12,656	-	-	365,261
Sub-total	**48,197,846**	**42,937,432**	**5,259,952**	**240**	**222**	**47,031,277**
Less recoveries in respect of outward secondments	(72,238)	(36,285)	(35,953)	-	-	(6,043)
Total Net Costs	**48,125,608**	**42,901,147**	**5,223,999**	**240**	**222**	**47,025,234**

Of which:

				2013-14 £'000
	Charged to Administration budgets	Charged to Programme budgets	Charged to Capital	Total
Core Department	172,026	3,280	-	175,306
Agencies	119,661	165,793	276	285,730
Other designated bodies	1,635,534	45,976,482	123,552	47,735,568
Less elimination of intra-group expenditure	(62)	(70,934)	-	(70,996)
Total	**1,927,159**	**46,074,621**	**123,828**	**48,125,608**

				2012-13 £'000
	Charged to Administration budgets	Charged to Programme budgets	Charged to Capital	Total
Core Department	251,078	1,290	6,300	258,668
Other designated bodies	1,760,186	44,997,468	105,872	46,863,526
Less elimination of intra-group expenditure	(28,157)	(68,803)	-	(96,960)
Total	**1,983,107**	**44,929,955**	**112,172**	**47,025,234**

3.2 Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below. These figures include those individuals working in the Department as well as in other bodies included within the consolidated Departmental Annual Report and Accounts.

					2013-14 Number	2012-13 Number
	Total	Permanent staff	Others	Ministers	Special Advisors	Total
Core Department						
Core Department	2,306	1,853	444	5	4	3,874
Agencies						
Public Health England	5,196	4,801	395	-	-	-
Other designated bodies						
NHS Providers	1,078,991	987,026	91,965	-	-	1,044,670
Special Health Authorities	5,266	4,493	773	-	-	4,425
NHS England Group	28,074	15,658	12,416	-	-	287
Non Departmental Public Bodies	5,750	5,128	622	-	-	6,419
Primary Care Trusts	-	-	-	-	-	37,273
Strategic Health Authorities	-	-	-	-	-	3,684
Others	2,861	2,398	463	-	-	2
Total	**1,128,444**	**1,021,357**	**107,078**	**5**	**4**	**1,100,634**
Of the above, the following staff were engaged on capital projects:						
Core Department	-	-	-	-	-	131
Agencies	5	-	5	-	-	-
Other designated bodies	2,502	1,574	928	-	-	2,161

The average number of whole time equivalent persons employed during the year by NHS Providers is analysed by employee type in the table below:

	2013-14 Number NHS Providers	2012-13 Number NHS Providers
Medical and dental	109,940	105,780
Ambulance staff	24,545	27,899
Administration and estates	225,872	218,127
Healthcare assistants and other support staff	158,891	154,110
Nursing, midwifery and health visiting staff	360,715	349,711
Nursing, midwifery and health visiting learners	7,912	4,455
Scientific, therapeutic and technical staff	152,226	146,458
Social Care staff	2,822	3,417
Other	36,068	34,713
Total	1,078,991	1,044,670

Staff numbers in the accounts are calculated using a financial year average.

The staff costs and staff numbers published in this Resource Account are not fully comparable. This is because certain types of staff are categorised differently between staff numbers and staff

costs. Reported staff numbers must be consistent with those reported to the Office of National Statistics throughout the year, the categorisation of which is determined by statisticians and may not therefore fully correspond to associated accounting values.

The Health and Social Care Act 2012 reformed the health system in England, resulting in the abolition of Strategic Health Authorities and Primary Care Trusts, the creation of new organisations such as Clinical Commissioning Groups, Public Health England and NHS Property Services Ltd and transfers of responsibilities between organisation within the departmental group from 1 April 2013.

The significant reduction in Core Department staff numbers (reduced from 3,874 WTE in 2012-13 to 2,306 WTE in 2013-14) and associated costs (£175.3 million in 2013-14 compared to £258.7 million in 2012-13) is primarily attributable to functions transferring from the Department to various arm's length bodies on 1 April 2013. In contrast to prior years, the Core Department has incurred no capitalised staff costs or NHS Pension costs in 2013-14 as the prior year costs related to staff within the Department's Informatics programme who transferred to the Health and Social Care Information Centre on 1 April 2013.

There has been an increase in the average number of staff employed by NHS providers of 34,321. This growth can be attributed to factors such as the impact of the findings of the Keogh (http://www.nhs.uk/NHSEngland/bruce-keogh-review/Pages/Overview.aspx) and Francis http://www.midstaffspublicinquiry.com/) reports on clinical staffing levels.

3.3 Reporting of Civil Service and other compensation schemes - exit packages

2013-14

	Core Department				Core Department & Agencies				Departmental Group			
Exit package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of departures where special payments have been made	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of departures where special payments have been made	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of departures where special payments have been made
<£10,000	2	4	6	1	24	4	28	1	805	1,332	2,137	60
£10,001 - £25,000	4	10	14	1	12	10	22	1	959	718	1,677	34
£25,001 - 50,000	1	10	11	-	20	10	30	-	732	561	1,293	26
£50,001 - £100,000	1	11	12	1	10	11	21	1	534	329	863	33
£100,001 - £150,000	-	9	9	-	2	9	11	-	155	82	237	8
£150,001 - £200,001	-	3	3	-	2	3	5	-	56	27	83	2
>£200,000	-	5	5	-	-	5	5	-	26	14	40	-
Total Number	**8**	**52**	**60**	**3**	**70**	**52**	**122**	**3**	**3,267**	**3,063**	**6,330**	**163**
Total Cost (£)	**186,577**	**4,218,855**	**4,405,432**	**91,755**	**2,236,618**	**4,218,855**	**6,455,473**	**91,755**	**118,790,947**	**78,147,697**	**196,938,644**	**5,260,927**

2012-13

	Core Department				Core Department & Agencies				Departmental Group			
Exit package cost band (including any special payment element)	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of departures where special payments have been made	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of departures where special payments have been made	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of departures where special payments have been made
<£10,000	-	1	1	-	-	1	1	-	1,886	1,637	3,523	23
£10,001 - £25,000	1	5	6	-	1	5	6	-	1,485	1,838	3,323	54
£25,001 - 50,000	3	11	14	-	3	11	14	-	1,316	1,289	2,605	22
£50,001 - £100,000	1	9	10	-	1	9	10	-	1,067	695	1,762	16
£100,001 - £150,000	-	6	6	-	-	6	6	-	375	178	553	3
£150,001 - £200,001	-	1	1	-	-	1	1	-	182	66	248	2
>£200,000	-	3	3	-	-	3	3	-	128	29	157	1
Total Number	**5**	**36**	**41**	**-**	**5**	**36**	**41**	**-**	**6,439**	**5,732**	**12,171**	**121**
Total Cost (£)	**192,845**	**3,185,325**	**3,378,170**	**-**	**192,845**	**3,185,325**	**3,378,170**	**-**	**271,060,876**	**173,861,912**	**444,922,788**	**3,943,551**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the Department has agreed early retirements, the additional costs are met by the Department and not by the Civil

Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.
This disclosure reports the number and value of exit packages taken by staff leaving in the year. The expense associated with these departures may have been recognised in part or in full in a previous period. Where early retirements have been agreed, the additional costs are met by the organisation and not by the NHS pension scheme. Ill-health retirement costs are met by the NHS pension scheme and are not included in the table.

Principal Civil Service Pension Scheme (PCSPS)
The Principal Civil Service Pension Scheme (PCSPS) is an unfunded multi-employer defined benefit scheme. As such, the Department of Health is unable to identify its share of the underlying assets and liabilities. The scheme actuary valued the scheme as at 31 March 2007. Details can be found in the Annual Report and Accounts of the Cabinet Office: Civil Superannuation www.civilservice.gov.uk/pensions.

For 2013-14, employers' contributions of £16,920,087 were payable to the PCSPS (2012-13: £20,676,931) at one of four rates in the range 16.7% to 24.3% (2012-13: 16.7% to 24.3%) of pensionable pay, based on salary bands. The scheme actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2013-14 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

Employees can opt to open a partnership pension account, a stakeholder pension with an employer contribution. Employers' contributions of £62,302 were paid to one or more of the panel of three appointed stakeholder pension providers. Employer contributions are age-related and range from 3% to 12.5%.

Employers also match employee contributions up to 3% of pensionable pay. In addition, employer contributions of £4,959, 0.8% of pensionable pay, were payable to the PCSPS to cover the cost of the future provision of lump sum benefits on death in service and ill health retirement of these employees.

NHS Pension Scheme
The NHS Pension scheme is an unfunded, multi-employer defined benefit scheme. Individual NHS bodies are therefore unable to identify their shares of the underlying scheme assets and liabilities. The scheme was actuarially valued as at 31 March 2004. Details can be found on the pension scheme website at www.nhsbsa.nhs.uk/pensions.

For 2013-14, employers' contributions were payable to the NHS Pension Scheme at the rate of 14% of pensionable pay. The scheme's actuary reviews employer contributions, usually every four years and now based on HMT Valuation Directions, following a full scheme valuation. The latest review used data from 31 March 2012 and was published on the Government website on 9 June 2014. The change in employer contribution will take effect from April 2015 and the employer contribution rate will move to 14.3%. Until then the employer contribution rate is maintained at 14%. These costs are included in the NHS pension line of note 3.1.

Of the £4,376 million (2012-13: £4,154 million) against NHS pension costs in note 3.1, £129 million is attributable to NHS England Group (2012-13 £165 million PCTs and £18 million SHAs), £1,750 million (2012-13 £1,710 million) to NHS Trusts and £2,428 million (2012-13 £2,218 million) to NHS Foundation Trusts with the balance of £69 million (2012-13 £43 million) to arm's length bodies.

3.4 Analysis of Other Departures

	Agreements	Total value of agreements
	Number	£000s
Voluntary redundancies including early retirement contractual costs	825	38,755
Mutually agreed resignations (MARS) contractual costs	1,161	25,038
Early retirements in the efficiency of the service contractual costs	62	4,016
Contractual payments in lieu of notice	965	6,929
Exit payments following Employment Tribunals or court orders	80	2,098
Non-contractual payments requiring HMT approval*	54	1,312
Total	**3,147**	**78,148**

*includes any non-contractual severance payment made following judicial mediation. There were no amounts relating to non-contractual payments in lieu of notice.

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 above will not necessarily match the total numbers in Note 3.3, which will be the number of individuals.

One non-contractual payment of £72,300 was made to an individual where the payment value was more than 12 months of their annual salary.

The Remuneration Report includes disclosure of exit payments payable to individuals named in that Report.

4 Other Administration Costs

	Note	2013-14 £'000 Core Department	Core Dept & Agencies	Departmental Group	2012-13 £'000 Core Department	Departmental Group
Rental Under Operating Leases		14,726	15,288	86,178	19,649	106,445
Interest Charges		58	58	5,835	15	40,486
Chair and non-executive Directors' costs		-	-	49,869	-	39,181
Supplies and services - clinical (excluding Drugs)		-	-	426	-	-
Supplies and services - general		-	34,046	128,819	-	101,492
Goods and services from other NHS bodies		-	-	(2,393)	-	123
Multi Professional Education and Training (MPET)		-	-	-	-	11,162
G/PMS, APMS and PCTMS[1]		-	-	3,539	-	7,096
Non GMS Services from GPs		-	-	-	-	18,154
Consultancy services		1,387	8,380	94,281	14,345	150,765
Establishment		5,000	9,180	215,493	35,400	224,046
Transport (Business Travel)		(1)	3,226	17,622	59	13,300
Premises		20,637	33,470	120,295	17,736	367,430
Legal fees		-	54	30,937	-	3,239
Audit fees - statutory audit		-	-	19,965	-	20,238
Other auditor's remuneration		-	3	8,839	-	3,536
Clinical negligence		-	-	38	-	3,528
Research and development		9,532	9,599	13,912	10,640	11,617
Education and training		1,385	3,387	31,342	1,690	33,667
Insurance		13	34	580	35	108
Grants to Local Authorities[4]		-	237,000	237,000	-	-
Grants to Other bodies		-	-	-	2,626	2,857
Capital Grants		6,837	7,361	60,954	-	1,321
NHS Informatics Major Contracts Cost		(29)	(29)	(29)	7	7
Non cash items						
Depreciation on property, plant and equipment		8,049	21,377	64,834	12,176	143,317
Amortisation on intangible assets		602	2,243	19,218	10,092	35,231
Profit on disposal of non-current assets and assets held for sale		-	-	(1)	-	(1,906)
Loss on disposal of non-current assets and assets held for sale		229	527	2,608	951	3,110
Impairments and reversals		1,191	1,191	(4,925)	1,377	1,573
Audit fees - non cash	a	747	957	1,047	807	897
Movement in provision for impairment of receivables		-	29	4,688	-	(2,718)
Inventories consumed		-	-	2,730	1	1
Other non-cash		-	-	-	-	929
Prior period adjustments in local accounts		-	-	(147)	-	-
Other[2,3]		96,549	80,656	279,348	65,013	399,018
Sub total		**166,912**	**468,037**	**1,492,902**	**192,619**	**1,739,250**
Grant in Aid		2,334,748	2,334,748	-	227,053	-
Funding to Group Bodies		368,547	177,893	-	2,801,544	-
Total		**2,870,207**	**2,980,678**	**1,492,902**	**3,221,216**	**1,739,250**

Note a – The Core Department audit fee represents the cost of the audit of the Department's Annual Report and Accounts carried out by the Comptroller and Auditor General.

Footnotes

1. General Medical Services, /Personal Medical Services (G/PMS), Alternative Provider Medical Services (APMS) and Primary Care Trust Medical Services (PCTMS) are differing models for providing primary care services.
2. The Core Department Other administration expenditure figure of £96.4 million (£65.0 million in 2012-13) includes £17.0 million of professional fees (£10.1 million in 2012-13), £7.0 million of policy payments (£12.4 million in 2012-13) and £37.9 million in respect of outsourcing contracts (£35.4 million in 2012-13).
3. A breakdown of the Departmental Group Other figure by sector is provided in Note 2.2 *Departmental Group Detail – Expenditure*.
4. Grants to Local Authorities in the Core Department and Agencies column predominently comprises of Public Health Grants issued to Local Authorities by Public Health England. Expenditure by PCTs with Local Authorities was classified in other expenditure lines in 2012-13.

Note 4 (b) - Non-cash transactions

The total of non-cash transactions included in the Reconciliation of Operating Costs to Operating Cash flow is in the Consolidated Statement of Cash Flows comprises:

	2013-14 £'000 Departmental Group	Restated 2012-13 £'000 Departmental Group
Other administration costs - non-cash items (Note 4)	90,199	180,433
Programme costs - non-cash items (Note 5)	17,318,799	18,438,228
Less non-cash income (Note 6)	(23,697)	(74,361)
Other non-cash amounts charged to operating expenditure[1]	-	(1,378,364)
Total non-cash transactions	**17,385,301**	**17,165,936**
Movement in provision for impairment of receivables	(157,664)	(53,526)
Inventories revaluation		961
Inventories consumed	(7,542,945)	(6,704,957)
Inventories write down	(20,344)	(10,975)
Less non cash movements on SoFP balances analysed separately in the Cash Flow statement	**(7,720,953)**	**(6,768,496)**
Total non cash transactions as per Consolidated Statement of Cash Flows	**9,664,348**	**10,397,440**

Footnote

1. The 2012-13 Other non-cash amounts charged to operating expenditure figure has been restated to include the £1,378.4 million machinery of government transfer of the Learning Disability and Health Reform Grant to DCLG. The restatement to programme costs (Note 5) is to the Grants to Local Authorities line (a cash expenditure line) but is a non-cash restatement as whilst programme expenditure is reduced by the restatement, the associated debit is taken to General Fund, as the cash expended in 2012-13 remains unaltered.

5. Programme Costs

	Note	2013-14 £'000 Core Department	Core Dept & Agencies	Departmental Group	Restated 2012-13 £'000 Core Department	Departmental Group
Rentals Under Operating Leases		275	14,667	699,217	310	726,743
Interest charges		869	869	884,124	2,877	852,044
Chair and non-executive Directors' costs		-	-	27,037	-	25,775
Supplies and services - clinical (excluding Drugs)		-	-	3,898,332	-	4,740,928
Supplies and services - general		-	214,597	1,724,061	-	1,402,330
Goods and services from other NHS bodies		-	-	(32,431)	-	18,534
Purchase of healthcare from non NHS bodies[13]		-	-	10,018,881	-	9,190,771
Purchase of Social Care from Independent Providers [14]		-	-	858,993	-	139,966
Expenditure on Drug Action Teams[9]		-	-	9,019	-	403,560
General Dental Services (GDS) and Personal Dental Services (PDS)[1]		-	-	2,740,052	-	2,843,691
Multi Professional Education and Training (MPET)		-	-	1,698,779	-	1,152,082
Prescribing Costs		-	-	8,015,239	-	7,886,973
Pharmaceutical Services[2]		-	-	2,099,773	-	2,183,801
General Ophthalmic Services		-	-	523,207	-	492,565
G/PMS, APMS and PCTMS[3]		-	-	7,552,562	-	7,544,660
Non GMS Services from GPs		-	-	-	-	162,265
Consultancy services		(799)	2,673	490,428	13,163	456,425
Establishment		9,119	12,542	1,061,627	115,556	1,147,541
Transport (Business Travel)		-	5,868	370,486	5	505,705
Premises		437	14,028	3,182,981	726	3,356,152
Legal fees		-	126	93,072	-	51,133
Audit fees - statutory audit (cash)[4]		-	-	23,405	-	24,588
Other auditor's remuneration		-	-	9,969	-	11,406
Clinical negligence		-	-	-	-	55,960
Research and development[10]		1,027,241	1,025,940	485,545	933,031	1,131,095
Education and training		1,635	4,025	387,095	(75)	359,409
Insurance		33	239	45,927	32	20,975
Grants to Local Authorities[7,8]		50,912	2,476,831	2,476,831	4,988	4,988
Grants to Other bodies		189,760	189,760	94,229	208,574	322,213
Capital Grants		380,963	395,471	434,002	286,804	374,475
NHS Informatics Major Contracts Cost		353,350	353,350	353,350	412,859	412,859
Non cash items						
Movement in provision for impairment of receivables		3	3	152,976	(109)	56,244
Depreciation on property, plant and equipment		62,162	68,514	2,230,317	50,016	2,378,729
Amortisation on intangible assets		519,637	521,691	632,684	471,099	574,317
Profit on disposal of non-current assets and assets held for sale		(327)	(327)	(42,413)	(1,703)	(26,127)
Loss on disposal of non-current assets and assets held for sale		12,147	63,035	82,185	38,124	72,048
Impairments and reversals		52,483	78,258	1,260,884	35,708	1,361,107
Non-cash expenditure from movement in pension liability		-	-	12,819	-	-
Provision provided for in year		632,416	637,925	5,589,762	566,850	5,616,436
Unwinding of discount on provisions		(4,362)	(4,362)	(32,657)	36,465	95,946
Change in discount rate		(3,429)	(3,429)	(97,293)	146,694	1,572,211
Inventories write down		202	12,858	20,344	4,878	10,975
Inventories consumed[11]		-	323,009	7,540,215	187,872	6,704,955
Inventories Revaluation					(961)	(961)
Prior period adjustments in local accounts-Non Cash		-	-	19,446	-	-
Other non-cash Expenditure		(4,981)	(4,981)	(50,470)	15,082	22,350
Prior period adjustments in local accounts		-	-	(43,222)	-	14,090
Other[5,6,12]		748,528	749,138	2,122,987	771,889	497,049
Sub total		**4,028,274**	**7,152,318**	**69,624,356**	**4,300,754**	**66,950,980**
Grant in Aid		91,470,599	91,470,599	-	103,776	-
Funding to Group Bodies		8,362,137	4,972,172	-	96,984,770	-
Total		**103,861,010**	**103,595,089**	**69,624,356**	**101,389,300**	**66,950,980**

Footnotes

1. General Dental Services (GDS) and Personal Dental Services (PDS) are alternative models for dental care.
2. Pharmaceutical Services includes Local Pharmaceutical Services Pilots and the New Pharmacy Contract.
3. General/Personal Medical Services (G/PMS), Alternative Provider Medical Services (APMS) and Primary Care Trust Medical Services (PCTMS) are differing models for providing primary care services.
4. The audit fee represents the programme cost for the audit of the underlying financial statements of consolidated bodies. With the exception of NHS Foundation Trusts, consolidated bodies are audited by the Comptroller and Auditor General (NHS England, arm's length bodies and Special Health Authorities) or an Audit Commission appointed auditor (NHS Trusts and Clinical Commissioning Groups) and include expenditure in respect of audit fees in their individual accounts. The accounts of NHS Foundation Trusts are audited by auditors appointed by their board of governors and also include expenditure in respect of audit fees. Other group bodies, such as NHS Property Services Ltd and Community Health Partnerships Ltd appoint their own auditors.
5. A breakdown of the Departmental Group Other figure by sector is provided in Note 2.2 Departmental Group Detail – Expenditure.
6. Core Department expenditure figures may be greater than those of the Departmental Group due to the elimination of intercompany trading.
7. Grants to Local Authorities in the Core Department and Agencies column predominantly comprises Public Health Grants issued to Local Authorities by Public Health England. Expenditure by PCTs on public health activities was classified in other expenditure lines in 2012-13.
8. The 2012-13 Core Department Grants to Local Authorities has been reduced by £1,378.4 million as a result of the Machinery of Government transfer of the Learning Disability and Health Reform Grant to the Department for Communities and Local Government.
9. The significant reduction in Expenditure on Drug Action Teams is due to responsibility for this function transferring to Local Authorities under the Health and Social Care Act 2012 reforms.
10. The significant reduction in Research and Development expenditure is predominently due to an enhancement in the methodology used by the Department to allocate inter-company eliminations to the specific line in the expenditure note to which they relate. A significant proportion of the research and development expenditure incurred by the Department is received by bodies within the Departmental Group and therefore eliminates upon consolidation.
11. The increase in Inventories Consumed is mainly due to to: a) Improved categorisation of inventory consumption expenditure in 2013-14, some of which was coded to other expenditure categories, including Supplies and Services Clinical (excluding drugs), in the prior year; and b) Consumption of inventories by Public Health England which came into existence on 1 April 2013.
12. £1,182 million of the increase in Other programme expenditure relates to NHS Providers. The 2013-14 Other programme expenditure figure of £2,123 million includes £1,155 million incurred by NHS Providers and £748.5 million incurred by the Core Department. The Core Department Other programme expenditure figure of £748.5 million (£771.9 million in 2012-13) includes £210.2 million of policy payments (£142.6 million in 2012-13) and £171.6 million in respect of outsourcing contracts (£240.1 million in 2012-13).
13. In 2012-13 Purchase of healthcare from Non-NHS bodies was separately categorised by NHS Trusts and Primary Care Trusts only. From 2013-14 this expenditure category has been collected from all Group bodies, £405 million of which relates to the NHS Foundation Trust sector who previously reported the corresponding amounts in other programme expenditure categories.
14. In 2012-13 PCTs classified a proportion of their expenditure on social care from independent bodies in lines other than Purchase of Social Care from Independent Providers. This contributes significantly to the year-on-year increase observed in this expenditure category.

6. Income

6.1 Administration Income

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Revenue from Patient Care activities					
Income from Local Authorities	-	-	-	-	11,098
Income from DH/NHS bodies	-	-	-	-	1,696
Other non-NHS patient care services	-	-	-	-	1,451
Other Non Trading Income					
Other Fees and Charges	-	39,927	50,558	-	78,416
Education, training and research	-	446	5,101	-	1,553
Charitable and other contributions to expenditure	-	-	495	-	-
Non-patient care services to other bodies	-	-	19,375	-	270
Rental revenue from finance leases	-	-	20	-	7
Rental revenue from operating leases	12,970	11,036	1,304	4,988	21,301
Interest and investment income	-	18	11,570	-	2,215
Dividends	-	-	1,877	-	-
Income in respect of Staff Costs	-	-	2,480	-	29,288
Non cash income	-	-	-	-	194
Funding from other Government departments	-	-	256	-	-
Other	2,513	7,572	150,804	20,222	75,287
Total Administration Income	**15,483**	**58,999**	**243,840**	**25,210**	**222,776**

6.2 Programme Income

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Revenue from Patient Care activities					
Income from Local Authorities[3]	-	-	1,817,812	-	677,445
Income from Private patients	-	-	501,708	-	478,761
Income from Overseas patients (non-reciprocal)	-	-	47,429	-	39,932
Income from Injury costs recovery	-	-	201,857	-	209,022
Income in respect of EEA claims	58,009	58,009	58,009	52,079	52,079
Income from DH/NHS bodies[4]	-	-	98,857	-	797,058
Other non-NHS patient care services	-	-	396,633	-	191,374
Other Non Trading Income					
Prescription Pricing Regulation Scheme	156,799	156,799	156,799	76,212	76,212
Prescription Fees and Charges	-	-	470,682	-	449,550
Dental Fees and Charges	-	-	683,583	-	653,006
Other Fees and Charges	-	166,344	356,043	-	290,981
PDC Dividend Received	778,604	778,604	-	805,837	-
Education, training and research	-	1,182	310,045	-	338,480
Charitable and other contributions to expenditure	-	-	57,527	-	76,197
Receipt of donations for capital acquisitions	-	-	38,635	-	41,721
Receipt of grants for capital acquisitions	-	-	23,555	-	23,492
Non-patient care services to other bodies	-	-	529,534	-	353,894
Rental revenue from finance leases	-	-	1,437	-	4,570
Rental revenue from operating leases	(12)	(12)	188,596	194	184,892
Interest and investment income	96,444	96,444	53,794	81,777	68,269
Dividends	15,494	15,494	15,494	3,094	3,094
Unwinding of discount on receivables	(2,766)	(2,766)	(2,766)	2,894	2,894
Income in respect of Staff Costs	-	-	157,275	-	104,867
Non cash income	-	-	774	-	2,490
Prior period adjustments in local accounts	-	-	328	-	(7,364)
Other[1,2]	241,153	242,453	1,515,980	84,536	1,293,523
Total Programme Income	**1,343,725**	**1,512,551**	**7,679,620**	**1,106,623**	**6,406,439**
Total Income	**1,359,208**	**1,571,550**	**7,923,460**	**1,131,833**	**6,629,215**

Footnotes

1. The Core Department Other programme income figure of £241.2 million includes £100.1million of overage income in respect of properties transferred to the Homes and Communities Agency (£2.86 million in 2012-13). The significant year-on-year increase is due to a large proportion of the asset, the majority of which was previously recorded as a contingent asset, being realised in 2013-14 due to an increase in the level of certainty over the inflow of economic benefit. Other programme income also comprises £21.0 million of Welfare Foods income (£21.6 million in 2012-13) and £13.3 million of profit on disposal of the Department's investment in Plasma Resources UK Ltd.
2. A breakdown of the Departmental Group Other figure by sector is provided in Note 2.3 *Departmental Group Detail – Income.*
3. The increase in Income from Local Authorities is predominantly due to public health budgets having transferred to Local Authorities under the Health and Social Care Act 2012 reforms, and Local Authorities then commissioning NHS Providers to deliver services.
4. The reduction in Income from DH/NHS bodies is due to enhanced categorisation of both the income and the associated inter-company eliminations between the specific lines in the programme income note to which they relate. The vast majority of income from DH/NHS bodies eliminates upon consolidation, leaving only the income received from the limited number of NHS bodies that sit outside the Department's accounting boundary, visible within the Departmental Group column of this note.

6.3 Fees and Charges

	2013-14 Departmental Group		
	Fees and Charges Income £'000	Full Cost of Service £'000	Suplus/(Deficit) £'000
Dental	683,583	2,740,052	(2,056,469)
Prescription	470,682	8,015,239	(7,544,557)
Other Fees and Charges for which the cost of providing the service is over £1million	258,818	292,754	(33,936)
Total	1,413,083	11,048,045	(9,634,962)

	2012-13 Departmental Group		
	Fees and Charges Income £'000	Full Cost of Service £'000	Suplus/(Deficit) £'000
Dental	653,006	2,843,691	(2,190,685)
Prescription	449,550	7,886,973	(7,437,423)
Other Fees and Charges for which the cost of providing the service is over £1million	283,563	274,507	9,056
Total	1,386,119	11,005,171	(9,619,052)

The fees and charges information in this note is provided in accordance with section 5.4.28 of the HM Treasury Financial Reporting Manual. The Core Department does not provide services for which a fee is charged, therefore all disclosures relate to consolidated bodies. NHS England receives income in respect of Prescription and Dental charges to patients. The financial objective of Prescription and Dental charges is to collect charges only from those patients that are eligible to pay. Other fees and charges for which the cost of providing the service is over £1 million, relate to services provided by Special Health Authorities and other arm's length bodies. A significant proportion of this income of £101.2 million (2012-13: £93.0 million) and expenditure £162.8 million (2012-13: £134.6 million) relates to regulatory income at the Care Quality Commission.
Further information relating to fees and charges can be obtained from the financial statements of underlying bodies.

7. Property, plant and equipment

Departmental Group 2013-14

	Land	Buildings (excluding dwellings)	Dwellings	Information Technology	Payments on Account & Assets Under Construction	Furniture and Fittings	Plant & Machinery	Transport Equipment	Stockpiled Goods[1,2]	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2013	**7,703,830**	**37,883,278**	**414,344**	**3,784,528**	**1,455,596**	**779,155**	**8,211,288**	**444,727**	**831,449**	**61,508,195**
Prior period adjustments in underlying accounts	(26,477)	(1,338,644)	(8,342)	(46,073)	1,671	(4,691)	(113,698)	(549)	-	(1,536,803)
Additions	22,843	1,330,237	26,172	350,689	1,724,154	31,334	475,664	16,584	118,266	4,095,943
Donations	115	30,902	(5)	2,280	50,613	1,228	49,214	292	-	134,639
Impairments and reversals	(120,923)	(384,196)	(2,799)	(96,745)	(24,281)	(30,288)	(32,411)	(185)	(30,344)	(722,172)
Transfers	(30,524)	(767,718)	(1,935)	(469,888)	(2,346)	(102,193)	(221,187)	(9,388)	(20,144)	(1,625,323)
Reclassifications	(44,649)	1,137,286	(5,632)	116,165	(1,518,561)	4,034	144,837	16,714	(2,659)	(152,465)
Revaluation and indexation	102,832	(127,085)	7,242	(25,562)	2,373	(242)	3,372	(337)	2,528	(34,879)
Disposals	(26,315)	(77,361)	(11,019)	(227,959)	(2,094)	(29,434)	(324,312)	(33,953)	(80,828)	(813,275)
At 31 March 2014	**7,580,732**	**37,686,699**	**418,026**	**3,387,435**	**1,687,125**	**648,903**	**8,192,767**	**433,905**	**818,268**	**60,853,860**
Depreciation										
At 1 April 2013	**153,970**	**5,066,759**	**60,324**	**2,647,686**	**-**	**474,541**	**5,306,568**	**275,558**	**-**	**13,985,406**
Prior period adjustments in underlying accounts	(23,694)	(1,308,920)	(8,350)	(44,235)	-	(2,749)	(117,646)	(553)	-	(1,506,147)
Charged in year	73	1,148,082	12,938	378,583	-	51,247	655,699	48,529	-	2,295,151
Impairments and reversals	107,533	703,015	2,616	16,591	-	1,553	9,981	1,675	-	842,964
Transfers	(26,732)	(691,215)	(1,985)	(468,066)	-	(96,779)	(211,603)	(9,412)	-	(1,505,792)
Reclassifications	(1,830)	(14,131)	(420)	(7,169)	-	(1,092)	(2,096)	(11,294)	-	(38,032)
Revaluation and indexation	(100,619)	(1,304,040)	(13,305)	(25,519)	-	390	2,593	(342)	-	(1,440,842)
Disposals	15	(50,450)	(1,189)	(224,706)	-	(27,648)	(306,659)	(33,516)	-	(644,153)
At 31 March 2014	**108,716**	**3,549,100**	**50,629**	**2,273,165**	**-**	**399,463**	**5,336,838**	**270,644**	**-**	**11,988,555**
Net book value at 31 March 2014	**7,472,016**	**34,137,599**	**367,397**	**1,114,270**	**1,687,125**	**249,440**	**2,855,929**	**163,261**	**818,268**	**48,865,305**
Net book value at 31 March 2013	7,549,860	32,816,519	354,020	1,136,842	1,455,596	304,614	2,904,720	169,169	831,449	47,522,789
Asset financing:										
Owned - purchased	7,040,713	22,732,044	286,223	1,084,698	1,611,129	230,355	2,321,629	160,184	818,268	36,285,243
Owned - donated	127,028	1,058,864	11,360	10,304	52,803	15,576	257,205	1,160	-	1,534,300
Finance leased	57,479	191,643	21,758	16,080	2,724	2,369	162,982	1,917	-	456,952
On-Statement of Financial Position PFI contracts	246,796	10,153,554	46,864	3,188	20,469	1,140	114,113	-	-	10,586,124
PFI residual interests	-	1,494	1,192	-	-	-	-	-	-	2,686
Net book value at 31 March 2014	**7,472,016**	**34,137,599**	**367,397**	**1,114,270**	**1,687,125**	**249,440**	**2,855,929**	**163,261**	**818,268**	**48,865,305**

Analysis of property, plant and equipment

	Land	Buildings (excluding dwellings)	Dwellings	Information Technology	Payments on Account & Assets Under Construction	Furniture and Fittings	Plant & Machinery	Transport Equipment	Stockpiled Goods	Total
Of the total:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core Department	95,455	95,724	-	45,821	1,352	6,585	38,548	-	107,982	391,467
Agencies	28,050	111,446	-	3,893	43,597	970	29,350	-	710,286	927,591
Other designated bodies	7,348,511	33,930,429	367,397	1,064,556	1,642,176	241,885	2,788,031	163,261	-	47,546,247
Net book value at 31 March 2014	**7,472,016**	**34,137,599**	**367,397**	**1,114,270**	**1,687,125**	**249,440**	**2,855,929**	**163,261**	**818,268**	**48,865,305**

Footnotes

1. Stockpiled goods are not depreciated, as agreed with HM Treasury.
2. Stockpiled goods of £699.7 million transferred from the Core Department to Public Health England on 1 April 2013. This comprised £560.5 million of pandemic flu countermeasures and £139.2 million of emergency preparedness stock.
3. The modified absorption transfer of non-current assets with an accumulated depreciation balance out of PCT and SHA accounts is shown in both the cost and depreciation sections of this note reflecting where those balances were originally recorded. As permitted by the HMT Financial Reporting Manual (FReM), the corresponding transfer into the accounts of receiver organisations is in some instances recorded solely in the cost section of the note, reflecting the decision by those organisations to record the previous net book value of the assets as their opening cost figure. This explains the large broadly offsetting figures recorded in the Transfers lines above.

Prior Year

Departmental Group
2012-13

	Land	Buildings (excluding dwellings)	Dwellings	Information Technology	Payments on Account & Assets Under Construction	Furniture and Fittings	Plant & Machinery	Transport Equipment	Stockpiled Goods	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2012	**7,794,713**	**37,653,506**	**430,700**	**3,739,657**	**1,402,366**	**777,735**	**8,028,745**	**440,464**	**822,763**	**61,090,649**
Prior period adjustments in underlying accounts	52,928	(342,725)	(4,934)	(15,662)	(35,943)	(1,227)	(13,848)	69	-	(361,342)
Additions	38,159	1,164,448	3,307	319,715	1,466,835	41,466	418,106	22,185	66,277	3,540,498
Donations	560	23,946	46	2,329	6,739	1,210	40,292	320	-	75,442
Impairments and reversals	(171,270)	(603,769)	(10,646)	(556)	(41,295)	(727)	(2,355)	(11)	(28,480)	(859,109)
Transfers	1,331	(8,428)	(13)	3,209	(213)	(300)	1,101	(1)	(1,006)	(4,320)
Reclassifications	(105,316)	969,199	(2,713)	37,524	(1,332,787)	12,006	145,697	14,659	-	(261,731)
Revaluation and indexation	127,753	(525,956)	7,631	1,805	(539)	4,400	15,352	83	5,419	(364,052)
Disposals	(35,028)	(446,943)	(9,034)	(303,493)	(9,567)	(55,408)	(421,802)	(33,041)	(33,524)	(1,347,840)
At 31 March 2013	**7,703,830**	**37,883,278**	**414,344**	**3,784,528**	**1,455,596**	**779,155**	**8,211,288**	**444,727**	**831,449**	**61,508,195**
Depreciation										
At 1 April 2012	**114,813**	**4,327,462**	**44,055**	**2,564,003**	**-**	**464,908**	**5,042,996**	**266,187**	**-**	**12,824,424**
Prior period adjustments in underlying accounts	46,192	(332,406)	(3,520)	(13,952)	-	(1,353)	(10,531)	150	-	(315,420)
Charged in year	894	1,322,344	14,126	414,810	-	61,848	659,897	48,123	-	2,522,042
Impairments and reversals	63,750	1,088,020	17,110	33,974	-	6,697	15,131	701	-	1,225,383
Transfers	1,331	(8,635)	(12)	1,856	-	(68)	868	4	-	(4,656)
Reclassifications	(993)	3,859	(396)	(60,105)	-	(4,047)	(10,609)	(9,649)	-	(81,940)
Revaluation and indexation	(56,481)	(917,562)	(6,922)	1,038	-	288	8,639	71	-	(970,929)
Disposals	(15,536)	(416,323)	(4,117)	(293,938)	-	(53,732)	(399,823)	(30,029)	-	(1,213,498)
At 31 March 2013	**153,970**	**5,066,759**	**60,324**	**2,647,686**	**-**	**474,541**	**5,306,568**	**275,558**	**-**	**13,985,406**
Net book value at 31 March 2013	**7,549,860**	**32,816,519**	**354,020**	**1,136,842**	**1,455,596**	**304,614**	**2,904,720**	**169,169**	**831,449**	**47,522,789**
Net book value at 31 March 2012	7,679,900	33,326,044	386,645	1,175,654	1,402,366	312,827	2,985,749	174,277	822,763	48,266,225
Asset financing:										
Owned	7,265,076	22,270,286	277,287	1,111,092	1,408,437	287,531	2,458,694	165,332	831,449	36,075,184
Donated	94,306	687,399	7,485	9,599	27,136	10,705	169,887	787	-	1,007,304
Finance leased	71,121	231,168	45,400	13,921	1,416	1,673	155,250	3,050	-	522,999
On-Statement of Financial Position PFI contracts	116,357	9,610,468	23,848	2,230	18,607	4,705	120,889	-	-	9,897,104
PFI residual interests	3,000	17,198	-	-	-	-	-	-	-	20,198
Net book value at 31 March 2013	**7,549,860**	**32,816,519**	**354,020**	**1,136,842**	**1,455,596**	**304,614**	**2,904,720**	**169,169**	**831,449**	**47,522,789**

Analysis of property, plant and equipment

	Land	Buildings (excluding dwellings)	Dwellings	Information Technology	Payments on Account & Assets Under Construction	Furniture and Fittings	Plant & Machinery	Transport Equipment	Stockpiled Goods	Total
Of the total:	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Core Department	97,539	92,465	-	98,883	3,158	8,569	36,286	-	831,449	1,168,349
Primary Care Trusts	1,664,958	5,247,273	16,897	221,979	109,995	65,765	102,509	3,267	-	7,432,643
Strategic Health Authorities	584	1,149	-	627	-	627	-	-	-	2,987
NHS Trusts	2,618,026	11,891,787	138,163	376,180	564,382	104,989	1,258,229	76,448	-	17,028,204
NHS Foundation Trusts	3,136,304	15,379,073	198,960	418,400	747,763	115,204	1,470,098	89,454	-	21,555,256
Special Health Authorities	3,734	14,128	-	10,571	-	7,484	392	-	-	36,309
Non Departmental Public Bodies	28,715	190,644	-	10,202	30,298	1,976	37,194	-	-	299,029
Other	-	-	-	-	-	-	12	-	-	12
Net book value at 31 March 2013	**7,549,860**	**32,816,519**	**354,020**	**1,136,842**	**1,455,596**	**304,614**	**2,904,720**	**169,169**	**831,449**	**47,522,789**

Property has been valued as follows:

- The Civil Estate (land and buildings held for use by the core Department) was valued on 1 September 2010 by independent valuers employed by the Department. Since then, Investment Property Databank indices have been applied, as appropriate, to uplift values as at the year end using the IAS 16 revaluation model methodology.
- Land and buildings held by NHS bodies were valued, by independent valuers, to a modern equivalent basis as required by HM Treasury, during either 2008-09 or 2009-10.

- All valuations have been undertaken according to Royal Institute of Chartered Surveyors (RICS) guidelines.
- The Retained Estate comprises land and buildings which were primarily intended for use by NHS bodies but which are now surplus to requirements and are therefore held by the Department. The Retained Estate was revalued by professional valuers as at 31 March 2010. Additional valuations were carried out as necessary in circumstances where there were indications that values had substantially changed.

The ranges of estimated useful lives are currently:

- Buildings and dwellings: 1 - 188 years
- Transport equipment: 1 - 20 years
- Information technology: 1 - 34 years
- Plant and machinery: 1 - 69 years
- Furniture and fittings: 1 - 56 years

7.1 Investment Property

	2013-14 £'000 Departmental Group	2012-13 £'000 Departmental Group
Carrying Value at 1 April 2013	**67,599**	**66,549**
Prior period adjustments in underlying accounts	50	-
Additions	186	336
Reclassifications from PPE	1,271	-
Gains on fair value adjustment	6,117	4
Losses on fair value adjustment	-	952
Disposals	-	-
Transfers to assets held for sale	(545)	(328)
Transfers	-	-
Other changes	1,067	86
Carrying Value at 31 March 2014	**75,745**	**67,599**

Analysis of investment property

Of the total:	2013-14 £'000	2012-13 £'000
Core Department	260	260
Agencies	-	-
Other designated bodies	75,485	67,339
Net book value at 31 March 2014	**75,745**	**67,599**

Investment property within the Department Group is measured at fair value. Core Department investment property assets are valued on the same basis as property, plant and equipment assets: i.e. they are initially measured at cost and subsequently measured at fair value.

8. Intangible Non-Current Assets

Intangible non-current assets comprise Purchased Software Licences and Internally Developed Software, Trade Marks and Development Expenditure relating to both the Department and the entities consolidated within these financial statements.

	Departmental Group 2013-14			
	IT & Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2013	**4,245,191**	**185,429**	**92,420**	**4,523,040**
Prior period adjustments in underlying accounts	45,794	(74,584)	2,881	(25,909)
Additions	506,864	31,729	66,688	605,281
Donations	2,806	-	679	3,485
Impairments and reversals	(50,384)	(391)	(87)	(50,862)
Transfers	(36,517)	(9,749)	(951)	(47,217)
Reclassifications	88,917	(17,565)	(32,207)	39,145
Revaluation and indexation	219,462	(646)	(347)	218,469
Disposals	(122,523)	(5,256)	(1,918)	(129,697)
Other movements	1,262	-	-	1,262
At 31 March 2014	**4,900,872**	**108,967**	**127,158**	**5,136,997**
Amortisation				
At 1 April 2013	**2,609,520**	**91,689**	**25,246**	**2,726,455**
Prior period adjustments in underlying accounts	7,374	(34,270)	1,138	(25,758)
Charged in year	633,534	14,202	4,166	651,902
Impairments and reversals	1,432	3,514	821	5,767
Transfers	(34,861)	(9,749)	(1,900)	(46,510)
Reclassifications	11,985	(10,720)	2,769	4,034
Revaluation and indexation	40,287	(263)	(320)	39,704
Disposals	(110,969)	(4,975)	(984)	(116,928)
Other movements	791	-	-	791
At 31 March 2014	**3,159,093**	**49,428**	**30,936**	**3,239,457**
Net Book Value at 31 March 2014	**1,741,779**	**59,539**	**96,222**	**1,897,540**
Net Book Value at 31 March 2013	1,635,671	93,740	67,174	1,796,585

Analysis of intangible assets

	IT & Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Of the total:				
Core Department	1,301,003	3,193	-	1,304,196
Agencies	6,190	-	221	6,411
Other designated bodies	434,586	56,346	96,001	586,933
Net Book Value at 31 March 2014	**1,741,779**	**59,539**	**96,222**	**1,897,540**

Footnote

1. Core Department intangible assets principally comprise assets related to Informatics programmes (Note 1.13 contains further information on Informatics programmes).

Prior Year

	Departmental Group 2012-13			
	IT & Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
At 1 April 2012	**3,422,649**	**179,780**	**76,449**	**3,678,878**
Prior period adjustments in underlying accounts	4,534	2,029	24,649	31,212
Additions	349,647	35,249	42,364	427,260
Donations	1,049	-	155	1,204
Impairments and reversals	(11,696)	(233)	(139)	(12,068)
Transfers	1,308	(762)	-	546
Reclassifications	128,697	(11,429)	(49,634)	67,634
Revaluation and indexation	19,026	2,802	(248)	21,580
Disposals	(160,762)	(22,007)	(1,176)	(183,945)
Other movements	490,739	-	-	490,739
At 31 March 2013	**4,245,191**	**185,429**	**92,420**	**4,523,040**
Amortisation				
At 1 April 2012	**1,563,126**	**81,412**	**9,883**	**1,654,421**
Prior period adjustments in underlying accounts	2,868	1,712	133	4,713
Charged in year	579,213	27,577	2,756	609,546
Impairments and reversals	28,034	465	15,836	44,335
Transfers	641	(344)	-	297
Reclassifications	53,195	16	(2,636)	50,575
Revaluation and indexation	(6,464)	640	(248)	(6,072)
Disposals	(147,919)	(19,789)	(478)	(168,186)
Other movements	536,826	-	-	536,826
At 31 March 2013	**2,609,520**	**91,689**	**25,246**	**2,726,455**
Net Book Value at 31 March 2013	**1,635,671**	**93,740**	**67,174**	**1,796,585**
Net Book Value at 31 March 2012	1,859,523	98,368	66,566	2,024,457

Analysis of intangible assets

	IT & Software	Development Expenditure	Other	Total
	£'000	£'000	£'000	£'000
Of the total:				
Core Department	1,314,345	-	-	1,314,345
Primary Care Trusts	19,118	1,227	723	21,068
Strategic Health Authorities	285	-	-	285
NHS Trusts	125,857	7,109	4,249	137,215
NHS Foundation Trusts	141,378	48,701	49,111	239,190
Special Health Authorities	27,692	17,255	12,701	57,648
Non Departmental Public Bodies	6,996	19,448	390	26,834
Other	-	-	-	-
Net Book Value at 31 March 2013	**1,635,671**	**93,740**	**67,174**	**1,796,585**

The ranges of estimated useful lives are currently:

- Software licences and Internally Developed Software: 1 - 35 years
- Development expenditure: 1 - 13 years
- Other (licences and trademarks, patents, purchased software etc): 1 - 15 years

The Department revalues intangible non-current assets associated with DH Informatics programmes (Note 1.13 details the remit of "DH Informatics") at the end of each financial year, by indexing their original cost. Given the very significant value of these assets, the Department applies the difference between the Retail Price Index (RPI) operating in the month of purchase and the RPI at the end of the year. RPI is considered the most appropriate measure of indexation to use with this group of assets, as no other indexation factor is available that more accurately reflects the commercial environment in the computer services sector, or would not be compromised by the high value of the assets. This valuation method is reviewed annually to ascertain whether RPI remains the most appropriate index to use.

The effective date of revaluation for the DH Informatics programme non-current assets is 31 March 2014.

DH Informatics non-current assets (whether classified as property, plant and equipment or intangible assets) are not added to the Department's Non-Current Asset Register until confirmation has been received from the appropriate NHS organisation that the relevant system has been deployed successfully.

9. Impairments

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Impairments charged to Consolidated Statement of Comprehensive Net Expenditure					
Property Plant and Equipment impairments	52,392	78,167	1,230,164	30,142	1,297,271
Intangible asset impairments	965	965	24,500	6,625	56,267
Financial asset impairments	317	317	(5,799)	318	(5,492)
Non Current Assets Held for Sale impairments	-	-	7,094	-	14,634
Total impairments charged to Consolidated Statement of Comprehensive Net Expenditure	**53,674**	**79,449**	**1,255,959**	**37,085**	**1,362,680**
Impairments charged to Revaluation Reserve					
Property Plant and Equipment impairments	201	201	335,127	25	786,393
Intangible asset impairments	31,994	31,994	31,997	-	136
Financial asset impairments	-	-	-	-	(45)
Total impairments charged to Revaluation Reserve	**32,195**	**32,195**	**367,124**	**25**	**786,484**
Total impairments charged in year	**85,869**	**111,644**	**1,623,083**	**37,110**	**2,149,164**

10. Commitments

10.1 Capital Commitments

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Contracted capital commitments at 31 March not otherwise included in these financial statements					
Property, plant and equipment	643,777	673,669	1,906,786	635,225	2,074,901
Intangible non-current assets	316,114	316,360	368,569	480,155	508,003
	959,891	**990,029**	**2,275,355**	**1,115,380**	**2,582,904**

This note discloses commitments to future capital expenditure, not otherwise disclosed elsewhere in the financial statements. Included within capital commitments are non-cancellable contracts and purchase orders which commit the Department to capital expenditure in a future period. Commitments to expenditure under other forms of agreement such as Memorandums of Understanding may be considered as a capital commitment if they, in exceptional circumstances, effectively commit the Department to the expenditure as it would be reputationally or politically damaging for the Department to withdraw from the agreement. Any future capital funding within the Department's accounting boundary does not represent a capital commitment. Capital grants that meet the above definition are disclosed within this note.

A large proportion of Core Department capital commitments relate to contracts entered into in respect of Informatics programmes (formerly known as the National Programme for IT/Connecting for Health). In 2013-14, DH Informatics programme had capital commitments amounting to £314.4 million (2012-13: £479 million).

The Department has additional capital commitments in 2013-14 of £150.0 million in respect of enhancing the UK's clinical research capabilities and technologies.

The reduction in Core Department capital commitments since 2012-13 (£155.5 million reduction) is predominantly due to the commitment to purchase the residual interests in Independent Sector Treatment Centre (ISTC) schemes (£97 million commitment in 2012-13) transferring to NHS England on 1 April 2013 under the Health and Social Care Act 2012 reforms.

Of the Departmental Group's capital commitments, £30 million, £545 million and £701 million are within the accounts of Public Health England, NHS Trusts and NHS Foundation Trusts, respectively.

10.2 Commitments under leases

10.2.1 Operating lease payments

Total future minimum lease payments under operating leases are given in the table below for each of the following periods.

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Land:					
Not later than 1 year	-	-	5,772	-	8,135
Later than 1 year and not later than 5 years	-	-	17,701	-	22,381
Later than 5 years	-	-	20,271	-	74,266
	-	**-**	**43,744**	**-**	**104,782**
Buildings:					
Not later than 1 year	15,736	21,990	323,037	22,677	495,316
Later than 1 year and not later than 5 years	36,645	49,257	792,842	53,907	1,131,969
Later than 5 years	2,669	5,231	1,236,162	1,694	1,830,878
	55,050	**76,478**	**2,352,041**	**78,278**	**3,458,163**
Other:					
Not later than 1 year	-	126	180,886	39	193,081
Later than 1 year and not later than 5 years	-	93	296,758	12	323,523
Later than 5 years	-	-	26,297	-	51,190
	-	**219**	**503,941**	**51**	**567,794**

Footnote

1. Operating lease commitments between bodies with the Departmental Group are eliminated upon consolidation.

10.2.2 Operating Lease receipts

Total future minimum lease receipts under operating leases are given in the table below for each of the following periods.

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Land:					
Not later than 1 year	-	-	2,877	-	3,008
Later than 1 year and not later than 5 years	-	-	8,268	-	6,768
Later than 5 years	-	-	136,779	-	106,821
	-	**-**	**147,924**	**-**	**116,597**
Buildings:					
Not later than 1 year	1,211	1,211	57,035	1,790	23,579
Later than 1 year and not later than 5 years	1,374	1,374	170,227	2,076	67,454
Later than 5 years	1,142	1,142	386,184	52	93,665
	3,727	**3,727**	**613,446**	**3,918**	**184,698**
Other:					
Not later than 1 year	-	-	37,288	-	280,878
Later than 1 year and not later than 5 years	-	-	97,637	-	588,420
Later than 5 years	-	-	99,559	-	1,022,755
	-	**-**	**234,484**	**-**	**1,892,053**

Footnote

1. From 2013-14 future minimum lease receipts under operating leases between bodies with the Departmental Group are eliminated upon consolidation. The 2012-13 comparatives have not been restated to incorporate equivalent eliminations on materiality grounds, and this contributes to the year-on-year reduction.
2. In 2012-13 the financial information collected from Primary Care Trusts did not sepaprately identify future minimum lease receipts under operating leases between land, buildings and other, with the full figure being disclosed in the Other category as a result. From 2013-14 the Department has enhanced its data collection processes and now collects information on the categorisation of future minimum lease receipts under operating leases from all Group bodies. This change explains the large year-on-year reduction presented in the Other category of the note and increase in the Buildings category.

10.2.3 Finance lease payments

Total future minimum lease payments under finance leases are given in the table overleaf for each of the following periods. The Department's obligation under finance leases relates to the Ambulance Radio Programme, where leased assets include terminal equipment for radio dispatchers and associated voice systems.

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Obligations under finance leases for the following periods comprise:					
Land:					
Not later than 1 year	-	-	302	-	877
Later than 1 year and not later than 5 years	-	-	1,210	-	3,510
Later than 5 years	-	-	4,244	-	10,575
	-	**-**	**5,756**	**-**	**14,962**
Less interest element	-	-	(3,580)	-	(6,799)
Present Value of obligations	**-**	**-**	**2,176**	**-**	**8,163**
Buildings:					
Not later than 1 year	-	-	20,222	1,373	63,082
Later than 1 year and not later than 5 years	-	-	69,711	15,682	84,397
Later than 5 years	-	-	258,289	-	287,007
	-	**-**	**348,222**	**17,055**	**434,486**
Less interest element	-	-	(181,481)	(1,842)	(221,384)
Present Value of obligations	**-**	**-**	**166,741**	**15,213**	**213,102**
Other:					
Not later than 1 year	4,591	4,591	44,214	9,957	48,275
Later than 1 year and not later than 5 years	7,949	7,949	89,440	31,884	120,796
Later than 5 years	-	-	31,968	2,717	26,634
	12,540	**12,540**	**165,622**	**44,558**	**195,705**
Less interest element	(2,038)	(2,038)	(25,444)	(5,918)	(28,713)
Present Value of obligations	**10,502**	**10,502**	**140,178**	**38,640**	**166,992**

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Present Value of obligations under finance leases for the following periods comprise:					
Land:					
Not later than 1 year	-	-	67	-	272
Later than 1 year and not later than 5 years	-	-	346	-	1,403
Later than 5 years	-	-	1,763	-	6,488
Total Present Value of obligations	**-**	**-**	**2,176**	**-**	**8,163**
Buildings:					
Not later than 1 year	-	-	9,720	840	52,120
Later than 1 year and not later than 5 years	-	-	32,395	14,373	49,490
Later than 5 years	-	-	124,626	-	111,493
Total Present Value of obligations	**-**	**-**	**166,741**	**15,213**	**213,103**
Other:					
Not later than 1 year	3,844	3,844	39,854	8,040	41,170
Later than 1 year and not later than 5 years	6,658	6,658	73,464	28,053	105,182
Later than 5 years	-	-	26,860	2,547	20,640
Total Present Value of obligations	**10,502**	**10,502**	**140,178**	**38,640**	**166,992**

Footnote

1. From 2013-14 finance lease commitments between bodies with the Departmental Group are eliminated upon consolidation. The 2012-13 comparatives have not been restated to incorporate equivalent eliminations on materality grounds, and this contributes to the reduction in comparison to the prior year.

10.2.4 Finance lease receivables

Total future minimum lease payments receivable under finance leases are given in the table below for each of the following periods.

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Gross investments in leases:					
Not later than 1 year	-	-	1,350	-	1,953
Later than 1 year and not later than 5 years	-	-	3,393	-	8,084
Later than 5 years	-	-	21,204	-	39,437
Less future finance income	-	-	(9,841)	-	(22,769)
Present Value of minimum lease payments	**-**	**-**	**16,106**	**-**	**26,705**
Less cumulative provision for uncollectable payments:	-	-	-	-	-
Total finance lease receivables recognised in the Consolidated Statement of Financial Position	**-**	**-**	**16,106**	**-**	**26,705**
Present Value of minimum lease payments:					
Not later than 1 year	-	-	748	-	1,367
Later than 1 year and not later than 5 years	-	-	1,081	-	5,312
Later than 5 years	-	-	14,277	-	20,026
Total Present Value of minimum lease payments	**-**	**-**	**16,106**	**-**	**26,705**
Less cumulative provision for uncollectable payments:	-	-	-	-	-
Total finance lease receivables recognised in the Consolidated Statement of Financial Position	**-**	**-**	**16,106**	**-**	**26,705**
included in:					
Current finance lease receivables	-	-	738	-	486
Non-current finance lease receivables	-	-	15,368	-	26,219
Sub total	**-**	**-**	**16,106**	**-**	**26,705**

Footnote

1. From 2013-14 future minimum lease receipts under finance leases between bodies with the Departmental Group are eliminated upon consolidation. The 2012-13 comparatives have not been restated to incorporate equivalent eliminations on materality grounds, and this contributes to the reduction in comparison to the prior year.

10.3 Commitments under PFI and LIFT contracts

Under the Health and Social Care Act 2012 reforms all assets and liabilities (and associated contracts) previously held by Primary Care Trusts (PCTs) transferred to a variety of successor bodies. These included the PFI and LIFT contracts previously held by PCTs which predominantly transferred to NHS Property Services Ltd and Community Health Partnerships Ltd respectively. Details of PFI and LIFT contracts in respect of each of the following categories are recorded in the individual accounts of relevant NHS Trusts, NHS Foundation Trusts, NHS Property Services Ltd and Community Health Partnerships Ltd.

10.3.1 NHS LIFT schemes deemed to be off-Statement of Financial Position

In this financial year, NHS Trusts and Community Health Partnerships Ltd reported one off-Statement of Financial Position LIFT scheme with an estimated capital value of £0.9 million. In 2012-13, two off-Statement of Financial Position LIFT schemes were reported with an estimated capital value of £2.6 million, and with £0.5 million included within operating expenses. The assets which make up this capital value were not assets of Community Health Partnerships Ltd.

10.3.2 NHS LIFT schemes deemed to be on-Statement of Financial Position

Community Health Partnerships Ltd

In this financial year Community Health Partnerships Ltd reported 292 on-Statement of Financial Position LIFT schemes. In 2012-13 82 PCTs had such schemes in place. The substance of each contract is that Community Health Partnerships Ltd has a finance lease, and payments comprise an imputed finance lease charge and a service charge. The amount included within operating expenses for the service element of these schemes is £45.0 million (2012-13: £54.9 million for PCTs).

NHS Trusts

In this financial year, two NHS Trusts (2012-13: two NHS Trusts) reported on-Statement of Financial Position LIFT schemes. The assets of these schemes are treated as assets of the trusts. The substance of each contract is that the NHS Trust has a finance lease and payments comprise an imputed finance lease charge and a service charge. Details of the individual LIFT schemes are included in the accounts of each NHS Trust.

Total obligations for the on-Statement of Financial Position NHS LIFT Schemes due:

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Total obligations under on-Statement of Financial Position LIFT schemes for the following periods comprise:					
Not later than 1 year	-	-	161,641	-	164,898
Later than 1 year and not later than 5 years	-	-	630,251	-	645,086
Later than 5 years	-	-	3,144,054	-	3,192,777
	-	**-**	**3,935,946**	**-**	**4,002,761**
Less interest element	-	-	(2,153,686)	-	(2,231,996)
Present Value of obligations	**-**	**-**	**1,782,260**	**-**	**1,770,765**

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Present Value of obligations under on-Statement of Financial Position LIFT schemes for the following periods comprise:					
Not later than 1 year	-	-	31,809		
Later than 1 year and not later than 5 years	-	-	132,535		
Later than 5 years	-	-	1,617,916		
Total Present Value of obligations	**-**	**-**	**1,782,260**		

Footnote

1. The above table disclosing the present value of future obligations under on-Statement of Financial Position LIFT schemes is new to the Department's 2013-14 Annual Report and Accounts, with only the total undiscounted future obligations being disclosed in previous years. As such there are no prior period comparatives for this note as the Department has only collected the information from component bodies from 2013-14.

10.3.3 Charges to the Consolidated Statement of Comprehensive Net Expenditure in respect of NHS LIFT Contracts

The total charges in the year to expenditure in respect of off-Statement of Financial Position NHS LIFT contracts and the service element of on-Statement of Financial Position NHS LIFT contracts was £46.3 million (2012-13: £55.8 million)

Community Health Partnerships Ltd and NHS Trusts with NHS LIFT contracts are committed to the following total charges:

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Not later than 1 year	-	-	47,162	-	62,135
Later than 1 year and not later than 5 years	-	-	200,220	-	268,608
Later than 5 years	-	-	937,500	-	1,420,375
	-	**-**	**1,184,882**	**-**	**1,751,118**

10.3.4 PFI Schemes deemed to be off-Statement of Financial Position

NHS Property Services Ltd

In this financial year NHS Property Services Ltd reported no off-Statement of Financial Position PFI schemes. (2012-13: nil for PCTs).

NHS Trusts

In this financial year four NHS Trusts reported off-Statement of Financial Position PFI schemes. (2012-13: five NHS Trusts).

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Obligations on off-Statement of Financial Position PFI schemes for the following periods comprise:					
Not later than 1 year	-	-	7,531		
Later than 1 year and not later than 5 years	-	-	10,765		
Later than 5 years	-	-	8,782		
	-	**-**	**27,078**		

Footnote

1. The information disclosured in the above table is new to the Department's 2013-14 Annual Report and Accounts and as such there are no prior period comparatives for this note as the Department has only collected the information from component bodies from 2013-14.

10.3.5 NHS PFI schemes deemed to be on-Statement of Financial Position

NHS Property Services Ltd

In this financial year NHS Property Services Ltd reported 26 on-Statement of Financial Position PFI schemes. (2012-13: 27 PCTs). The amount included in the Consolidated Statement of Comprehensive Net Expenditure in respect of off-Statement of Financial Position PFI transactions and the service element of on-Statement of Financial Position PFI transactions is £28.3 million. (2012-13: £46.9 million for PCTs).

NHS Trusts

In this financial year, 63 NHS Trusts reported on-Statement of Financial Position PFI Schemes (2012-13: 44 NHS Trusts). The assets of these schemes are treated as assets of the NHS Trust. The substance of each contract is that the Trust has a finance lease, and payments comprise an imputed finance lease charge and a service charge. The amount included within operating expenses in respect of off-Statement of Financial Position PFI transactions and the service

element of the on-Statement of Financial Position PFI transactions is £518.90 million. (2012-13: £490.8 million).

NHS Foundation Trusts

The assets of these schemes are treated as assets of the NHS Foundation Trust. The substance of each contract is that the organisation has a finance lease, and payments comprise an imputed finance lease charge and a service charge. The total amount charged in the Consolidated Statement of Comprehensive Net Expenditure in respect of off-Statement of Financial Position PFI transactions and the service element of on-Statement of Financial Position PFI transactions is £461.0 million. (2012-13: £446.8 million).

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Total obligations under on-Statement of Financial Position PFI schemes or other service concession arrangements for the following periods comprise:					
Not later than 1 year	-	-	885,965	-	786,807
Later than 1 year and not later than 5 years	-	-	3,155,961	-	3,066,471
Later than 5 years	-	-	15,700,505	-	16,058,146
	-	**-**	**19,742,431**	**-**	**19,911,424**
Less interest element	-	-	(9,640,874)	-	(9,997,242)
Present Value of obligations	**-**	**-**	**10,101,557**	**-**	**9,914,182**

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Present Value of obligations under on-Statement of Financial Position PFI schemes or other service concession arrangements for the following periods comprise:					
Not later than 1 year	-	-	310,436		
Later than 1 year and not later than 5 years	-	-	1,298,053		
Later than 5 years	-	-	8,493,068		
Total Present Value of obligations	**-**	**-**	**10,101,557**		

Footnote

1. The above table disclosing the present value of future obligations under on-Statement of Financial Position PFI schemes is new to the Department's 2013-14 Annual Report and Accounts, with only the total undiscounted future obligations being disclosed in previous years. As such there are no prior period comparatives for this note as the Department has only collected the information from component bodies from 2013-14.

10.3.6 Charges to the Consolidated Statement of Comprehensive Net Expenditure in respect of NHS PFI contracts

The total amount charged in the Statement of Comprehensive Net Expenditure in respect of off-Statement of Financial Position NHS PFI schemes and the service element of on-Statement of Financial Position NHS PFI schemes was £1,008 million. (2012-13 £984.5 million).

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Not later than 1 year	-	-	912,623	-	901,727
Later than 1 year and not later than 5 years	-	-	3,762,037	-	3,712,961
Later than 5 years	-	-	24,123,312	-	25,836,247
	-	**-**	**28,797,972**	**-**	**30,450,935**

Footnote

1. The information disclosured in the above table is new to the Department's 2013-14 Annual Report and Accounts and as such there are no prior period comparatives for this note as the Department has only collected the information from component bodies from 2013-14.

10.4 Other Financial Commitments

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Not later than 1 year	1,713,879	2,056,043	2,425,937	1,909,452	2,115,268
Later than 1 year and not later than 5 years	1,573,106	1,784,776	2,213,586	2,001,066	2,306,425
Later than 5 years	20,220	20,220	118,733	55,046	156,028
	3,307,205	**3,861,039**	**4,758,256**	**3,965,564**	**4,577,721**

This note discloses commitments to future expenditure, not otherwise disclosed elsewhere in the financial statements. Included within other financial commitments are non-cancellable contracts and purchase orders which commit the departmental group to revenue expenditure in a future period. Commitments to expenditure under other forms of agreement such as Memorandums of Understanding may be considered as commitments if they would be reputationally or politically damaging for departmental group bodies to withdraw from the agreement. Any future funding within the Department's accounting boundary does not represent a financial commitment.

The £658.4 million reduction in Core Department future financial commitments since 2012-13 has largely resulted from the transfer of childhood and adult vaccines and pandemic flu vaccines to Public Health England and Independent Sector Treatment Centres to NHS England on 1 April 2013. These functions had associated future financial commitments at 31 March 2013 of £467.0 million, £103.5 million and £225.0 million respectively.

At the end of the reporting period, the Department had entered into various contracts in respect of Informatics programmes (formally known as the National Programme of IT) which, if delivered according to the terms of those contracts, would result in financial commitments of £650 million (2012-13: £702 million) over the next 5 years. These contracts will in future continue to be delivered by the Department for the purpose of bringing modern computing systems in the NHS to improve patient care and services. Over the life of the programmes, they will connect over 30,000 GPs in England and almost 300 hospitals, and will give patients access to their personal health and care information, transforming the way the NHS works. The contracts are such that the obligation to pay does not arise until the suppliers have successfully implemented solutions in the required locations, and it has been accepted after a period of live running.

Additionally, the Department has committed expenditure of £1,982 million (2012-13: £1,857 million) on Research and Development contracts. These contracts are with a number of NHS organisations, universities and private research organisations. The purpose of research and development arrangements varies from the development of the health research workforce and research infrastructure in the NHS and the provision of research support by the NHS to specific research programmes or projects. The overall purpose of the work is to develop an evidence base for improved health care.

Of the Departmental Group's other financial commitments, £77 million, £86 million, £322 million, £394 million and £554 million are within the accounts of NHS Trusts, NHS Business Services Authority, NHS England Group, NHS Foundation Trusts and Public Health England, respectively. Public Health England commitments include those for the purchase of childhood and adult vaccines.

11. Financial Instruments

As the cash requirements of the Department are met through the Estimates process, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body of a similar size.

Currency Risk

The Department undertakes certain transactions denominated in foreign currencies, the vast majority of which are transactions relating to European Economic Area (EEA) medical costs.

Due to delays in the submission of medical cost claims by member states (as per current EU regulations), the Department estimates annual medical costs and adjusts future years' expenditure when actual costs arise (are claimed). Estimated costs are converted into sterling at average rates calculated using EU published rates. Payments made are valued at prevailing exchange rates and the Department enters into forward contracts for the purchase of Euros for this purpose i.e. to mitigate risk of exposure to 'Sterling'/'Euro' exchange rate fluctuations. Amounts in the Statement of Financial Position at year-end are converted at the exchange rate ruling at the Statement of Financial Position date, with any exchange rate gains or losses calculated in accordance with accepted accounting practice.

Foreign currency forward purchase contracts are measured at 'fair value', with movements in fair value being charged or credited to the Consolidated Statement of Comprehensive Net Expenditure.

The Department's investments in NHS Trusts, NHS Foundation Trusts and the Medicines & Healthcare Products Regulatory Agency are represented by Public Dividend Capital (PDC) which, being issued under statutory authority, is not classed as being a financial instrument.

The Department did not have any forward currency contracts outstanding as at 31st March 2014, and so no financial asset existed at the Statement of Financial Position date.

The NHS sector is made up principally of domestic organisations with the great majority of transactions, assets and liabilities being in the UK and sterling based. Exposure to currency rate fluctuations is therefore low.

Liquidity Risk

The income within the Department of Health Group mostly originates from Central Government and remains within the group. Due to the continuing service provider relationship that health bodies have with each other, they are not exposed to the degree of financial risk faced by business entities. NHS Trusts and Foundation Trusts, for example, generate their income from contractual arrangements with their commissioners based either on a tariff for services performed or on assumptions for the amount of work to be carried out.

Interest Rate Risk

The Departmental Group has limited exposure to Interest Rate Risk.

NHS Trusts borrow from government for capital expenditure, subject to affordability. The borrowings are for 1-25 years, in line with the life of the associated assets, and interest is charged at the National Loans rate, fixed for the life of the loan. NHS Trusts therefore have low exposure to interest rate fluctuations.

NHS Foundation Trusts have the power to enter into loans and working capital facilities with commercial lenders. They are also able to borrow from the Foundation Trust Financing Facility (FTFF), managed by the Department of Health. The term of FTFF loans can range up to 25 years with the interest rate fixed at the National Loan Fund fixed rate for the period of the loan prevailing on the date of signing the loan agreement. NHS Foundation Trusts are required to maintain their borrowing within a limit determined by a code devised by Monitor.

Credit risk

The vast majority of the NHS sector's income is generated from public sector bodies and as such is exposed to low credit risk.

12. Financial Assets – Investments

								2013-14 £'000				2013-14 £'000
	Core Department								Departmental Group			
	NHS Trusts		NHS Foundation Trusts		Other Bodies			Total	Other Bodies			Total
	PDC	Loans	PDC	Loans	PDC	Loans	Share Capital		PDC	Loans	Share Capital and Other Investments	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	**10,921,052**	**520,089**	**12,727,981**	**1,095,538**	**1,328**	**532,369**	**182,700**	**25,981,057**	**1,328**	**907,519**	**210,079**	**1,118,926**
Prior period adjustments in underlying accounts	-	-	-	-	-	-	-	-	-	(10,000)	(64,480)	(74,480)
Issued[4]	1,243,346	49,992	389,384	530,686	-	601,244	191,695	3,006,347	-	110,744	256,766	367,510
Disposals	-	-	-	-	-	-	-	-	-	-	(245,772)	(245,772)
Repaid[3]	(310,848)	-	(1,970)	(12,392)	-	(122,332)	-	(447,542)	-	(3,332)	(1,393)	(4,725)
Transfers to and from current receivables	-	(70,422)	-	(117,458)	-	(377,235)	-	(565,115)	-	(5,735)	-	(5,735)
Written off by or on behalf of dissolved bodies	(376,118)	-	-	-	-	(29)	-	(376,147)	-	(29)	(317)	(346)
Revaluation	-	-	-	-	-	-	-	-	-	-	-	-
Changes in fair value through CSCNE	-	-	-	-	-	-	-	-	-	-	3	3
Impairments and reversals	-	-	-	-	-	(289)	-	(289)	-	5,827	-	5,827
Reclassifications	(385,161)	(15,685)	385,161	15,685	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-	(33,979)	33,028	(951)
Other movements	-	-	-	-	-	-	-	-	-	-	5,205	5,205
Balance at 31 March 2014	**11,092,271**	**483,974**	**13,500,556**	**1,512,059**	**1,328**	**633,728**	**374,395**	**27,598,311**	**1,328**	**971,015**	**193,119**	**1,165,462**

Investments held by Core Department	1,328	633,728	374,395	27,598,311
Less elimination of intra-group investments	-	(10,000)	(304,637)	(26,903,496)
Investments held by Agencies	-	-	-	-
Investments held by other designated bodies	-	347,287	123,361	470,647
Total	**1,328**	**971,015**	**193,119**	**1,165,462**

DH Core investments categorised as Other include Dr Foster Intelligence Ltd and NHS Professionals. These investments are for sale, but do not currently meet the IFRS 5 criteria for assets held for sale, and are shown in aggregate in these accounts on the grounds of commercial sensitivity.

The Department can analyse its investments in other bodies as follows:	Other Bodies PDC £'000	Loans £'000	Share Capital £'000	Percentage Share-holding %
MHRA (Medicines and Healthcare products Regulatory Agency)	1,328	1,328	500	100%
Plasma Resources UK Ltd	-	109,129	5,058	20%
Community Health Partnerships	-	10,000	113,541	100%
NHS Property Services Ltd	-	-	191,096	100%
Credit Guarantee Fund (CGF)	-	485,796	-	0%
SBS	-	17,221	20,500	50%
LIFT companies	-	-	-	0%
Social Enterprise Loans	-	10,254	-	0%
Other	-	-	43,700	
Total	**1,328**	**633,728**	**374,395**	

Footnotes

1. The Core Department's PDC investment in, and loans to, NHS Trusts and NHS Foundation Trusts eliminate on consolidation, and so are not shown as consolidated Departmental group investments as they are not with bodies external to the Group. With the exception of MHRA, PDC is only issued to bodies within the Departmental Group.
2. Following their designation as Group bodies from 1 April 2013, the Core Department's loans to and share capital investment in NHS Property Services Ltd and Community Healthcare Partnerships Ltd eliminate on consolidation, and so are not shown as consolidated Departmental group investments.
3. The Repaid line records repayments of non-current amounts: i.e. repayments of amounts in advance of the date specified in the relevant loan agreements/schedules. The repayment of the current element of financial assets is accounted for in the receivables notes.
4. The Issued line records the full value of all new loans let in-year. These loans will comprise a current and non-current element, with the current element being immediately transferred to receivables via the Transfers to and from current receivables line.

	2012-13 £'000								2012-13 £'000			
	Core Department								Departmental Group			
	NHS Trusts		NHS Foundation Trusts		Other Bodies			Total	Other Bodies			Total
	PDC	Loans	PDC	Loans	PDC	Loans	Share Capital		PDC	Loans	Share Capital and Other Investments	
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012	**11,314,087**	**528,176**	**12,239,280**	**924,788**	**1,328**	**564,778**	**351,700**	**25,924,137**	**1,328**	**932,143**	**370,967**	**1,304,438**
Prior period adjustments in underlying accounts	-	-	-	-	-	-	-	-	-	104	(1)	103
Issued	497,150	119,598	187,910	260,391	-	3,294	15,000	1,083,343	-	5,889	56,693	62,582
Disposals	-	-	-	-	-	-	-	-	-	-	(36,023)	(36,023)
Repaid	(58,860)	(42,535)	(1,657)	(5,854)	-	(25,951)	-	(134,857)	-	(26,802)	-	(26,803)
Transfers to and from current receivables	-	(79,776)	-	(89,161)	-	(4,142)	-	(173,079)	-	(4,215)	-	(4,215)
Written off by or on behalf of dissolved bodies	(528,877)	-	-	-	-	(43)	-	(528,920)	-	(43)	-	(43)
Revaluation	-	-	-	-	-	-	-	-	-	26	-	26
Changes in fair value through CSCNE	-	-	-	-	-	-	-	-	-	-	-	-
Impairments and reversals	-	-	-	-	-	(371)	-	(371)	-	5,613	(174)	5,439
Reclassifications	(302,448)	(5,374)	302,448	5,374	-	(5,567)	(184,000)	(189,567)	-	(5,567)	(184,000)	(189,567)
Transfers	-	-	-	-	-	-	-	-	-	-	-	-
Other Movements	-	-	-	-	-	371	-	371	-	371	2,617	2,988
Balance at 31 March 2013	**10,921,052**	**520,089**	**12,727,981**	**1,095,538**	**1,328**	**532,369**	**182,700**	**25,981,057**	**1,328**	**907,519**	**210,079**	**1,118,926**

Investments held by Core Department	1,328	532,369	182,700	25,981,057
Less elimination of intra-group investments	-	-	-	(25,264,660)
Investments held by Agencies	-	-	-	-
Investments held by other designated bodies	-	375,150	27,379	402,529
Total	**1,328**	**907,519**	**210,079**	**1,118,926**

	Other Bodies			
	PDC	Loans	Share Capital	Percentage Share-holding
The Department can analyse its investments in other bodies as follows:	£'000	£'000	£'000	%
MHRA (Medicines and Healthcare products Regulatory Agency)	1,328	1,328	500	100%
Community Health Partnerships	-	10,000	103,000	100%
Credit Guarantee Fund (CGF)	-	490,768	-	0%
SBS	-	17,221	20,500	50%
LIFT companies	-	-	-	0%
Social Enterprise Loans	-	13,052	-	0%
NHS Property Services Ltd	-	-	15,000	100%
Other	-	-	43,700	
Total	**1,328**	**532,369**	**182,700**	

Where the Department has a formal investment in another public sector entity that does not meet the criteria for consolidation (for example its investment in the Medicines and Healthcare products Regulatory Agency) the investment is measured at historic cost, less any impairment, as required by the Financial Reporting Manual.

The Department reviews the values of its other financial investments each year with independent valuations carried out at intervals of no more than three years. The Department's investments in SBS, NHS Professionals and Dr Foster Intelligence Ltd were all subject to independent valuations in 2011-12. The holding values in the 2013-14 accounts were reviewed in light of the prior year independent valuations and used market pricing information where available.

Community Health Partnerships Ltd and NHS Property Services Ltd are now consolidated into the Departmental accounts. Therefore investments held by the Core Department in these companies are eliminated from the Departmental Group figures.

The net assets and results of the relevant bodies are summarised below:

	NHS Trusts	Foundation Trusts	Medicines and Healthcare products Regulatory Agency	Plasma Resources UK Limited	NHS Property Services	Community Health Partnerships	Joint Ventures SBS	Dr Foster Intelligence Ltd	NHS Professionals
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net assets at 31 March 2014	**12,588,822**	**19,611,701**	**224,880**	**202,385**	**3,062,128**	**88,699**	**16,033**	**2,852**	**46,091**
Turnover	30,053,048	41,184,057	150,798	167,997	791,485	329,756	92,123	10,287	504,387
Surplus/profit for the year (before financing)	(908,355)	(263,695)	120,807	(28,552)	(161,011)	2,617	3,995	131	5,594
Net assets at 31 March 2013	**11,305,396**	**17,952,444**	**110,578**	**230,937**	**12,721**	**58,336**	**11,239**	**2,794**	**40,493**
Turnover	30,461,165	38,921,191	115,788	155,718	-	6,989	81,165	11,516	369,591
Surplus/profit for the year (before financing)	(544,421)	(151,251)	15,160	(11,450)	(2,279)	1,917	7,823	(3,840)	4,556

Investments held by the Department of Health in 2013-14

The figures for Plasma Resources UK Ltd, SBS and Dr Foster Intelligence Ltd are for the financial year ending 31 December 2013 with all other figures being for the financial year ending 31 March 2014. The information provided above for the following bodies is draft, as final audited accounts were not available at the date of publication: Medicines and Healthcare products Regulatory Agency, NHS Property Services Ltd, Community Healthcare Partnerships Ltd and NHS Professionals.

Credit Guarantee Finance (CGF) is a loan, guaranteed by banks, monolines or other acceptable financial institutions, from the sponsoring Department to a PFI project Special Purpose Vehicle on 'market' terms. The CGF loans undertaken by the Department are pilots at two NHS PFI projects – Leeds and Portsmouth. Other than these pilots, the Department will not be undertaking any further CGF loans.

The Department issued loans, including £360 million to NHS Property Services Ltd, £109 million to Plasma Resources UK Ltd, £130.5 million to Community Health Partnerships Ltd and £1.5 million to Social Enterprises during 2013-14.

During 2013-14, NHS Property Services made repayments of £119 million to the Department on loans issued and Social Enterprises made repayments of £3.3 million.

During the year the loans of £241 million to NHS Property Services Ltd, £130.5 million to Community Health Partnerships Ltd and £5.1 million of Credit Guarantee Finance loans became payable within one year and have been transferred to receivables.

During 2013-14, the Department increased its shareholding in NHS Property Services Ltd by £176.1 million and in Community Health Partnerships Ltd by £10.5 million.

The £376.1 million NHS Trust PDC write-off relates to the cancellation of the outstanding PDC of the South London Healthcare National Health Service Trust after the net assets of the Trust, and PDC of the equivalent value to those assets, had transferred to its successor NHS Trusts and Foundation Trusts upon its dissolution.

Investments held by other NHS bodies in 2013-14
The Departmental Group figure for loans to other bodies at 31 March 2014 contains a £349.7 million working capital loan made by NHS Business Services Authority in support of the outsourcing Supply Chain arrangement. The primary purpose of the working capital loan is to facilitate aggregated capital purchases for the NHS.

Further details relating to investments can be found in the accounts of underlying bodies.

Financing of NHS Trusts and NHS Foundation Trusts
The Department has two means of financing NHS Trusts and NHS Foundation Trusts:

1. **Public Dividend Capital (PDC)** – issued as either structural capital when NHS Trusts are established, or when the Department needs to provide additional financing to NHS Trusts or NHS Foundation Trusts after establishment.

2. **Loans** – normally made under standard government loan terms, i.e. 6 monthly equal instalments of principal and interest charged on outstanding balances. National Loan fund rates of interest (as published by the UK Debt Management Office) are applied.

Both PDC and loans are held at historic value.

The Department judges that there is no material credit risk associated with either form of investment. The financial performance of NHS Trusts and NHS Foundation Trusts is rigorously managed by the NHS Trust Development Authority and the independent regulator Monitor respectively, not least through their respective powers of intervention. No loans to NHS Trusts or NHS Foundation Trusts have been written off since the re-introduction of loan financing for NHS providers in 2004.

13. Assets classified as held for sale

	Departmental Group 2013-14					
	Land £'000	Buildings £'000	Other Property, Plant & Equipment £'000	Intangible Assets £'000	Financial Assets[1] £'000	Total £'000
As at 1 April 2013	**158,213**	**77,572**	**10**	**(3)**	**189,929**	**425,721**
Prior period adjustments in underlying accounts	-	10	(10)	-	-	-
Assets reclassified as held for sale in year	97,803	45,237	990	42	-	144,072
Assets no longer held for sale (for reasons other than sale)	(50,068)	(18,037)	(492)	-	(5,929)	(74,526)
Assets sold in year	(82,987)	(64,550)	(972)	(42)	(184,000)	(332,551)
Impairments and reversals transferred to the CSCNE	(2,599)	(4,609)	(23)	-	-	(7,231)
Transfers	(576)	2,426	557	3	95	2,505
Other movements	(3,799)	3,800	-	-	(95)	(94)
As at 31 March 2014	**115,987**	**41,849**	**60**	**-**	**-**	**157,896**

Analysis of assets held for sale

Of the total:	Land £'000	Buildings £'000	Other Property, Plant & Equipment £'000	Intangible Assets £'000	Financial Assets £'000	Total £'000
Core Department	8,500	27	-	-	-	8,527
Agencies	-	-	-	-	-	-
Other designated bodies	107,487	41,822	60	-	-	149,369
	115,987	**41,849**	**60**	**-**	**-**	**157,896**

Footnote

1. Core Department's investment in Plasma Resources UK Ltd which was classified as held for sale as at 31 March 2013, was sold in 2013-14 resulting in a nil closing held for sale Financial Assets balance.

	Departmental Group 2012-13					
	Land £'000	Buildings £'000	Other Property, Plant & Equipment £'000	Intangible Assets £'000	Financial Assets £'000	Total £'000
As at 1 April 2012	**147,153**	**95,030**	**3,503**	**314**	**-**	**246,000**
Prior period adjustments in underlying accounts	(1,089)	3,651	(2,564)	-	-	(2)
Assets reclassified as held for sale in year	108,892	53,138	4,635	291	189,567	356,523
Assets no longer held for sale (for reasons other than sale)	(2,434)	(1,492)	(40)	-	-	(3,966)
Assets sold in year	(90,564)	(59,886)	(5,210)	(608)	-	(156,268)
Impairments and reversals transferred to the CSCNE	(4,833)	(12,749)	(314)	-	-	(17,896)
Transfers	(1)	-	-	-	-	(1)
Other movements	1,089	(120)	-	-	362	1,331
As at 31 March 2013	**158,213**	**77,572**	**10**	**(3)**	**189,929**	**425,721**

Analysis of assets held for sale

Of the total:	Land £'000	Buildings £'000	Other Property, Plant & Equipment £'000	Intangible Assets £'000	Financial Assets £'000	Total £'000
Core Department	8,362	468	-	-	189,929	198,759
Agencies	-	-	-	-	-	-
Other designated bodies	149,851	77,104	10	(3)	-	226,962
	158,213	**77,572**	**10**	**(3)**	**189,929**	**425,721**

14. Inventories and work in progress

	Departmental Group 2013-14					
	Adult and Childhood Vaccines	Pandemic Flu and Pre Pandemic Flu	Drugs	Consumables	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	**125,904**	**-**	**112,992**	**230,000**	**500,015**	**968,911**
Prior period adjustments in underlying accounts	-	-	152,445	273,804	(426,250)	(1)
Additions	316,349	-	4,212,598	2,894,482	159,454	7,582,883
Consumed/Disposed of	(308,925)	-	(4,195,866)	(2,875,842)	(182,189)	(7,562,822)
Written down charged to CSCNE	(12,499)	-	(4,414)	(2,749)	(682)	(20,344)
Transfer (to) / from non-current assets	-	-	-	-	20,144	20,144
Transfers	-	-	-	1	(6,760)	(6,759)
Reclassification	-	-	8,582	4,516	(13,097)	1
Other	2,615	-	(2,249)	(48)	(99)	219
Balance at 31 March 2014	**123,444**	**-**	**284,088**	**524,164**	**50,536**	**982,232**

Analysis of Inventories

	Adult and Childhood Vaccines	Pandemic Flu and Pre Pandemic Flu	Drugs	Consumables	Other	Total
Of the total:	£'000	£'000	£'000	£'000	£'000	£'000
Core Department	1	-	-	-	-	1
Agencies	123,443	-	3,127	5,149	-	131,719
Other designated bodies	-	-	280,961	519,015	50,536	850,512
	123,444	**-**	**284,088**	**524,164**	**50,536**	**982,232**

Footnote

1. Responsibility for Adult and Childhood vaccines, Pandemic Flu Countermeasures and the Emergency Preparedness stockpile transferred from the Core Department to Public Health England from 1 April 2013.
2. From 2013-14 information on drugs and consumables inventory balances has been separately collected in respect of all Group bodies and disclosed separately from Other to provide greater transparency over the nature of the inventories held by the Departmental Group. Group bodies have used the "Prior period adjustments in underlying accounts" line to reclassify their opening Other balance to the appropriate inventory category where necessary. This accounts for the significant year-on-year movement between these inventory categories.

	Departmental Group 2012-13					
	Adult and Childhood Vaccines[1]	Pandemic Flu and Pre Pandemic Flu	Drugs	Consumables	Other[2]	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2012	**108,019**	**571**	**119,934**	**226,733**	**476,629**	**931,886**
Prior period adjustments in underlying accounts	(59)	(571)	19	(1,295)	1,860	(46)
Additions	243,466	-	1,468,139	1,111,710	3,994,924	6,818,239
Consumed/Disposed of	(221,606)	(712)	(1,468,186)	(1,102,393)	(3,951,557)	(6,744,454)
Written down charged to CSCNE	(4,313)	-	(978)	(1,245)	(4,784)	(11,320)
Transfer (to) / from non-current assets	-	712	-	-	49	761
Transfers	-	-	(5,936)	(3,510)	9,451	5
Reclassification	-	-	-	-	-	-
Other	397	-	-	-	(26,557)	(26,160)
Balance at 31 March 2013	**125,904**	**-**	**112,992**	**230,000**	**500,015**	**968,911**

Analysis of Inventories

	Adult and Childhood Vaccines	Pandemic Flu and Pre Pandemic Flu	Drugs	Consumables	Other	Total
Of the total:	£'000	£'000	£'000	£'000	£'000	£'000
Core Department	125,904	-	-	-	-	125,905
Other designated bodies	-	-	112,992	230,000	500,015	843,007
	125,904	**-**	**112,992**	**230,000**	**500,015**	**968,911**

15. Cash and cash equivalents

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Balance at 1 April	**1,206,560**	**1,206,560**	**7,421,705**	**520,148**	**5,805,198**
Net change in cash	(746,543)	(617,113)	(456,526)	686,412	1,616,507
Balance at 31 March	**460,017**	**589,447**	**6,965,179**	**1,206,560**	**7,421,705**
The following balances at 31 March were held at:					
Government Banking Service	460,016	588,323	6,239,344	1,206,560	7,244,174
Commercial banks and cash in hand	1	1,124	485,260	-	157,338
Short term investments	-	-	240,575	-	20,193
Balance at 31 March	**460,017**	**589,447**	**6,965,179**	**1,206,560**	**7,421,705**

16. Trade Receivables and other current assets

16.1 Analysis by type

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Amounts falling due within one year:					
Trade receivables	24,103	25,747	796,746	25,555	607,570
Deposits and advances	-	-	1,801	25	153
Capital receivables	-	-	25,070	-	24,425
Interest receivable	408	408	1,038	336	1,864
Other receivables	158,619	175,280	736,812	121,498	685,818
Trade and other receivables	**183,130**	**201,435**	**1,561,467**	**147,414**	**1,319,830**
Consolidated Fund Extra Receipts receivable	-	-	-	1	1
Other prepayments and accrued income	299,579	318,525	1,244,872	234,262	1,007,008
Current part of PFI and other service concession arrangements prepayments	-	-	59,534	-	38,735
Other current assets	-	-	19,282	-	5,049
Other current assets	**299,579**	**318,525**	**1,323,688**	**234,263**	**1,050,793**
Current part of loans repayable transferred from investments	596,398	596,398	10,691	206,463	56,631
Other financial assets	**596,398**	**596,398**	**10,691**	**206,463**	**56,631**
Total current receivables	**1,079,107**	**1,116,358**	**2,895,846**	**588,140**	**2,427,254**
Amounts falling due after more than one year:					
Trade receivables	-	-	43,788	-	48,195
Deposits and advances	-	71	884	-	-
Capital receivables	-	-	15,650	-	4,113
Other receivables	99,338	99,338	242,952	104,526	248,418
Interest Receivable	-	-	298	-	80
Other Prepayments and accrued income	72,716	72,737	117,488	20,869	66,733
Non-current part of PFI and other service concession arrangements prepayments	-	-	200,266	-	180,932
Total non-current receivables	**172,054**	**172,146**	**621,326**	**125,395**	**548,471**
Total receivables at 31 March 2014	**1,251,161**	**1,288,504**	**3,517,172**	**713,535**	**2,975,725**

16.2 Intra-Government balances

	Departmental Group			
	Amounts falling due within one year		Amounts falling due after one year	
	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000
Balances with other central government bodies	254,680	231,527	6,564	6,390
Balances with local authorities	335,631	195,213	3,036	3,521
Balances with NHS bodies outside the Departmental Group	14,635	-	-	-
Balances with Public Corporations and Trading Funds	570	3,360	-	-
Subtotal: Intra-government balances	**605,516**	**430,100**	**9,600**	**9,911**
Balances with bodies external to government	2,290,330	1,997,154	611,726	538,560
Total receivables	**2,895,846**	**2,427,254**	**621,326**	**548,471**

	Core Dept & Agencies			
	Amounts falling due within one year		Amounts falling due after one year	
	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000
Balances with other central government bodies	7,658	8,603	592	-
Balances with local authorities	9	256	105	-
Balances with NHS bodies outside the Departmental Group	12,003	-	-	-
Balances with NHS Bodies inside the Departmental Group	632,237	233,064	72	-
Balances with Public Corporations and Trading Funds	113	49	-	-
Subtotal: Intra-government balances	**652,020**	**241,972**	**769**	**-**
Balances with bodies external to government	464,338	346,168	171,377	125,395
Total receivables	**1,116,358**	**588,140**	**172,146**	**125,395**

	Core Department			
	Amounts falling due within one year		Amounts falling due after one year	
	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000
Balances with other central government bodies	6,700	8,603	-	-
Balances with local authorities	9	256	-	-
Balances with NHS bodies outside the Departmental Group	11,948	-	-	-
Balances with NHS Bodies inside the Departmental Group	628,970	233,064	-	-
Balances with Public Corporations and Trading Funds	-	49	-	-
Subtotal: Intra-government balances	**647,627**	**241,972**	**-**	**-**
Balances with bodies external to government	431,480	346,168	172,054	125,395
Total receivables	**1,079,107**	**588,140**	**172,054**	**125,395**

17. Trade payables and other current liabilities

17.1 Analysis by type

	2013-14 £'000			2012-13 £'000	
	Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Amounts falling due within one year:					
Trade payables	13,377	28,337	2,800,712	44,982	4,123,538
Capital payables	164,638	164,638	791,816	86,107	663,094
Other payables	39,137	51,386	1,277,465	12,857	1,071,057
Trade and other payables	**217,152**	**244,361**	**4,869,993**	**143,946**	**5,857,689**
Bank Overdraft	-	-	10,367	-	26,401
VAT	-	-	4,957	-	4,598
Other taxation and social security	3,302	3,302	840,292	3,015	779,334
Early retirement costs payable within one year	-	-	137	-	176
EEA Medical Costs Accrual	555,252	555,252	555,252	513,579	513,579
Other accruals	324,851	399,932	6,526,018	271,835	4,146,353
Deferred income	23,700	36,869	575,982	73,134	711,181
Current part of finance lease	3,844	3,844	49,637	8,880	91,868
Current part of imputed finance lease element of on Statement of Financial Position PFI contracts and other service concession arrangements	-	-	342,245	-	274,988
Amount issued from the Consolidated Fund for supply but not spent at year end	650,807	650,807	650,807	1,436,066	1,436,066
Consolidated fund extra receipts due to be paid to the Consolidated Fund - Received	1	1	1	20,008	20,008
Consolidated fund extra receipts due to be paid to the Consolidated Fund - Receivable	-	-	-	1	1
Current loans payable by NHS Trusts and Foundation Trusts to entities outside the accounting boundary	-	-	9,284	-	7,275
Pension liabilities	-	937	2,664	-	672
Other current liabilities	-	-	4,413	-	200
Other liabilities	**1,561,757**	**1,650,944**	**9,572,056**	**2,326,518**	**8,012,700**
Total current payables	**1,778,909**	**1,895,305**	**14,442,049**	**2,470,464**	**13,870,389**
Amounts falling due after more than one year:					
Finance leases	6,658	6,658	259,173	44,989	296,406
Imputed finance lease element of on Statement of Financial Position PFI contracts and other service concession arrangements	-	-	11,541,572	-	11,406,379
Pension liabilities	-	-	533	-	788
Financial liabilities	**6,658**	**6,658**	**11,801,278**	**44,989**	**11,703,573**
Trade payables	-	-	14,993	-	14,049
EEA Medical Costs Accrual	128,923	128,923	128,923	235,342	235,342
Other accruals	-	-	7,515	-	810
Capital payables	38,450	38,450	39,605	47,447	51,939
Other payables	6,322	6,322	81,160	15,094	117,007
Deferred income	7,126	7,126	194,046	12,727	209,382
Non-current loans payable by NHS Trusts and Foundation Trusts to entities outside the accounting boundary	-	-	113,093	-	7,660
Other payables	**180,821**	**180,821**	**579,335**	**310,610**	**636,189**
Total non-current payables	**187,479**	**187,479**	**12,380,613**	**355,599**	**12,339,762**
Total payables	**1,966,388**	**2,082,784**	**26,822,662**	**2,826,063**	**26,210,151**

17.2 Intra-Government balances

Departmental Group

	Amounts falling due within one year		Amounts falling due after one year	
	2013-14 £'000	Restated 2012-13 £'000	2013-14 £'000	Restated 2012-13 £'000
Balances with other central government bodies	1,995,985	2,689,598	5,888	5,026
Balances with local authorities	436,271	282,703	2,019	1,911
Balances with NHS bodies outside the Departmental Group	5,431	-	-	-
Balances with Public Corporations and Trading Funds	46,655	14,576	-	-
Subtotal: Intra-government balances	**2,484,342**	**2,986,877**	**7,907**	**6,937**
Balances with bodies external to government	11,957,707	10,883,512	12,372,706	12,332,825
Total payables	**14,442,049**	**13,870,389**	**12,380,613**	**12,339,762**

Core Dept & Agencies

	Amounts falling due within one year		Amounts falling due after one year	
	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000
Balances with other central government bodies	724,744	1,467,608	-	-
Balances with local authorities	1,248	6,622	-	-
Balances with NHS bodies outside the Departmental Group	(1,385)	-	-	-
Balances with NHS Bodies inside the Departmental Group	93,517	96,559	156	-
Balances with Public Corporations and Trading Funds	1,318	2,088	-	-
Subtotal: Intra-government balances	**819,442**	**1,572,877**	**156**	**-**
Balances with bodies external to government	1,075,863	897,587	187,323	355,599
Total payables	**1,895,305**	**2,470,464**	**187,479**	**355,599**

Core Department

	Amounts falling due within one year		Amounts falling due after one year	
	2013-14 £'000	2012-13 £'000	2013-14 £'000	2012-13 £'000
Balances with other central government bodies	724,369	1,467,608	-	-
Balances with local authorities	1,022	6,622	-	-
Balances with NHS bodies outside the Departmental Group	(1,406)	-	-	-
Balances with NHS Bodies inside the Departmental Group	84,117	96,559	-	-
Balances with Public Corporations and Trading Funds	790	2,088	-	-
Subtotal: Intra-government balances	**808,892**	**1,572,877**	**-**	**-**
Balances with bodies external to government	970,017	897,587	187,479	355,599
Total payables	**1,778,909**	**2,470,464**	**187,479**	**355,599**

Footnote

1. The 2012-13 figures in the Departmental Group table have been restated to include Core Department intra-group balances, as whilst they are also disclosed separately in the table above, the Core Department forms part of the Departmental Group and as such should feature in both notes.

18. Provisions for liabilities and charges

	2013-14 Core Department					2012-13 Core Department				
	Early departure costs	Injury Benefits	EEA medical costs	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	**-**	**757,840**	**563,253**	**389,268**	**1,710,361**	**9,283**	**653,001**	**617,863**	**375,389**	**1,655,536**
Prior period adjustments in underlying accounts	-	-	-	-	-	-	-	-	-	-
Provided in the year	43,510	59,287	633,902	120,242	856,941	2,373	67,351	676,073	8,701	754,498
Provisions not required written back	(234)	(13,261)	(183,541)	(27,489)	(224,525)	-	(12,161)	(164,496)	(10,992)	(187,649)
Transfers	94,255	-	-	46,707	140,962	-	-	-	1,385	1,385
Provisions utilised in the year	(13,257)	(51,458)	(42,971)	(39,035)	(146,721)	(3,948)	(52,112)	(57,045)	(23,806)	(136,911)
Transfer to accruals	-	-	(555,135)	-	(555,135)	(8,000)	-	(551,657)	-	(559,657)
Borrowing costs (unwinding of discount)	2,209	(2,270)	(10,138)	5,837	(4,362)	260	14,366	13,593	8,246	36,465
Change in discount rate	4,432	(6,262)	544	(2,142)	(3,428)	32	87,395	28,922	30,345	146,694
Balance at 31 March 2014	**130,915**	**743,876**	**405,914**	**493,388**	**1,774,093**	**-**	**757,840**	**563,253**	**389,268**	**1,710,361**

	Early departure costs	Injury Benefits	EEA medical costs	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current	12,854	52,336	145,222	68,396	278,808	-	51,683	201,656	25,935	279,274
Non Current	118,061	691,540	260,692	424,992	1,495,285	-	706,157	361,597	363,333	1,431,087
Expected timing of cash flow										
Not later than 1 year	12,854	52,336	145,222	68,396	278,808	-	51,683	201,656	25,935	279,274
Later than 1 year, not later than 5 years	48,925	219,345	260,692	98,227	627,189	-	216,109	361,597	85,567	663,273
Later than 5 Years	69,136	472,195	-	326,765	868,096	-	490,048	-	277,766	767,814
Total	**130,915**	**743,876**	**405,914**	**493,388**	**1,774,093**	**-**	**757,840**	**563,253**	**389,268**	**1,710,361**

	2013-14					2012-13				
	Core Dept & Agencies					Core Dept & Agencies				
	Early departure costs	Injury Benefits	EEA medical costs	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	**-**	**757,840**	**563,253**	**389,268**	**1,710,361**	**9,283**	**653,001**	**617,863**	**375,389**	**1,655,536**
Prior period adjustments in underlying accounts	-	-	-	-	-	-	-	-	-	-
Provided in the year	43,510	59,287	633,902	127,826	864,525	2,373	67,351	676,073	8,701	754,498
Provisions not required written back	(234)	(13,261)	(183,541)	(29,564)	(226,600)	-	(12,161)	(164,496)	(10,992)	(187,649)
Transfers	95,515	-	-	47,945	143,460	-	-	-	1,385	1,385
Provisions utilised in the year	(13,346)	(51,458)	(42,971)	(39,134)	(146,909)	(3,948)	(52,112)	(57,045)	(23,806)	(136,911)
Transfer to accruals	-	-	(555,135)	-	(555,135)	(8,000)	-	(551,657)	-	(559,657)
Borrowing costs (unwinding of discount)	2,209	(2,270)	(10,138)	5,837	(4,362)	260	14,366	13,593	8,246	36,465
Change in discount rate	4,432	(6,262)	544	(2,142)	(3,428)	32	87,395	28,922	30,345	146,694
Balance at 31 March 2014	**132,086**	**743,876**	**405,914**	**500,036**	**1,781,912**	**-**	**757,840**	**563,253**	**389,268**	**1,710,361**

	Early departure costs	Injury Benefits	EEA medical costs	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current	12,943	52,336	145,222	73,529	284,030	-	51,683	201,656	25,935	279,274
Non Current	119,143	691,540	260,692	426,507	1,497,882	-	706,157	361,597	363,333	1,431,087
Expected timing of cash flow										
Not later than 1 year	12,943	52,336	145,222	73,529	284,030	-	51,683	201,656	25,935	279,274
Later than 1 year, not later than 5 years	49,281	219,345	260,692	99,742	629,060	-	216,109	361,597	85,567	663,273
Later than 5 Years	69,862	472,195	-	326,765	868,822	-	490,048	-	277,766	767,814
Total	**132,086**	**743,876**	**405,914**	**500,036**	**1,781,912**	**-**	**757,840**	**563,253**	**389,268**	**1,710,361**

	2013-14						2012-13					
	Departmental Group						Departmental Group					
	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2013	**425,291**	**757,840**	**563,253**	**22,690,517**	**2,418,173**	**26,855,074**	**541,025**	**653,001**	**617,863**	**18,619,999**	**1,757,278**	**22,189,166**
Prior period adjustments in underlying accounts	(1,402)	-	-	-	(1,223)	(2,625)	793	-	-	-	1,403	2,196
Provided in the year	66,579	59,287	633,902	5,154,975	1,155,672	7,070,415	65,009	67,351	676,073	6,475,325	1,425,764	8,709,522
Provisions not required written back	(5,547)	(13,261)	(183,541)	(847,400)	(430,904)	(1,480,653)	(13,070)	(12,161)	(164,496)	(2,561,498)	(341,861)	(3,093,086)
Transfers	273	-	-	1,500	2,634	4,407	(1,034)	-	-	-	457	(577)
Provisions utilised in the year	(41,756)	(51,458)	(42,971)	(1,192,538)	(384,410)	(1,713,133)	(200,436)	(52,112)	(57,045)	(1,258,880)	(460,545)	(2,029,018)
Transfer to accruals	(3,249)	-	(555,135)	-	(23,332)	(581,716)	(12,036)	-	(551,657)	-	(27,593)	(591,286)
Borrowing costs (unwinding of discount)	9,261	(2,270)	(10,138)	(44,607)	15,097	(32,657)	35,735	14,366	13,593	19,244	13,008	95,946
Change in discount rate	14,588	(6,262)	544	(109,080)	2,918	(97,292)	9,305	87,395	28,922	1,396,327	50,262	1,572,211
Balance at 31 March 2014	**464,038**	**743,876**	**405,914**	**25,653,367**	**2,754,625**	**30,021,820**	**425,291**	**757,840**	**563,253**	**22,690,517**	**2,418,173**	**26,855,074**

	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total	Early departure costs	Injury Benefits	EEA medical costs	Clinical Negligence	Other	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Current	49,593	52,336	145,222	1,188,000	1,155,367	2,590,518	42,085	51,684	201,656	1,175,297	1,239,094	2,709,816
Non Current	414,445	691,540	260,692	24,465,367	1,599,258	27,431,302	383,206	706,156	361,597	21,515,220	1,179,079	24,145,258
Expected timing of cash flow												
Not later than 1 year	49,593	52,336	145,222	1,188,000	1,155,367	2,590,518	42,085	51,684	201,656	1,175,297	1,239,094	2,709,816
Later than 1 year, not later than 5 years	160,591	219,345	260,692	8,583,925	884,921	10,109,474	149,248	216,109	361,597	7,372,504	707,246	8,806,704
Later than 5 Years	253,854	472,195	-	15,881,442	714,337	17,321,828	233,958	490,047	-	14,142,716	471,833	15,338,554
Total	**464,038**	**743,876**	**405,914**	**25,653,367**	**2,754,625**	**30,021,820**	**425,291**	**757,840**	**563,253**	**22,690,517**	**2,418,173**	**26,855,074**

Clinical Negligence

The Department of Health provides for future costs in a number of cases where it is the defendant in legal proceedings brought by claimants seeking damages for the effects of alleged clinical negligence.

NHS England, NHS Foundation Trusts and NHS Trusts retain legal responsibility for all liabilities covered by the clinical negligence schemes: the Ex-Regional Health Authority Scheme (ex RHA), Existing Liabilities Scheme (ELS) and Clinical Negligence Scheme for Trusts (CNST), but the NHS Litigation Authority (NHSLA) accounts for all the liabilities under these separate schemes. Actuaries appointed by the NHSLA undertake regular reviews to identify movements in the value of likely future settlements under these schemes, and these are recorded in the NHSLA's annual accounts.

The movements in provisions recorded in the Statement of Financial Position of the NHSLA are made up of several elements, namely: changes to the value of existing claims brought forward at the start of the financial year, the outstanding value of new claims received in year which remain open at the end of the financial year, and an allowance for claims incurred during 2013-14 which are yet to be reported.

Known reported claims are individually valued using likely costs to resolve the claim and probability factors to take account of the potential of a successful defence, whilst incurred but not reported (IBNR) claims are valued using actuarial models to predict likely values. The value of the provision increased by £3 billion in 2013-14 from £22.7 billion at 31 March 2013 to £25.7 billion at 31 March 2014.

Additionally, the numbers of new clinical claims reported to the Authority in the year is an unprecedented 11,945, with more than 1,000 claims per month received for six months of the year. The significant increase in the number of claims coincided with the Legal Aid, Sentencing and Punishment of Offenders Act (LASPO) coming into place on 1 April 2013. This legislation reformed the funding arrangements for civil litigation, which will stop claimant lawyers charging up to 100% success fee on their costs. As a result the vast majority of claims reported throughout the year have been conducted under the pre-LASPO arrangements.

Clinical negligence claims which may succeed, but are less likely or cannot be reliably estimated, are accounted for as contingent liabilities. Further information of the breakdown of the Clinical Negligence provisions can be found in the NHS Litigation Authority Annual Report and Accounts.

In 2013-14 HM Treasury changed the three tiered discount rates for general provisions, the short-term rate (-1.9%) applying from one to five years, medium-term (-0.65%) applying between five and ten years and long-term (2.2%) applying for longer than 10 years. Note 1.23 provides further details. The impact of this change on the clinical negligence provision was £109.1 million.

Due to the long-term nature of the liabilities and the assumptions on which the estimate of the provision is based, some uncertainty about the value of the liability remains. The table below provides a sensitivity analysis to enable readers to understand the impact on IBNR provisions were the HM Treasury discount rates to be further adjusted by 0.1%. It should be noted that the relationship is not purely linear in all cases, as can be seen by the changes outlined in the table. The clinical negligence provision for IBNR claims recorded in the Statement of Financial Position would increase by £267 million if the discount rate was reduced by 0.1%. If the discount rate were to be increased by 0.1%, the value of IBNR claims would reduce by £259 million.

Sensitivity to changes in the discount rate	Estimated IBNR provision £m	Change to original IBNR estimate £m	Change to original estimate %
0.1% decrease in the real discount rate	14,873	267	2.0%
Tiered real discount rate structure	14,606	0	0.0%
0.1% increase in the real discount rate	14,347	(259)	-2.0%

The clinical negligence provision's value is particularly sensitive to changes in the long term discount rate given its nature. The disclosures above show the impact of a change of 0.1%, however the potential change in the discount rates applied could be significantly more in the long term meaning the uncertainty surrounding the valuation of this liability could be significantly greater than the numerical values presented.

Other factors affecting the value of the clinical negligence liability which are subject to estimation and assumption include patterns of delay in reporting incidents, assumptions regarding the severity, frequency and/or value inflation of claims, the differential between Retail Price Index (RPI) and Annual Hourly Earnings index over the long term and life expectancy.

Early Departure

These financial statements provide for the additional future costs, beyond the normal benefit awards for which employees are eligible under the terms of their pension scheme, arising from compensation payments for termination of employment through redundancy, severance or early retirement. The provision also takes account of arrangements with pension schemes under which employees can make prepayments to meet future liabilities. On the basis of the age of retirees, expenditure is likely to be incurred over a period of up to nine years.

The provision mainly relates to early retirement liabilities in NHS Trusts (£157.3 million) and NHS Foundation Trusts (£167.4 million). In 2012-13, Primary Care Trusts and Strategic Health Authorities held total provisions of £100.8 million. Due to reforms under the Health and Social Care Act 2012, the provision balances transferred to other group bodies, with £94.3 million transferring to Department of Health on 1 April 2013.

Injury Benefits

The Department's Annual Report and Accounts provide for the future costs of permanent Injury Benefits awarded up to April 1997 to NHS staff injured in the course of their duties. From this date, the respective NHS body which employed the injured person has been liable for the costs. The Injury Benefit awards are guaranteed minimum income levels, and are granted for the life of the individual. The award is based on an assessment of the nature of the injury and the effect on the individual's earning capacity which results.

EEA Medical Costs

EEA Medical Costs refer to medical costs incurred by UK Citizens in other European countries which are accounted for as liabilities payable by the UK to those European countries.

Other Provisions
These financial statements disclose other provisions of £2,754.6 million, which relate to the following:

NHS Continuing Healthcare
NHS Continuing Healthcare is a package of care arranged and funded by the NHS which can be provided in a range of settings, including a NHS hospital, a care home or an individual's own home. It is awarded using eligibility criteria depending on whether a person's primary need is a health need. Provisions were previously held with Primary Care Trusts. Following the changes arising from the Health and Social Care Act 2012, these provisions will be accounted for by NHS England Group.

In total, the provision recorded for NHS Continuing Healthcare was £824.7 million, of which £818.2 million was accounted for by NHS England Group. Of the total, £406.1 million was expected to be paid within one year, £380.9 million paid between one and five years and the remaining amount of £37.7 million paid after five years.

Provision for Legal Claims
Provisions made for future legal claims total £94.0 million. Of this total, £54.6 million against NHS Foundation Trusts, £34.4 million against NHS Trusts and the remainder split between other group bodies.

£65.3 million is expected to be paid within one year, £12.9 million in one to five years, and £15.8 million after five years.

Restructuring Provisions
Provisions for restructuring totalling £83.6 million were recorded, with £29.3 million recorded by NHS Trusts and £36.2 million recorded by NHS Foundation Trusts. Of the total, £66.6 million is expected to be paid within one year, £7.7 million between one and five years and £9.3 million paid after five years.

Redundancy Provisions
Provisions for future redundancy payments totalled £101.7 million, of which £44.2 million was with NHS Trusts, £55.7 million was with NHS Foundation Trusts. Of the total, £96.7 million of payments were due within one year.

Provision for Support
The Department of Health holds provisions for future support of patients affected by contaminated blood supplies:

- The provision for future support of patients who contracted Hepatitis C through blood and blood products in the course of treatment by the NHS totalled £212.3 million of which £15.7 million is expected to be paid within one year, £53.3 million in one to five years and £143.3 million after five years.
- The provision for future support of patients who contracted HIV from contaminated blood supplies totalled £127.4 million of which £7.2 million is expected to be paid within one year, £29.3 million in one to five years and £91.0 million after five years.

Other Miscellaneous provisions

- The total of other miscellaneous provisions was £1,310.9 million. These relate to a range of issues, including: equal pay, onerous contracts, lease dilapidations, Independent Sector Treatment Centres, and partially completed treatments. Due to changes under the Health and Social Care Act 2012, provisions held by Strategic Health Authorities and Primary Care Trusts in 2012-13 totaling £113.9 million transferred to other group bodies.

18.1 Pensions

Movements in defined benefit obligation and fair value of plan assets

Reconciliation of movements in the defined obligation and the fair value of plan assets during the year for the amounts recognised in the Statement of Financial Position

	2013-14 £'000	2012-13 £'000
Present value of the defined benefit obligation at 1 April 2013	**(421,368)**	**(396,674)**
Prior period adjustments in underlying accounts	15,248	155
Current Service Costs	(20,096)	(8,673)
Past Service Costs	(11)	(54)
Interest Costs	(17,859)	(17,694)
Settlements and curtailments	3,675	28,527
Contribution from scheme members	(2,315)	(2,490)
Remeasurement of the defined benefit obligation:		
Actuarial Gains and (Losses)	9,903	(19,736)
Benefits paid	11,710	9,664
Scheme transfers	-	13,400
Transfers to/from other bodies	(1,375)	(28,646)
Other	-	853
As at 31 March 2014	**(422,488)**	**(421,368)**
Plan assets at fair value at 1 April 2013	**351,269**	**309,090**
Prior period adjustments in underlying accounts	(15,248)	(1)
Interest income	25,149	-
Settlements[1]	(2,516)	(15,248)
Adjustments by the employer	6,145	6,770
Contributions by the plan participants	2,315	2,490
Remeasurement of the defined benefit asset:		
Expected Return on Assets	162	17,139
Actuarial Gains and (Losses)	3,258	26,211
Changes in the effect of limiting defined benefit asset to the asset ceiling	-	-
Benefits paid	(11,710)	(9,664)
Scheme transfers	-	-
Transfers to/from other bodies	1,169	15,248
Other	-	(766)
As at 31 March 2014	**359,993**	**351,269**
Plan surplus/(deficit) at 31 March 2014	**(62,495)**	**(70,099)**

Footnote

1. In 2012-13 a net pension liability of £13.4 million was transferred to the Department of Health under absorption accounting following that abolition of the General Social Care Council (GSCC) on 1 August 2012. The net liability was subsequently settled in full by the Department in 2012-13.

19. Contingent Assets and Liabilities disclosed under IAS 37

19.1 Contingent Assets

It is probable the Department will receive "overage" payments following a portfolio transfer of almost 100 properties to the Homes and Communities Agency (HCA) between 2005 and 2007. A base payment of £320 million was received in 2012-13 with further possible payments when the cash received from the subsequent sales of the properties by the HCA, less their costs of holding and disposal, exceeds the base payment. The HCA estimates that future overage payments in the region of £127.5 million may become payable to the Department, of which £54.1 million is a contingent asset.

NHS Property Services have £1.2 million of contingent assets, these were transferred from Primary Care Trusts (2012-13: £52.5 million) in respect of legal charges held on properties which have been purchased using grants from PCTs. There are currently 1,549 properties still subject to the legal charge. If the property is sold, the legal charge is exercised and NHS Property Services receives the sale price of the property less any legal fees incurred in relation to the sale. NHS Property Services will recognise a contingent asset when the properties are marketed for sale and the contingent asset will be based on estimated sales value of the property. As at 31 March 2014, there are 10 properties that have been marketed for sale.

NHS Trusts have contingent assets of £2.5, million (2012-13: £3.1 million). Foundation Trusts have £2.8 million of contingent assets (2012-13: £1.7 million).

19.2 Contingent Liabilities

The contingent liabilities considered most important to the users of the accounts are detailed below. Further information for all contingent liabilities can be found in the underlying accounts of individual bodies.

Clinical Negligence

The Department is the actual or potential defendant in a number of actions regarding alleged clinical negligence, or liabilities relating to the NHS property or third parties. In some cases, costs have been provided for or otherwise charged to the accounts. In other cases, there is a large degree of uncertainty as to the Department's liability and the amounts involved. Possible total expenditure might be estimated at £11.8 billion (2012-13: £10.4 billion), although £11.1 billion (2012-13: £9.9 billion) relating to the Clinical Negligence Scheme for Trusts (CNST), Property Expense Scheme (PES) and Liability to Third Parties Scheme (LTPS) would be expected to be met by payments from NHS Trusts.

NHS Contingent Liabilities

Within the NHS England Group account (which incorporates Clinical Commissioning Groups and the NHS England Group parent) at 31 March 2014, there were net contingent liabilities of £126.5 million. These were mainly in respect of continuing care liabilities which transferred from Primary Care Trusts (PCTs) on 1 April 2013 (2012-13 PCT equivalent: £660.5 million).

Within NHS Trusts' accounts at 31 March 2014, there were net contingent liabilities of £22.5 million (2012-13: £77.8 million). These are mainly in respect of legal and litigation claims. Foundation Trusts have net contingent liabilities of £12.1 million (2012-13 £5.29 million).

Social Enterprise Investment Fund (SEIF)

The Social Enterprise Investment Fund supports social enterprises involved in the delivery of health and social care services. Investment is available for new social enterprises to start up

and existing social enterprises to grow and improve their service. By its nature the fund invests in organisations for which commercial bank support might not be readily available in order to bridge the gap between business and service need and commercial risk. Therefore, it is prudent to acknowledge that although there is a strict due diligence process in place to mitigate risk of default, there may be some level of default on SEIF loan assets. At 31 March 2014 there is no indication that any defaults will occur other than that specifically provided for in the accounts.

Nursing and Midwifery Council

The Department has recorded a contingent liability in relation to the Nursing and Midwifery Council Pension Scheme. As an employer in the NMC Scheme, the Department is liable to pay a proportion of any funding shortfall that arises following the Scheme's Actuarial valuation. The next valuation will be published in 2014, which will take into account the Scheme's liabilities as at 31 March 2013 and therefore it is unlikely that any liabilities will crystallise before 2015. The financial liability is estimated to be between £10 million and £13 million.

Injury Benefit Scheme

An investigation into the administration of the Injury Benefits Scheme began in 2006 following a decision by the Pensions Ombudsman. As a result of the review, monies were due to be paid to some 10,000 people who had not received the correct payments due to irregularities in the administration of the Injury Benefits Scheme between 1972 and 2006. Due to difficulties in contacting beneficiaries, it has not been possible to make full payment to all the affected individuals in this financial year. There are still people for whom the Department retains a financial liability but who currently cannot be traced. This financial liability is estimated to be £2.6 million. Although at this stage the Department cannot estimate how many of these claims will be successful nor how much benefit will eventually be owed.

Employment Tribunal Cases

The Department is involved in a number of Employment Tribunal cases, following the transfer of functions between the Department and the Departmental Group.

19.3 Contingent Liabilities not required to be disclosed under IAS 37 but included for Parliamentary reporting and accountability purposes

19.3.1 Quantifiable

The Department of Health has entered into the following quantifiable contingent liabilities by offering indemnities or by giving letters of comfort. None of these is a contingent liability within the meaning of IAS 37 since the likelihood of a transfer of economic benefit in settlement is too remote. They therefore fall to be measured following the requirements of IAS 39. HM Treasury's guidance *Managing Public Money* requires that the full potential costs of such contracts be reported to Parliament.

	1 April 2013		Increase in year	Liabilities crystallised in year	Obligation expired in year	31 March 2014		Amount reported to Parliament by departmental Minute
	£'000	No.	£'000	£'000	£'000	£'000	No.	£'000
Guarantees:	1,500	1	-	(1,500)	-	-	-	-
Indemnities:	43,000	2	80	-	(40,000)	3,080	2	3,000
Letters of comfort	-	-	-	-	-	-	-	-
	44,500	**3**	**80**	**(1,500)**	**(40,000)**	**3,080**	**2**	**3,000**

19.3.2 Unquantifiable

The Department of Health has entered into a number of unquantifiable or unlimited contingent liabilities with various health bodies and private companies. There were 22 unquantifiable indemnities. None of these is a contingent liability within the meaning of IAS 37 since the possibility of a transfer of economic benefit in settlement is too remote. Full details of these can be found in the Statement of Contingent or Nominal Liabilities held at the Department.

20. Losses and Special Payments and other Accounting Notes

20.1 Losses Statement

		2013-14			2012-13	
		Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Total	Cases	77	93	71,280	113	91,478
	£'000	552,635	591,315	761,331	693,131	756,896
Cases over £250,000						
Cash losses	Cases	-	-	-	-	3
	£'000	-	-	-	-	1,586
Claims abandoned	Cases	-	-	2	1	5
	£'000	-	-	2,693	7,279	9,070
Cancellation of Public Dividend Capital (PDC)	Cases	1	1	1	7	7
	£'000	376,118	376,118	376,118	528,877	528,877
Administrative write-offs	Cases	1	1	3	-	4
	£'000	48,644	48,644	170,725	-	5,296
Fruitless payments	Cases	1	1	2	1	4
	£'000	9,153	9,153	12,089	1,020	3,023
Constructive Loss	Cases	2	5	5	5	5
	£'000	5,094	92,384	92,384	31,753	31,753
Store losses	Cases	-	-	3	-	2
	£'000	-	-	1,314	-	995

Department of Health Share of National Insurance Contribution Losses

Included within its total losses, the Department has recorded a technical loss of £113,178,350, which is its share of the overall, cross-Government loss relating to National Insurance Contributions (NICs). Such losses occur when contributions cannot be collected because companies have ceased to exist during the year. Her Majesty's Revenue & Customs (HMRC) allocates this category of loss to those Departments which are partially funded from NICs, on a proportional basis. It should be noted that the disclosure of this category of loss is a technical requirement which is completely outside the Department's control.

Cancellation of Public Dividend Capital (PDC)

PDC is issued to NHS Trusts and NHS Foundation Trusts under specific statutory powers given to the Department and it can only be written off with the agreement of HM Treasury by formal notice to Parliament, known as a HM Treasury minute. In 2013-14 £376,118,000 was written off by means of a Treasury minute laid before Parliament. This was the outstanding PDC of the South London Healthcare National Health Service Trust after the net assets of the Trust, and PDC of the equivalent value to those assets, had transferred to its successor NHS Trusts and Foundation Trusts upon its dissolution.

Fruitless Payment - Surgicenta ISTC contract, Stevenage

During the 2013-14 financial year NHS England, with the agreement and support of the Department and local NHS commissioners, negotiated an early settlement of a contract

awarded in 2009 to Clinicenta (Hertfordshire) Limited. The contract was for the construction of a new elective services treatment centre in Stevenage (known as the "Surgicenta") and the treatment of NHS patients from that and other locations in Hertfordshire.

As part of this settlement a payment of £52,309,962 was made to Clinicenta. This comprised £45,588,305, representing the contractually agreed written-down value of the Surgicenta, plus £6,721,657. representing a combination of the costs arising from the termination of financial instruments relating to bank loans taken out to fund construction of the new hospital and compensation for early termination.

The fruitless payments reported are £12,153,426. Of this, £9,153,426 was met by the Department in the current financial year, with the balance of £3,000,000 accounted for by the local NHS in the prior year. The amount of the fruitless payments represents the difference between the up to date valuation of the hospital premises provided by the District Valuer (this was lower than the pre-estimated value agreed when the contract was signed in 2009) and the overall settlement payment. As part of the settlement, ownership of the premises transferred to the East & North Herts NHS Trust, which has taken over responsibility for patient services.

Constructive Losses

Decommissioning of services

The Department's contract with Computer Sciences Corporation (CSC) to deliver electronic patient records to the North Midlands and East of England did not allow for a reduction in service charges when sites were decommissioned early, for example when organisations merge. As a result service charges for these decommissioned sites remain a liability to the Department and resulted in a £4,707,543 Constructive Loss.

Picture Archive and Communications systems (PACs)

As part of the Picture Archive and Communications systems (PACs) contract, entered into by the Department in 2009, DH became liable to pay any outstanding Trust liabilities relating to the non-recovery of technology refresh costs. A payment of £385,529 was made representing the full amount that was outstanding.

Emergency preparedness stockpile

Public Health England authorised write-offs relating to date-expired stock items in line with existing accounting standards. The value of inventory written off in the period April 2013 to March 2014 due to expiration of their shelf life was £7,716,518.

Pandemic flu countermeasures stockpile

£18,007,973 was written off by Public Health England in relation to countermeasures held for pandemic flu preparedness that have now passed their shelf life. These write-offs are a planned consequence of our preparedness strategy that involves central stockpiling.

Tamiflu (antiviral) exchange programme

Public Health England exchanged a volume of capsules sufficient to maintain approximately 50% population coverage with Roche. This involves returning stock with one months residual shelf life in exchange for a new product with a shelf life of approximately seven years. The exchange fees are approximately 60% of the new product purchase price. The exchange fees for 2013/14 are £49,066,790.

Expired vaccines

Expired vaccines were disposed of by Public Health England with a total value of £12,499,000 in respect of the children's flu programme (with a short shelf life of 12 weeks), an unlicensed rabies immunoglobin held as an insurance policy following shortages during 2013, HPV vaccines and strategic flu reserves.

Administrative Losses – Impairment of assets following NHS reorganisation

As detailed in Note 1.32, Strategic Health Authorities (SHAs) and Primary Care Trusts (PCTs) were abolished on 1 April 2013, with their assets and liabilities being transferred to a variety of receiving organisations. This change in ownership/control necessitated impairment reviews of the assets transferred with reference to their previous carrying amounts in the audited accounts of the abolished organisations, with the Department recording asset impairments of £48,644,275 as a result.

NHS England have impaired assets to the value of £120,183,000 for which ownership or usage cannot be proven. The impairments are disclosed as a single case as the exercise undertaken to identify the value was a single exercise.

Other - Reversal of receivable balances following NHS reorganisation

The 1 April 2013 transfer of accounting balances from the abolished SHAs and PCTs to receiver organisations included the transfer of working capital balances, predominantly payables and receivables, at the value recorded in the audited accounts of the SHAs and PCTs. As per standard accounting practice, these balances incorporated a number of accounting estimates (such as holiday pay accruals and the discounting of long term receivables and payables) made in good faith based on the best available information at the point the 2012-13 accounts were produced and audited. As would be the case in a standard year where no transfer had taken place, many of these balances required adjustment in the subsequent accounting period (the 2013-14 financial year) when more accurate information, such as an invoice, became available.

Whilst technical accounting adjustments of this nature are routine and do not represent losses, in some instances the working papers supporting the balances transferred did not contain sufficient information to establish the precise nature of individual balances. In these instances the receiving organisations had insufficient information to explain why the value of the balances transferred differed from the value supported by working papers/invoices. Whilst the accounting adjustments made were valid it is not possible to determine whether a proportion of these adjustments represent losses as adjustments could result from any of the following: a) Technical accounting adjustments needed to increase the accuracy of previous accounting estimates when more accurate information becomes available; b) The correction of immaterial prior period errors in the 2012-13 audited accounts of the SHAs and PCTs; and/or c) The write-down of debts that have become irrecoverable during or after the transfer process. Of these scenarios only the write-down of irrecoverable debts would meet the definition of a loss. The total value of transferred receivables reversed to Comprehensive Net Expenditure is not therefore considered a loss (hence its non-inclusion within the tabular Losses Statement that forms part of this note), rather it is disclosed here for transparency. The Core Department reversed £7,637,000 of receivable balances previously recorded in the audited accounts of SHAs and PCTs and transferred to it on 1 April 2013 under the provisions of the Health and Social Care Act 2013. The equivalent Departmental Group figure is £190,746,000, the vast majority of which relates to accounting adjustments made by NHS England (£179,456,000) who received a large proportion of the overall receivables previously held by SHAs and PCTs.

NHS Losses

Losses within the NHS are predominantly within NHS England Group (16 cases totalling £120,726,000), NHS Trusts (18,980 cases totalling £23,343,000), NHS Foundation Trusts (50,499 cases totalling £23,106,000), Non Departmental Public Bodies (1,200 cases totalling £215,000) and Special Health Authorities (452 cases totalling £565,000).

Public Health England reported 17 cases totalling £87,324,000 these primarily relate to constructive losses in relation to vaccine write offs as set out above under Constructive Losses.

20.2 Special Payments

		2013-14			2012-13	
		Core Department	Core Dept & Agencies	Departmental Group	Core Department	Departmental Group
Total	Cases	40	44	11,318	13	11,036
	£'000	2,193	2,203	28,546	29	38,150
Cases over £250,000	Cases	1	1	2	-	8
	£'000	1,062	1,062	2,059	-	2,667

Ex Gratia Payment in relation to the Protection of Vulnerable Adults (POVA) scheme

Before the introduction of the Disclosure and Barring Scheme (previously known as the Vetting and Barring Scheme), the Protection of Vulnerable Adults (POVA) list operated as a workforce ban throughout England and Wales on care workers in regulated services. The Care Standards Act 2000 (CSA) placed a duty on care providers to refer to the POVA scheme, care workers who had been dismissed, suspended for misconduct which harmed a vulnerable adult or placed them at risk of harm. Where information provided with the referral suggested that the person posed a serious risk of harm to vulnerable adults, the care worker was provisionally placed on the POVA list.

In 2009 a House of Lords (HL) decision declared putting people on the POVA list provisionally, without giving them an opportunity to make representation beforehand, was a breach of their human rights – Article 6 (right to fair trial) and Article 8 (right to private life) of the European Convention on Human rights (ECHR). Following the HL Judgement, the Royal College of Nursing asked for the establishment of a domestic compensation scheme. The Department decided not to set up a general scheme, but agreed to consider settlement of those cases the European Court of Human Rights (ECtHR) were likely to declare admissible.

The Department agreed to make out of court settlements to the applicants on 21 June 2013 – a total of £1,062,005 was paid inclusive of legal costs.

NHS Special Payments

Special payments within the NHS are predominantly within NHS Foundation Trusts (6,148 cases totalling £14,668,000), NHS Trusts (5,008 cases totalling £11,342,000), Special Health Authorities (102 cases totalling £237,000) and NHS England Group (25 cases totalling £325,000).

21. Related Party Transactions

Related party transactions associated with the Core Department are disclosed within this note. Details of related party transactions associated with other bodies within the Departmental

Group are disclosed in their underlying statutory accounts. As disclosed in Note 24, the Department acts as the parent of the group of organisations (Public Health England, NHS England, Clinical Commissioning Groups, NHS Trusts, NHS Foundation Trusts, Executive Non-Departmental Public Bodies, Special Health Authorities, NHS Property Services Ltd and Community Health Partnerships Ltd) whose accounts are consolidated within this Annual Report and Account. It also acts as the sponsor for the trading funds which are not consolidated. These bodies are regarded as related parties with which the Department has had various material transactions during the year.

In addition, the Department had a small number of transactions with other Government Departments and other central Government bodies in 2013-14.

A number of Ministers, Non-Executive Directors and members of either the Departmental Board or Department of Health Management Committee have connections with a wide range of outside organisations for reasons unrelated to their work in the Department. In the normal course of its business during the year, the Department may enter into business transactions with such outside organisations or related parties. In cases where an individual within the Department has an outside connection with one of these related parties, the Department is obliged to disclose the extent of its own transactions with those organisations, as set out in the table below:

		Payables with related party	Purchases from related party	Receivables with related party	Sales to related party
	Sub Note	2013-14 £'000	2013-14 £'000	2013-14 £'000	2013-14 £'000
Age UK	1	-	598	-	-
British Telecom	2	-	26	-	-
Cambridge University	3	-	562	42	42
Cumberland Lodge	4	-	2	-	-
London School of Economics	5	-	3,798	13	51
Medical Research Council	6	-	71	-	12,719
National Society for Epilepsy	7	-	122	-	-
Whitehall and Industry Group	8	-	5	-	-

Sub Note

1) Dan Poulter's partner holds a position at Age UK (a registered charity)
2) Anna Soubry has a small shareholding in British Telecom Plc.
3) Dame Sally Davies' husband is an employee of the Univeristy of Cambridge
4) Dame Sally Davies is a trustee of Cumberland Lodge (a registered charity)
5) Catherine Bell is a Governor at the London School of Economics
6) Dame Sally Davies is a Council Member of Medical Research Council
7) Earl Howe's wife is the President of the National Society for Epilepsy
8) Shirley Pointer is a Member of the Trustee Board, and Remuneration Committee, of the Whitehall and Industry Group

The sub-note above identifies those individuals with outside connections to the organisations listed in the table. It is important to note that the financial transactions disclosed were between the Department itself and the named organisation. The individuals named in the sub-note have not benefited from those transactions.

Apart from where disclosed in this note, no other Minister, Board member, key manager or other related party has undertaken any material transactions with the Department during the year.

22. NHS Charities

Following the inclusion of NHS Charities (as defined by section 43 of the Charities Act 1993) as amended in the 2012 Designation Order, the Department consolidates NHS Charities into the Consolidated Annual Report and Accounts. This note shows the income, expenditure, assets, liabilities and reserves associated with the NHS Charities sector in isolation. As such the “Total resources expended” figure will not match that in the Consolidated Statement of

Comprehensive Net Expenditure, as this statement incorporates the elimination of inter-company trading with other bodies within the Departmental Group. The inter-company transactions eliminated between NHS Charities and other Group bodies totalled £63.9 million in 2013-14 (£87.9 million in 2012-13).

22.1 Charitable Income and expenditure for the year ended 31 March 2014

	NHS Charities	
	2013-14 £'000	2012-13 £'000
Total resources expended	401,825	291,685
Total incoming resources	(345,484)	(304,595)
Net outgoing / (incoming) resources for the year ended 31 March 2014	**56,341**	**(12,910)**
Other Comprehensive Net Expenditure		
Net (gain) / loss on revaluation of charitable assets	(152,808)	(47,569)
Total Comprehensive Expenditure for the year ended 31 March 2014	**(96,467)**	**(60,480)**

22.2 Summary Charitable Statement of Financial Position as at 31 March 2014

	NHS Charities	
	2014 £'000	2013 £'000
Non-current assets		
Charitable investments	1,898,767	1,611,121
Other charitable non-current assets	281,087	158,974
Total non-current assets	**2,179,854**	**1,770,095**
Current assets		
Charitable cash	289,094	303,054
Other charitable current assets	210,588	161,267
Total current assets	**499,682**	**464,321**
Total assets	**2,679,536**	**2,234,416**
Current charitable liabilities	(279,938)	(166,731)
Non-current assets plus/less net current assets/liabilities	**2,399,598**	**2,067,685**
Non-current charitable liabilities	(118,195)	(74,531)
Assets less liabilities	**2,281,403**	**1,993,154**
Total charitable reserves	**2,281,403**	**1,993,154**

22.3 Charitable Financial Assets - Investments

	NHS Charities	
	2014 £'000	2013 £'000
Balance as at 1 April	**1,611,121**	**1,588,175**
Prior period adjustments in underlying accounts	156,443	-
Acquisitions	451,013	232,921
Disposals	(407,087)	(258,578)
Net gain/loss on revaluation	86,739	41,656
Impairment	-	397
Transfers	703	-
Other movements	(165)	6,550
Balance as at 31 March	**1,898,767**	**1,611,121**

22.4 Other Charitable Non-current Assets

	NHS Charities	
	2014 £'000	2013 £'000
Balance as at 1 April	**158,974**	**153,861**
Prior period adjustments in underlying accounts	33,272	-
Acquisitions	5,242	-
Disposals	(1,072)	-
Net gain/loss on revaluation	87,031	-
Impairment	(844)	-
Transfers	-	-
Other movements	(1,516)	5,113
Balance as at 31 March	**281,087**	**158,974**

23. Events after the Reporting Period

The Accounts were authorised for issue by the Accounting Officer on the 15 July 2014.

24. Entities within the Departmental boundary

Ministers had some degree of responsibility for the following bodies during the year 2013-14

Consolidated in the Department's Annual Report and Accounts

Supply financed agencies

Public Health England

Other Bodies

Clinical Commissioning Groups[1]
NHS Trusts
NHS Foundation Trusts
Skipton Fund Limited
NHS Charities
Community Health Partnerships Limited
NHS Property Services Limited
Genomics England Limited

Special Health Authorities:

NHS Business Services Authority
NHS Litigation Authority
Health Research Authority
National Health Service Trust Development Authority
Health Education England

Executive Non-Departmental Public Bodies

Human Fertilisation and Embryology Authority
Care Quality Commission
Independent Regulator of NHS Foundation Trusts
National Institute for Health and Care Excellence
Professional Standards Authority for Health and Social Care
Human Tissue Authority
NHS England[2]
The Health and Social Care Information Centre

DH advisory committees/advisory NDPBs

These advisory bodies/advisory NDPBs are not separate legal entities, rather they are part of the Core Department with their associated costs being included within the Core Department account. As such, they are not separately consolidated into these financial statements.

Administration of Radioactive Substances Advisory Committee
Advisory Committee on Antimicrobial Resistance and Healthcare Associated Infection
Advisory Committee on Clinical Excellence Awards
Advisory Committee on Dangerous Pathogens (DH)
Advisory Group on Hepatitis
Committee on Carcinogenicity of Chemicals in Food, Consumer Products and the Environment
Committee on the Medical Aspects of Radiation in the Environment
Committee on the Mutagenicity of Chemicals in Food, Consumer Products and the Environment
Committee on the Medical Effects of Air Pollutants (DH)
Expert Advisory Group on AIDS
Emerging Science and Bioethics Commission[3]
Healthwatch England
Independent Reconfigurations Panel
Joint Committee on Vaccination and Immunisation
The NHS Pay Review Body
Review Body on Doctors' and Dentists' Remuneration
Scientific Advisory Committee on Nutrition

Not Consolidated

Trading Funds

Medicines & Healthcare Products Regulatory Agency
NHS Blood and Transplant

DH Controlling Equity Investments[4]

Plasma Resources UK
Credit Guarantee Fund
Dr Foster Intelligence Ltd
NHS Professionals Ltd
SBS

1) Primary Care Trusts were abolished on 1 April 2013 with some functions transferred to Clinical Commissioning Groups.

2) NHS Commissioning Board is now known as NHS England.

3)Human Genetics Commission was renamed Emerging Science and Bioethics Advisory Commission in April 2013.

4) The Department holds a 50% or more controlling equity investment in the bodies listed, the detail of which can be found in Note 12 - Financial Assets.

The Annual Reports and Accounts of the bodies listed can be obtained from the following places:

Clinical Commissioning Groups	Available on the website of the relevant organisation.
NHS Trusts	Available on the website of the relevant organisation.
NHS Foundation Trusts	Available on the website of the relevant organisation. Additionally the Consolidated Account of Foundation Trusts is available at: http://www.monitor-nhsft.gov.uk/home/our-publications/reports-about-foundation-trusts/nhs-foundation-trusts-review-and-conso
Skipton Fund Limited	http://www.skiptonfund.org/resources.php
NHS Business Services Authority	http://www.nhsbsa.nhs.uk/annual_report.aspx
The Health and Social Care Information Centre	http://www.hscic.gov.uk/about-us/more-about-us/corporate-documents
National Institute for Health and Care Excellence	http://www.nice.org.uk/aboutnice/whatwedo/corporatepublications/annualreports/annualreports.jsp
NHS Litigation Authority	http://www.nhsla.com
NHS England	http://www.england.nhs.uk/publications
Health Research Authority	http://www.nres.nhs.uk/hra/hra-publications/
Human Fertilisation and Embryology Authority	http://www.hfea.gov.uk/146.html
Care Quality Commission	http://www.cqc.org.uk
Independent Regulator of NHS Foundation Trusts	http://www.monitor-nhsft.gov.uk
Professional Standards Authority for Health and Social Care	http://www.professionalstandards.org.uk
Human Tissue Authority	http://www.hta.gov.uk/publications/annualreviewsandreports.cfm
Medicines & Healthcare Products Regulatory Agency	http://www.mhra.gov.uk/Publications/Corporate/index.htm
NHS Blood and Transplant	http://www.nhsbt.nhs.uk/annualreview/
National Health Service Trust Development Agency	http://www.ntda.nhs.uk/
Health Education England	http://www.hee.nhs.uk/
Community Health Partnerships Limited	http://www.communityhealthpartnerships.co.uk/
NHS Property Services Limited	http://www.property.nhs.uk/

Annexes – not subject to audit

Annex A - Glossary

Administration Limit An overall limit applied to administration costs within the Department which should not be exceeded by the administration expenditure for the year.

Annually Managed Expenditure (AME) A Treasury budgetary control for spending that is generally difficult to control, large as a proportion of the Department's budget, and volatile in nature.

Comptroller & Auditor General Head of the National Audit Office. Responsible for auditing the Department's Accounts.

Consolidated Fund The Treasury's account at the Bank of England which is used by most Government Departments for processing payments and receipts.

Consolidated Fund Extra Receipts (CFERs) Receipts which the Department cannot use to finance expenditure and which are surrendered to the Consolidated Fund. CFERs can be revenue or capital in nature.

Core Department The Department of Health only. It does not include any of the bodies consolidated in the resource accounts.

Departmental Expenditure Limit (DEL) A Treasury budgetary control for spending that is within the Department's direct control and which can therefore be planned over an extended (Spending Review) period (such as the costs of its own administration, payments to third parties, etc.).

Estimate A summary of the resources and cash voted by Parliament to the Department for a particular year and against which expenditure is monitored. It is analysed by Requests for Resources, each being monitored separately.

Executive Agency Part of a government department but treated as managerially separate with its own budget, to carry out executive functions of government.

Executive Non-Departmental Body A body that delivers a particular public service and carries out its work at arm's length from government ministers.

General Fund The General Fund represents the historic cost of the total assets less liabilities of the Department, to the extent that it is not represented by other reserves and financing items. It is included in Taxpayer's Equity on the Statement of Financial Position.

Informatics formerly known collectively as NHS Connecting for Health, contains a collection of large infrastructure IT Programmes that are used across the NHS to enable a move towards a single, electronic care record for patients and to connect General Practitioners to hospitals, providing secure and audited access to these records by authorised healthcare professionals.

Monolines Companies that provide guarantees to insurers (note 12 to the Accounts)

Net Cash Requirement The amount of cash required and authorised from the Consolidated Fund for the Department to carry out the functions specified in the Estimate. Actual cash used during the year is described as the outturn of the net cash requirement.

Net Resource Outturn This is the net total of income and expenditure consumed by the Department during the financial year.

NHS England Group NHS England produce an account that consolidates the accounts of NHS England itself and the 211 Clinical Commissioning Groups.

Programme costs Programme costs include the running costs of NHS bodies funded directly by the Department but otherwise reflect non-administration costs, including payments of grants and other disbursements by the Department.

Special Health Authority A body that provides a health service to the whole of England, not just a local community

Abbreviations:

AA – Administrative Assistant

ALB – Arm's Length Bodies

AMR – Antimicrobial resistance

ARC – Audit and Risk Committee

BRE – Better Regulation Executive

CETV – Cash Equivalent Transfer Value

CCG – Clinical Commissioning Groups

CHP – Community Health Partnerships Ltd

CRA – Country and regional analyses

CVD – Cardio Vascular Disease

CYPIAPT – Children and Young People's Improving Access to Psychological Therapies

CMO – Chief Medical Officer

COFOG – Classification of the Functions of Government

CQC – Care Quality Commission

DECC – Department of Energy and Climate Change

Defra – Department for Environment, Food and Rural Affairs

DG – Director General

DH – Department of Health

EHRC – Equality and Human Rights Commission

ENDPB – Executive Non-Departmental Body

EU-15 - European 15 area region

FTE – full-time equivalent

HEE – Health Education England

HSCIC – Health and Social Care Information Centre

IA – Impact Assessment

IAS – Internal Audit Service

ICT – Information and communications technology

MHRA – Medicines and Healthcare Products Regulatory Agency

MMR – Measles, mumps and rubella vaccine

MOC – Memorandum of Co-operation

MOG – Machinery of Government

MP - Member of Parliament

NHSBT – NHS Blood and Transplant

NHSE – NHS England

NHS FT – NHS Foundation Trusts

NHSLA – NHS Litigation Authority

NHSPS – NHS Property Services Ltd

NHST - NHS Trusts

NICE – National Institute for Health and Care Excellence

NIHR – National Institute Health Research

NTDA – NHS Trust Development Agency

OGD – Other Government Departments

ONS – Office of National Statistics

OSCAR – Online System for Central Accounting and Reporting

PHE – Public Health England

PPRS – Pharmaceutical Price Regulation Scheme

PSS – Personal Social Services

RPC – Regulatory Policy Committee

RTA – Regulatory Triage Assessment

SCS – Senior Civil Servant

SoS – Secretary of State

SpHA – Special Health Authority

SSRB – Senior Salaries Review Board

TES – Total Expenditure on Services

TRC – Translational Research Council

UKCTG – UK Clinical Trials Gateway

WTE – whole-time equivalent

Annex B – Government Core Tables

Government Core Tables

The figures in core tables 1 and 2 are from HM Treasury's public expenditure database OSCAR. This is consistent with Treasury publications.

B1. Core Table 1 Public Spending – net budgetary totals 2009-10 to 2015-16

Total Departmental Spending

£'000

	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	2015-16 Plans
Original Resource DEL	90,156,640	97,075,200	100,285,421	101,591,758	103,948,229	106,495,326	109,650,145	111,662,352
Adjustments -								
Spending Review 2010 transfer to DCLG re - PSS (from 2011-12)	1,280,872	1,363,966	1,471,058	0	0	0	0	0
Machinery of Government transfer to DCLG - re Learning Disability and Health Reform Grant (from 2013-14)	1,253,164	1,288,752	1,345,000	1,325,914	1,378,364	0	0	0
Revised Resource DEL	**87,622,604**	**94,422,482**	**97,469,363**	**100,265,844**	**102,569,865**	**106,495,326**	**109,650,145**	**111,662,352**
of which depreciation	*951,571*	*1,185,285*	*1,209,702*	*1,193,265*	*1,131,512*	*1,069,928*	*1,268,313*	*1,291,000*
Resource AME	**1,588,034**	**3,699,212**	**3,206,771**	**3,193,101**	**5,775,113**	**4,261,086**	**6,006,000**	**5,430,504**
of which depreciation	*386,765*	*2,499,236*	*1,000,777*	*716,384*	*1,145,927*	*1,133,780*	*1,154,000*	*700,000*
Total Resource (revised)	**89,210,638**	**98,121,694**	**100,676,134**	**103,458,945**	**108,344,978**	**110,756,412**	**115,656,145**	**117,092,856**
Capital DEL	4,368,533	5,182,275	4,158,605	3,771,268	3,782,882	4,348,909	4,653,667	4,735,000
Capital AME	13,831	6,441	7,876	-	-	-69,813	10,000	-
Total Capital	**4,382,364**	**5,188,716**	**4,166,481**	**3,771,268**	**3,782,882**	**4,279,096**	**4,663,667**	**4,735,000**
Total departmental spending (revised)	**92,254,666**	**99,625,889**	**102,632,136**	**105,320,564**	**109,850,421**	**112,831,799**	**117,897,499**	**119,836,856**
of which:								
Total DEL	91,039,566	98,419,472	100,418,266	102,843,847	105,221,235	109,774,307	113,035,499	115,106,352
Total AME	1,215,100	1,206,417	2,213,870	2,476,717	4,629,186	3,057,493	4,862,000	4,730,504

Notes

1. The revised TDEL calculated in this table excludes spending for functions that have transferred out of DH that were originally included within either the Plans or Spending Outturns. This
2. SR10 Transfer for Personal Social Services spending has been transferred to Department for Communities and Local Government. This transfer was effective from 2011-12.
3. Machinery Of Government change relating to the Learning Disability and Health Reform Grant which has been transferred to the Department for Communities and Local Government. This transfer was effective from 2013-14.

Spending by local authorities on functions relevant to the department

£'000

	2008-09 Outturn	2009-10 Outturn	2010-11 Outturn	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	2015-16 Plans
Current spending	-	-	-		-	-	-	-
of which:								
financed by grants from budgets above	141,225	30,031	185,247	136,145	93,338	2,713,831	2,838,038	-
Capital spending	-	-	-		-	-	-	-
of which:								
financed by grants from budgets above	163,558	257,117	181,954	155,012	127,911	129,059	129,755	-

B2. Core Table 2 Public Spending Control – 2013-14 outturn figures and control limits

	2013-14 Original plan £'000	2013-14 Final plan £'000	2013-14 Outturn £'000
Resource DEL	106,742,753	106,800,747	106,495,326
Capital DEL	4,437,000	4,444,379	4,348,909
Resource AME	3,033,420	5,502,000	4,261,086
Capital AME	-	120,000 -	69,813

B3. Core Table 3 Capital Employed 2009-10 to 2015-16

	2009-10 outturn £'000	2010-11 outturn £'000	2011-12 outturn £'000	2012-13 outturn £'000	2013-14 outturn £'000	2014-15[4] plan £'000	2015-16[4] plan £'000
Assets and Liabilities on the statement of financial position at end of year							
Assets							
Other non-current assets	153,540	129,975	122,726	125,395	172,146	179,956	182,932
Intangible assets	1,542,567	1,495,695	1,589,475	1,314,346	1,310,607	1,370,064	1,392,727
Tangible assets	1,177,158	1,297,908	1,197,267	1,168,608	1,319,318	1,379,171	1,401,984
of which:							
Land	*73,559*	*113,628*	*102,338*	*97,539*	*123,505*	*129,108*	*131,244*
Buildings	*96,440*	*123,652*	*89,863*	*92,465*	*207,170*	*216,569*	*220,151*
Dwellings	*3,934*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*	*(0)*
IT	*316,446*	*146,240*	*130,330*	*98,883*	*49,714*	*51,969*	*52,829*
Payments on account & assets under construction	*14,797*	*815*	*0*	*3,158*	*44,949*	*46,988*	*47,765*
Furniture & fittings	*9,221*	*34,530*	*8,312*	*8,569*	*7,555*	*7,898*	*8,028*
Plant & machinery	*64,548*	*48,477*	*43,397*	*36,286*	*67,898*	*70,978*	*72,152*
Transport equipment	-	-	-	-	-	-	-
Stockpiled goods	*597,900*	*830,229*	*822,763*	*831,448*	*818,267*	*855,389*	*869,538*
Investment property	*313*	*338*	*263*	*260*	*260*	*272*	*276*
Investments [1]	24,529,424	25,323,617	25,924,137	25,981,056	27,598,311	28,850,344	29,327,565
Current assets	2,022,956	2,194,153	1,220,034	2,119,362	1,846,052	1,929,800	1,961,722
	29,425,645	30,441,349	30,053,638	30,708,767	32,246,434	33,709,335	34,266,930
Liabilities							
Payables (<1 year)	(2,570,323)	(2,905,726)	(1,725,118)	(2,470,464)	(1,895,305)	(1,981,288)	(2,014,061)
Payables (>1 year)	(261,388)	(425,684)	(339,288)	(355,599)	(187,479)	(195,984)	(199,226)
Provisions	(1,374,927)	(1,487,007)	(1,655,536)	(1,710,361)	(1,781,912)	(1,862,751)	(1,893,563)
	(4,206,637)	(4,818,417)	(3,719,942)	(4,536,425)	(3,864,696)	(4,040,023)	(4,106,850)
Capital employed within core department	**25,219,007**	**25,622,932**	**26,333,696**	**26,172,342**	**28,381,738**	**29,669,312**	**30,160,080**
Total Capital employed Trusts	13,812,649	13,413,318	12,114,929	11,305,396	12,588,823	13,159,931	13,377,613
Total Capital employed Foundation Trusts	16,008,930	16,338,866	17,497,184	17,952,444	19,611,831	20,501,547	20,840,668
Total Capital employed NHS England	-	-	-	-	(6,303,590)	(6,589,560)	(6,698,560)
Others [2]	(14,658,481)	(14,269,740)	(16,242,540)	(20,625,359)	(20,380,381)	(21,304,963)	(21,657,374)
Arms Length Bodies net assets	**15,163,098**	**15,482,444**	**13,369,572**	**8,632,481**	**5,516,683**	**5,766,954**	**5,862,347**
Adjustment for intra-group eliminations	(22,850,505)	(23,121,356)	(23,553,366)	(23,649,033)	(24,897,465)	(26,026,970)	(26,457,489)
Total Capital Employed in Departmental Group [3,5]	**17,531,600**	**17,984,020**	**16,149,902**	**11,155,791**	**9,000,956**	**9,409,296**	**9,564,937**

Notes:

1. Forecast growths are consistent with expenditure growth assumptions in Spending Review
   Total Departmental Spending, excluding transfer to DCLG (core table 1a):

2010-11	2011-12	2012-13	2013-14	2014-15	2015-16
102,624	105,321	109,575	112,771	117,887	119,837

2. Total capital employed in "Other" bodies is negative due to the value of net liabilities in the Statement of Financial Position of the NHS Litigation Authority.

3. Figures may not sum due to rounding.

B4. Core Table 4 Administration Budgets 2009-10 to 2015-16

	2008-09 Outturn [1]	2009-10 Outturn [1]	2010-11 Outturn [2]	2011-12 Outturn	2012-13 Outturn	2013-14 Outturn	2014-15 Plans	2015-16 Plans
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Total administration budget			**5,425,184**	**3,540,726**	**3,670,052**	**3,121,751**	**4,129,940**	**3,119,000**

1 The extended administration control did not exist in the outturn years.
2 The 2010-11 administration figure is as per the baseline used for the Spending Review

B5. Core Table 5 Staff in Post 3 years outturn

Is included within Annex C3

Spending by Country, Region and Function

1. **Core Tables B6, B7 and B8** show analysis of the department's spending by country and region, and by function. The data presented in these tables are consistent with the country and regional analyses (CRA) published by HM Treasury in the November 2013 release. The figures were largely taken from the **O**nline **S**ystem for **C**entral **A**ccounting and **R**eporting (OSCAR) during the summer of 2013 and the regional distributions were completed by the following autumn (taking on board any revisions to Departmental totals). Please note that totals may not sum due to rounding.

2. The analyses are set within the overall framework of Total Expenditure on Services (TES). TES broadly represents the current and capital expenditure of the public sector, with some differences from the national accounts measure Total Managed Expenditure. The tables show the central government and public corporation elements of TES. They include current and capital spending by the Department and its NDPBs, and Public Corporations' capital expenditure, but do not include capital finance to Public Corporations. They do not include payments to local authorities or Local Authorities own expenditure.

3. TES is a cash equivalent measure of public spending. The tables do not include depreciation, cost of capital charges, or movements in provisions that are in Departmental budgets. They do include pay, procurement, capital expenditure, and grants and subsidies to individuals and private sector enterprises. Further information on TES can be found in Appendix E of PESA 2013[44].

4. The data features both identifiable and non-identifiable spending:
    a. Identifiable expenditure on services – which is capable of being analysed as being for the benefit of individual countries and regions.
    b. Expenditure that is incurred for the benefit of the UK as a whole and cannot be disseminated by individual country or region is considered to be non-identifiable.

5. Across government, most expenditure is not planned or allocated on a regional basis. Social security payments, for example, are paid to eligible individuals irrespective of where they live. Expenditure on other programmes is allocated by looking at how all the projects across the Department's area of responsibility, usually England, compare. So the analyses show the regional outcome of spending decisions that on the whole have not been made primarily on a regional basis.

6. The functional analyses of spending in **Table B8** are based on the United Nations Classification of the Functions of Government (COFOG), the international standard. The presentations of spending by function are consistent with those used in Chapter A of the CRA November 2013 release. These are not the same as the strategic priorities shown elsewhere in the report.

[44] https://www.gov.uk/government/publications/public-expenditure-statistical-analyses-2013

B6. Core Table 6 Total Expenditure by Country and Region

£ million

Department of Health	National Statistics				
	2008-09	2009-10	2010-11	2011-12	2012-13
North East	5,319	5,745	5,891	5,479	5,611
North West	13,294	14,132	14,182	14,673	15,116
Yorkshire and the Humber	9,096	9,729	9,735	10,266	10,523
East Midlands	7,116	7,651	7,700	8,253	8,480
West Midlands	9,802	10,206	10,450	10,755	10,971
East	8,808	9,761	10,009	10,020	10,278
London	13,881	15,673	16,446	16,166	16,688
South East	12,928	13,967	14,418	14,723	15,126
South West	8,141	8,759	8,745	9,391	9,657
Total England	88,385	95,622	97,576	99,725	102,451
Scotland	-	-	-	-	-
Wales	-	-	-	-	-
Northern Ireland	-	-	-	-	-
UK identifiable expenditure	88,385	95,622	97,576	99,725	102,451
Outside UK	756	919	976	672	644
Total identifiable expenditure	89,141	96,541	98,553	100,397	103,095
Non-identifiable expenditure	-	-	-	-	-
Total expenditure on services	89,141	96,541	98,553	100,397	103,095

B7. Core Table 7 Total Expenditure per head by Country and Region

£ per head

Department of Health	National Statistics				
	2008-09	2009-10	2010-11	2011-12	2012-13
North East	2,070	2,231	2,277	2,110	2,156
North West	1,910	2,023	2,020	2,079	2,134
Yorkshire and the Humber	1,750	1,863	1,853	1,941	1,979
East Midlands	1,602	1,711	1,708	1,819	1,856
West Midlands	1,783	1,846	1,877	1,918	1,944
East	1,543	1,697	1,723	1,709	1,740
London	1,777	1,973	2,040	1,970	2,009
South East	1,534	1,645	1,681	1,702	1,734
South West	1,564	1,676	1,662	1,772	1,809
England	1,706	1,832	1,854	1,878	1,915
Scotland	-	-	-	-	-
Wales	-	-	-	-	-
Northern Ireland	-	-	-	-	-
UK identifiable expenditure per head	1,430	1,537	1,556	1,576	1,608

B8. Core Table 8 Total Expenditure on services by Function or Programme by Country and Region, for 2013-14

£ million

National Statistics

Department of Health	North East	North West	Yorkshire and the Humber	East Midlands	West Midlands	East	London	South East	South West	England	Scotland	Wales	Northern Ireland	Outside UK	Not Identifiable	Grand Total
7. Health																
7.A Medical services	5,370	14,477	10,077	8,122	10,507	9,841	15,982	14,483	9,247	98,107	-	-	-	644	-	98,751
7.B Medical research	9	24	17	13	17	16	27	24	15	163	-	-	-	-	-	163
7.C Central and other health servic	198	522	365	292	380	358	578	527	336	3,556	-	-	-	-	-	3,556
Total health	5,577	15,024	10,459	8,428	10,904	10,215	16,586	15,034	9,598	101,826	-	-	-	644	-	102,470
10. Social protection																
10.1 Sickness and disability	34	92	64	51	67	63	102	92	59	625	-	-	-	-	-	625
of which: incapacity, disability and injury benefits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
of which: personal social services	*34*	*92*	*64*	*51*	*67*	*63*	*102*	*92*	*59*	*625*	-	-	-	-	-	*625*
Total social protection	34	92	64	51	67	63	102	92	59	625	-	-	-	-	-	625
TOTAL DEPARTMENT OF HEALTH EXPENDITURE ON SERVICES	5,611	15,116	10,523	8,480	10,971	10,278	16,688	15,126	9,657	102,451	-	-	-	644	-	103,095

Annex C - Managing the Department: Workforce & Other Information

C1. Outturn Spend data from QDS

Under the Quarterly Data Summary (QDS) framework, departments' spending data is published to show the taxpayer how the government is spending their money. For the financial year 2013-14, the QDS provides a common set of data to enable comparisons of operational performance across government.

The QDS breaks down the total spend of departments in three ways: by budget, by internal operations and by transaction shown in the table below. This expenditure analysis will not match or directly cross refer to the notes in the main body of the resource accounts as a result of definitional differences between data sets.

Table C1 DH QDS Expenditure

	Spend in £ million
Total Spend	**£4,370.03m**
(A) Spend by Budget Type	
(A1) Organisation's own budget (DEL), Sub-Total	£4,367.32m
(A2) Expenditure managed by the organisation (AME), Sub-Total	£2.70m
(A3) Other expenditure outside DEL and AME	£0.00m
(A1 + A2 + A3) Total Spend	**£4,370.03m**
(B) Spend by Type of Internal Operation	
(B1) Cost of running the estate, Sub-Total	£18.84m
(B2) Cost of running IT, Sub-Total	£6.68m
(B3) Cost of corporate services, Sub-Total	£30.69m
(B4) Policy and policy implementation, Sub-Total	£4,313.82m
(B5) Other costs	£0.00m
(B1 + B2 + B3 + B4+ B5) Total Spend	**£4,370.03m**
(C) Spend by Type of Transaction	
(C1) Procurement Costs, Sub-Total	£499.69m
(C2) People costs, Sub-Total	£112.29m
(C3) Grants, Sub-Total	£1,027.44m
(C4) Other costs	£2,730.61m
(C1 + C2 + C3 + C4) Total Spend	**£4,370.03m**

C2. Department of Health Staff Costs

As part of the Transition programme in 2012-13, which culminated on 1st April 2013, the Department has transferred a significant range of functions in NHS-facing business areas to other bodies in the new Health and Social Care system. This has resulted in a significant reduction of the Department's workforce.

The average number of full-time equivalent (FTE) staff employed (permanent and non-permanent) by the Core Department during the 2013-14 financial year fell by a total of 337 (13%) compared to 2012-13. A breakdown of the Core Department figures is set out in table C2 below, and also shows the £83 million reduction in costs and is reported in Note 3.2 to these accounts.

Table C2 Average Number of Persons Employed by the Core Department (WTE basis)

	Permanently employed staff	Other	Total	Total Staff Cost £ million
2012-13	2,176	458	2634	£258m
2013-14	1,853	444	2297	£175m
Change	-323	-14	-337	-£83m

Note: Staff costs exclude the cost of Ministers and Special Advisors. Other includes Fixed Term Appointments, Agency Workers, contractors and consultants as defined by the CAS definition

The transfer of staff to the new NHS bodies at the beginning of the year has been a major contributor in the reduction of the average number of permanent staff of 323 (15%) for the Core Department. The Department has significantly reduced its reliance on the use of non-permanent staff. While the average number over the year only shows a reduction of 14 (FTE), the changes over the year show the reduction more clearly, For the core Department the number of non-permanent workers reduced from 399 in March 2013 to 239 in March 2014.

In addition, as part of the Financial Closedown Programme in April 2013 and following the abolition of SHAs and PCTs, 445 non-permanent staff transferred into the Department. By March 2014, only 23 of these staff remained employed.

The numbers of staff employed, particularly non-permanent, will reduce further during 2014-15, when most of the staff who transferred into the Department as part of the Financial Closedown Programme will have exited the organisation.

C3. Department of Health Workforce

From 1st April 2013, the Department has been operating under its new structure of five directorates (reduced from 10).

The table below provides a snapshot of the number of permanent DH core staff in post at year end and for the last three years. It shows the downward trend to March 2014 and is presented on a different basis to the average whole-time equivalent numbers shown in Annex C2.

Table C3 Core Table 5 Core Department Permanent Staff in Post at 31 March

	March 2011	March 2012	March 2013	March 2014
Core Department	2,555.9	2,284.5	2,198.5	1,847.6

Note: Figures represent the position at the end of each financial year and follow Cabinet Office guidelines

C4. Department of Health Sickness Data

Sickness absence data is provided in the table below for the core Department.

Table C4a Sickness Absence DH 2013-14

	Days Lost (Short Term)	Days Lost (Long Term)	Total Days Lost (12 month period)	Total Staff Years	Average Working Days Lost	Total Staff Employed (headcount)	Total Staff Employed with no sickness absence (headcount)	% Staff with no sickness absence (headcount)
Core Department	3,706	5,102	8,808	1,834.9	4.8	2,211	1,281	58%

Note: The Total Staff Employed in Period figure above is the number of people employed and not whole time equivalents (includes staff who left, adjusted accordingly)

Sickness absence data is provided in the table below for NHS Trusts, NHS Foundation Trusts, Clinical Commissioning Groups and other NHS organisations. Sickness absence data for arm's length bodies consolidated into these accounts is available within the underlying accounts of these organisations.

Table C4b Sickness Absence NHS 2013-14

	Jan to Dec 2013 (12 months)		
	Total days Lost	Total Staff Years	Average Working Days Lost
NHS Trusts and Foundation Trusts	9,090,228	975,374	9.3
Other NHS Organisations	296,757	44,987	6.6

Notes

1. NHS sickness absence statistics are published by the Health and Social Care Information Centre, using data from the NHS Electronic Staff Record (ESR) Data Warehouse
2. NHS Days Lost figures are on a full-time equivalent basis.
3. Other NHS Organisations includes Clinical Commissioning Groups, Primary Care Trusts, Strategic Health Authorities and national NHS organisations such as the NHS Trust Development Authority, the Health & Social Care Information Centre, and NHS England.
4. Sickness absence figures for January to March 2014 were not available in time for this publication.
5. Sickness absence rates are subject to seasonal variation.

C5. Off-Payroll Engagements

Following the Review of Tax Arrangements of Public Sector Appointees published by the Chief Secretary to the Treasury on 23 May 2012, departments must publish information on their highly paid and/or senior off–payroll engagements. The information, contained in the three tables below, includes all off-payroll engagements as at 31 March 2014 for more than £220 per day and that last longer than six months for the core Department, its Executive Agencies and its arm's length bodies.

In 2013-14, the overall number engaged by the core Department has reduced from 120 in 2012-13 to 79 as part of the culmination of the transition programme and the movement of roles and functions to new bodies.

Table C5a For all off-payroll engagements as of 31 March 2014, for more than £220 per day and that last for longer than six months

	Core Department	Agencies	ALBs
Number of existing engagements as of 31 March 2014*	**79**	**0**	**810**
Of which...			
Number that have existed for less than one year at time of reporting.	**23**	**0**	**699**
Number that have existed for between one and two years at time of reporting.	**17**	**0**	**70**
Number that have existed for between two and three years at time of reporting.	**9**	**0**	**19**
Number that have existed for between three and four years at time of reporting.	**4**	**0**	**11**
Number that have existed for four or more years at time of reporting.	**26**	**0**	**11**

*Total includes 6 individuals working on proton beam therapy whose services are engaged via the ALBS NHS England. 4 of these have existed for more than four years and 2 between one and three years at the time of reporting.

Table C5b For all new off-payroll engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014, for more than £220 per day and that last for longer than six months

	Core Department	Agencies	ALBs
Number of new engagements, or those that reached six months in duration, between 1 April 2013 and 31 March 2014	**23**	**0**	**987**
Number of the above which include contractual clauses giving the department the right to request assurance in relation to income tax and National Insurance obligations	**23**	**0**	**481**
Number for whom assurance has been requested	**23**	**0**	**866**
Of which...			
Number for whom assurance has been received	**23**	**0**	**577**
Number for whom assurance has not been received	**0**	**0**	**289**
Number that have been terminated as a result of assurance not being received.	**0**	**0**	**118**

Table C5c For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2013 and 31 March 2014

	Core Department	Agencies	ALBs
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	**0**	**0**	**14**
Number of individuals that have been deemed "board members, and/or, senior officials with significant financial responsibility", during the financial year. This figure should include both off-payroll and on-payroll engagements.	**112**	**18**	**677**

For Senior Officials the core Department has included all officials at SCS1 payband or above with significant financial responsibility for budget(s) of £500,000 or more

C6. Equal Opportunities Policy

The Department's strategic commitments to equal opportunities and diversity incorporate an extensive range of activities, and include targets to increase the representation of women, ethnic minority and disabled staff in the Senior Civil Service (SCS); equalities analysis of all HR policies and initiatives; a comprehensive suite of equality polices; work-life balance and mental health initiatives; workforce monitoring by diversity characteristics; and targeted action such as career progression support for ethnic minority staff. They are set out in the Department of Health Equality Objectives Action Plan[45] and Annual Equalities Information Report[46].

At an operational level, the Department's Equal Opportunities Policy underpins the development and implementation of all policies, guidance and activities:

The Department of Health is committed to treating all staff fairly and responsibly. The aim of the Department's equal opportunities policy is to promote equality of opportunity whereby no employee or job applicant is discriminated against on the grounds of their race, colour, ethnic or national origin, sex, disability, age, sexual orientation, religion or belief, gender reassignment, pregnancy or maternity status, marital or civil partnership status, responsibility for children or other dependents, work pattern, Trade Union membership or activity.

The Department uses a range of measures to track progress – including specific SCS targets, trends in staff survey data, and participation in external benchmarking exercises such as the cross-sector Stonewall Workplace Equality Index. During the course of 2013-14, the Department achieved its targets for the proportions of women, ethnic minority and disabled staff in senior grades. It also maintained a position in the Stonewall 'Top 100 Employers' Workplace Equality Index, with an increased overall 'points' score of 86.5% and ranked 34 out of 369 organisations.

C7. Recruitment and Retention of Disabled Persons & Supporting Department Staff to Succeed

The Department has put in place a number of policies and activities to aid the recruitment and retention of disabled staff. These include: involving the disabled staff network in the assessment (by equality) of all workforce policies and guidance; a comprehensive suite of flexible working policies; development of specific guidance for managers and staff, (covering such issues as 'Making reasonable adjustments', 'Mental health', 'Support for carers', 'Anti-bullying and harassment' and the 'Guaranteed Interview Scheme'); occupational health support; and accessible IT systems, information, accommodation and facilities. The Department is taking place in a cross-government development programme to develop the skills required for progression to higher grades.

C8. Provision of information to and Consultation with Employees

The Department has a series of communication channels in place to deliver information about organisational and business developments to staff and to provide an opportunity for feedback, both at corporate and local level. Methods of communication range from regular electronic messages to all staff via e-mail or the Department's intranet site to face to face briefings by DH Management Committee members and the Department's senior

[45] https://www.gov.uk/government/publications/department-of-health-equality-objectives-2012-to-2016-progress-update
[46] https://www.gov.uk/government/publications/workforce-equality-information-2014

managers. The Department also works in partnership with the Departmental Trade Unions through consultation and negotiation to encourage involvement and build engagement in decision making processes.

C8a. Supporting Departmental Staff to Succeed

The Department can only meet its objectives and discharge its responsibilities by having a highly-skilled, professional and motivated workforce, with staff being supported by the right tools and infrastructure to help them succeed. Such support includes:

- access to an increased range of appropriate training and development opportunities via civil service learning with support from the Department's corporate Learning & Development (L &D) team; and
- provision of effective and efficient support services, especially relating to information technology, human resources, accommodation and finance.

The Department's relationship with its workforce is supported by a series of core values relating to people, overall purpose, the principle of working together, and accountability.

The Department's L&D activity during the year focused particularly on building organisational capability in respect of managing and leading change. There is a strong emphasis on providing a culture where people aspire to learning, grow, develop and innovate. The L&D priorities for 2013 and beyond are to:

- grow our leadership and management capability
- grow core management capability
- develop our talent to progress
- enable all staff to grow core and professional competencies; and
- enable effective cross sector working

The Department also has a programme of work to develop the civil service priority capabilities as described in the civil service capability plan.

The Department of Health's Connecting programme was launched to help civil servants become more connected to the real experiences of patients, people who use services and the health and social care community. It also helps build an understanding of how the health and care system works for those who use it and clarity around the Department's role of leading the health and care system so that people experience a service that protects and promotes health and provides safe, effective and compassionate care.

A wide range of opportunities to help connect staff to the experiences of patients and people who use services have been made available through over 130 partnerships with health and social care providers, and third sector organisations. DH staff have spent time accompanying hospital porters; shadowing healthcare assistants; experiencing reception desks or telephone helplines; learning from doctors and nurses as they work on wards or in operating theatres; or spending time with social workers in the community.

The Connecting Programme started in June 2013 and, to date, all of the Senior Civil Service have spent over 1,800 days interacting with patients, service users, clinicians and carers, in a wide variety of health and care settings – observing, discussing and learning.

C9. Wellbeing of Departmental Staff

The Department's staff health and wellbeing programme, which has been running for over three years, was set up to promote, support, encourage and inspire staff health and wellbeing. Ensuring staff Health and Wellbeing (HWB) has a visible presence in DH culture.

The programme is a partnership made up of policy and HR colleagues, staff networks and over 300 staff volunteers, as well as external partners (such as Charity for Civil Servants, Corporate Alliance against Domestic Violence and Time to Change) to provide a comprehensive suite of wellbeing support for staff. This includes supporting staff to take advantage of a number of sports and recreational social activities and groups through our Sports and Social Association, HASSRA, to help improve physical and social wellbeing. We also aim to inspire positive staff emotional wellbeing - for example, setting up a Domestic Violence Network, helping with managing stress, and supporting workplace adjustments for staff with mental health conditions through a range of sources including the Employee Assistance programme.

Annual staff health checks

Between January and December 2013, 465 registered users within DH undertook 2521 tests (approximately five tests per person). Staff continue to use DH's dedicated Wellpoint health kiosks in two of our sites to monitor and analyse their weight, body mass index, body fat content, blood pressure and heart rate. The HWB team is currently negotiating installing kiosks in two other buildings. Approximately 280 occupational health appointments (including self-referrals), annual flu jabs, and face to face physical health checks took place.

Public Commitments

We have made significant progress on delivering against Public Health Responsibility Deal pledges, Time to Change Organisational pledge and the NHS Leaders' summit commitments.

As part of the 2013 'Time to Change' campaign, Norman Lamb MP, Minister of State for Care and Support, took part in a campaign video to discuss reducing mental health stigma in the workplace. Mental health awareness stalls were set up across DH and a video to raise awareness during 'Time to Talk' day in February 2014. Over 15 Other Government Departments (OGDs) have/are signed up to Time to Change following DH's lead.

2013 World Mental Health Week

During last October's World Mental Health Day, we launched a new broadened pledge, which includes stigma and line manager training. Since then, the DH staff health and wellbeing team and relevant charity partners have actively been raising awareness, promoting 'mental health first aider' training to help staff and managers to spot early signs of mental illness and to signpost staff appropriately.

Managing stress

In addition to health checks, DH also provides opportunities for staff to manage their stress better. This includes:

- Developing a staff mindfulness programme – over 100 participated in the 2013 Mindfulness symposium (including OGD colleagues) and are now trained in this area

- Creating a staff Z-card with details of confidential helplines of our partners and their services
- Developing a staff health and wellbeing corporate objective to recognise volunteers' input to the programme
- Promoting physical and social activity (through gym inductions, exercise classes, Get Active fitness training, two DH choirs formed in Leeds and London)
- The NHS Group held its first 'Wellbeing Wednesday' in 2014, with over 90 staff attending the event. Attendees took part in a range of activities designed to encourage them to develop a healthier and more positive approach towards diet, exercising and mental wellbeing.

Staff Recognition

Earl Howe and Dame Carol Black presented to the winners of the 2013 staff HWB champion award in recognition of their inspirational HWB activities during the year. The Annual Staff HWB 'thank you' event was held in November 2013 to recognise top performing HWB champions, including external charity partners for supporting and promoting good wellbeing in the workplace. Four DH staff received Sir Bob Kerslake's (head of the UK Civil Service) 'Thank You' letters for their exceptional work to promote health and wellbeing across government. Several staff members were nominated for the MHFA Champion Award for demonstrating exemplary leadership in increasing mental health literacy in their community.

The 2013 DH People Survey results indicate that the programme is achieving a positive impact: 68% of staff believe 'DH does a good job of promoting health and wellbeing to its staff' an increase of 10% since we started the programme in 2010. Work is ongoing to continue this programme including establishment of a health and wellbeing dashboard to measure impact and investment.

C10. Health and Safety

The Department of Health recognises its responsibilities, under the Health and Safety at Work Act 1974, for ensuring, so far as is reasonably practicable, the health, safety and welfare of its employees, temporary staff, and visitors to its premises and to others who may be affected by its operations and/or activities. Health and safety is regarded as a key component of the organisation's strategy and its operational considerations and a prime responsibility of the management team. In 2013-14, there were 40 reported accidents; 2 of which resulted in absence, and 5 near misses.

C11. Social and Community Policies

The Department encourages staff working within the Department and its ALBs to take part in community activities, through volunteering in the local area and offering work experience opportunities to people from disadvantaged backgrounds. Its policy encourages staff to work with people from all strands of the local community, particularly those from under-privileged backgrounds. As part of its implementation plan the Department has set up partnership arrangements with Southwark Volunteering Centre, Time and Talents (Westminster), and Leeds Ahead (Yorkshire) - to help put people and teams in touch with local community groups for volunteering opportunities.

The Department also offers work experience opportunities as part of its commitment to the social mobility agenda. This includes the cross-government Whitehall Summer Internship scheme, which provides school-age students from under-represented socio-economic backgrounds with an opportunity to experience life in Whitehall and undertake

work in high-profile policy teams. The Department supported three interns in 2012-13, and will continue to run this scheme on an annual basis. For graduates and under-graduates the cross-government Summer Internship programme targets students from ethnic minority backgrounds or who have a disability and each year, the Department takes four to five candidates.

In addition, the Department embarked on a local work experience initiative in 2010. This programme 'Building Bridges' is aimed at high-achieving pupils from local school in disadvantaged areas in Southwark and Westminster. Participants are given the opportunity to see the work of the Department first hand and it also provides a unique opportunity for policy makers to gain valuable insight into how young people engage and interpret health related policies, through two-week placements in the Department. The programme offers up to ten placements a year to local partner schools with all participants mentored and supported by a Fast Stream management trainee. Work is underway to extend the programme to pupils in Leeds.

C12. Spend on Consultancy, temporary and agency workers

Table C12 below provides details of expenditure on Consultancy, Agency and Temporary workers by bodies within the Departmental Accounting Boundary, The definition for consultancy and temporary agency workers are in line with HM Treasury Guidance.

In a change from 2013-14, consultancy values have been reported on a resource basis, consistent with the accounts and reconcile to the figures reported in Notes 4 and 5. This differs from the approach taken in 2012-13 and earlier years, where the figures were reported showing receipted amounts against purchase orders in line with Office of Government Commerce (OGC) definitions. There are definitional and timing differences between these sources and direct comparison may not be appropriate.

Bodies within the NHS trade with each other in their operations and this is applicable to consultancy. The overall totals therefore are presented gross and net of the associated eliminations for 2013-14.

Overall, a 2% reduction of spend can be seen for consultancy this year. Comparisons of the change by groupings are complicated by the reconfiguration of many of the NHS entities last year. However, the combined expenditure of the Core Department and Public Health England (previously part of the Core Department) has reduced by 38% in the year.

There is a marked change in the overall expenditure upon Temporary and Agency staff this year, which shows a significant reduction of 25%, around £1billion.

Table C12 Spend on consultancy, temporary and agency workers

	2013-14		2012-13	
	Consultancy[1] £000	Temporary Agency[2] £000	Consultancy[1] £000	Temporary Agency[2] £000
Total DH Core	588	39,991	18,399	56,593
Special Health Authorities[3]	2,020	15,891	4	17,909
Executive Agencies[4]	10,868	23,296		
NDPBs	28,946	52,181	11,776	23,072
Other ALBs[5]	4,271	2,888	771	13,872
NHS Commissioners & Providers				
NHS England (inc CCGs)	128,917	239,393		
Strategic Health Authorities	-	-	25,056	65,613
Primary Care Trusts	-	-	172,945	278,308
NHS Trusts	181,558	1,184,479	172,860	1,671,496
NHS Foundation Trusts	233,578	1,396,244	194,207	1,799,965
Sub Total	544,053	2,820,116	565,068	3,815,382
Gross Total	**590,746**	**2,954,363**		
Eliminations	**- 6,037**			
Total Dept Group (after eliminations)	**584,709**	**2,954,363**	**596,018**	**3,926,828**

1 From 2013-14, Consultancy values are reported on a resource basis, consistent with the Departmental Account, and reconcile to the figures reported in Notes 4 and 5. This differs from 2012-13 and earlier years, where the figures were reported showing receipted amounts against purchase orders in line with Office of Government Commerce (OGC) definitions. There are definitional and timing differences between these sources.

2 Temporary Agency values are reported on a resource basis and are consistent with audited accounts.

Social Care Information Centre is now an Executive NDPB and is reported as such in 2013-14. NHS Commissioning Board, known as NHS England, is also now an Executive NDPB, but consolidates Clinical Commissioning Groups (CCGs) which under the NHS reforms have replaced Strategic Health Authorities and Primary Care Trusts. Figures for this sector are reported separately.

4 Public Health England is a new Executive Agency from 2013-14, having previously been part of the Core Department.

5 Other ALBs included some Special Health Authorities and Executive NDPBs in 2012-13. These are reported under their respective headings from 2013-14.

C13. Department of Health - Payment of Suppliers

The Department complies with both the CBI prompt payment code and the British Standard on prompt payment. The Department is a signatory to the Government's Prompt Payment Code and has a policy to pay all bills as soon as possible.

The standard terms of payment for all supplier contracts is 30 days from receipt and agreement of a valid invoice. This is embedded in all contracts with suppliers, with any exceptions agreed as part of contractual negotiations. Exceptions have to be fully justified and agreed by the appropriate senior management and finance colleagues. Payment terms for most other types of valid payments for grants, funding and other bodies are immediate.

The figures included within table C13 are for core Departmental payments only. Invoices and payments made in relation to NHS organisations which closed on 1 April 2013 under the Health and Social Care Reforms are not included.

Table C13 Payment of Suppliers

	2013-14	2012-13
% paid in 5 day period	95.38%	92.95%
No. paid in 5 day period	172,476	167,454
% paid in 10 day period	97.9%	97.1%
No. paid in 10 day period	177,085	174,932
% paid in 30 day period	99.2%	98.5%
No. paid in 30 day period	179,371	177,384
Payable Days	1	11

Note: Payable Days is the proportion of the amount owed to trade payables at the year-end compared with the aggregate amount invoiced by suppliers during the year, expressed as a number of days in the same proportion to the total number of days in the financial year.